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Foreword

This Survey is published on the responsibility of the Economic and Development Review Committee of the OECD, which is charged with the examination of the economic situation of member countries.

The economic situation and policies of Norway were reviewed by the Committee on 19 May 2026. The draft report was then revised in light of the discussions and given final approval as the agreed report of the whole Committee on 8 June 2026.

The Secretariat's draft report was prepared for the Committee by Hansjörg Blöchliger, Yosuke Jin, Natia Mosiashvili and Eline Holter Henriksen under the supervision of Douglas Sutherland. Research assistance was provided by Natia Mosiashvili, and editorial support by Sisse Nielsen.

The previous Survey of Norway was issued in June 2024.

Information about the latest as well as previous Surveys and more details about how Surveys are prepared is available at www.oecd.org/eco/surveys.

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Basic statistics of Norway, 2025

(Numbers in parentheses refer to the OECD average)

LAND, PEOPLE AND ELECTORAL CYCLE				
Population (million, 2024)	5.6		Population density per km ¹ (2024)	15.3 (39.6)
Under 15 (% , 2024)	16.2	(16.7)	Life expectancy at birth (years, 2023)	83.1 (81.2)
Over 65 (% , 2024)	18.8	(18.6)	Men (2023)	81.5 (78.6)
International migrant stock (% of population, 2024)	18.2	(15.7)	Women (2023)	84.6 (83.8)
Latest 5-year average growth (%)	0.8	(0.5)	Latest general election	September 2025
ECONOMY				
Gross domestic product (GDP)			Value added shares (% , OECD: 2024)	
In current prices (billion USD)	531.0		Agriculture, forestry and fishing	1.8 (2.5)
In current prices (billion NOK)	5 511.3		Industry including construction	37.8 (25.7)
Latest 5-year average real growth (%)	2.2	(3.0)	Services	60.4 (71.8)
Per capita (thousand USD PPP, 2024) ¹	105.7	(62.3)		
GENERAL GOVERNMENT				
Per cent of GDP				
Expenditure (OECD: 2024)	49.6	(42.6)	Gross financial debt (OECD: 2024)	62.9 (109.5)
Revenue (OECD: 2024)	60.0	(37.8)	Net financial debt (OECD: 2024)	-427.9 (65.8)
EXTERNAL ACCOUNTS				
Exchange rate (NOK per USD)	10.38		Main exports (% of total merchandise exports)	
PPP exchange rate (USA = 1)	9.02		Fuels	62.3
In per cent of GDP			Animal products	9.8
Exports of goods and services	45.6	(29.9)	Machinery and electronics	7.8
Imports of goods and services	33.8	(29.7)	Main imports (% of total merchandise imports)	
Current account balance	13.8	(-0.4)	Machinery and electronics	25.0
Net international investment position (2020)	297.1		Transportation	13.6
			Miscellaneous	11.3
LABOUR MARKET, SKILLS AND INNOVATION				
Employment rate (aged 15 and over, %, OECD: 2024)	62.6	(58.0)	Unemployment rate, Labour Force Survey (aged 15 and over, %, OECD: 2024)	4.5 (4.9)
Men (OECD: 2024)	66.0	(65.4)	Youth (aged 15-24, %, OECD: 2024)	14.0 (11.1)
Women (OECD: 2024)	59.2	(51.0)	Long-term unemployed (1 year and over, %, 2024)	0.6 (1.0)
Participation rate (aged 15 and over, %, OECD: 2024)	65.5	(61.0)	Tertiary educational attainment (aged 25-64, %, 2024)	50.4 (41.8)
Average hours worked per year (2024)	1,407	(1 736)	Gross domestic expenditure on R&D (% of GDP, 2024)	1.8 (2.7)
ENVIRONMENT				
Total primary energy supply per capita (toe, 2024)	4.8	(3.7)	CO ₂ emissions from fuel combustion per capita (tonnes, 2024)	6.4 (7.5)
Renewables (% , 2024)	57.3	(13.1)	Water abstractions per capita (1 000 m ³ , 2022)	70.0
Exposure to air pollution (more than 10 µg/m ³ of PM _{2.5} , % of population, 2020)	0.0	(56.5)	Municipal waste per capita (tonnes, 2024)	0.7 (0.5)
SOCIETY				
Income inequality (Gini coefficient, 2022, OECD: latest available)	0.262	(0.315)	Education outcomes (PISA 2022 score)	
Relative poverty rate (% , 2022)	8.0	(11.5)	Reading	477 (476)
Median disposable household income (thousand USD PPP, 2022)	49.2	(31.9)	Mathematics	468 (472)
Public and private spending (% of GDP)			Science	478 (485)
Health care (2024)	9.7	(9.3)	Share of women in parliament (%)	44.4 (33.3)
Pensions (2021)	8.6	(9.9)	Net official development assistance (% of GNI)	1.0 (0.4)
Education (% of GNI, 2021)	6.7	(4.4)		

Note: The year is indicated in parenthesis if it deviates from the year in the main title of this table. Where the OECD aggregate is not provided in the source database, a simple OECD average of latest available data is calculated where data exist for at least 80% of member countries

1. OECD aggregate refers to weighted average.

Source: Calculations based on data extracted from databases of the following organisations: OECD, International Energy Agency, International Labour Organisation, International Monetary Fund, United Nations, World Bank.

Executive summary

Key messages

Norway remains among the world's most prosperous and equal economies, underpinned by sound macroeconomic management and a highly skilled labour force. Yet weakening productivity growth and rising public spending are straining the economy and threatening long-term fiscal sustainability. The Middle East conflict will rise petroleum revenues but fuel inflation and weigh on assets in the oil fund. Renewed efforts to reform the fiscal and regulatory frameworks are essential to safeguard future living standards.

- The structural non-oil deficit continues rising, and inflation is persisting. Complementing the fiscal rule with a medium-term spending plan could help maintain long-term sustainability of the public finances. Monetary policy should remain restrictive until inflation is durably anchored at target. The monetary policy framework, which is currently under evaluation, works well and should be kept broadly unchanged.
- Performance of primary and lower secondary education has declined to a worrying extent. Raising teaching quality and adapting teaching to individual student needs, further improving the school environment and strengthening testing will help improve it.
- Risks of global value chain disruptions have deepened. Deepening trade relations further, improving risk management and maintaining sufficient inventories of essential goods will help bolster Norway's economic resilience.
- Despite overall low entry barriers, recurring regulatory burdens are high. Regulatory compliance costs and administrative reporting burdens are an obstacle to opening and expanding businesses. Regulatory reforms, above all those aimed at strengthening regulatory reviews, lowering administrative and regulatory burdens for startups and making insolvency regimes more effective, would spur innovation and growth.

The economy has picked up, but risks are increasing

Before the Middle East conflict, Norway's mainland economy had largely recovered from the pandemic and the cost-of-living crisis and was operating slightly above capacity, while the impetus from offshore activity was waning. Underlying inflation pressure turned out to be stronger than expected. The conflict in the Middle East will boost oil revenues again. Inflation is likely to edge up, remaining above target. Fiscal policy is mildly expansionary. The economy is expected to grow resiliently, but uncertainty and risks remain elevated.

The economy has picked up, driven by rapidly growing household income (Figure 1). Business investment has been gaining some momentum, while housing investment has ceased contracting. The oil and gas export boom following Russia's invasion of Ukraine is unwinding. Higher US tariffs have had little effect on exports so far.

The labour market is easing but imbalances remain. Unemployment is edging toward 5%, largely reflecting higher youth unemployment. However, employment continues to expand. Shortages in health care and technical professions remain binding. Real wages continue to increase against the background of tight labour conditions.

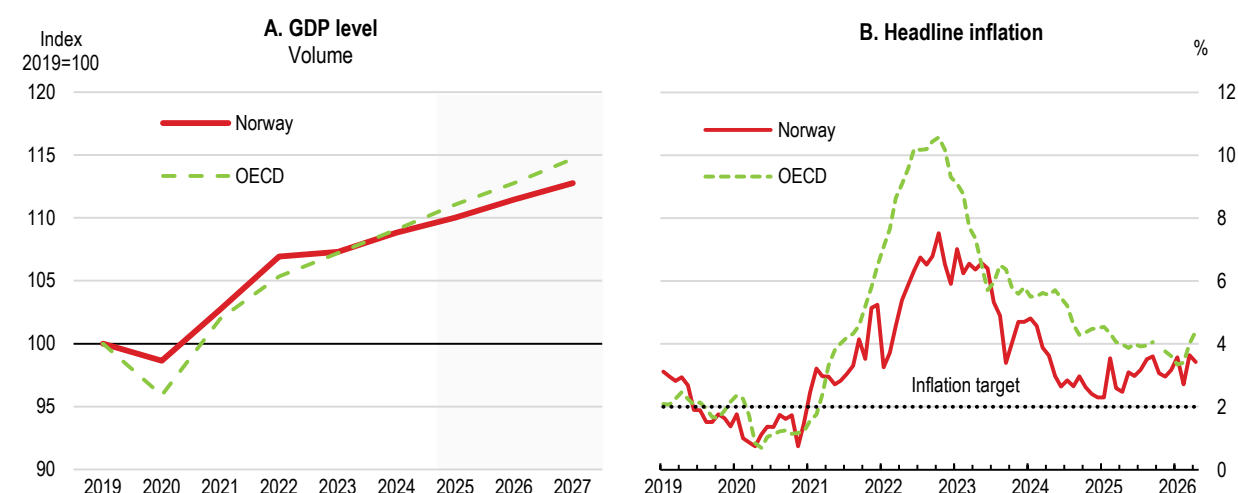
Inflation persists above target. After a rapid post-pandemic decline, headline inflation fluctuated at around 3% through 2025, driven mainly by domestic cost pressures. In May 2026 the policy rate was

raised to 4.25% as inflation pressures were mounting. The krone has strengthened since late 2025, damping imported inflation.

Household debt is rising. Macro-prudential rules have been slightly eased, including a higher loan-to-value ratio. The housing market remains tight, mostly because of lagging housing supply. Household debt is expanding, and while it is supported by rising incomes, it warrants close monitoring.

Projections remain subject to considerable uncertainty. Mainland GDP is expected to grow by 1.7% in 2026 and 1.5% in 2027, supported by consumption (Table 1). Headline inflation is expected to decline towards the end of 2026 but is likely to stay above the 2% target. Risks are elevated, particularly regarding the impact of Middle East developments on inflation and oil export revenues.

Figure 1. The economy has rebalanced, but inflation remains sticky



StatLink  <https://stat.link/pr84bx>

Table 1. Growth is projected to remain steady

(Annual growth, unless specified)	2024	2025	2026	2027
Mainland GDP volume ¹	0.6	1.8	1.7	1.5
GDP volume	1.4	1.1	1.3	1.2
Private consumption	1.3	2.7	2.4	1.5
Gross fixed capital formation	- 1.4	1.3	1.1	2.0
Exports	5.8	2.4	1.7	1.1
Imports	5.0	2.6	1.3	2.8
Unemployment rate (% of labour force)	4.0	4.5	4.5	4.5
Consumer price index	3.2	3.0	3.1	2.3
Current account (% of GDP)	15.0	13.8	17.1	12.3
Budget balance (% of GDP)	12.7	10.4	11.1	9.6

Note: 1. GDP excluding oil and shipping.

Source: OECD Economic Outlook 119 database.

The fiscal framework needs to be buttressed

Norway relies strongly on withdrawals from the oil fund to cover substantial and rising non-oil deficits. Public spending has grown steadily for two decades and is now the highest share of GDP in the OECD as measured against mainland GDP. Complementing the fiscal framework with a medium-term expenditure plan would reinforce fiscal discipline. Tax reform should reduce the burden on capital and labour.

The structural non-oil deficit continues to widen.

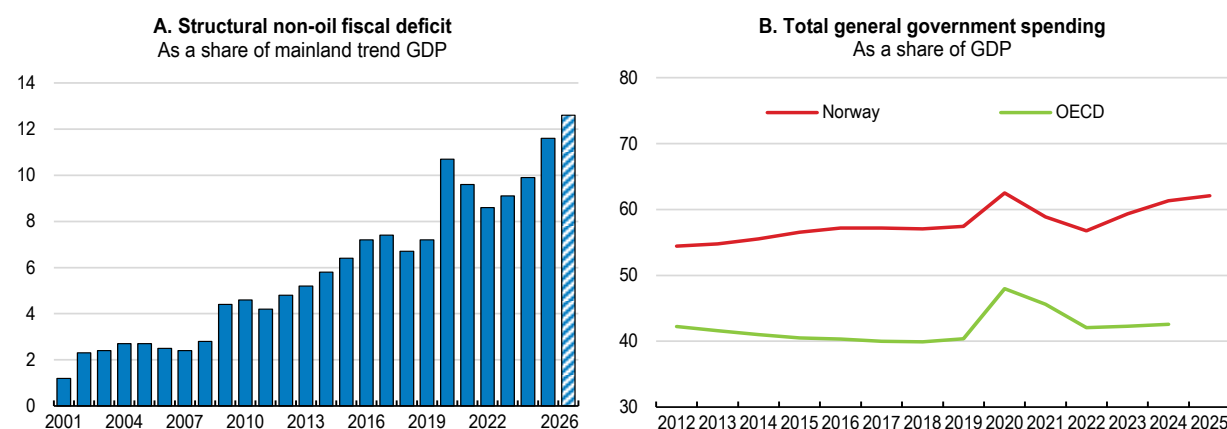
The overall budget surplus fell to around 10% of GDP in 2025, down from 25% in 2022, while the structural non-oil deficit reached a record 11.6% of mainland GDP (Figure 2). The fiscal rule—capping average withdrawals from the Fund at 3%—remains respected, with the withdrawal rate at 2.7% in 2025. The Fund's value exceeds 400% of GDP.

The fiscal rule should be complemented with a spending plan. Public spending as a share of mainland GDP has risen almost continuously over the past two decades and is now the highest in the OECD. Withdrawals from the fund cover more than a

quarter of that spending, up from 3% in 2001. A lasting decline in fund value could pose considerable problems for fiscal policy. Introducing a structural expenditure plan would limit spending growth and contain spending excesses.

A medium-term expenditure framework (MTEF) would support budget discipline.

Norway is virtually the only OECD country without a MTEF. Introducing a MTEF would reduce short-termism of fiscal policy and ensure consistency between policy decisions and their future fiscal implications. In the National budget for 2026 estimates of the medium term fiscal space was presented to parliament.

Figure 2. Public spending should be tamed

Note: Panel B: Mainland GDP for Norway.

Source: Ministry of Finance, Budget 2026; OECD, National Accounts database.

StatLink  <https://stat.link/emjqux>

Sickness and disability benefits are generous.

Norway's sick leave and disability benefit system is the most generous in the OECD. Spending on sickness and disability makes up around 22% of total public spending or more than 8% of mainland GDP. Prolonged absences also weigh on employment, increase the risk of labour-market detachment and serve as a pathway to early retirement.

Subsidies are high and rising. The share of subsidies in GDP is high and rising, especially for climate-related purposes. Agricultural subsidies are the highest in the OECD, many of them distorting markets and damaging the environment. The "Norgespris" electricity subsidy weakens incentives to save on energy. The government plans to prune subsidies for innovation, which are often ill-targeted and governed by a scattered system of agencies.

Tax reform could ease the burden on businesses.

Norway's tax burden is geared toward revenues from natural-resources. The government is planning a comprehensive tax reform to reduce the burden on labour and capital, which is welcome. The net wealth tax should be reduced in favour of stronger immovable property and inheritance taxation. The very light taxation of housing also needs reform.

The monetary policy framework should remain largely unchanged. Norges Bank's mandate is currently under review. Norway's experience with flexible inflation targeting has been broadly positive, contributing to high and stable output. The revised mandate should therefore reaffirm and possibly strengthen inflation targeting as the primary objective of monetary policy. Preserving the Bank's operational independence is also key.

Lifting foundational skills requires ambitious education reform

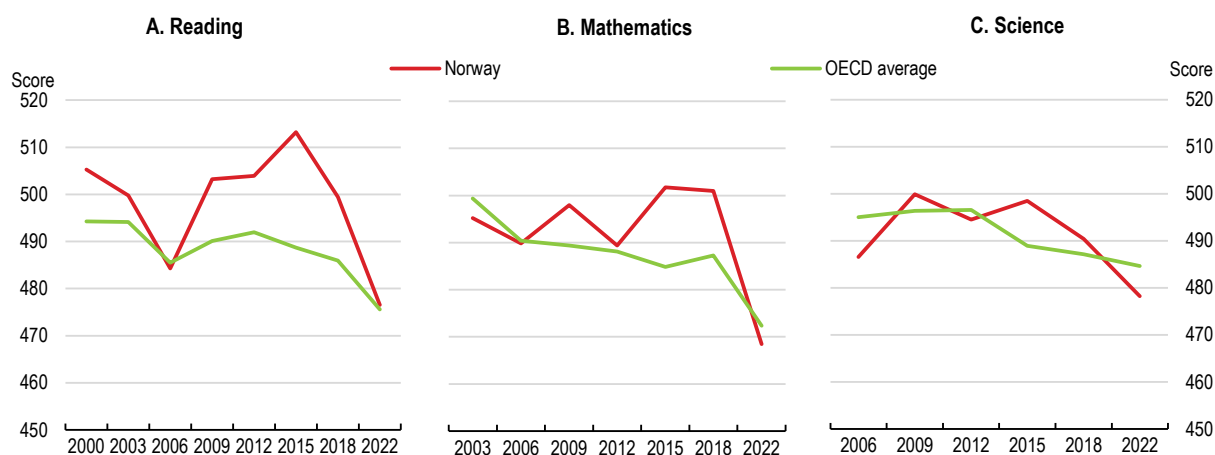
Education outcomes, as measured by the Programme for International Student Assessment (PISA), have fallen below the OECD average and the share of underperforming students is rising. The education system struggles to cater to individual student needs and ensure consistent quality within schools. A comprehensive education reform should improve teaching quality, streamline the curriculum and strengthen quality control. Early childhood education and care should adopt more ambitious standards.

PISA results have fallen sharply over the past decade and are now close to or below the OECD average, despite high education spending (Figure 3). The share of low-performing students has risen. The decline in PISA scores could reduce long-term productivity by about 3%. National test results show similar patterns, with falling student motivation a likely driver of weaker outcomes. Yet adult skills remain among the highest in the OECD.

While Norway's education system is universal and comprehensive, it struggles to meet the needs of both high- and low-performing students. More tailored measures - such as small-group instruction, within-class grading or two-teacher classrooms - would better address individual learning needs. Language skills of immigrant students should be assessed more systematically. The rigid class-size requirement should be removed, as it does not improve performance.

Improving teaching quality and the school environment could help raise performance. Teacher appraisal should become more regular and binding. The curriculum should become leaner and practical to foster core skills. More standardized testing will help to better assess student skills and foster equal opportunity. A better disciplinary climate and enforcing digital device bans will improve learning.

The objectives of early childhood education and care (ECEC) should become more ambitious. Public spending is close to 1% of GDP, and kindergarten fees - already low - were further reduced in 2025. Although ECEC is not compulsory, attendance is among the highest in the OECD. Further development should emphasise playful learning and systematic efforts to build social and emotional skills. Financial incentives such as the cash-for-care benefit, which discourages ECEC for toddlers, should be removed.

Figure 3. PISA scores have declined sharply

Source: OECD, PISA 2022 database.

StatLink  <https://stat.link/ehboyd>

Managing the risks of global value chain disruptions

As an exporter of key commodities, Norway is relatively less exposed to global value chain (GVC) disruptions. Its GVC risk-management framework is decentralised and flexible, with significant responsibilities assigned to local authorities, firms and households. Recent geopolitical and economic tensions have raised the prominence of economic security. To reinforce resilience, Norway should standardise GVC risk management, develop effective inventories of essential goods and deepen its openness to international trade.

Norway is relatively little exposed to GVC risks. As an upstream commodity exporter, Norway controls several key GVCs, including oil, gas and electricity. Import-side risks are well diversified, and the share of vulnerable country–product combinations—such as rare earths and semiconductors—is among the lowest in the OECD. However, exposure to non-European partners has increased on both the import and export sides.

The risk management system is decentralized and flexible. Businesses and households retain primary responsibility for managing GVC risks. The inventory system is focused mainly on essential goods. Strengthening coordination across agencies and adopting more standardised risk assessments would improve evaluation of the costs and benefits of policy intervention. The concept of “self-sufficiency” should be replaced by “security of supply”.

Diversifying the economy and lowering trade barriers would strengthen the resilience of global value chains. Trade costs remain considerably higher in Norway than the OECD average and exposure to countries without free-trade agreements has increased on both the import and export sides. Concluding additional trade agreements and further facilitating trade would help make GVCs more robust.

Research and development could reduce reliance on critical GVCs. Spending on R&D is comparatively low. Many universities are small, limiting economies of scale and scope in education, research and innovation. Stronger coordination of education and research programmes across universities could help raise excellence in science and technology. Programmes to support cutting-edge research and development should be expanded and coordinated internationally.

Resetting regulatory frameworks would revive business dynamism

Business dynamism should be revived to unleash the potential of existing and prospective firms. The entry rate has been on a declining trend and firm expansion remains limited. Existing regulations should be reviewed to alleviate increasing compliance costs and reporting obligations while rationalising regulations. This would not only reduce regulatory costs but also remove entry barriers. These efforts should be accompanied by

reducing marked regulatory barriers in some key sectors and lowering the restrictiveness of insolvency regimes to encourage entrepreneurship

The number of regulations that businesses must comply with has increased markedly. Consequently, compliance costs and reporting obligations have also increased. Norwegian firms perceive regulatory burdens as among the most important obstacles to their business. While environmental and social regulations strive for best-in-class standards in Norway, the related compliance costs are even higher. Individual reporting requirements are cumbersome and the lack of coordination among authorities requires multiple submissions. An OECD estimate suggests that such regulatory costs are higher in Norway than in other European countries.

The policymaking system is solid but has weaknesses (Figure 4). Burdensome regulations have cumulated over time. Existing regulations are evaluated in some cases, but key elements are not assessed systematically. Regulations need to remain fit for purpose in changing circumstances and achieve their intended objectives in a cost-efficient manner. A broad review of regulations should be conducted, involving stakeholders and specifically aiming at reforms. While stakeholders are generally active, more effective control of contact with interest groups and conflicts of interest would alleviate the risk of undue influence through lobbying.

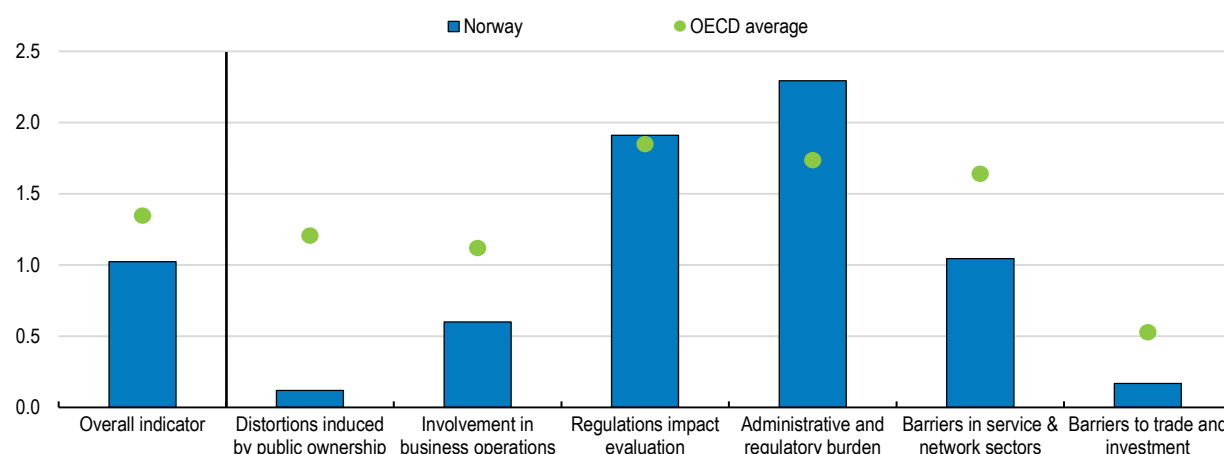
Administrative and regulatory burdens for entry remain high, particularly in some sectors and for

foreign affiliates. The number of procedures and public bodies that must be contacted to set up a company is large, despite the common digital platform “Altinn”. Heavy reporting obligations should be alleviated by consolidating them, as many contain overlapping elements. Licensing issues become particularly complex where multiple objectives exist and coordination among several public bodies is required. In the energy sector, procedures for obtaining licences for new power plant installations, including approvals from local authorities, should be streamlined while reducing political interference.

Insolvency regimes should be made more business oriented. Insolvency regimes in Norway tend to prompt firm liquidation too often. The authorities should aim to increase the possibility of restructuring viable firms and encourage stakeholders to use restructuring procedures more extensively. The personal bankruptcy regime is particularly penalising, which should be alleviated by reducing the time to discharge. Finally, given the number of small businesses that are compulsorily liquidated due to a lack of resources and proper accounting, a special regime for SMEs should be reintroduced with reduced administrative charges and the provision of technical support.

Figure 4. Regulatory frameworks need improvements in some policy areas

The overall PMR indicator and its components, 2023



Note: In the OECD PMR indicators, the score ranges from 0 (least restrictive) to 6 (most restrictive). Presented are the headline indicator and the six medium-level components.

Source: OECD Product Market Regulation indicators database.

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MAIN FINDINGS	KEY RECOMMENDATIONS
Macroeconomic policies	
Inflation remains persistently above target.	Maintain a restrictive monetary stance until inflation is durably anchored at target. Raise interest rates if inflation risks de-anchoring.
Norges Bank's mandate will be renewed in 2026. The bank published an evaluation of the current monetary policy framework, concluding that the experience with flexible inflation targeting is broadly positive.	Reaffirm and possibly strengthen inflation targeting as the primary objective of monetary policy, while preserving Norges Bank's operational independence.
The housing market has cooled. However, house prices remain high and investment in new housing is subdued, suggesting structural constraints to the supply of new housing.	Reform land-use policy to expand buildable land and support densification.
Public spending as a share of GDP has risen over the past decade, in contrast with other Nordic countries. Withdrawals from the sovereign wealth fund now finance 27% of public expenditure (3% in 2001), exacerbating dependence of fiscal policy on the fund's value and exposing the budget to substantial financial market risk.	Complement the fiscal rule with a structural spending plan to limit spending growth, contain spending excesses, and to smooth spending over time.
Spending reviews are narrow and unsystematic.	Set up escape clauses to help adjust spending in the case of large movements in the value of the wealth fund.
The sickness and disability benefit system is generous, discouraging employment and creating high fiscal costs. High implicit tax rates particularly affect young people. A large-scale randomised controlled trial is testing the effects of a work-income tax allowance.	Carry out more comprehensive spending reviews, broaden their remit and implement their findings.
Subsidies are high relative to GDP. Agricultural income support is the highest in the OECD. "Norgespris", carbon compensation for energy intensive businesses and several temporary energy subsidies are costly and reduce incentives for saving on energy.	Increase labour participation and reduce fiscal cost of the sickness and disability system by adjusting benefit rates, increasing employer participation and enhancing early intervention and independent medical assessments.
The tax system places a relatively high burden on labour and capital, while consumption and owner-occupied housing are taxed lightly in comparison. There are many reduced rates in the VAT system.	Reduce distortive and environmentally harmful subsidies and work towards removing them, especially in agriculture and carbon compensation.
	Remove temporary energy subsidies.
	Embark on a comprehensive tax reform to reduce taxation of labour and capital, while increasing taxes on inheritance and immovable property.
	Remove reduced rates in the VAT system.
Reforming education to foster foundation skills	
PISA scores are declining. Their variation within schools is wide, reflecting Norway's universal and comprehensive education system catering to the average student.	Tailor teaching to each student's needs to help them fully reach their potential.
A high teacher-pupils ratio requirement drives cost and seems unrelated to quality.	Remove the teacher pupil ratio requirements in favour of more targeted measures, such as small group instruction, within class grading, or two teacher classrooms.
Despite reforms over the past few years, the curriculum can be vague, with tensions arising between lifting core competencies and social and emotional skills.	Streamline the curriculum, strengthen core competencies, clarify the required social and emotional skills and make them more operational.
Participation of children from disadvantaged households, notably immigrants, remains relatively low. Some social benefits provide incentives for home schooling young children.	Remove all financial incentives that deter families from sending their children to early childhood education and care (ECEC).
Managing the risks of global value chain disruptions	
As an exporter of key commodities, Norway is comparatively less exposed to GVC risks. Its GVC risk management system is decentralized and flexible, with many responsibilities delegated to local authorities and businesses.	Improve coordination among different agencies, notably among civil protection and the Ministry of Trade, Industry and Fisheries.
Exposure both on the import and export side to countries without free-trade agreement has risen, while trade with Europe has declined. Norway remains outside the EU customs union.	Assess GVC vulnerabilities and risks both on the import and export sides, including the costs of policy intervention.
	Extend and deepen free-trade agreements, notably with countries where trade is expanding.
	Deepen the EEA agreement to ensure Norway keeps full access to European markets.
Resetting regulatory frameworks to revive business dynamism	
The business community is concerned about regulatory compliance costs and administrative burdens arising from an increasing number of regulations.	Conduct a broad review of regulations focused on reducing compliance costs and administrative burdens for businesses, engaging a wide range of stakeholders.
Despite the advanced digital platform ("Altinn"), the number of public bodies to which firms must provide information remains large in practice, which is particularly burdensome for new and small firms. This is due to complexities in individual reporting requirements and a lack of coordination among public bodies.	Introduce a single data submission for the purpose of annual accounting and tax returns for small businesses.
There is no requirement for business licences to be risk-proportionate. In some cases, the requirements for obtaining and renewing licences are disproportionately strict.	Assess the rationale for existing licensing requirements at all levels of government and systematically apply risk-proportionality in licensing requirements.
The procedures for obtaining licences for power generation remain	Streamline and shorten the licensing procedures for establishing new

cumbersome and very lengthy. In many cases, the installation of new power plants is blocked by municipalities, reflecting a wide range of concerns beyond zoning.	power plants by reducing the number of public bodies that assess and authorise the installation of plants. Consider introducing guidelines or criteria to guide municipal decisions on the establishment of new power plants.
Bankrupt individuals must go through several steps to discharge pre-bankrupt debt, and this process takes considerable time.	Simplify the process for discharging pre-bankruptcy debt and reduce the time required for discharge.
A simplified insolvency regime for SMEs was introduced in 2020 but was wound down in 2025. It was not used extensively.	Reintroduce a simplified insolvency regime for SMEs in which administrative charges are reduced and technical support is provided.



1 Preparing for long-term challenges

Hansjörg Blöchliger

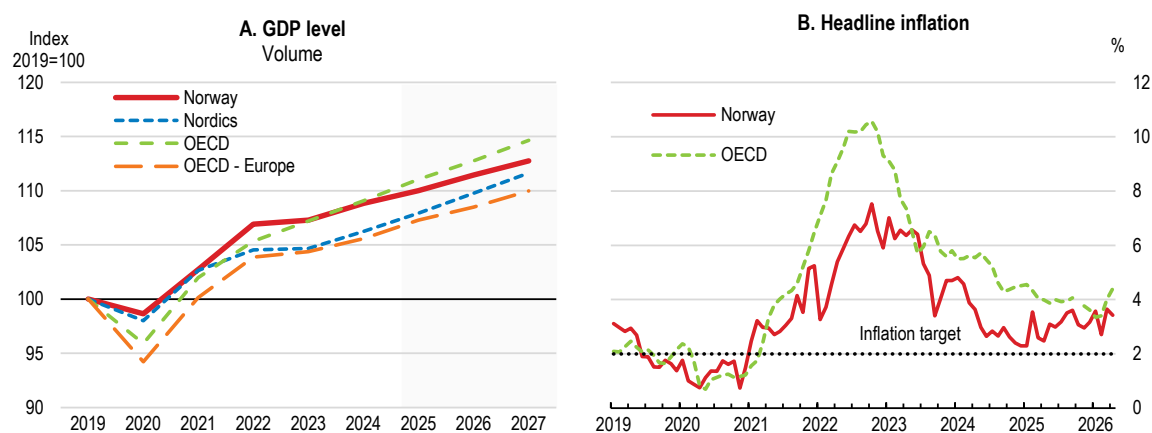
Yosuke Jin

Norway's economy has largely recovered from the pandemic and cost-of-living crisis and is now operating close to capacity, with mainland activity outpacing overall growth as the oil sector softens. The conflict in the Middle East is boosting oil revenues but risks fuelling inflation and weighing on the assets of the sovereign wealth fund. The labour market has weakened a bit yet remains resilient. Inflation remains persistent and above target, increasingly driven by domestic cost pressures. In May 2026, Norges Bank increased the interest rate to 4.25%, tightening monetary policy. Fiscal policy is mildly expansionary due to rising structural spending and continued withdrawals from the Fund. Complementing the rules-based fiscal framework with a medium-term spending plan would strengthen budget discipline and maintain fiscal space. A comprehensive tax reform that lowers the burden on labour and capital while broadening consumption, inheritance and immovable-property taxation would reduce distortions and support growth. Structural reforms to ease labour-market imbalances, including a tighter sickness and disability benefit system and improving work incentives, would help raise employment.

1.1. The economy continues to expand

The Norwegian economy has been running at or slightly above capacity over the past year, although growth continues to lag the OECD average and Nordic peers. Before the Middle East conflict, activity started to accelerate, driven by considerable real wage gains. The labour market remains tight, although the unemployment rate has edged up towards 5%. Inflation has remained stuck above the target for more than a year and started to rise again in early 2026. This, combined with strong wage growth, has prompted the central bank to raise interest rates in May. Public spending is rising, reflecting sharply higher defence spending and increased aid to Ukraine, while in response to the repercussions of conflict in the Middle East taxes on fuel were cut. Mainland GDP has been expanding more quickly than overall GDP as the oil sector continues to soften (Figure 1.1). With oil revenues declining until the Middle east conflict, the share of oil in foreign trade was falling, while manufacturing and non-oil related service exports were gaining momentum. Projections point to continued growth and an inflation spike as energy and import prices rise.

Figure 1.1. The economy has rebalanced and is set to grow



Note: Panel A, Nordics refers to a nominal GDP weighted average of Denmark, Finland, Iceland, Norway and Sweden GDP volume. Panel B, national consumer price indices.

Source: OECD, Economic Outlook database; and OECD, Prices database.

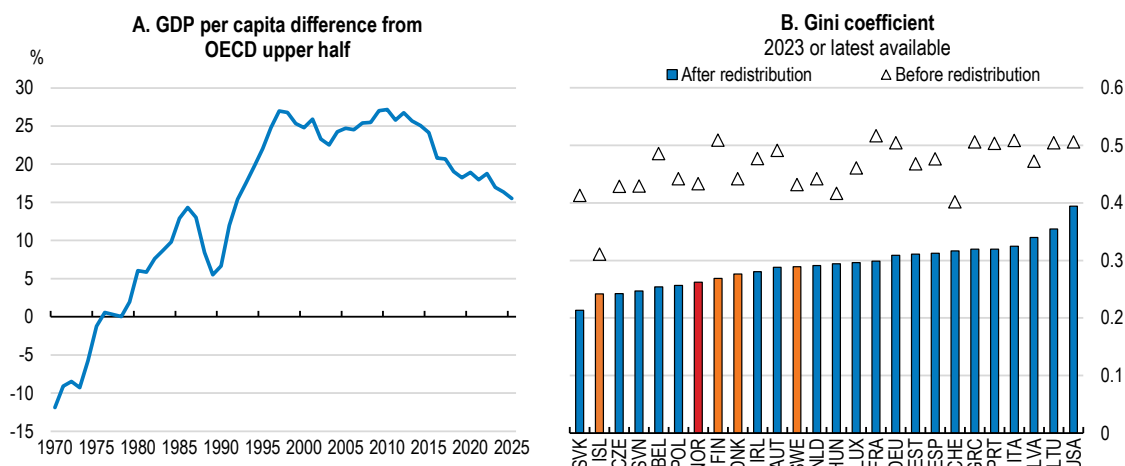
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Norway's strong economic and social fundamentals continue to support high living standards and low income inequality (Figure 1.2). Competitiveness is bolstered by a sound macroeconomic framework; a skilled and productive workforce; and a responsible, well-anchored wage negotiation mechanism with broad societal backing. The fiscal rule governing the sovereign wealth fund provides fiscal policy with guidance for both stability and sustainability of the public finances. These rules also maintain flexibility in case of exceptional circumstances, as demonstrated during the pandemic. Labour-force participation remains high, which coupled with a high retirement age, is offsetting current spending pressures associated with ageing. Socio-economic status has less influence on educational and health outcomes than in most OECD countries. On top of that, Norwegians enjoy pristine wilderness and excellent air and water quality.

Despite these strengths, and beyond the short-term outlook, several fiscal and structural challenges have become more pressing and are shaping policy for the coming years. The steadily rising share of mainland public spending financed by withdrawals from the sovereign wealth fund—combined with increasing risks of a sudden drop in the fund's value—has triggered a debate about whether there is a need to complement the fiscal framework, including proposals for a spending rule and more forward-looking budgeting. Productivity growth has slowed, and Norway's lead relative to other OECD countries has narrowed over the past two decades. This is partly due to a regulatory environment that can hinder the emergence and growth of innovative firms. Foundational skills as measured by the Programme for International Student Assessment (PISA) have declined to a worrying extent, with

widening performance gaps posing risks to future prosperity and equity. Finally, Norway's integration into global value chains is fostering specialisation, high incomes and affordable consumer goods, but it has also heightened exposure to trade-policy uncertainty and economic security-related risks.

Figure 1.2. The country is both rich and equal, but its lead is shrinking



Note: In Panel A, population weighted average of real GDP per capita for the upper half of the OECD countries. Upper half of OECD countries is determined each year by the level of GDP per capita and varies across years. In Panel B, the Gini coefficient of income distribution ranges between 0 (perfect equality, everyone gets the same share of income), and 1 (perfect inequality, all income goes to one person). Data for Iceland are sourced from Statistics Iceland.

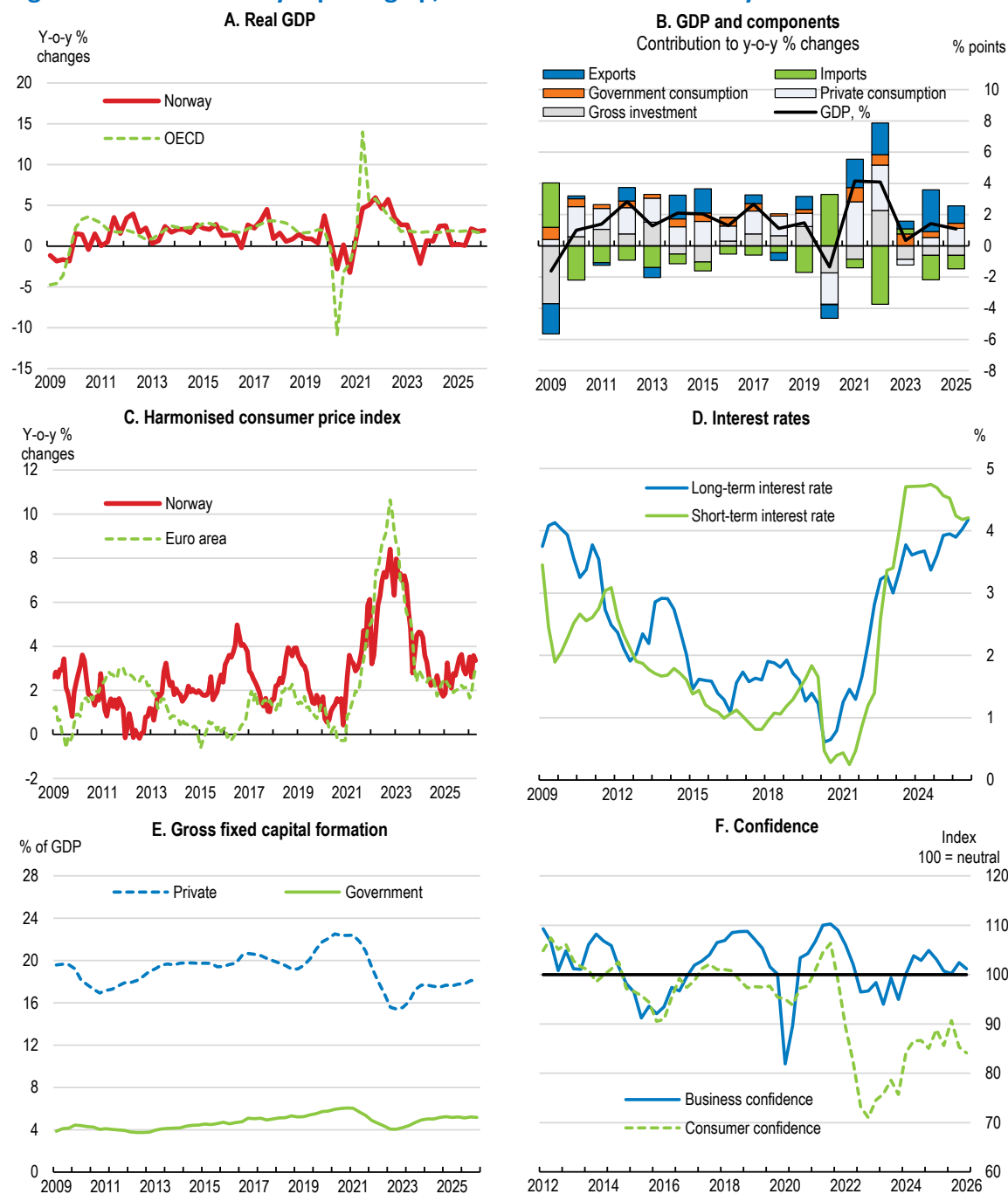
Source: OECD, National Accounts database; OECD, Income Distribution Database.

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1.1.1. Growth is set to pick up

The mainland economy picked up in 2025, driven by rapidly growing household disposable income (Figure 1.3). After turning positive in 2024, real wage growth has increased sharply over the past year, supported by high wage norms and lower inflation. Unemployment as measured by the Labour Force Survey remains at around 4.5% (around 2% registered unemployment). Business investment picked up and housing investment ceased to decline in the second half of 2025. Inflationary pressures are rising as energy prices spiked in the wake of the Middle East conflict, and the central bank raised the policy interest rate to 4.25% in May. The fiscal stance is mildly expansionary, notably because of higher defence spending. Fuel excise duties were temporarily lowered in response to the conflict in the Middle East, loosening fiscal policy further. The US administration has imposed cumulative additional tariffs of 15% in 2025 on goods imported from Norway, which were subsequently reduced to 10%, yet exposure is limited as the affected goods only account for 3% of total exports.

Mainland GDP will continue its recovery, albeit at a moderate pace. High oil and gas prices increase export and government revenues substantially, and they may boost profitability in petroleum-related sectors, which play a key role in setting aggregate wages. The direct impact of higher energy prices on inflation will be limited, largely due to the administered electricity price introduced in 2025 and reduced fuel excises. Headline inflation will start falling toward the end of 2026 but is expected to remain above the 2% target, primarily driven by wage costs. Household demand is expected to grow moderately, driven by moderate real wage growth. The unemployment rate will remain constant. Fiscal policy remains expansionary, especially on the back of several relief measures following the Middle East conflict.

Figure 1.3. The economy is picking up, but inflation remains sticky

Note: Panels A and B: GDP refers to overall GDP. Panel F: above 100 means increasing confidence and below 100 means weakening confidence.

Source: OECD, National Accounts database; OECD, Consumer Price Indices database; OECD, Economic Outlook No. 119 database; Statistics Norway and CEIC.

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Table 1.1. Macroeconomic indicators and projections

	2022	2023	2024	2025	2026	2027
	Current prices (NOK billion)	Percentage changes, volume (2022 prices)				
Mainland GDP at market prices ¹	3 864.9	0.9	0.6	1.8	1.7	1.5
Total GDP at market prices	5 935.0	0.4	1.4	1.1	1.3	1.2
Private consumption	2 026.3	- 1.0	1.3	2.7	2.4	1.5
Government consumption	1 045.9	4.4	1.7	1.5	2.5	2.0
Gross fixed capital formation	1 151.5	- 1.8	- 1.4	1.3	1.1	2.0
Final domestic demand	4 223.8	0.1	0.7	2.0	2.1	1.8
Stockbuilding ²	94.7	- 0.5	- 0.3	- 1.0	- 0.4	0.0
Total domestic demand	4 318.5	- 0.6	0.3	0.9	0.8	1.8
Exports of goods and services	3 180.0	0.9	5.8	2.4	1.7	1.1
Imports of goods and services	1 563.4	- 1.2	5.0	2.6	1.3	2.8
Net exports ²	1 616.6	0.8	1.1	0.3	0.4	- 0.4
<i>Memorandum items</i>						
GDP deflator	—	- 10.9	0.0	1.4	5.0	- 2.6
Consumer price index	—	5.5	3.2	3.0	3.1	2.3
Core inflation index ³	—	5.8	3.5	2.7	3.0	2.4
Unemployment rate (% of labour force)	—	3.6	4.0	4.5	4.5	4.5
Household saving ratio, net (% of disposable income)	—	2.2	4.2	4.3	4.2	4.2
Output gap (in % of potential GDP)	—	0.5	- 0.5	- 0.3	0.0	0.3
General government gross debt (% of GDP)	—	49.1	60.0	62.8	56.8	55.8
General government financial balance (% of GDP)	—	15.9	12.7	10.4	11.1	9.6

1. GDP excluding oil and shipping.

2. Contributions to changes in real GDP, actual amount in the first column.

3. Consumer price index excluding food and energy.

Source: OECD Economic Outlook 119 database.

The projections are surrounded by unusually high risks, particularly regarding the potential impact of the Middle East conflict on the Norwegian economy. Amid ongoing global trade policy uncertainty, another key concern is that tariff rates could be raised further, affecting Norway's manufacturing exports. Another concern is the possibility of more widespread restrictions on the export of critical products such as rare earths, which are difficult to substitute, and which could particularly affect Norway's energy, defence and transport sectors. Inflation expectations may rise further, which may require even higher policy interest rates than currently assumed. Surprises on the upside are also possible. For example, artificial-intelligence-related investment could raise productivity growth in the very near future. A selection of lower-probability but high-impact events that would have a considerable impact on the outlook are described in Table 1.2.

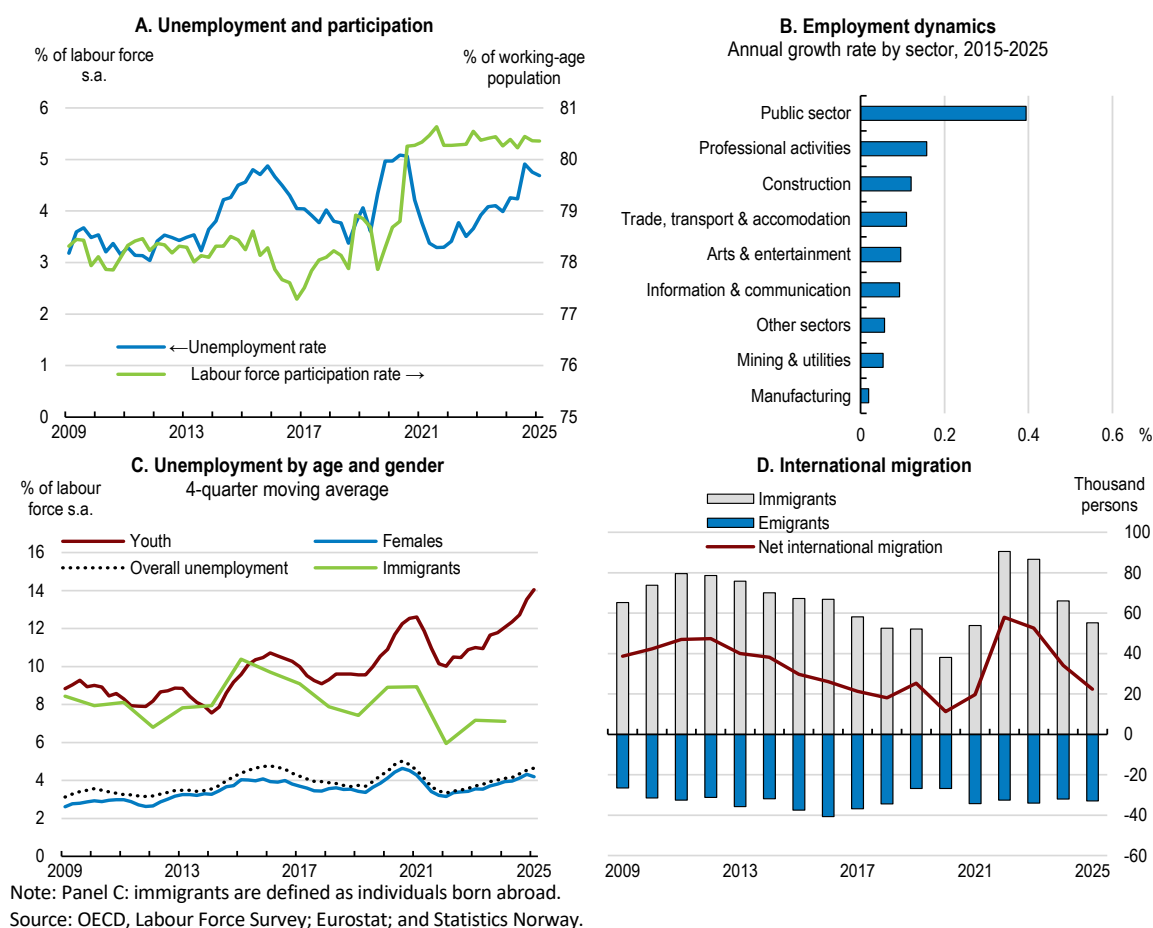
Table 1.2. Events that could entail large changes to the outlook

Event	Potential economic impact
Following a global financial crisis and the ongoing conflict in the Middle East, the market value of the oil Fund falls by a large and sustained amount.	Fiscal policy would have to tighten considerably to comply with the fiscal rule (3% of the value of the Fund to cover the non-oil budget deficit). The economy would contract.
House and real estate prices plummet, pushing up non-performing loans.	Household consumption falls, banks exposed to commercial property firms record large losses and activity and income would fall.
A series of terrorist attacks on petroleum infrastructure interrupts production.	Export revenues decline, and incomes fall. The economy contracts.

1.1.2. The labour market is easing while imbalances remain

The labour market is easing but remains broadly robust (Figure 1.4). Unemployment according to the Labour Force Survey, which had fallen rapidly during the post-pandemic recovery, has gradually increased from just above 3% at the beginning of 2022 to around 4.5% by early 2026 (registered unemployment is lower at around 2%). This appears to have been partially driven by rising youth unemployment over the past two years, mostly young people searching for a part-time job while studying. More positively, differences in unemployment between men and women—traditionally small—have narrowed further and are now negligible. Labour force participation has been hovering at around 80% albeit with a slight downward trend. Employment growth over the past decade has been strongest in the public sector, construction and selected service industries, while manufacturing employment has been increasing. Immigration has fallen since its 2022 peak, reflecting both a lower inflow of Ukrainian refugees, the modest growth of the mainland economy, and brighter economic prospects in the origin countries. Unemployment among immigrants remains comparatively low, underscoring the robust state of Norway's labour market and well-designed integration policies (see below).

Figure 1.4. The labour market has eased



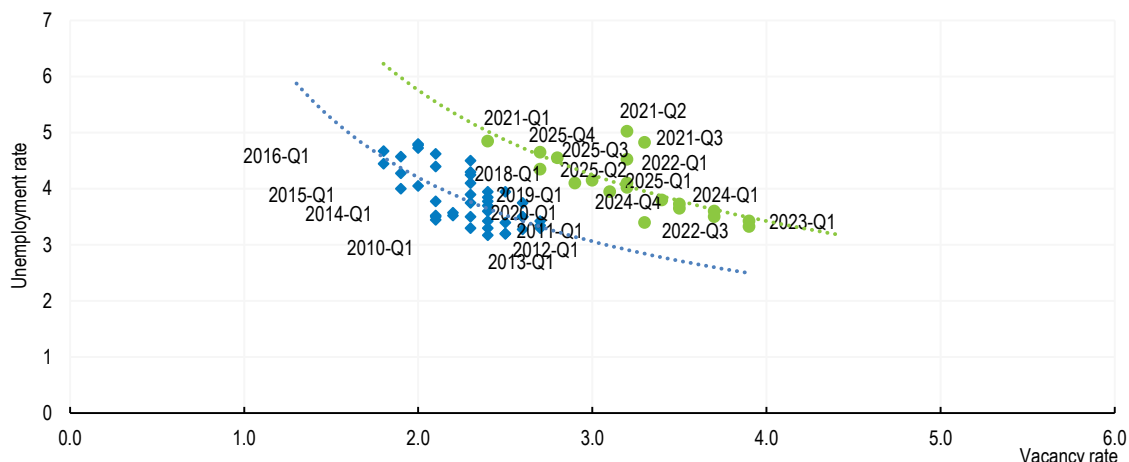
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Labour-market shortages, which became more visible during the post-pandemic recovery, are likely to persist. According to the Labour Force Survey, the combined number of job vacancies and unemployed workers rose sharply in 2021 and has remained broadly stable since. The Beveridge curve—capturing the relationship between unemployment and job vacancies—has shifted outward, reflected in higher vacancy rates (Figure 1.5) (the shift is much less pronounced if registered unemployment data are

used). In social and health care, job openings exceed the number of unemployed workers, while in construction the reverse holds true. Skills mismatch is partly responsible for labour market imbalances, as the lack of qualified workers has become more acute in some sectors. In 2024, nearly 70% of employers reported difficulties in finding workers with the right skills, up from 47% in 2019 (Manpower Group, 2025). The digital and green transitions, alongside population ageing will further increase demand for qualified labour. Meeting these needs will require well-coordinated labour-market and education policies, including measures to boost the supply of skilled workers in technical and health occupations, as recommended by the Employment Commission in 2021.

Figure 1.5. Labour market imbalances have widened

Unemployment and vacancies, 16-64 years old, four-quarter trailing moving average rates



Note: Unemployment rates based on Labour Force Statistics. Registered unemployment data suggest an inward shift of the Beveridge curve over the past two years.

Source: Statistics Norway; Eurostat, Labour Force Statistics.

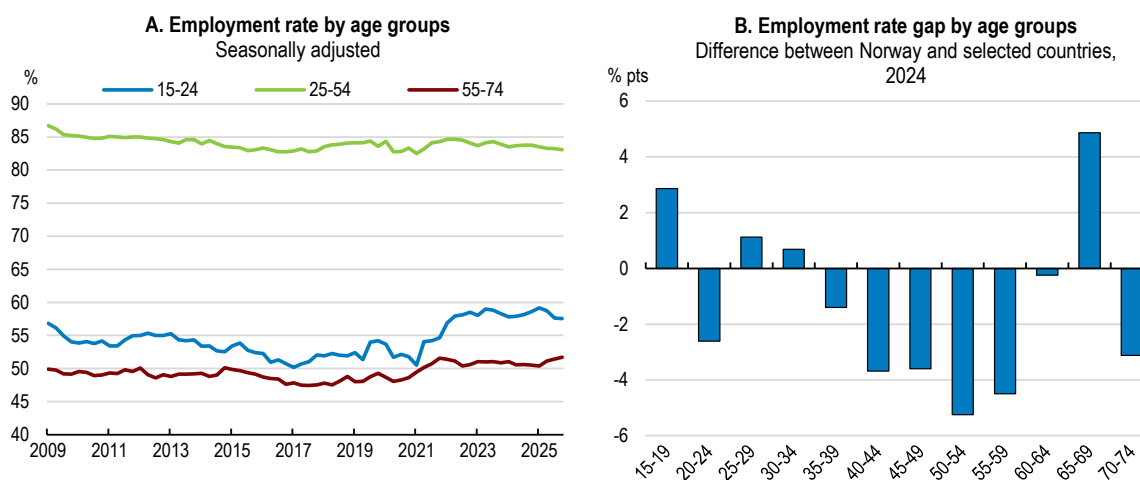
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After a decade-long decline, and despite a recent dip, employment rates of young people have risen steeply over the past few years (Figure 1.6). The share of the young not in employment, education or training (NEET) is now among the lowest in the OECD. Employment rates among older workers have also risen, largely reflecting the 2011 pension reform, which provides strong incentives to work longer. By contrast, employment rates among prime-age workers (25–54) have gradually fallen over the past 15 years, from around 86% to 83%. Norway's labour market is thus distinctive: employment for prime-age workers falls below OECD averages but for younger and older age groups employment exceeds them. The government aims to raise the employment rate for people aged 20–64 from currently around 80% to 83% by 2035, aligning its ambitions with targets in several EU countries. The long-term decline in hours worked per employee, reflecting among others the rising share of women in the labour market, accelerated after the pandemic, but has moderated more recently.

A key factor behind low employment rates of prime-age workers is the design of the benefit system, notably for sickness and disability (see also fiscal section). Norway has some of the highest sickness-absence and disability-benefit rates in the OECD, and both tend to continue rising (Figure 1.7). Benefit levels are generous and eligibility criteria for both entry to the schemes and receipt of benefits are comparatively lenient, offering a major pathway out of the labour force. Young people can enter the disability system without first receiving sickness benefits, which may have contributed to the doubling of young disability-benefit recipients over the past decade. Incentives to return to work are weak as effective marginal tax rates – income tax plus the withdrawal of the dedicated in-work benefit (AAP) – are high. Policy has changed little in recent years, apart from a slight strengthening of active labour-market policies and an extension of the AAP. The government is currently conducting a controlled trial for workers aged

20-35 to assess whether introducing an earned income tax allowance could increase labour supply. The government should embark on a comprehensive reform of the sickness and disability benefit system, as recommended in the 2024 *Survey* (OECD, 2024). These and other employment and productivity-boosting reforms could raise Norway's per capita income by up to 8% (Box 1.1).

Figure 1.6. Youth employment has increased, while prime-age employment is below average

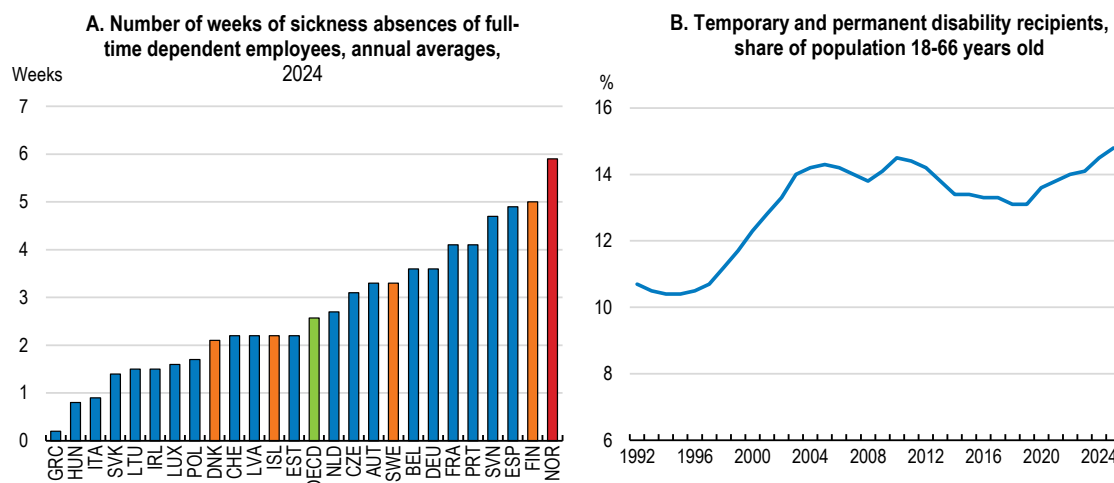


Note: Panel B refers to the percentage point difference between the employment rate of Norway and unweighted average of Denmark, Finland, Iceland, Germany, the Netherlands, Sweden and Switzerland.

Source: OECD, Labour Force Survey database.

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Figure 1.7. Sickness and disability weighs on employment



Note: Panel A: the number of days of sickness absences is calculated as the number of hours absent relative to usual weekly hours and multiplied by 52 weeks. These estimates are then multiplied by a factor of 2 to account for a general 50% underreporting of sickness absences in LFS-reported compared to administrative records and health surveys.

Source: OECD, Health Statistics 2025; Norwegian Labour and Welfare administration (NAV).

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Box 1.1. Potential impact on growth of OECD recommended reforms

The estimated impact of some of the key structural reforms proposed in this Survey is calculated using historical relationships between reforms and growth in OECD countries Table 1.3. These estimates assume a full and swift implementation of reform.

Table 1.3. Potential impact of structural reforms on the level of per capita income

Policy area	Measure	10-year effect, %	Long-run effect, %
Sickness and disability	Reduce disability benefit recipients from 14% of working age population to 10%, and sickness absence from around 27 to 18 days per full-time employee per year.	3.0	3.0
Taxation	Reduce the personal income tax wedge for families from 32.2% to 30%. Lift immovable property taxation revenues from 0.3% of GDP to 0.5%, while keeping overall taxation stable.	0.7	0.8 1.8
Subsidies	Reduce subsidies by one fifth or 0.4% of GDP while keeping government size constant.	0.8	0.8
Education	Improve PISA scores sustainably by 20 points.	0.2	1.2 to 1.5
Regulation	Strengthen the policy making system and reduce administrative and regulatory burdens for startups, thereby improving the OECD PMR scores in these areas to the OECD average.	1.6	4.2

Note: The effects of a PISA scores improvement is taken from Figure 6 in (Egert, de la Maisonneuve and Turner, 2023). The recommendation related to mortgage interest deductibility is included in the fiscal quantification, but its growth impact cannot be quantified.

Source: OECD calculations based on (Égert and Gal, 2017), (Cournède, Fournier and Hoeller, 2018), (Egert, de la Maisonneuve and Turner, 2023).

Before the recent weakening, a relatively tight labour market, coupled with high profitability in manufacturing, has fuelled strong wage growth. Annual wages increased by 5.6% in 2024 and 4.9% in 2025. Wage growth has exceeded outcomes agreed in collective wage settlements in recent years (except in 2023). In 2026, wage growth is expected to slow to around 4% owing to moderate economic growth and expected lower inflation. With both nominal wage growth and inflation declining, real wage growth is expected to remain stable at around 2%. Wage dispersion is very low as the wage formation mechanism favours wage equality across sectors and within firms (Box 1.2).

Box 1.2. Norway's wage bargaining process has many advantages, but also drawbacks

Norway's national wage-formation system is based on highly centralised and coordinated wage bargaining. It is similar to the frameworks in Denmark and Sweden. Wage negotiations in the internationally exposed manufacturing sector set the norm for the rest of the economy, including the sheltered domestic private and the public sector (wage following sectors). Although there is room for local negotiations - individual firms may deviate from the norm for example when facing higher productivity growth, acute labour shortages, or specific recruitment challenges—manufacturing effectively establishes the ceiling for wage increases. Sector-level wage floors are also defined through collective bargaining. Norway has no statutory minimum wage, but the social partners can request the government to extend a collective agreement to all firms of a sector.

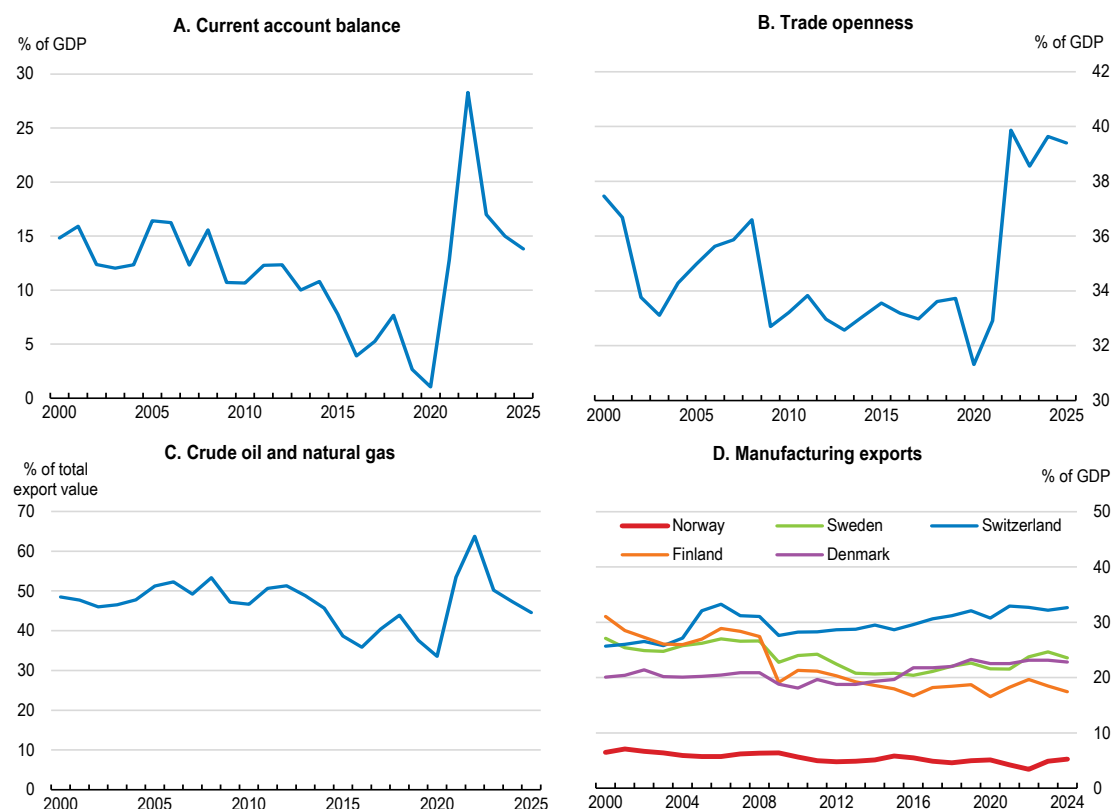
However, the model rests on implicit assumptions of a relatively fixed skill distribution and an inelastic labour supply. High-skilled workers are relatively low paid in Norway. A compressed wage structure, combined with high marginal tax rates, may weaken incentives for individuals to invest in education and acquire new skills, as in other Nordic countries. Moreover, the system faces increasing pressure from emerging industries and production technologies (e.g. AI-enabled processes), shifts in occupational structures (including widening gaps between low- and high-skill segments), and the growing internationalisation of labour markets. These developments may call for greater relative-wage flexibility at the firm level to support effective adjustment in a changing economic environment.

Source: (Calmfors, 2025) (Kolsrud and Nymoen, 2023)

1.1.3. Foreign trade is largely driven by energy prices

The oil and gas price surge following Russia's war of aggression against Ukraine temporarily boosted exports, but this has been unwinding until the Middle East events (Figure 1.8). The current account surplus was declining in line with lower oil revenues, after having peaked at nearly 30% of GDP in 2022. Despite the sharp reduction in the share of oil and gas in export revenues from 2022 to 2025, the sector continues to account for roughly half of total exports. While the Middle East conflict may temporarily change the picture, the role of oil and gas in the economy is set to diminish further over the next decades. "Peak petroleum" was likely reached as early as 2001, and Norway must prepare for scenarios involving declining production volumes and lower export revenues over the next 25 years (see fiscal section). The long-standing downward trend in the share of manufacturing exports has reversed for the first time in more than two decades (although part of this is mechanical as the share of oil and gas in total exports has fallen). Trade openness—measured as the average of imports and exports relative to GDP—has remained resilient.

Figure 1.8. The oil boom of the past years boosted exports and the current account balance



Note: Panel B: trade openness is measured as the average of goods and services imports and exports divided by overall GDP. Panel D: Overall GDP for Norway.

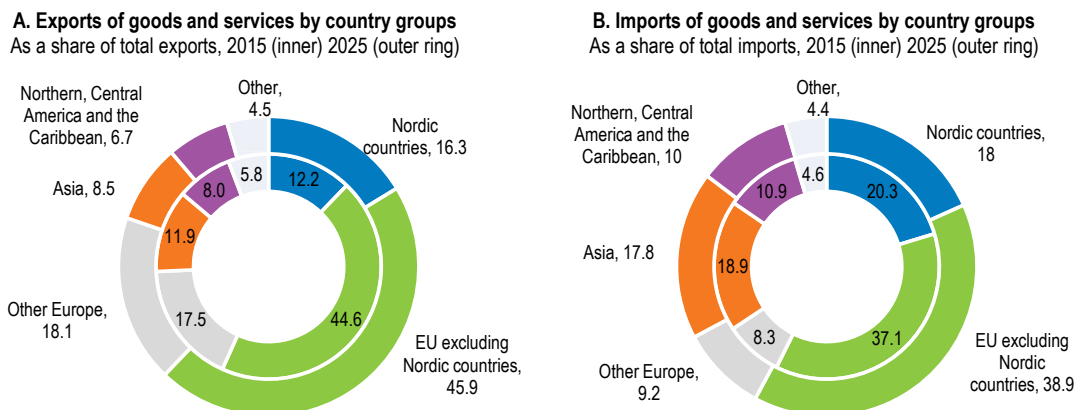
Source: OECD, Balance of Payments statistics; OECD, National Accounts database; Statistics Norway; World Bank, World Development Statistics.

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Trade with Europe has increased over the past decade, mainly due to higher oil and gas exports (Figure 1.9, panel A). Import origins have shifted little: the share from Europe outside the Nordic region has risen slightly, while those from Asia and the Americas have declined (Figure 1.9, panel B). Yet bilateral trade shares obscure deeper structural changes, notably Norway's expanding role in global value chains (GVCs). Although the share of gross exports going to Europe has stayed broadly stable for

two decades, the share of Norwegian value added ultimately consumed in Europe has fallen markedly. Similarly, the share of value added imported from Europe has declined more sharply than total imports. While deeper GVC participation delivers important benefits, it also increases exposure to external shocks, underscoring the need for appropriate policy responses (see chapter on global value chains).

Figure 1.9. Trade with Europe remains dominant

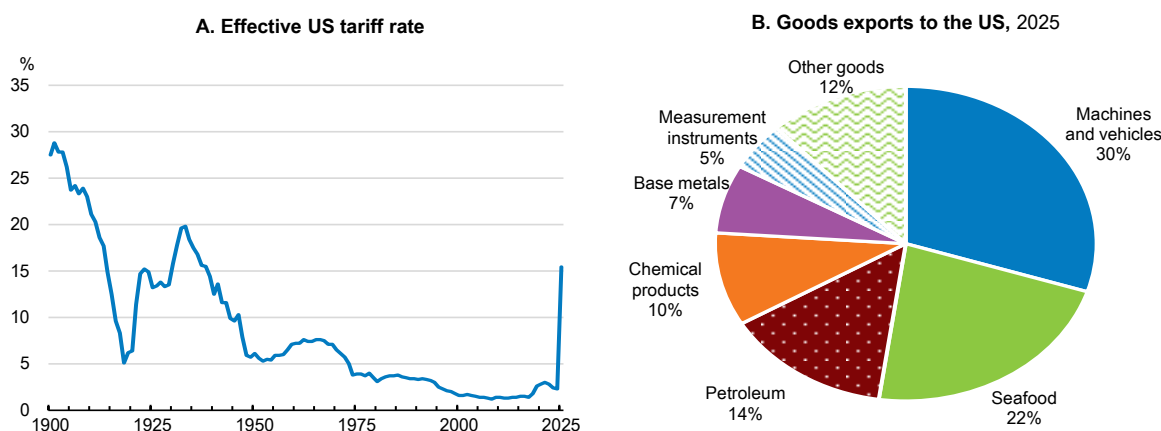


Note: Services trade does not include financial services. Nordic countries include Denmark, Finland, Faroe Islands, Iceland, and Sweden.
Source: Statistics Norway.

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Norway is relatively insulated from changes in U.S. trade policy, even though U.S. tariffs rose sharply in 2025 (Figure 1.10). The United States accounts for less than 4% of Norway's total exports; machinery and transport equipment - whose exports have surged in recent years - and seafood together make up just under half of this share, while oil and gas represent about 19%. Within seafood exports, salmon dominates, whose production is driven mainly by domestic supply-side factors such as environmental conditions and catch quotas. Seafood producers can also divert exports to alternative markets, limiting the impact of developments in individual destinations on overall production. More broadly, Norges Bank surveys indicate that international trade tensions have had little effect on Norwegian firms' investment plans so far (Norges Bank, 2025).

Figure 1.10. US tariffs have risen, but Norway has limited exposure



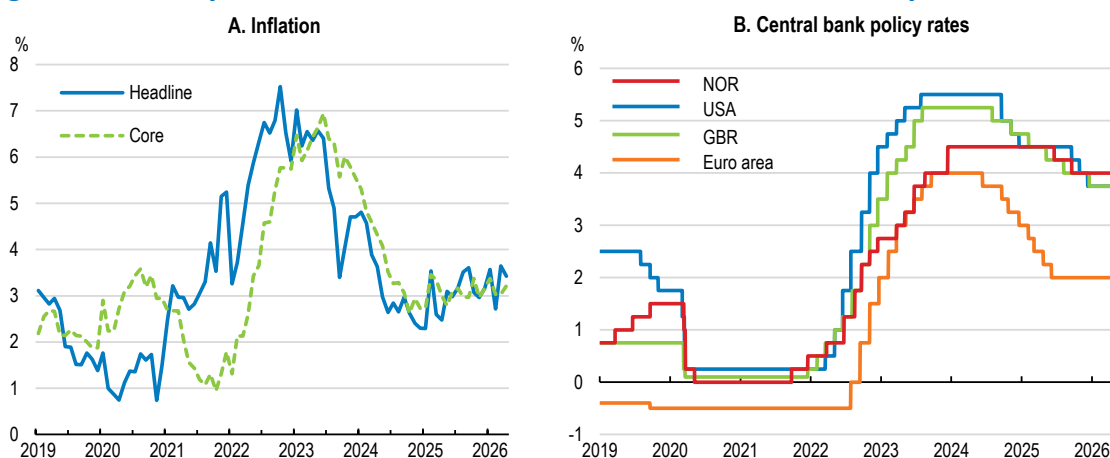
Note: Panel A, based on the US International Trade Commission (USITC) estimate of the average effective tariffs until 2024. For 2025, based on HS classifications of tariff-affected items matched to US Census Bureau data for 2024 import weights of product categories by the OECD.
Source: OECD, Economic Outlook No. 117; Statistics Norway.

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1.2. Monetary policy should remain restrictive

In May 2026 Norges Bank increased the policy rate by a $\frac{1}{4}$ percentage point to 4.25%, after it had lowered them in two steps in the course of 2025 (Figure 1.11). As interest rate differentials vis-à-vis major trading partners narrowed and the U.S. dollar weakened, the prolonged depreciation of the krone has come to a halt and the currency has even strengthened since early 2026 (Box 1.3). Real interest rates—calculated using measures of inflation and inflation expectations—rose from around -1% in 2021 to approximately 1.5% by end-2025 and continue to drift upward. Norges Bank estimates the neutral real interest rate—consistent with a closed output gap, inflation at target, and neither expansionary nor contractionary policy—at between 0.25% and 1.5%, up from -0.3% in 2019 (Almlid and Asshoff, 2025). As such, given the estimated natural rate, monetary policy remains somewhat restrictive.

Figure 1.11. Policy rates have come down, while inflation remains sticky



Note: Panel A: Core inflation refers to national CPI adjusted for tax changes and excluding energy products (ATE).

Source: Statistics Norway; Norges Bank; Federal Reserve Bank; Bank of England; European Central Bank.

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Box 1.3. What drives the exchange rate of the krone?

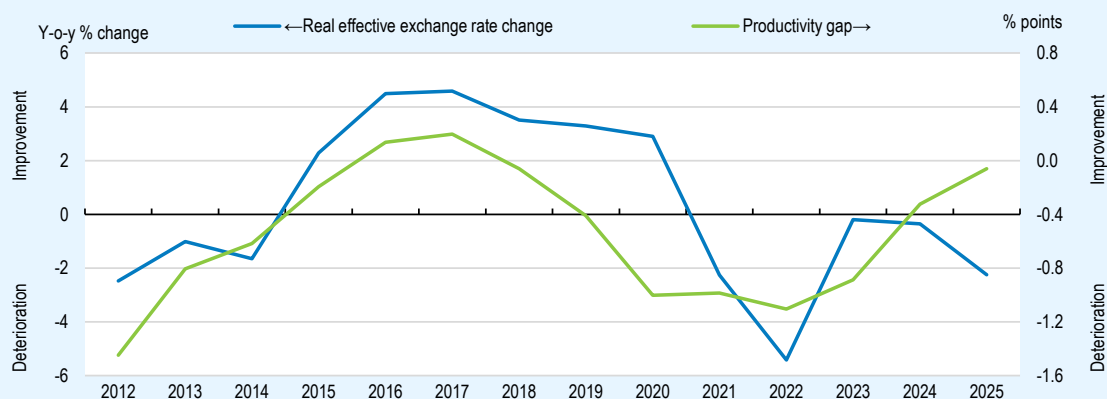
Movements in the krone exchange rate and the monetary transmission mechanism can be enigmatic. They are often seen through the lens of cyclical factors such as oil-price fluctuations and monetary policy divergence with major trading partners. Norges Bank's relatively moderate stance in recent years, for example, narrowed interest rate differentials and contributed to depreciation pressures. Yet the krone's prolonged decline until 2025 is difficult to reconcile with the oil-price boom following the war in Ukraine—developments that would typically strengthen the currency. Research suggests that the link between oil prices and the exchange rate weakened after the 2015 oil-price collapse, as the krone adjusted to a new equilibrium following an earlier overvaluation. Oil-price shocks also appear asymmetric: price declines have historically produced larger depreciations than the appreciations generated by price increases, contributing to a gradual downward drift. As such, the current hike in energy prices might have a modest effect on the krone. Since the mid-2010s, global financial conditions—including shifts in asset prices and investor risk aversion—seem to have gained prominence, putting pressure on currencies of small commodity exporters. If so, the krone's role as a "safe haven" has diminished.

More recent analysis points to structural factors driving long-term movements in the krone. Most notably, Norway's weak productivity growth over the past decade and a gradual erosion of

long-term competitiveness relative to major trading partners might exert downward pressure on the real exchange rate. This pattern is consistent with the Balassa-Samuelson hypothesis, which links exchange-rate developments to persistent differences in productivity and wage growth across small open economies, and also helps explain earlier periods of krone appreciation (Figure 1.12). From this perspective, stronger productivity growth would support some exchange rate appreciation and help contain inflationary pressures. The krone may also be undergoing a long-term adjustment as global energy markets evolve and expectations for future oil revenues moderate. Nonetheless, recent research indicates that the macroeconomic implications of a faster green transition for Norway might be relatively contained, suggesting that competitiveness matters more for the exchange rate than changes in the oil sector.

Figure 1.12. The krone's fluctuations might be caused by long-term structural factors

Real effective exchange rate and productivity differences between Norway and selected trade partners, 5-year trailing moving average



Note: The real effective exchange rate (REER) is a trade weighted and price adjusted measure of a country's competitiveness. A higher value means an appreciating currency. Productivity gap between a GDP weighted average productivity growth of 22 EU-OECD countries plus the United States and Norway.

Source: OECD, Economic Outlook database.

Source: (Bjørnland, Brubakk and Maffei-Faccioli, 2024) (Ter Ellen, 2016) (Maehlum, 2025) (Risstad et al., 2023) (Cappelen et al., 2024)

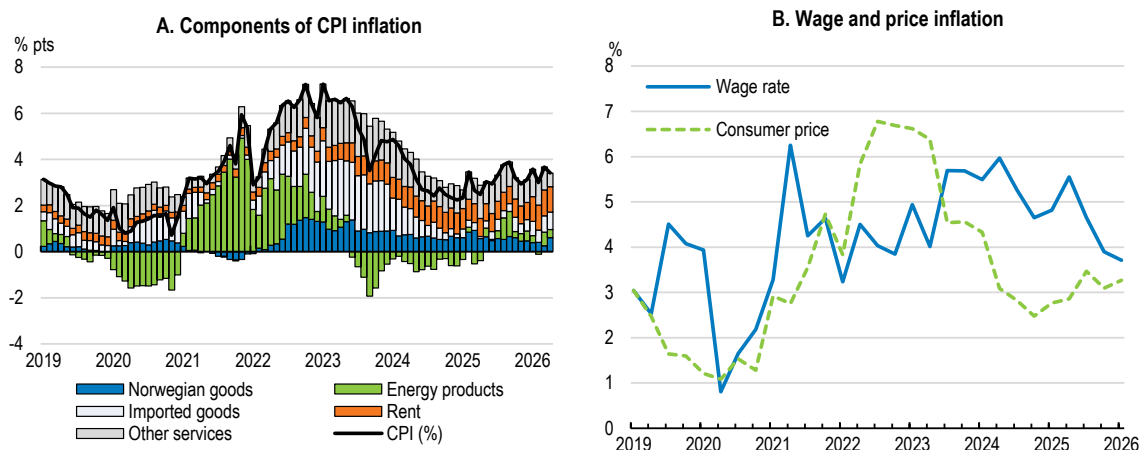
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After a rapid post-pandemic decline, disinflation stalled in 2025. Inflation began to edge up again at the start of 2026 and more so after the energy price hike following the outbreak of the Middle East conflict. Both headline and core inflation hover around 3%, slightly above levels observed a year earlier and well above the 2% target (Figure 1.13). While the initial inflation surge was driven by sharp increases in import prices, domestic price pressures have become increasingly important, potentially indicating the emergence of second-round effects. Inflation remains broad-based with domestic goods and services the main drivers of price growth. Recent cuts in administered prices—such as childcare fees and the “Norgespris” electricity tariff—help suppress price inflation. According to Norges Bank’s modelling, around 50% of the contribution to CPI adjusted for tax changes and excluding energy products (CPI-ATE) inflation stems from unit labour costs, reflecting strong wage growth in the domestic services sector. In contrast, the role of the exchange-rate channel has become negligible.

Norges Bank projects that inflation will stay considerably higher through 2026 than projected in early 2026 and to reach the 2% target only beyond 2027 (Figure 1.14). More generally, since the second half of 2025, expectations regarding the pace of disinflation have considerably moderated. As such, Norges Bank raised interest rates and should be ready to tighten further, especially if expectations risk becoming de-anchored. The introduction of the administered “Norgespris” electricity scheme is expected to stabilise and suppress the energy component of the CPI, contributing to a smoother

inflation profile going forward. However, there is a risk that inflationary pressures will emerge in other areas, which may complicate monetary policy going forward.

Figure 1.13. Inflation is mainly driven by domestic factors

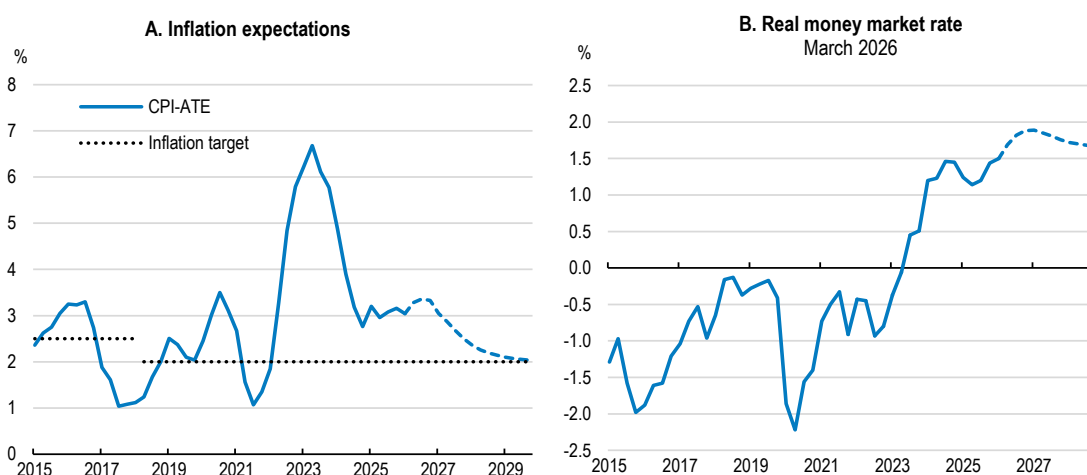


Note: Panel A: weighted contribution of each spending item to overall inflation.

Source: Statistics Norway; OECD, Economic Outlook database.

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Figure 1.14. Inflation is expected to decline slowly



Note: Norges Bank projections. Panel A: recorded and projected CPI-ATE inflation; Panel B: projected money market rate over the next four quarters less projected CPI-ATE (adjusted for tax changes and excluding energy products) inflation over the same period.

Source: Norges Bank, Monetary Policy Report 1/2026.

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Regulatory reforms—particularly those aimed at strengthening competition—could help ease inflationary pressures and support a faster return of inflation to target. Competition limits firms' price setting power and their ability to pass higher costs onto consumers, thereby helping to contain wage-price dynamics. This is especially relevant in Norway's grocery sector, where a small number of large providers dominate the market and concerns about elevated price levels have been longstanding (OECD, 2024). Norway's agricultural sector, which supplies a substantial share of inputs to the retail sector, is also largely exempt from competition rules and remains heavily shielded from foreign competition. By contrast, sectors exposed to international markets are more likely to transmit cost reductions or productivity gains to consumers (Andrews, Gal and Witheridge, 2018) (see also chapter

on global value chains). Against this backdrop, fostering competition could help to moderate price growth and support monetary policy (see the in-depth chapter on regulation).

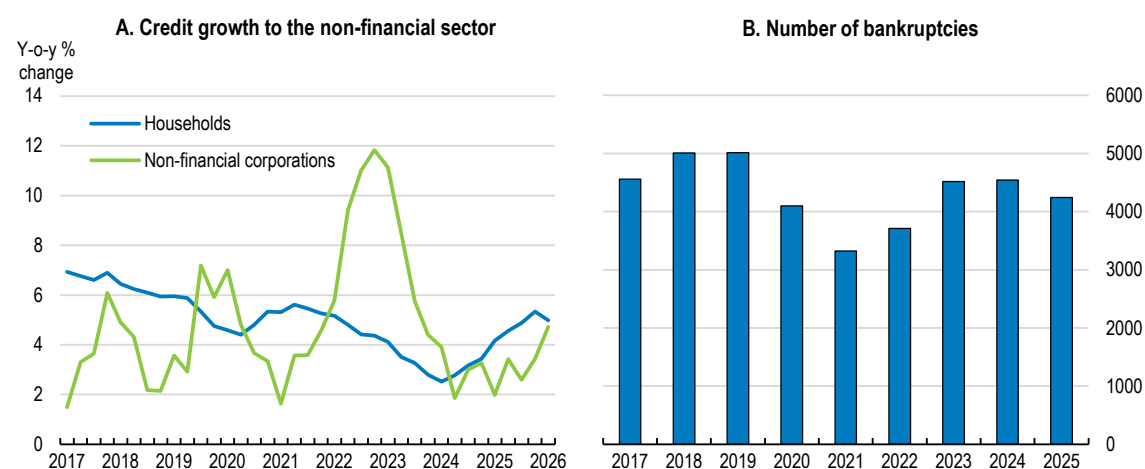
Norges Bank's mandate is currently under review, as occurs every eight years. Ahead of the evaluation by the Ministry of Finance, Norges Bank published a report on the monetary policy framework (Norges Bank, 2026). The report concludes that Norway's experience with flexible inflation targeting has been broadly positive. Compared to other central banks, Norges Bank has put more weight on stabilising the real economy and inflation is not expected to be back on target before 2029 (Figure 1.14, panel A). Such a prolonged period of inflation risks undermining central bank credibility and de-anchoring inflation expectations. In this context, the revised mandate should reaffirm the 2% inflation target and possibly strengthen inflation targeting as the primary objective of monetary policy. Preserving the Bank's operational independence is essential for effective inflation targeting and to allow for timely adjustments of policy interest rates and other instruments to ensure price stability. Other approaches to achieving the inflation target, such as proposals to rely solely on wage bargaining, risk lacking the nimbleness needed to ensure price stability. Against this background, transparency and clear public communication about how the bank is meeting its inflation objectives, the trade-offs involved and the transmission of monetary policy remain critical to sustaining democratic accountability and policy credibility, as described in the 2026 Economic Survey of New Zealand.

1.3. The financial system requires continued attention

1.3.1. The system appears resilient, but some risks remain

The financial system looks broadly resilient, with households and firms maintaining solid debt-servicing capacity. Following a marked slowdown during the monetary tightening of 2023 and 2024, credit growth to firms stabilised in 2025 (Figure 1.15). Lending to households—particularly mortgages—has picked up again since mid-2024, supported by the easing of financial conditions. The number of bankruptcies (or insolvencies) has declined slightly after its post-pandemic rise, indicating improved corporate robustness. Overall, financially sound households and firms continue to enjoy access to credit. Nevertheless, vulnerabilities remain, especially if interest rates were to climb in the wake of the Middle East conflict. The growing interconnectedness between banks and other financial institutions increases the potential for adverse financial conditions and economic shocks to propagate through the system (Norges Bank, 2025).

Figure 1.15. The financial system looks resilient overall



Note: Credit owed to banks, other financial companies, mortgage companies and state lending institutions.

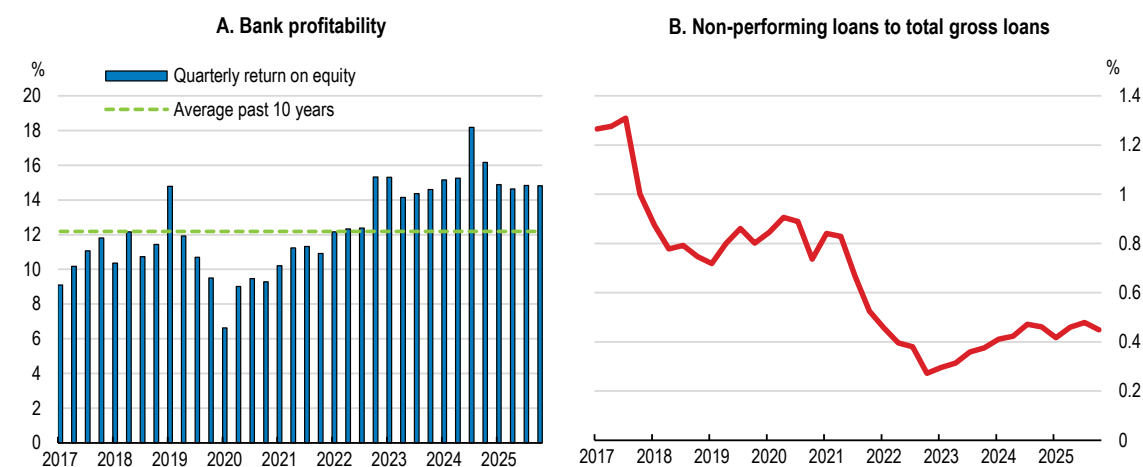
Source: Statistics Norway.

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Banks are profitable and liquid, and credit losses, while edging up, remain low (Figure 1.16). High interest income underpins profitability, expected to remain high as monetary policy has been tightened. Risk premia have declined somewhat, deposit-to-loan ratios remain stable, and banks meet both regulatory and internal capital and liquidity requirements by a large margin. However, weak construction activity and high financing costs continue to weigh on commercial real estate (CRE) firms. While banks' exposure to CRE debt remains a vulnerability, Norges Bank's stress tests indicate that the largest banks would be able to absorb substantial losses while maintaining lending to households and businesses (Norges Bank, 2025).

Macroprudential policy has been eased slightly since the 2024 Economic Survey. At the start of 2025, the maximum loan-to-value ratio for mortgages was raised from 85% to 90%, following a moderate decline in household debt-to-income ratios. Other key macroprudential buffers have remained unchanged: the countercyclical capital buffer has been held at 2.5% since spring 2023, and the systemic risk buffer at 4.5% since the beginning of 2021. Given that household debt in GDP remains high and has begun to rise again, further easing of household-oriented financial conditions would be unwarranted. In summer 2025, Norway implemented the European crypto-assets regulation to strengthen oversight of stablecoins, although the domestic fintech sector remains small.

Figure 1.16. Banks are profitable, while non-performing loans continue rising



Note: Panel A: return on equity after tax.

Source: Norges Bank, Financial Stability Report 1/2026; IMF, Financial Soundness Indicators.

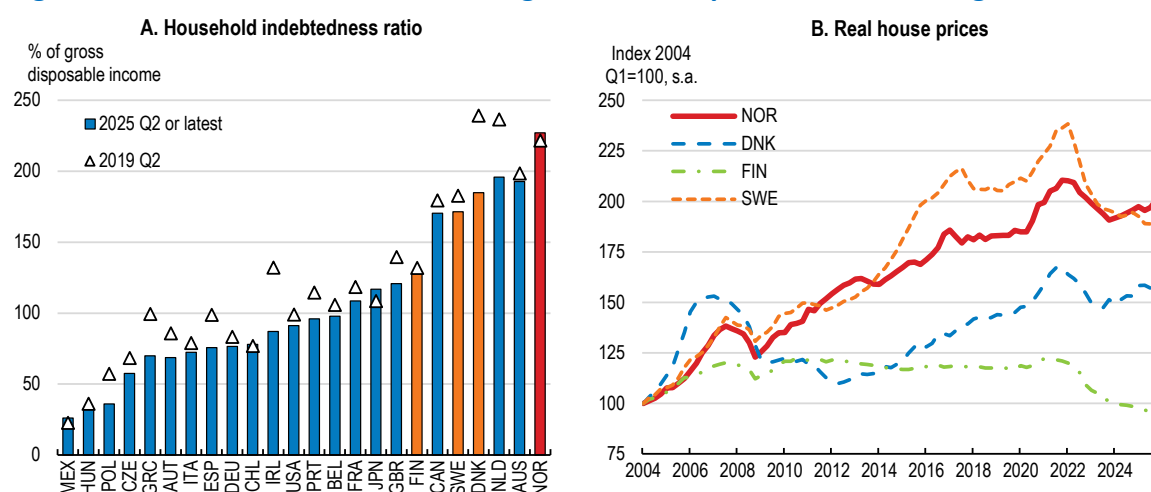
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Norway is strengthening the resilience of its financial infrastructure against cyber threats, with emphasis on safeguarding the national payment system. Digital payments account for around 98% of all transactions and even more in value terms, as cash is typically used for small purchases. With threat assessments pointing to an increased risk of cyberattacks from both organised crime and hostile state actors, the authorities want to reinforce contingency arrangements for the financial sector (Norges Bank, 2025). A working group appointed by the Ministry of Finance recently issued recommendations to bolster the security of digital payments. These include ensuring sufficient national control over critical payment-system functions, enhancing the robustness of the domestic payment platform BankAxept - which can process payments without access to the financial infrastructure for a week - and deepening cooperation with Nordic and European counterparts. As part of broader preparedness efforts for digital system failures, the government and Norges Bank recommend households to hold sufficient cash to cover essential expenses for one week (Government of Norway, 2024). The legal right to use cash has also been reinforced and banks are required to maintain adequate levels of cash in case of an emergency.

1.3.2. Housing demand remains high, but construction is subdued

After a decline following post-pandemic tightening of financial conditions, household debt-to-income ratios - driven overwhelmingly by mortgages - have begun to rise again. They remain above pre-pandemic levels and the highest in the OECD (Figure 1.17, panel A). Debt-to-income ratios have however fallen, reducing overall household vulnerability (Norges Bank, 2025). The interest burden and the debt-service ratio are easing, and Norges Bank assesses that households have been able to service their debt and cover normal living expenses by a solid margin. Nonetheless, housing demand remains elevated. Over the past two decades, house prices have increased more in Norway than in any other Nordic country, recently surpassing those in Sweden (Figure 1.17, panel B). With real incomes improving and the maximum loan-to-value ratio raised from 85% to 90%, new mortgage lending has begun to expand again. The favourable tax treatment of owner-occupied housing contributes to high prices through capitalisation (see fiscal section).

Figure 1.17. Household debt remains high, and house prices continue rising



Note: Panel A: total outstanding debt – mostly mortgages – of households as a percentage of gross disposable income, data for Norway refers 2023 Q2; Panel B: ratio of nominal house price index to consumers' expenditure deflator.

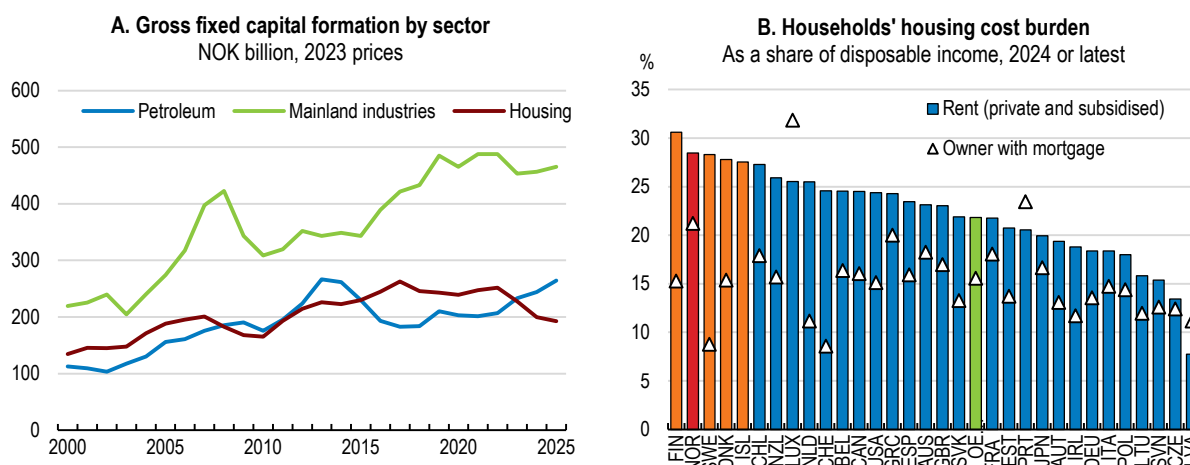
Source: OECD, Household Dashboard; OECD, Analytical House Prices database.

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Housing supply remains tight (Figure 1.18, panel A). Although residential construction appears to have stopped falling, overall activity remains subdued (Norges Bank, 2025). Between 2021 and 2024, household formation outpaced growth in residential construction in all regions, with the gap particularly pronounced in the largest urban areas. Building permits and home completions have declined since 2022, though they recovered somewhat in 2025. As a result, the housing cost burden has continued its long-term upward trend and is now among the highest in the OECD (Figure 1.18, panel B).

The relatively low responsiveness of supply to demand points to structural constraints on new construction (although rising construction costs also play a role). As highlighted in the previous Survey, stringent green-belt protections, zoning restrictions and the prioritisation of agricultural land have significantly limited the availability of land for construction (OECD, 2024). Local governments, particularly in the capital region, have begun to respond by easing height limits, fostering development near public transport hubs and streamlining urban-planning procedures. These initiatives are welcome and should be pursued further, complemented by a review of green-belt policies and an easing of restrictions on converting agricultural land for other uses. Table 1.4 summarizes past recommendations and actions taken to foster a strong and resilient economy.

Figure 1.18. Housing supply does not keep up with rising demand, creating affordability issues



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Table 1.4. Past recommendations and actions taken to foster a strong and resilient economy

RECOMMENDATIONS	ACTIONS TAKEN
Monetary, financial, and fiscal policies	
Maintain a sufficiently restrictive monetary policy stance to bring inflation down over the medium term.	The monetary stance is restrictive.
Reduce fiscal stimulus to support monetary policy, mainly by reining in spending.	The fiscal stance is mildly expansionary.
Phase out the electricity support scheme.	The support scheme ("Norgespris") has been expanded.
Monitor financial stability risks related to high household debt, the commercial real estate sector and cyber security, and stand ready to implement appropriate measures.	Financial stability risks are closely monitored by Norges Bank and the financial authority.
Remove obstacles to expand housing supply notably in urban areas, by allowing for denser city space and greenfield development close to public transport hubs.	The Government is working on a reform to shorten planning time, speed up and digitalise the application process, and reduce the regulatory burden.
Gradually phase out favourable tax treatment of homeownership, for instance by making mortgage interest payments no longer tax deductible or by taxing imputed rent.	No action taken.
Further reduce income taxation, notably for low-income earners.	An earned-income tax deduction trial has been set up for young income earners. A Commission is preparing options for a tax reform.
Increase allowances in wealth taxation and/or reduce rates while taxing all assets at market prices.	Allowances have been slightly raised.

1.4. Fiscal policy faces long-term challenges

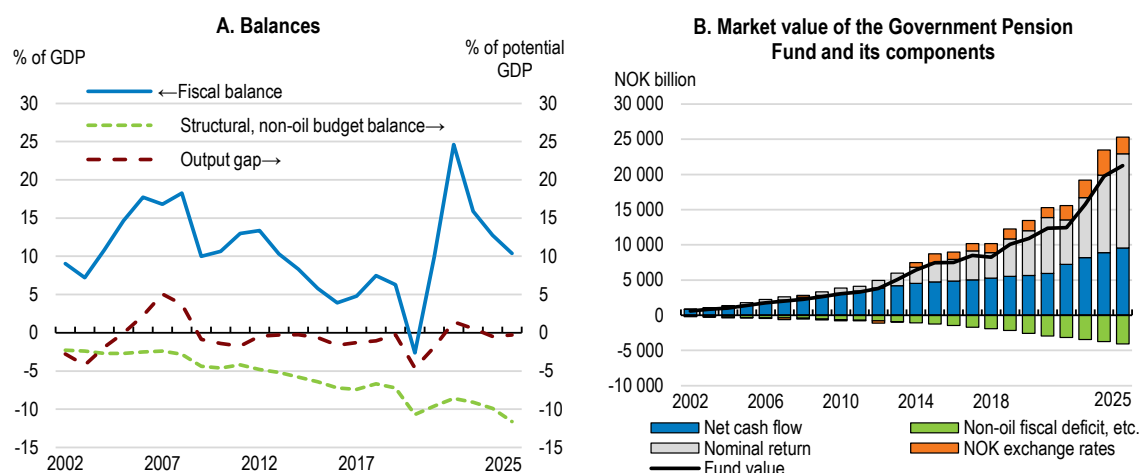
1.4.1. Spending continues to rise more than mainland revenues

Norway's fiscal framework is strongly shaped by the petroleum sector, allowing the country to run substantial mainland-economy budget deficits. Oil and gas revenues are transferred in full to the sovereign wealth fund (the "Fund"), which is drawn upon for setting the budget. A fiscal rule stipulates that transfers from the Fund to the budget shall, over time, equal the expected real return of the Fund, currently estimated at 3% (4% before 2018). The Fund has both a stability and sustainability objective,

allowing fiscal policy to intervene quickly and boldly in times of crisis. This was the case in 2020 when pandemic-related measures required violating the long-term norm. Over the past 10 years, the Fund's value has risen sharply in the wake of large oil revenues and, increasingly, returns on assets. However, the growing pressure on the Fund to finance mainland spending, the diminishing contribution of petroleum revenues and the risk of sudden and sustained falls in the value of the Fund have sparked debates over possible amendments to the fiscal framework. This includes proposals to complement the structural balance rule with a cash-flow rule or adopt a spending rule.

The budget surplus moderated to 12.7% of GDP in 2024 and 10.4% in 2025, after the record-breaking 25% in 2022 (Figure 1.19). The structural non-oil deficit rose from 9.9% of potential mainland GDP in 2024 to 11.6% in 2025, implying an expansionary fiscal stance over the past two years. Some fiscal slippage occurred, driven mainly by additional defence spending and financial support for Ukraine. The share of total spending financed through withdrawals from the Fund has risen sharply to 24% in 2025 - up from only 3% in 2001 - with the withdrawal rate reaching 2.7%. This rate represents a benchmark deemed consistent with achieving the 3% rule in the long term. It reflects a cautious approach aimed at ensuring that spending adjustments can be gradual in the event of significant changes in the Fund's value and to have the flexibility to increase spending substantially in the event of a crisis (Ministry of Finance, 2025). By end-2025, the Fund's total value had reached NOK 21,500 billion, equivalent to around 400% of GDP or roughly USD 370,000 per resident.

Figure 1.19. While oil revenues are slowing, the structural non-oil deficit continues rising



Note: Panel A, structural non-oil balance computed as a share of mainland trend GDP.

Source: OECD, Economic Outlook database; Ministry of Finance, Budget 2026.

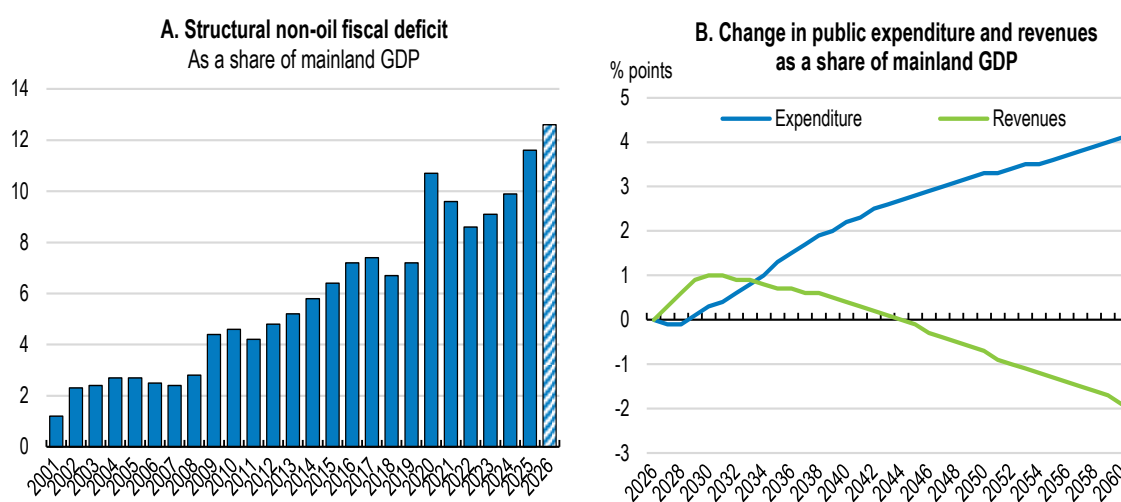
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The 2026 budget projects an increase in the structural non-oil deficit to around 13% of potential mainland GDP (Figure 1.20, panel A). The withdrawal rate from the Fund will remain below the 3% guideline of the fiscal rule, though slightly above the 2.7% threshold the authorities consider prudent (see above). Modest spending growth in 2026 reflects the strong carry-over from commitments made in 2025, notably the multi-year agreement to increase support for Ukraine. As most of this support is spent abroad, its impact on domestic demand is expected to be limited. Infrastructure spending, particularly for transport, will remain high, despite the low and even negative benefit-to-cost ratio of many projects. Defence expenditure is projected to rise to 3.4% of GDP, up from less than 2% in 2023. While heightened security and emergency preparedness justifies increased defence spending, rapid expansion could exceed the armed forces' absorption capacity, bidding up prices, undermining cost control and effectiveness (Norwegian Institute for Defense Research, 2025). Defence spending should therefore focus on effective implementation, achieve a balance between investment and operating costs and strengthen expenditure control, as emphasised by the Fiscal Council (Advisory Council on

Fiscal Policy Analysis, 2026). In March 2026, the parliament endorsed a package of subsidies and tax reductions to help households cope with rising energy prices. The fiscal cost of such energy subsidy schemes, including “Norgespris”, amounts to around 25bn kroner or more than 1% of total public spending in 2026.

In the long run, the government anticipates significant fiscal challenges. Long-term projections suggest that the fiscal gap or structural budget deficit could widen by around 6% of mainland GDP by 2060 (Figure 1.20, panel B). Age- and health-related expenditure is projected to increase by roughly 4% of GDP, while revenues - largely reflecting lower transfers from the Fund due to an expected decline in its value relative to mainland GDP - are projected to fall from around 2030 onward. Considerable uncertainty surrounds these projections, particularly regarding oil revenues and returns to the Fund. The government identifies higher productivity growth, increased employment, greater efficiency in the public sector and improved management and taxation of Norway’s natural resources as the key policy levers to address emerging fiscal pressures. However, it does not quantify the expected impact of these reform areas on spending, revenues, or the fiscal balance. Table 1.5 summarises past recommendations and actions taken to raise the effectiveness of fiscal policy and public spending.

Figure 1.20. Fiscal deficits are rising



Note: Panel A, structural non-oil balance computed as a share of mainland trend GDP.

Source: Ministry of Finance, Budget 2026.

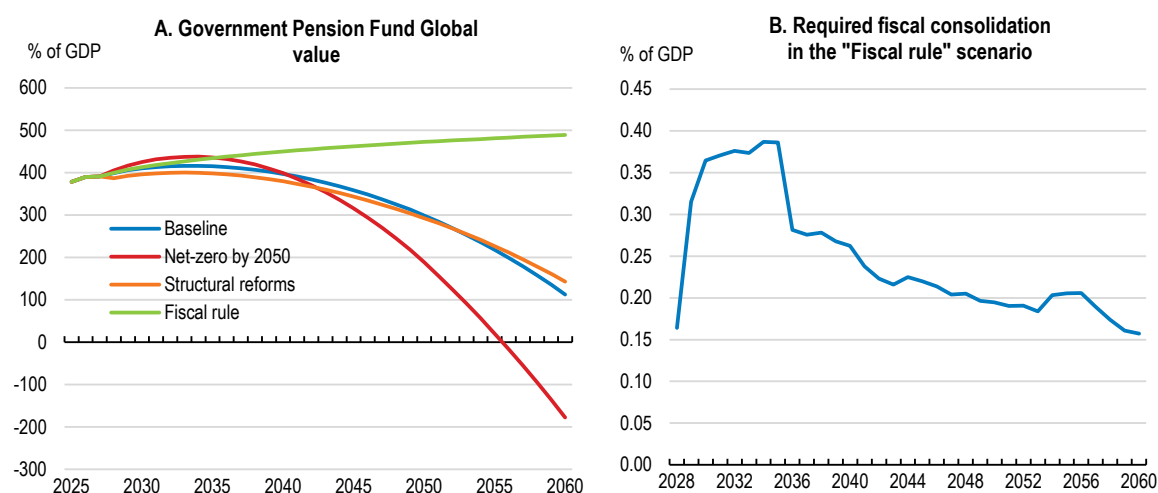
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Table 1.5. Past recommendations and actions taken to raise effectiveness of public spending

Recommendation	Actions taken
The fiscal framework	
Implement an expenditure rule that aims at containing spending as a share of GDP.	No action taken.
Introduce a medium-term fiscal framework.	Core building blocks of a medium-term expenditure framework (MTEF) are in place.
Broaden the remit of the Advisory Panel on Fiscal Policy Analysis.	No action taken after the remit was broadened in 2021.
Undertake more comprehensive spending reviews and give them a prominent role in the decision-making process.	A spending review of 2024-25 analysed health-related social security benefits. Work is underway to revise the framework for spending reviews.
Regional policy	
Enlarge the operational scale of small municipalities, through mergers or co-operation.	No action taken.

Healthcare	
Pursue efforts to improve the coordination of care between municipal health centres and hospitals.	A Health Reform Commission has been commissioned to assess measures to strengthen coordination between municipal health and care services and specialist health services.
Tighten eligibility criteria and raise out-of-pocket payments to damp demand but keep ceilings for such payments.	No action taken.
Continue efforts to implement the Digital Health Strategy, promote telemedicine and better link and use health data.	Efforts are continuing to digitalise health care.
Education	
Sharpen the targeting of the grant system. Reduce the teacher shortage and continue to raise the quality of teaching.	Efforts are ongoing to strengthen recruitment for teacher education programs.
Lift the stringent pupil-teacher ratio and strengthen co-operation among municipalities.	The Local Government Commission has proposed to abolish or at least lift the regulation from the school to the municipal level.
Improve the school environment, for instance, by restricting the use of mobile phones, to raise educational attainment. Strengthen further the position of teachers in the classroom.	The education law from 2024 strengthens the position of teachers and strong guidelines to abolish mobile phone use are established.
Infrastructure investment	
The benefit-cost ratio should be given more importance in the selection of infrastructure projects.	The National Transport Plan 2025–36 shifts from large investment projects to operation and maintenance. No new large projects in 2026 pending for parliament approval.
Mandate more ex-post evaluations.	No action taken.
Sickness and disability benefits	
Expand employer payments for long-term sickness leave and consider reducing the sick leave compensation rate towards the level of the other Nordic countries.	No action taken.
Reduce Work Assessment Allowance payments for younger cohorts and for individuals living at home.	The benefit was reduced in 2020.
Strengthen early intervention, especially for young people, so that they do not end up in the disability scheme.	The government is introducing two pilot schemes that provide young unemployed with an alternative benefit without medical entry requirements and with increased work obligations.
Add an independent medical assessment, for instance, by a doctor appointed by social security.	No action taken.
Agricultural subsidies	
Move away from the most economically distorting and environmentally damaging forms of agricultural support and consider reducing overall support.	The share of subsidies with some environmental strings attached has increased a bit.

Overall, Norway's long-term fiscal profile is shaped by the expected contraction of petroleum revenues and the decline in the value of the Fund as a share of GDP (Figure 1.21). In a baseline scenario of the OECD's long-term model with no policy changes, the fund is assumed to reach its highest value in 2033 before gradually declining to around 110% of GDP in 2060. The structural non-oil budget deficit will amount to around 5.6% of the Fund's value in 2040 (against 3% of the current fiscal rule). The scenario of following the 3% fiscal rule would require fiscal consolidation efforts of between 0.15% and 0.4% of GDP per year, especially over the coming decade. In a scenario assuming a faster green transition and lower demand for Norwegian oil, the Fund's value will decline more rapidly. On the other hand, in a reform scenario where the reforms described in Table 1.3 are realised, the Fund declines more slowly. The relatively small impact of reforms highlights the overwhelming role of the Fund and oil revenues for developments in the Norwegian economy. The fiscal impact of recommended reforms is shown in Box 1.4.

Figure 1.21. Oil revenues play a key role in the sustainability of the wealth fund

Note: The value of the sovereign wealth fund (the Government Pension Fund – Global) increases yearly by the net transfer from the government to the GPFG (i.e. oil revenue minus the structural non-oil budget deficit) and by Fund interest and dividends. Interest and dividends amount to 3% of the value of the Fund in the previous year and valuation effects increase the Fund by 3.1% annually. Oil revenue follows government estimates up to around 2030 and thereafter evolve according to the global demand forecast by the OECD. The exercise incorporates the OECD's assumptions on ageing-related costs, the pension reform of 2024 and on defence spending (3.5% of GDP in the long run, in line with NATO commitments). The "net-zero by 2050 scenario" assumes that oil revenue in Norway will decline faster than in the baseline, due to substantially lower global demand for petroleum (Guillemette and Château, 2023). In the "structural reforms scenario", the reforms described in Table 1.3 are implemented, which would boost GDP by around 13% in the long run (with some effects on public spending). The "Fiscal rule scenario" assumes that the authorities follow the 3% fiscal rule.

Source: OECD Economic Outlook database; OECD, Long-term model; OECD calculations.

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Box 1.4. Quantifying fiscal policy recommendations

The following estimates roughly quantify the fiscal impact of selected recommendations within a 5 to 10-year horizon, using simple and illustrative policy changes (Table 1.6). The reported effects do not include behavioural responses and growth effects.

Table 1.6. Illustrative fiscal impact of recommended reforms

Policy area	Policy measure	Impact on the fiscal balance, % of GDP
Housing	Remove the deductibility of mortgage interest spending.	1.5
Sickness and disability	Reduce disability benefit recipients from 14% of working age population to 10%, and sickness absence from around 27 to 18 days per full-time employee per year.	2.5
Taxation	Reduce the personal income tax wedge for families from 32.2% to 30%.	-0.6
	Lift immovable property taxation revenues from 0.3% of GDP to 0.5%.	0.2
Subsidies	Reduce subsidies by one fifth or 0.4% of GDP	0.4
Total fiscal impact		4.0

Note: The recommendation related to improving education outcomes is included in the structural quantification, but its fiscal impact cannot be quantified. The same holds true for all recommendations related to regulation.

Source: OECD own calculations.

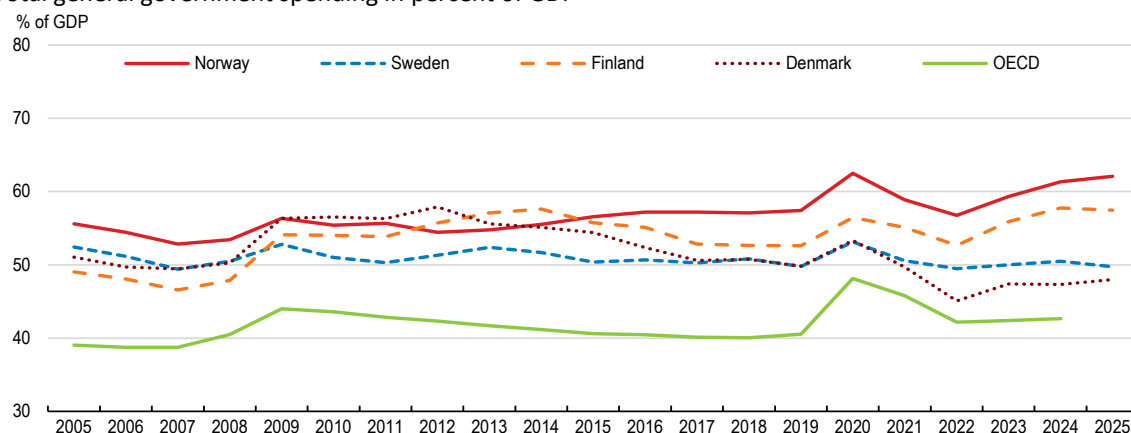
1.4.2. The fiscal framework should better address high spending

The 3% fiscal rule, which sets a limit on withdrawals from the Fund to cover the structural non-oil deficit, is at the core of Norway's fiscal framework, enjoying a high degree of political acceptance. The rule has provided Norway with fiscal space unmatched in almost any other country. However, this space has

largely been used to expand spending programmes rather than reduce taxes. Public spending as a share of mainland GDP has risen almost continuously over the past two decades and is now the highest in the OECD, well above levels in the other Nordic countries (though adjusting for the taxation of welfare transfers would reduce this share by around 5 percentage points) (Figure 1.22). Moreover, the rule creates incentives to use cyclically-high revenues, especially following re-evaluations of Fund assets, to finance new structural spending, contributing to a pro-cyclical fiscal stance. High and rising public expenditure may weigh on productivity and employment. Further spending pressures are likely to emerge, including from higher defence and climate-related costs, alongside intensifying age-related expenditure. Against the backdrop of diminishing fiscal space and limited scope for raising additional revenues, the government should complement the fiscal framework with a structural spending rule (or plan) to limit spending growth, contain spending excesses and to smooth spending over time. Several Nordic neighbours and Ireland offer useful models for designing spending rules (Box 1.5).

Figure 1.22. Government spending is high and drifting up

Total general government spending in percent of GDP



Note: Mainland GDP for Norway.

Source: OECD, National Accounts database.

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Box 1.5. Spending rules: An “open sesame” for responsible fiscal policy?

Fiscal rules serve as a commitment to anchor expectations about future fiscal developments and increase the cost of deviations. Their design should reflect the specific fiscal challenge—whether related to deficits, debt, spending, or taxation. Spending rules enhance expenditure discipline by increasing accountability and transparency in the budget process, thereby improving control over primary spending. Empirical evidence suggests that spending rules can substantially restrain government expenditure. Although budget balance rules also exert a damping effect on spending, the impact is typically smaller. Some studies find that spending rules mainly reduce public consumption while leaving public investment broadly unaffected. By limiting expenditure drift during upswings, spending rules can also help reduce the pro-cyclicality of fiscal policy.

Fiscal rules must be tailored to country-specific circumstances. While most OECD countries rely on rules constraining actual or structural budget deficits, this approach would be ill-suited in Norway, given its reliance on large, volatile and uncertain oil revenues. Norway’s current fiscal rule aims to distribute resource revenues over time and across generations by limiting withdrawals from the Fund to its estimated long-term real return, thus preserving the Fund’s real value. The Fiscal Council has suggested an adapted balance rule based on the Fund’s cash flow (such as dividends, coupon payments or rental income). Because cash flows fluctuate less than market valuations, such an approach could reduce year-to-year volatility in the fiscal balance. However, strict adherence to a

cash-flow-based rule could constrain the government's ability to run adequate deficits during economic downturns.

In 2025 Iceland introduced a structural net expenditure rule (i.e. accounting for tax policy changes), abandoning the budget balance rule previously adopted in 2016. Ireland, whose revenues are as volatile as Norway's, has implemented a successful expenditure rule that has largely eliminated procyclical spending. Denmark and Finland set expenditure ceilings for central government in real terms. Denmark sets them for three years, Finland for four years. In both cases, interest payments and cyclically-sensitive expenditure items are excluded and the expenditure ceiling can be changed in exceptional circumstances. In Sweden, the spending ceiling is set in nominal terms for all central government outlays except interest payments three years ahead (Box 1.6).

Source: (OECD, 2024); (OECD, 2025); (Brändle and Elsener, 2023); (OECD, 2025)

Norway is virtually the only OECD country without a medium-term expenditure framework (MTEF). The central government budget is prepared only for the upcoming fiscal year, limiting consideration of the future fiscal implications of current or planned policies. Discretionary revisions to budget items and negotiated agreements are frequent (Advisory Council on Fiscal Policy Analysis, 2026). This type of short-termism is often justified by the high unpredictability of Norway's budget, given its reliance on volatile petroleum revenues. There is also a concern that multi-year spending paths could become expenditure floors rather than ceilings. However, a one-year horizon makes it difficult to assess long-term consequences of policy initiatives. To strengthen medium-term planning, the government has launched medium-term budget projections for the years 2027–2029 (Ministry of Finance, 2025). Well-designed medium-term budgeting clarifies the government's priorities within an overall expenditure ceiling and ensures time consistency between policy decisions and fiscal consequences (OECD, 2025). As such it enhances the effectiveness of the fiscal framework and improves budget discipline. Norway could benefit from adopting an approach like Sweden's (Box 1.6).

Box 1.6. Sweden's structured budget process helps contain spending

Sweden's budget framework, fundamentally reformed in the 1990s to restore fiscal discipline, is often considered one of the most effective in the OECD. The framework consists of a set of fiscal rules or policy targets (a surplus target, a debt anchor for consolidated gross debt, a moving three-year nominal expenditure ceiling, and balanced local government budgets); a structured and disciplined top-down budget process; rules on openness and clarity of fiscal legislation; and external monitoring of fiscal policy by the Fiscal Policy Council among others. A multi-year expenditure baseline assuming no policy changes creates so-called "automatic fiscal space" as revenues tend to grow with GDP while spending, including rules-based social transfers to households, grow less. The baseline provides information on how much space is available for new policy initiatives without violating the spending ceiling. Budgeting is sequenced into two steps: the government first decides on the overall expenditure envelope ("spring budget") before negotiating detailed allocations to the sector ministries ("autumn budget"). The budget envelope includes transfers to local governments. The framework is revised every eight years. Parliament can adjust or replace specific budget appropriations, but only within the overall spending ceiling adopted in the "spring budget". The independent Fiscal Policy Council evaluates the Government's macroeconomic and budgetary forecasts, as well as assesses whether the fiscal position deviates from the budget target (currently a surplus of 0.33% of GDP over the cycle) and whether deviations are justified.

Source: (OECD, 2019) (OECD, 2025) (Government Offices of Sweden, 2017).

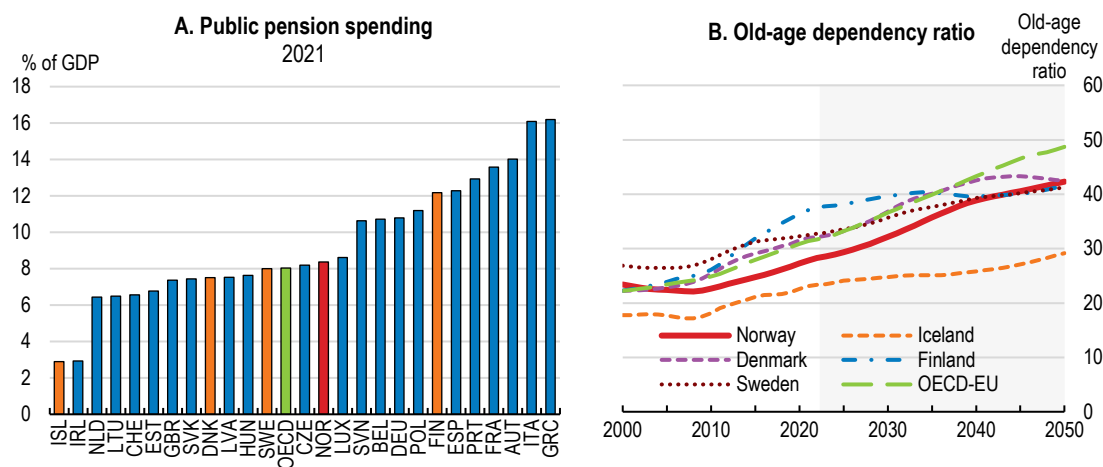
Spending reviews are an integral part of Norway's budget planning and aligned with the budget process. However, their scope has mostly been too narrow to generate substantial efficiency gains or constrain overall spending. Moreover, spending reviews appear to be followed up only to a limited extent by the

government and Parliament. By contrast, countries such as the United Kingdom and Ireland have implemented comprehensive spending reviews every few years to identify savings across the whole of government and to reallocate resources toward priority programmes and objectives (OECD, 2024). In this context, it is encouraging that in 2024/25 the Norwegian government carried out a spending review of sickness and disability benefits—a large expenditure area—and has shown willingness to implement some of its recommendations. Going forward, the government should continue to undertake comprehensive spending reviews and implement their findings.

1.4.3. Pressure on the public finances will keep rising

Although relatively young, partly due to continued labour immigration, Norway is not insulated from the economic and fiscal pressures from population ageing. Life expectancy and self-reported health status are among the highest in the OECD for both men and women, reflecting a combination of healthy lifestyles and high-quality health services. However, public spending on pensions as a share of GDP is around the OECD average and higher than in other Nordic countries (Figure 1.23, panel A). Rising life expectancy and declining birth rates will push up the old-age dependency ratio in the coming decades, placing increasing pressure on pension, health and long-term care systems (Figure 1.23, panel B). The government identifies the shrinking share of younger cohorts and growing age-related costs as key drivers of the long-term increase in public expenditure by 2060 (Ministry of Finance, 2024).

Figure 1.23. The fiscal cost of aging will grow



Note: Panel A, public pension spending is total public cash benefits spent on old age and survivors. Mainland GDP for Norway. Panel B, the old age dependency ratio is the number of individuals aged 65 and more to the population aged between 15 and 64.

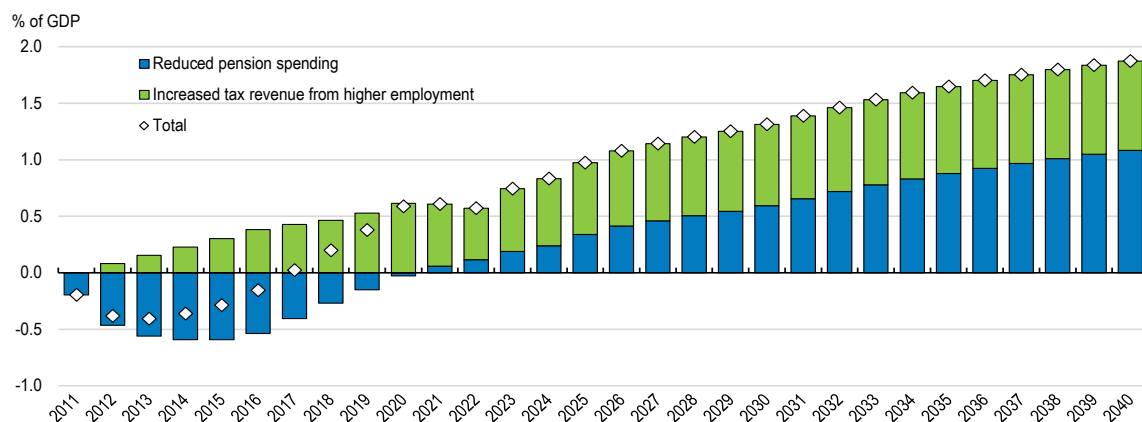
Source: OECD, Social expenditure database; OECD, Historical population database; OECD, Population Projections database.

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The government has taken important steps to address the rising fiscal costs of ageing. The 2011 pension reform in the private sector, followed by a similar reform in the public sector in 2018, strengthened incentives to remain in work, significantly increasing employment rates among individuals aged 62 and over and helping to mitigate future ageing-related expenditure pressures (Figure 1.24). Norway already has a comparatively long working life, with a statutory retirement age of 67. In 2023, the government and the social partners agreed to phase out certain early-retirement schemes. As life expectancy continues to rise, Parliament adopted a settlement in 2024 to gradually increase age limits in the pension system by one month per year—equivalent to adjusting the retirement age by roughly half of the gain in life expectancy—for cohorts born from 1964 onwards. The reform also raises the upper pensionable age in the public sector from 70 to 72. The government plans to implement these measures in 2030 or 2031.

Figure 1.24. The pension reform brings huge savings

Expected lower pension spending and higher tax revenue following the 2011 reform, in percent of GDP

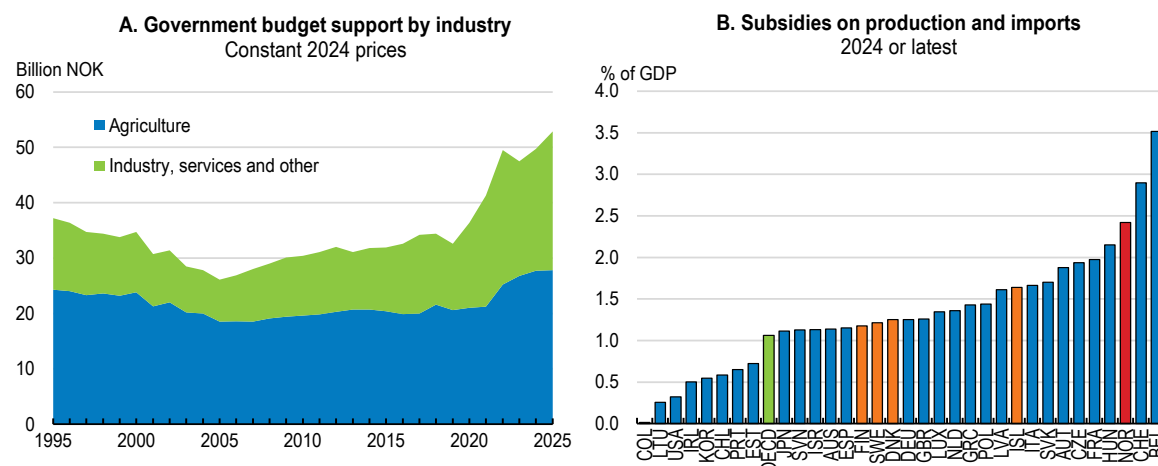


Note: GDP projections are based on OECD Economic Outlook.

Source: Ministry of Finance; Nav and OECD Long-term model.

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Norway allocates an above-average share of public resources to state aid and subsidies, and such spending has grown considerably in recent years, especially for agriculture and climate-related measures (Figure 1.25). While well-intentioned, many schemes generate unintended side effects. The “Norgespris” electricity subsidy, which shields all households from high prices, weakens incentives for energy saving and discourages investments in low-emission electricity generation (Advisory Council on Fiscal Policy Analysis, 2026). The tax subsidy for electric vehicles contributes to congestion in major cities and complicates land-use planning aimed at containing urban sprawl and promoting development around public transport hubs (see housing-market section). Public support for innovative firms is distributed through numerous agencies, often without clear objectives, a demonstrated market failure, or systematic monitoring. The government has begun reviewing innovation-support schemes, tightening conditions, reducing overall support and streamlining the governance framework by consolidating agencies. These efforts should continue.

Figure 1.25. Subsidies are high and rising

Note: Panel B, mainland GDP for Norway. GDP weighted average for the OECD.

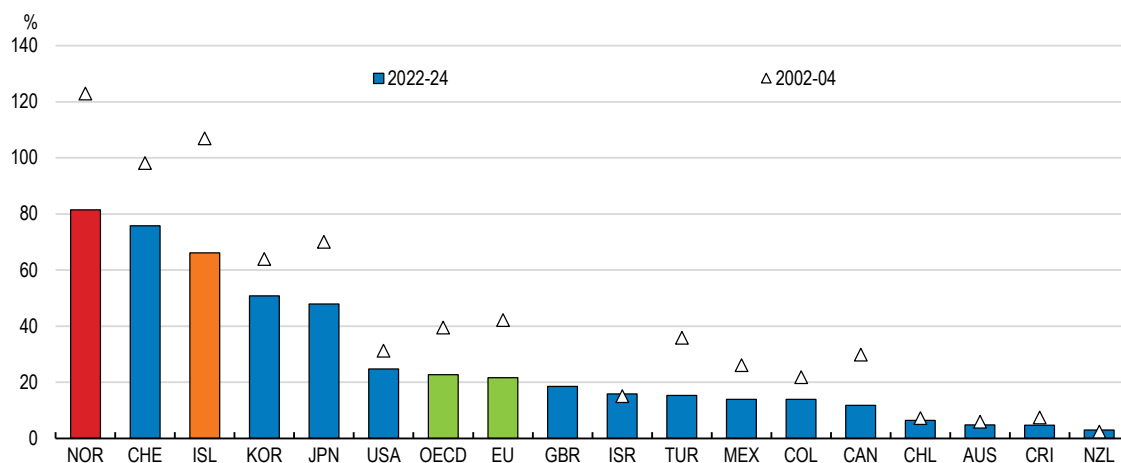
Source: Ministry of Finance, National Budget 2026; OECD, Annual government expenditure by function (COFOG).

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Norway has the highest agricultural support levels in the OECD, with producer transfers averaging 47% of gross farm receipts in 2022–24, down from 69% in the early 2000s (Figure 1.26). More than half of support is linked to production—particularly per-head livestock payments—while border protection and market regulations continue to sustain higher domestic prices. These coupled measures are among the most economically distorting and tend to depress productivity and harm the environment. They may also stifle downstream competition, including in the grocery and retail sectors (see in-depth chapter on regulation). Recent policy priorities emphasise more targeted climate and environmental schemes, now accounting for nearly one-third of the agricultural budget. However, the distributional impact of agricultural subsidies remains unclear, particularly regarding support for remote and northern regions. Against this backdrop, the government should further reduce agricultural support and better align it with productivity and environmental objectives, as recommended in the 2024 Survey (OECD, 2024).

Figure 1.26. Producer support for agriculture is the highest in the OECD

Total support estimate as a share of gross farm receipts



Note: Countries are ranked according to TSE relative to the value of agricultural production in 2022-24.

Source: OECD, Agricultural Policy Monitoring (database).

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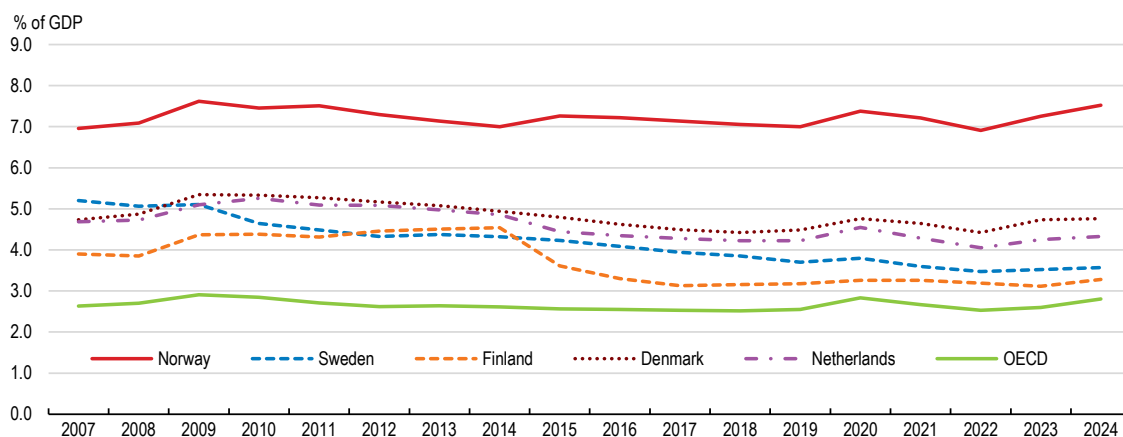
The high and rising level of sickness and disability benefits poses a particular problem to the public finances. While such spending has declined in comparable countries, it goes the other way in Norway (Figure 1.27). Sickness and disability spending makes up around 22% of total public spending or more than 8% of mainland GDP. Sick-leave provisions are very generous, often offering full wage compensation. Prolonged absences not only weigh on public finances but also increase the risk of labour-market detachment. The government should carefully assess the role of the sickness and disability system for work incentives. It should implement policies that both reduce fiscal cost and increase overall labour participation, including by adjusting replacement rates, stronger employer participation, enhanced early intervention and independent medical assessments, as recommended in the past Survey (OECD, 2024).

The fiscal costs of climate adaptation and mitigation are rising as Norway experiences more frequent extreme weather events such as storms and floods. In 2024 following rainstorm *Hans*, insurance payouts for weather-related damages reached a record high, although total losses still amount to less than 1% of GDP, well below the EU average of 4% (OECD, 2025). The climate action plan, last updated in 2023, sets out cross-sectoral measures to address risks and vulnerabilities, as summarised in the previous Survey (OECD, 2024). The 2026 budget continues to prioritise infrastructure investment - especially improved water management and flood protection - and funds municipal adaptation and mitigation projects, which is welcome. To curb emissions, subsidies through the climate and energy fund (Enova) remain important, though they were reduced in 2026. Support for carbon capture and storage (CCS) is accelerating,

highlighted by the opening of the first storage site in summer 2025. However, cost per tonne of CO₂ reduction at the site currently exceed 150 Euro, considerably more than the price of an emission certificate (70-75 Euro per tonne in March 2026) (Cleantechnica, 2025). Since further domestic emission reductions tend to be expensive, and since per-capita carbon emissions have fallen below the OECD average, the government has begun to increase spending for international climate measures, such as the Rainforest Initiative. Past recommendations and actions taken in climate policy are shown in Table 1.7.

Figure 1.27. The gap with the OECD on sickness and disability spending is widening

Public spending on sickness and disability, in percent of GDP



Note: Mainland GDP for Norway. OECD aggregate represents simple average of its members for which data are available.

Source: OECD, National Accounts database.

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Table 1.7. Past recommendations and actions taken in climate policies

RECOMMENDATIONS	ACTIONS TAKEN
Decarbonising the economy	
Carry out careful cost-benefit analysis for carbon-reducing policies and prioritize policies with a lower reduction cost per tonne of carbon.	No action taken.
Gradually broaden and increase carbon taxation and consider taxing methane and nitrous oxide.	Carbon tax rates were increased by around 30% in 2025-26.
Credit emission reductions achieved through international low-carbon emission programmes against national targets, at least partly.	Investment in international carbon reduction programmes has expanded.

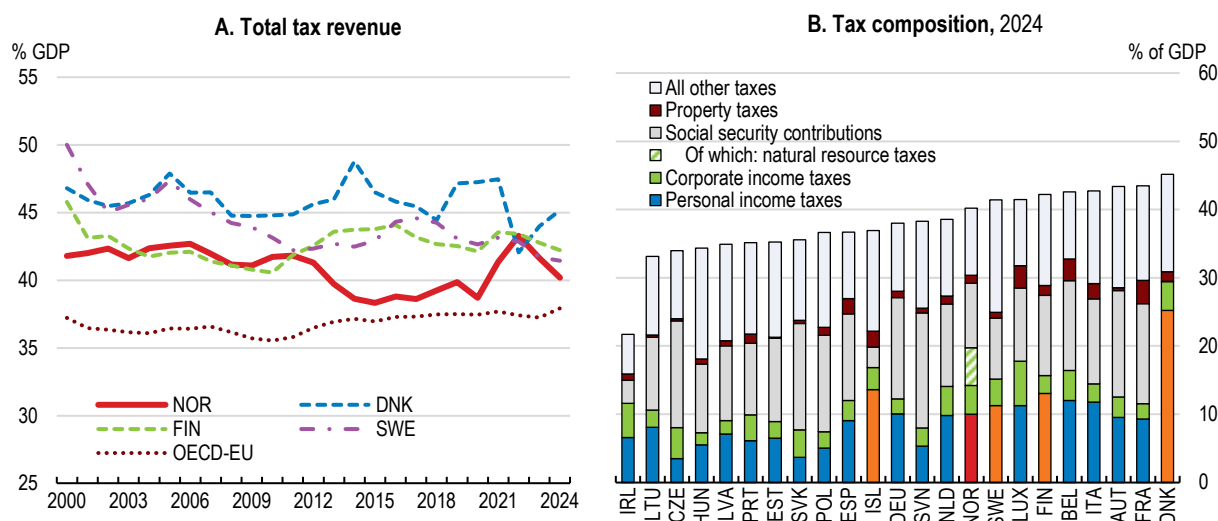
1.4.4. The tax burden on labour and capital should be eased

Norway's tax system is heavily geared toward revenues from natural-resource or rent taxation (Figure 1.28). More than half of corporate income tax (CIT) receipts are resource-based, generated by the oil sector (whose revenues are channelled to the sovereign wealth fund rather than the state budget), electricity production from hydro and wind, and aquaculture. The standard CIT rate is 22%, below the OECD average, reflecting a long-standing policy objective to keep corporate taxation low since in a small open economy the incidence tends to fall on labour. The share of consumption taxes is modest, partly due to numerous exemptions in the value-added tax (VAT) system. As such, the VAT revenue ratio –comparing actual VAT revenues with what would be raised if all consumption was taxed at the standard rate and with full compliance - is just slightly above the OECD average (OECD, 2024). Norway is among a few OECD countries to levy a net wealth tax. While they have a considerable redistributive effect, net wealth taxes could discourage investment, particularly in small or family-owned firms, as taxing capital can result in negative after-tax returns on investment (OECD, 2018) (see also thematic chapter on business regulation).

The carbon tax has risen by around 30% over the past two budget periods, which is welcome. Since March 2026, emissions that are already taxed under the European Emission Trading Scheme (ETS) are, generally, exempt from the domestic carbon tax. To cope with rising energy prices in the wake of the Middle East conflict, the government temporarily reduced or abolished fuel and carbon taxes, valid until the end of August (see above).

The government is preparing a comprehensive reform of Norway's tax system. End 2025, the government mandated a Commission to design a broad tax reform aimed at ensuring a competitive tax environment for Norwegian businesses (Government of Norway, 2025). The mandate highlights that the tax system should be redesigned in a way that is less discouraging for investment and employment. It also says that the Commission should specify preferred tax reductions. Against this background, reforms could reduce taxation on labour income and capital, in line with recommendations in the 2024 Economic Survey of Norway (OECD, 2024). While distributional objectives will need to be considered, they may be more effectively achieved through non-tax instruments such as benefits targeted at low-income households. A gradual phase in and transitional arrangements may help build political support for the reform.

Figure 1.28. Tax levels are high, with natural resource taxation playing an important role



Note: Panel A, OECD-EU stands for the unweighted average of 22 OECD countries that are EU members. Panel B, all other taxes include VAT, other taxes on goods and services and taxes that cannot be allocated across categories.

Source: OECD Global Revenue Statistics database.

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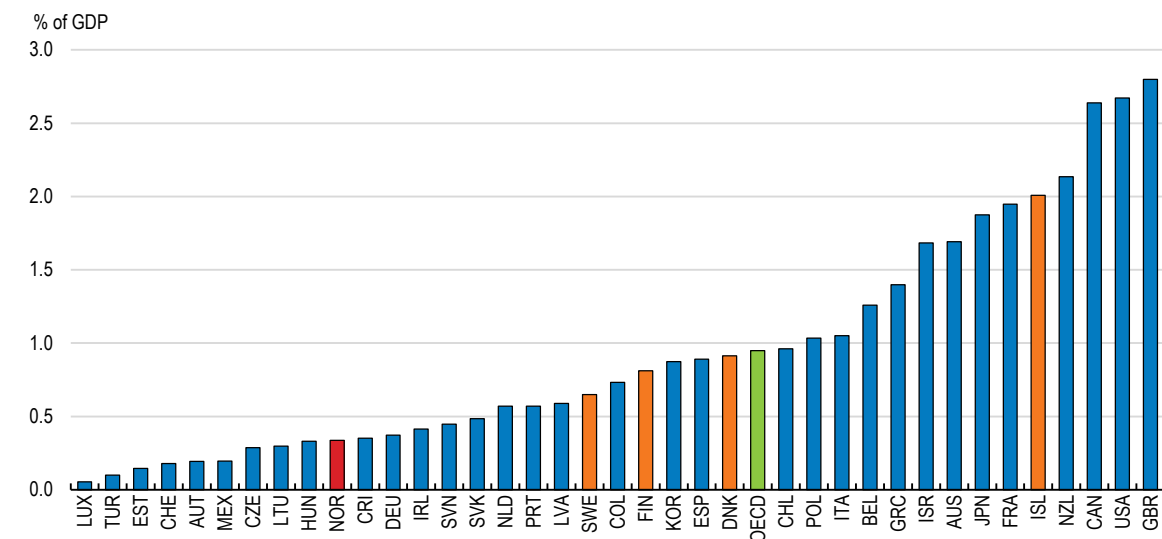
A comprehensive tax reform should include the taxation of housing. Norway has one of the most generous housing-tax regimes in the OECD: mortgage interest payments are deductible, while the imputed rental income from owner-occupied housing is not taxed; capital gains on primary residences and income from renting them are exempt; and owner-occupied houses and holiday homes are treated favourably in the net wealth tax. In a context of restricted housing supply, as in Norway, these advantages are largely capitalised into higher house prices (see financial section). International experience suggests that phasing out mortgage-interest deductibility can help moderate house prices, improve affordability and broaden access to homeownership (OECD, 2024). Denmark, France, the Netherlands and the United Kingdom have all scaled back mortgage deductibility gradually. In 2025, Switzerland adopted a combined ten-year phase-out of imputed-rent taxation and mortgage deductibility, while introducing a new tax on second homes.

A housing-tax reform could be complemented by a shift from net-wealth taxation toward immovable property taxation and a re-introduction of inheritance taxes. Property-based taxes in Norway remain

well below the OECD average, largely because municipalities may choose whether or not to levy them (Figure 1.29). Among immovable-property taxes, land taxes are particularly efficient as they generate comparatively few economic distortions, support land-use planning by limiting urban sprawl, and align well with Norway's existing system of resource rent taxation (Blöchliger, 2015). Moving from wealth to immovable property taxation would, however, require adjustments to intergovernmental fiscal arrangements, as wealth taxes are levied at the central-government level, while immovable-property taxation is a municipal responsibility. Reforms will also have to consider that immovable property taxation is less redistributive (or less progressive) than the taxation of net wealth.

Figure 1.29. Taxation of immovable property is low

Recurrent taxes on immovable property, in percent of GDP, 2024 or latest



Note: OECD aggregate refers to the unweighted average of 38 member countries.

Source: OECD, Global Revenue Statistics database.

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Table 1.8. Main findings and policy recommendations

MAIN FINDINGS	RECOMMENDATIONS (Key ones in bold)
Monetary and financial policies	
Inflation remains persistently above target. International energy prices have surged after conflict in the Middle East started.	Maintain a restrictive monetary stance until inflation is durably anchored at target. Raise interest rates if inflation risks de-anchoring. Strengthen competitive pressures and facilitate market entry to help contain price dynamics.
Norges Bank's mandate will be renewed in 2026. The bank published an evaluation of the current monetary policy framework, concluding that the experience with flexible inflation targeting is broadly positive.	Reaffirm and possibly strengthen inflation targeting as the primary objective of monetary policy, while preserving Norges Bank's operational independence.
The financial system looks resilient and stable. Household credit is expanding. The maximum loan-to-value ratio has been raised from 85% to 90%.	Maintain a cautious macro-prudential stance and continue monitoring risks associated with rising household debt.
While financial infrastructure is well protected, cyberattacks could severely disrupt the payment system.	Reinforce contingency arrangements for critical financial infrastructure.
The housing market has cooled. However, house prices remain high and investment in new housing is subdued, suggesting structural constraints to the supply of new housing.	Reform land-use policy to expand buildable land and support densification. Continue simplifying planning and permitting procedures. Ease restrictions on converting agricultural land for development.
Monetary and financial policies Fiscal policies	
The fiscal stance is mildly expansionary, although the economy is operating near or above capacity.	Tighten fiscal policy to ease inflationary pressures and build up fiscal space. Keep potential support to address the fallout from the Middle east conflict in a targeted way and withdraw as conditions normalise.
Defence spending is increasing rapidly, risking an overstretch of armed-forces absorption capacity. Cost control remains weak.	Integrate defence spending more fully into the medium-term budget process, including systematic analysis of needs and strengthened evaluation of spending effectiveness.
Public spending as a share of GDP has risen over the past decade, in contrast with other Nordic countries. Withdrawals from the sovereign wealth fund now finance 27% of public expenditure (3% in 2001), exacerbating dependence of fiscal policy on the fund's value and exposing the budget to substantial financial market risk.	Complement the fiscal rule with a structural spending plan to limit spending growth, contain spending excesses and smooth spending over time. Set up escape clauses to help adjust spending in the case of large movements in the value of the fund.
Spending reviews are narrow and unsystematic.	Carry out more comprehensive spending reviews, broaden their remit and implement their findings.
The sickness and disability benefit system is generous, discouraging employment and creating high fiscal costs.	Increase labour participation and reduce fiscal cost of the sickness and disability system by adjusting benefit rates, increasing employer participation, enhancing early intervention and independent medical assessments.
High implicit tax rates affect young people in particular. A large-scale randomised controlled trial is testing the effects of a work-income tax allowance.	Rigorously evaluate whether an earned-income tax credit effectively raises labour-force participation.
Subsidies are high relative to GDP. Agricultural income support is the highest in the OECD. "Norgespris", carbon compensation for energy intensive businesses and several temporary energy subsidies are costly and reduce incentives for saving on energy.	Reduce distortive and environmentally harmful subsidies and work towards removing them, notably in agriculture and carbon compensation. Remove temporary energy subsidies. Evaluate subsidies for innovation, as planned, and maintain those that generate large positive spillovers.
The tax system places a relatively high burden on labour and capital, while consumption and owner-occupied housing are taxed lightly in comparison. There are many reduced rates in the VAT system.	Embark on a comprehensive tax reform to reduce taxation of labour and capital, while increasing taxes on inheritance and immovable property. Remove reduced rates in the VAT system.
Labour market	
Labour market shortages are persisting. The green and digital transitions will increase demand for skilled labour, particularly in technical and health-care professions.	Invest in skills, notably by expanding the tertiary vocational education sector.

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2 Fostering foundational skills

Hansjörg Blöchliger

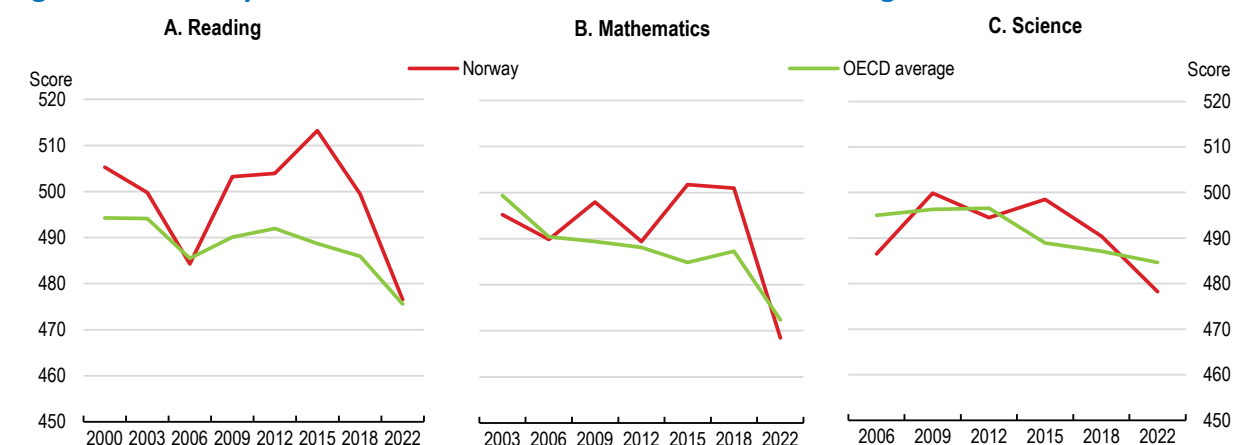
Natia Mosiashvili

Education quality in Norway, as reflected in PISA scores, has declined sharply and now hovers around or below the OECD average, despite substantial education spending. Heterogeneity in schools and classrooms has risen, partly due to difficulties in absorbing a growing share of students with immigrant background. Although Norway's compulsory education system is universal and comprehensive, it struggles to meet the needs of both high- and low-performing students. To better align resources with student needs, the strict maximum class-size rule should be relaxed or replaced with targeted support. Also, strengthening skills development requires a greater role for standardised tests, improved teacher appraisal and a streamlined curriculum. The impact of recent mobile phone restrictions should be monitored, while ensuring digital technology continues to benefit learning. Early childhood education and care (ECEC) enjoys high participation and generous funding; however, quality could be raised through a more ambitious and better structured curriculum. Welfare benefits discouraging families from sending their children to ECEC should be removed.

2.1. PISA scores have declined sharply amid rising inequalities

Norway's PISA scores have declined sharply over the past two waves and now stand close to or below the OECD average (Figure 2.1). The share of underperforming students has also risen across all three subject areas. The Covid-19 pandemic played a comparatively small role in this deterioration. While adults in Norway are amongst the most skilled in the OECD - according to the Programme for the International Assessment of Adult Competencies (PIAAC) (OECD, 2024) - the decline of foundational skills can translate into substantial problems. Recent OECD research suggests that an 8-point drop in a country's average PISA score is associated with a 1% reduction in aggregate productivity over time (Andrews, Egert and de la Maisonneuve, 2024). This arises as gaps in basic skills are difficult to close, slowing the accumulation of adult competencies. Accordingly, Norway's more than 25-point decline in average PISA scores between 2006 and 2022 could translate into a productivity loss exceeding 3%. At the same time, disparities between high- and low-performing students are widening, particularly in reading and science, undermining the principle of equal opportunity. National standardised tests reveal similar trends, with declining student motivation a possible key driver of weaker performance (Directorate of Education, 2024).

Figure 2.1. Norway's PISA scores have fallen below the OECD average



Source: OECD, PISA 2022 database.

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Policy has started to respond to the decline in education performance. The 2020 reform of primary and lower secondary education (*"Kunnskapsløftet 2020"* or LK20) sought to modernise and raise standards by reinforcing core skills such as literacy, numeracy and digital competence, while shifting the emphasis further from knowledge acquisition to skills acquisition (Government of Norway, 2015). Subsequent reform in 2023 further aligned subject curricula with overarching educational principles, making learning more practical and exploratory (Government of Norway, 2023). Schools and municipalities gained more autonomy over classroom organisation and teaching methods, although autonomy remains clearly below the OECD average. In upper secondary education, reforms starting in 2024 aim to facilitate the transition to post-compulsory education, expand career guidance and strengthen measures to improve attendance and classroom discipline. Nevertheless, further reforms to compulsory education will be essential to sustain and enhance Norway's skills base and ensure that high levels of education spending translate into better outcomes.

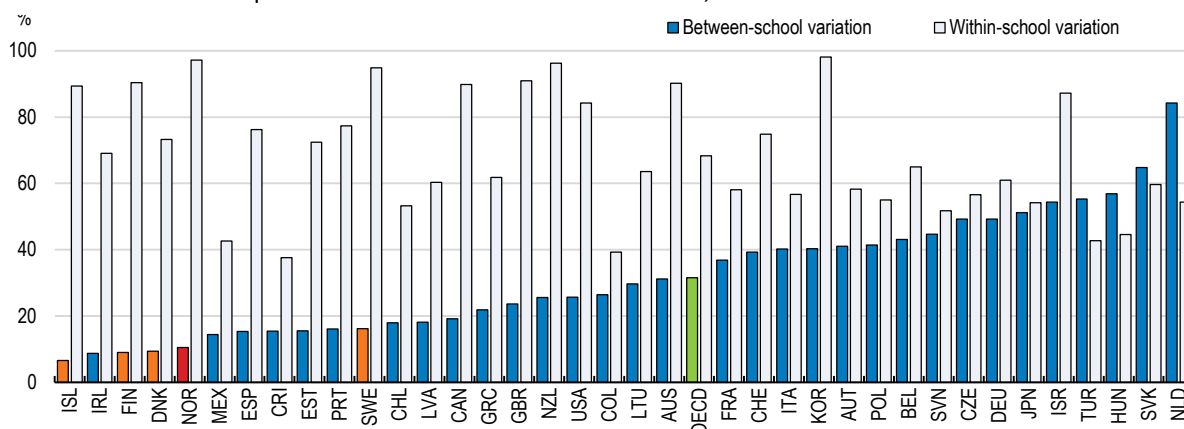
2.2. Tailoring education to specific student needs

Norway's compulsory education system is universal and comprehensive, guaranteeing equal access for all students regardless of abilities. Grade retention is rare and socio-economic background has a smaller impact on student performance than in all OECD countries except Iceland (OECD, 2023). Performance differences between schools are among the lowest in the OECD, suggesting limited impact from geographic factors such

as rural isolation or urban distress. However, within-school variation in PISA scores is the highest in the OECD after Korea, pointing to significant and rising heterogeneity within schools (Figure 2.2). The share of students with limited Norwegian language proficiency, academic weaknesses or behavioural challenges has grown markedly in recent years. Despite this increasing heterogeneity, the system remains strongly oriented toward the “average” student. More targeted support for both low- and high-performing students is therefore a key policy priority to enable all students to reach their potential (Rege, 2025).

Figure 2.2. Differences are very small between schools, while they are large within schools

Variation in mathematics performance between and within schools, 2022

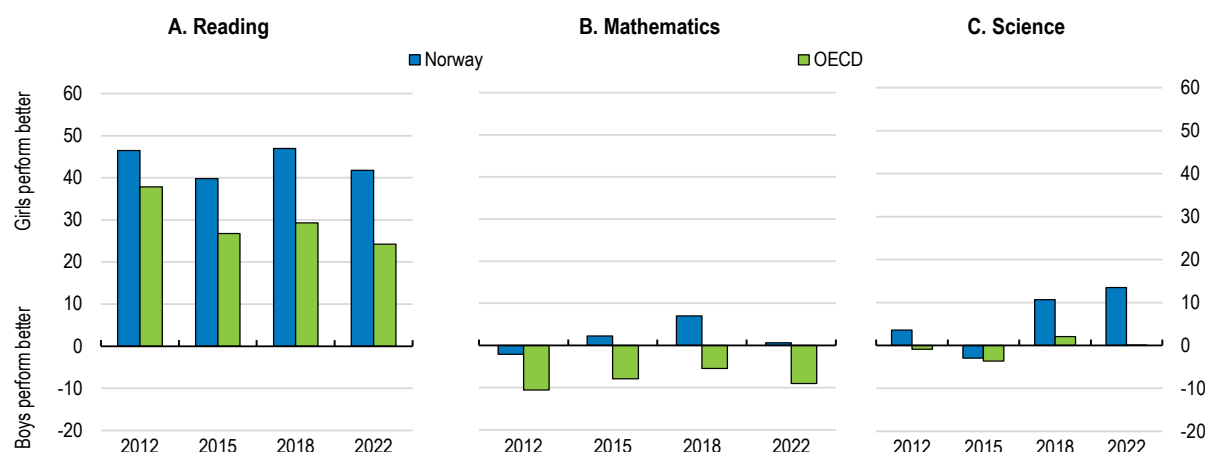


Source: OECD, PISA 2022 database.

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Girls in Norway almost consistently outperform boys, with gender gaps exceeding the OECD average (Figure 2.3). The gap in reading remains large and is widening in science, while in mathematics Norwegian girls outperform boys, contrary to the OECD pattern. Although girls are more enthusiastic readers than boys in nearly all OECD countries, the reading gender gap in Norway is particularly large. Boys at the age of 15 are less likely than girls to expect to obtain good qualifications from upper secondary education, unlike all other Nordic countries where expectations are more equally distributed. Persistent differences in PISA scores between boys and girls on average suggest that adapting teaching methods to distinct ways of learning could help narrow gender gaps in skills development (Borgonovi, Ferrara and Maghnouj, 2018). Greater flexibility in school entry age, taking account of children’s different pace of development, could also be considered.

Figure 2.3. Girls outperform boys in reading and science



Note: Score point differences between girls and boys, a positive sign indicates better performance by girls, while a negative sign indicates better performance by boys.

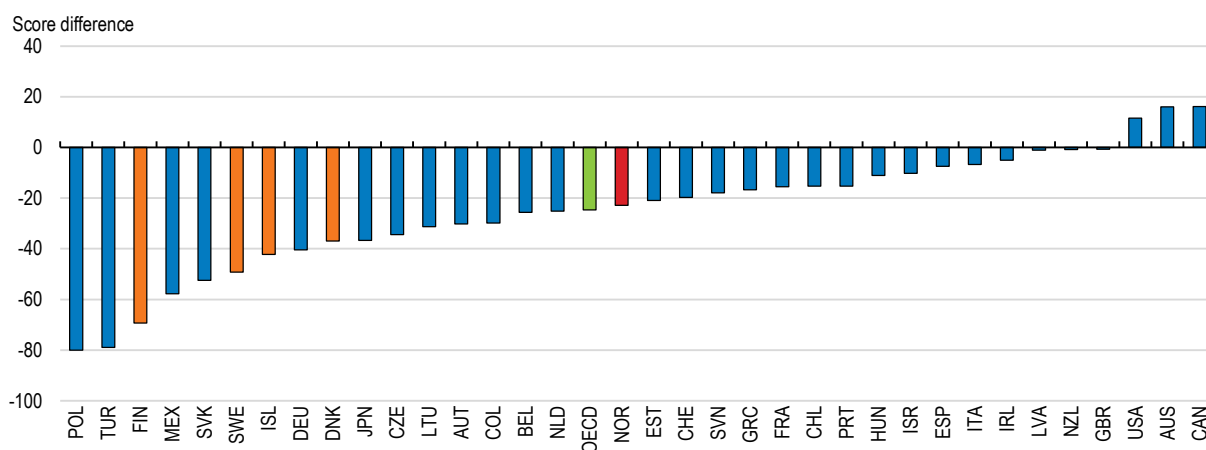
Source: OECD, PISA 2022 database.

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Immigration increasingly shapes Norway's education system, with different groups of immigrants having varying needs. In 2021, around 34% of children under 15 had at least one foreign-born parent, up from 18% two decades earlier. Free labour mobility within the European Economic Space, and more recently the arrival of refugees from Ukraine, accounts for a bit more than half of immigration. Over one-third of teachers work in schools where more than 10% of students speak a first language other than Norwegian and Sami, which is above the OECD average of 25% (OECD, 2025). Immigrant students score about 20 points below their native peers on average, although this gap has narrowed over time and is now around the OECD average and below the other Nordic countries (Figure 2.4). While immigrant students *per se* underperform relative to natives, the *share* of immigrant students in a school or classroom does not affect native students' PISA scores (see below). Rising skills among immigrant children and their successful integration reflect strong and targeted policies in early childhood and primary education, including dedicated language training, extended compulsory schooling and delayed tracking (OECD, 2022).

Figure 2.4. Immigrant students lag natives

Score-point difference in reading performance associated with immigrant background, 2022



Note: Score-point difference after accounting for students' socio-economic status and language spoken at home. Immigrant background refers to first- or second-generation immigrants.

Source: OECD, PISA 2022 database.

StatLink  <https://stat.link/e0m4nc>

While language training is generally well-designed and targeted at the varying needs of immigrants, further improvements are possible. Newly arrived children whose first language is not Norwegian are either placed directly in mainstream classes with additional Norwegian language instruction and, where necessary, mother-tongue support, or they are enrolled in dedicated introductory classes (OECD, 2022). The training ends once students reach a “sufficient” level of Norwegian proficiency to follow the standard curriculum. However, progress is not systematically assessed as there are no standardised tests to monitor language acquisition and data on immigrant students' outcomes remain scarce. The Directorate of Education has developed a tool for schools to map Norwegian language skills, but its use is voluntary. Regular assessment through standardised tests, combined with targeted follow-up programmes based on results, would strengthen effectiveness. Austria's experience with progress testing in language programmes offers useful inspiration (Box 2.1).

Box 2.1. Standardised testing of immigrant children's language skills in Austria

In Austria, the share of students whose first language is not German has remained around 25% across all school levels over the past decade. To support students in acquiring German language skills, Austria introduced German support classes and courses in the 2018/19 school year. Placement into these programmes is determined using MIKA-D (Measurement Instrument for Competence Analysis – German), a nationwide standardised test administered during school enrolment. The assessment identifies whether a student should attend a German support course—designed for those with some proficiency—or a more

intensive support class for students with very limited language skills. Students in these programmes receive “extraordinary” status. At the end of each semester, teachers reassess progress using MIKA-D and adjust placements accordingly. Students remain in language support until they successfully pass the MIKA-D test. If they do not pass after two years, they are integrated into regular classes without further language support.

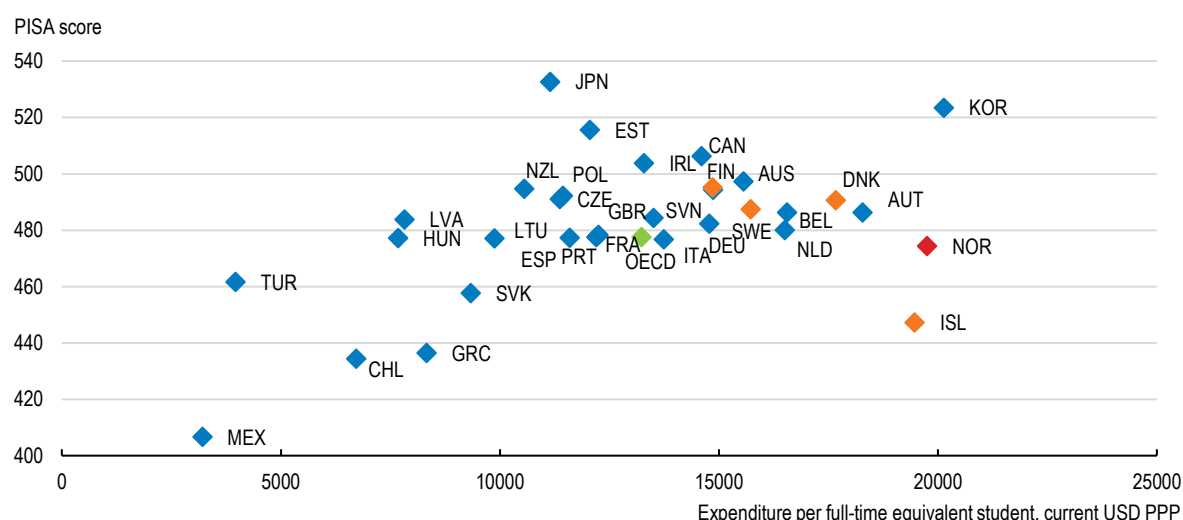
Source: (Woltran, Hassani and Schwab, 2025)(OECD, 2025)

2.3. Getting more out of high education spending

Norway performs relatively poorly when comparing education spending with outcomes (Figure 2.5). The country spends around 150% of the OECD average per student yet achieves only average education quality. Denmark, Finland and Sweden, for example, achieve substantially better PISA results on average while spending less. Regional policy objectives contribute to Norway’s high costs: many schools are small and remote, driving up per-student costs. The number of schools has fallen by only 5% over the past decade, and municipalities have few incentives to create larger schools, either alone or through inter-municipal cooperation (OECD, 2024). Municipalities even have incentives to maintain small schools as some grants are disbursed on a per-school basis. Apart from being less expensive, larger schools could offer broader curricula, more specialised courses and greater interaction among students and teachers, fostering knowledge spillovers, as observed in Lithuania (Shewbridge et al., 2016). A cross-sectional analysis for Norway suggests that larger schools have a slightly positive role for educational performance (Box 2.2). Norway should explore strategies to reorganise the school network, including defining services across school sites, promoting cooperation among schools and municipalities and consolidating provision, particularly at the secondary level.

Figure 2.5. High education spending needs to translate more into excellence

PISA scores and spending per pupil in secondary education, 2022



Source: OECD, PISA 2022 database; OECD, Education at a Glance - Expenditure on educational institutions per full-time equivalent student.

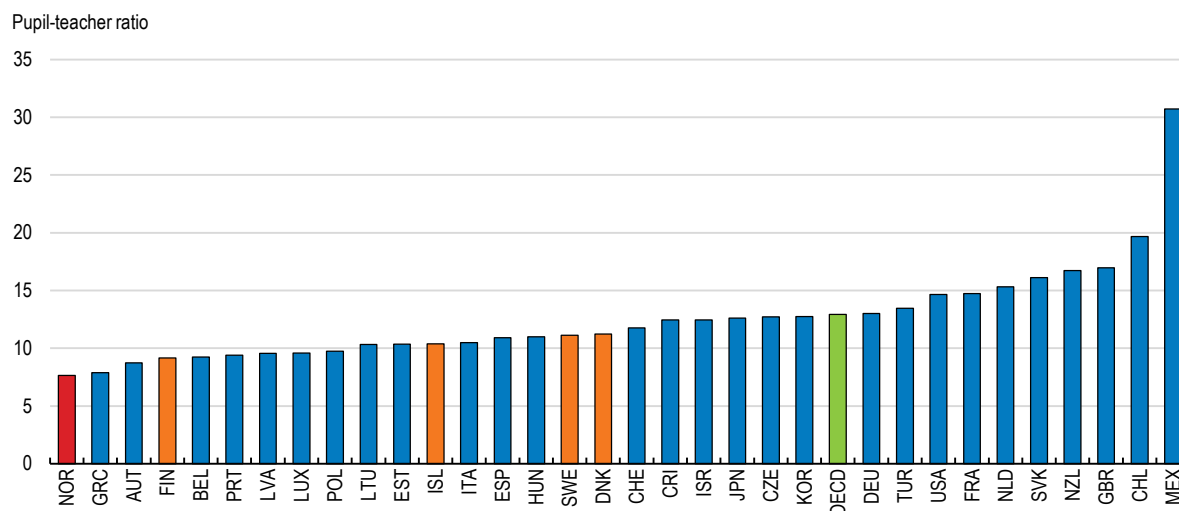
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The combination of many small schools and a binding teacher-pupil ratio – or class size - introduced in 2018/19 is a major driver of education spending, with little measurable impact on quality (OECD, 2024). The rule sets a maximum of 15 students per teacher in grades 1–4 and 20 in grades 5–10 (although it allows for some flexibility at the school level), resulting in the smallest classes in the OECD (Figure 2.6). Smaller classes are often justified on the grounds that they improve learning outcomes and allow teachers to better address individual student needs. However, evidence on the effectiveness of smaller classes is mixed, with

instructional practices generally seen as more influential (Zhang, 2025) (Campbell Collaboration, 2018). In a cross-sectional analysis using Norwegian 2022 PISA data, class size has no influence on student performance (Box 2.2). More effective approaches include small-group teaching and “two-teacher classes,” which under certain conditions improve outcomes (Gunnes et al., 2025) (Solheim et al., 2025). Teaching in multi-level classes, sometimes necessary in small schools, also appears to boost performance (Leuven and Rønning, 2016). Against this backdrop, the teacher–pupil ratio should be relaxed or abolished, as recommended in the previous OECD *Economic Survey*, with freed resources redirected to measures that enhance teaching quality, particularly for disadvantaged students (OECD, 2024).

Figure 2.6. Norway has the OECD’s smallest classes

Average number of students to full-time classroom teachers in lower secondary education, 2023 or latest



Source: OECD, Education at a Glance.

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Box 2.2. Does school size or the share of immigrant students affect PISA performance?

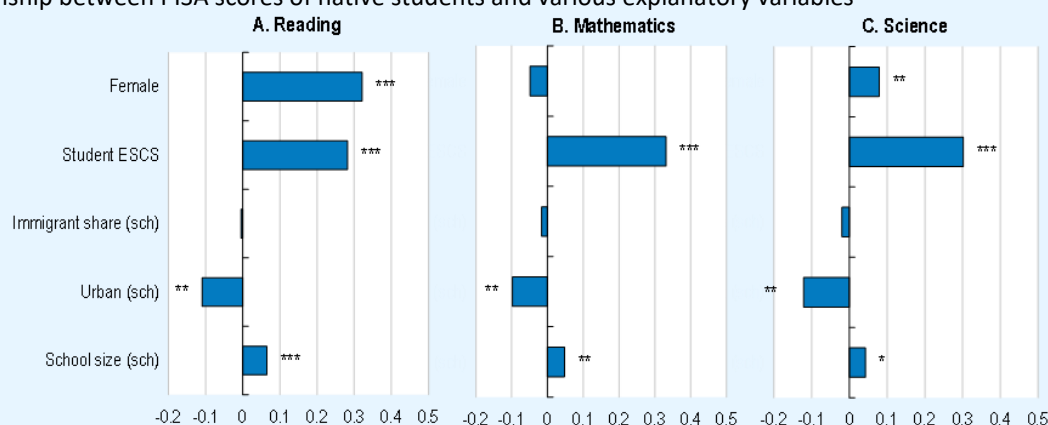
An empirical analysis using Norwegian microdata from the 2022 PISA wave examines two hypotheses: (1) that students in larger schools perform better, and (2) that a higher share of immigrant students reduces the performance of native students, for example through shifts in teacher attention. PISA outcomes in reading, mathematics and science for native students were regressed on a range of student- and school-level variables. As expected, the composite socio-economic status indicator (ESCS) shows the strongest association with performance. Female students generally outperform males in all subjects except mathematics. Students attending schools in urban areas perform worse on average (Figure 2.7).

School size has a positive and statistically significant effect on student performance across all disciplines. This suggests that larger schools may benefit from broader course offerings, more specialised teaching staff and richer extracurricular opportunities, which together contribute to a more stimulating learning environment. An alternative specification tests the student–teacher ratio (class size), which is low in Norway and highly correlated with school size (Figure 2.6). The results indicate that larger classes have no negative effect and, in some cases, even a positive association with learning outcomes (not reported).

The share of immigrants in a school does not adversely affect the performance of native students. The hypothesis that teacher attention or other resources is shift away from native students is therefore not supported. Given the uneven distribution of immigrant students across schools or areas, additional robustness checks were carried out and confirm these findings. Also, being an immigrant student per se is associated with lower scores, particularly in reading and science. In this context, fostering strong outcomes for all students should remain a central objective in compulsory education.

Figure 2.7. Immigrant students do not seem to affect learning outcomes of native ones

Relationship between PISA scores of native students and various explanatory variables



Note: *, **, and *** denotes significance at the 90%, 95% and 99% levels, respectively. OLS regression results are based on normalized variables of PISA scores and reflect the increase/decrease in score points if the independent variable increases/decreases by one standard deviation. Estimations are run with weighted replicate samples and plausible values, accounting for the complex PISA survey design (Avvisati and Keslair, 2014[9]). A longer horizontal bar means a stronger impact. Female and urban are dummy variables.

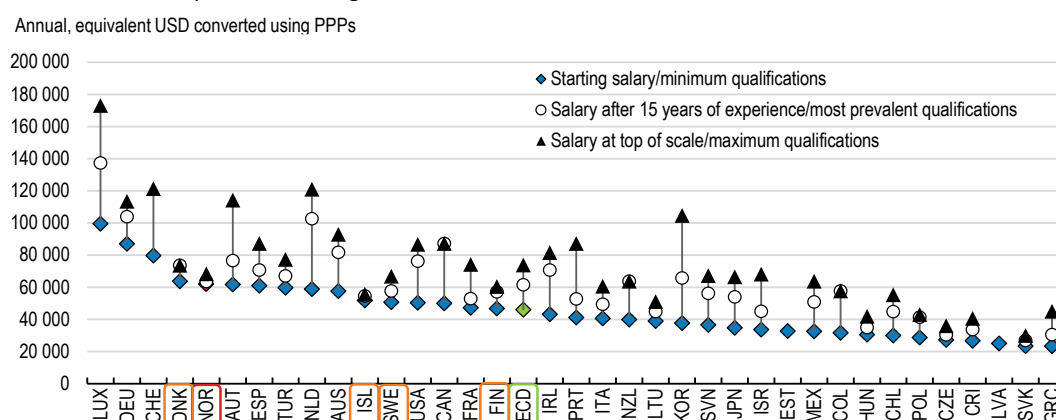
Source: OECD, PISA 2022 micro data files and own calculations.

StatLink <https://stat.link/0ljc2b>

Teachers' wages in Norway provide limited incentives for excellence or career progression, reflecting the country's centralised wage-setting model (see macroeconomic chapter). Salary progression is modest: the top salary for lower-secondary teachers is only about 12% higher than the starting salary, compared with 25% on average across OECD countries. Furthermore, there are no allowances for performance or challenging teaching conditions (Figure 2.8). Head teachers earn around 35% more than normal teachers, akin to the OECD average. Pay levels are almost identical for primary and lower-secondary teachers despite increasing complexity when children get older. Moreover, teacher salaries are significantly below those of other professions requiring similar qualifications and, unlike in most OECD countries, they do not catch up over time. Slow wage progression and persistent gaps relative to comparable professions discourage long-term careers in teaching, particularly in urban areas with high living costs. As a result, attrition is rising: many teachers leave the profession after a few years. Worryingly the share of those under 30 intending to leave the profession has tripled, from 9% in 2018 to 27% in 2024 (OECD, 2025).

Figure 2.8. Teacher salaries hardly progress

Average, minimum and top salaries along teachers' careers, 2024



Note: Annual salaries of full-time teachers in public institutions, in equivalent USD converted using PPPs for private consumption.

Source: OECD, Education at a Glance.

StatLink <https://stat.link/5b9tfj>

2.4. Improving teaching quality and further streamlining the curriculum

Teaching quality is consistently identified as one of the most important drivers of student performance (OECD, 2005). OECD cross-country analysis suggests that teacher quality outweighs almost any other policy lever in improving PISA outcomes (Andrews, Egert and de la Maisonnette, 2024). High-quality teaching enhances long-term learning by motivating students, fostering study habits and building essential skills. While difficult to measure, teaching quality often stems from a combination of solid subject knowledge, effective teaching methods and positive classroom management.

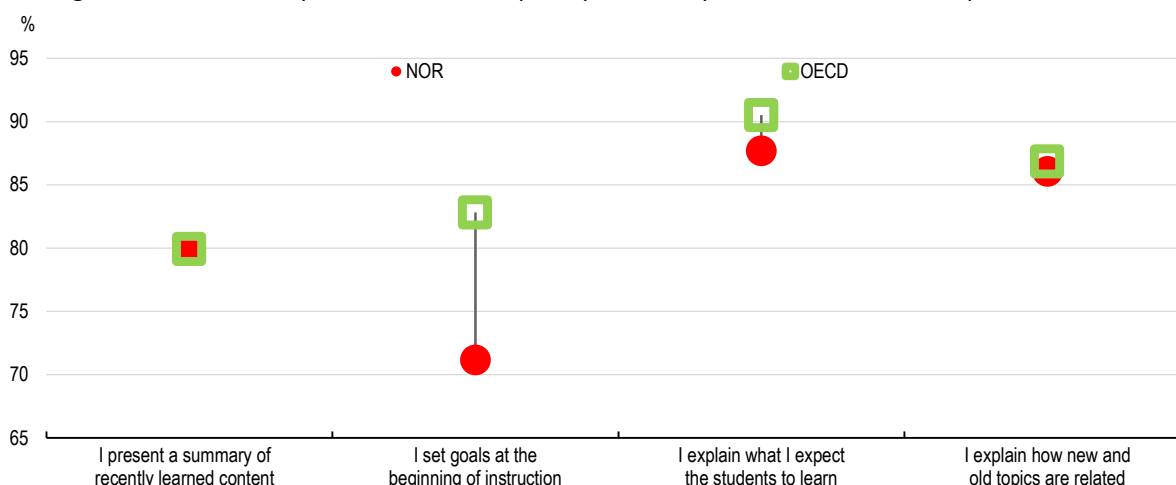
In Norway, several factors may constrain teaching quality and students' ability to acquire foundational skills (OECD, 2025):

- Purpose and instructional practices are relatively weak (Figure 2.9). Norwegian teachers set less clear expectations than the OECD average.
- Managing diversity is challenging. Fewer teachers feel able to adapt teaching to heterogeneous classrooms or support students' social and emotional development.
- Teacher appraisal is limited. While autonomy in the classroom is high, regular appraisal rates are among the lowest in the OECD, reducing accountability. Follow-up is weak: few teachers receive development plans after appraisal and there is no link between teacher and student assessments.
- Teacher education is partly misaligned with practical needs. Initial training offers limited classroom experience, and continuous professional development has little impact on teaching practices, despite high mentoring participation. Yet the relatively high share of teachers with non-teaching backgrounds suggests openness to external innovation.

These shortcomings are associated with above-average teacher stress (an indicator used in the OECD analysis to reflect teacher quality (Andrews, Egert and de la Maisonnette, 2024), low job satisfaction and a modest social status for the profession. PISA findings corroborate that teaching quality in mathematics is strongly associated with scores (OECD, 2023). Against this backdrop, Norway should develop a comprehensive strategy to strengthen teaching quality, notably by improving instruction methods and strengthening teacher appraisal systems. To increase teaching quality, Norway started developing a strategy to attract and retain qualified teachers (Ministry of Education, 2025).

Figure 2.9. Teaching lacks clarity of purpose

Percentage of lower secondary teachers who "frequently" or "always" use clear instruction practices



Note: Estimates for Norway should be interpreted with caution due to higher risk of non-response bias.

Source: OECD, Results from Talis 2024.

StatLink  <https://stat.link/spzb5d>

Standardised student testing plays a limited role in Norway and has weakened further over the past decade. Student knowledge and skills are primarily assessed by teachers. Low-stakes national tests are done at grades 5, 8 and 9, while a national exit exam at the end of grade 10, prior to transition to upper secondary, serves mainly a formative, non-selective purpose. Current plans to abolish national tests altogether raise concerns about quality, fairness and equal opportunity. Evidence shows that tests can encourage students to exert greater effort, particularly when they carry consequences (Duflo, Dupas and Kremer, 2011). Broader use of standardised testing is associated with better performance and equity, and test-related anxiety is not correlated with the extent of testing (OECD, 2016). Against this backdrop, the role of standardised tests should be strengthened to monitor student progress and identify practices that are influencing performance. Transition to upper secondary education should be based at least partly on standardised assessments. Several OECD countries use such testing to enhance accountability (Box 2.3).

Box 2.3. Standardised testing in Iceland and the Netherlands

Iceland

Iceland has one of the most decentralised school systems of the OECD, with teachers, schools and municipalities enjoying large autonomy to shape classroom practices. However, with nationwide student and school data lacking and standardised testing largely abolished, the accountability of schools and their ability to adjust to student needs and contextual factors became increasingly compromised. Against this background, the Directorate of Education in 2024 implemented *Matsferill*, a new framework of student assessment. *Matsferill* includes diagnostic and standardised progress assessments, screening tests and other tools designed to hold schools accountable and support teaching and learning. Initially focusing on language development, literacy and mathematics, it plans to extend to areas like foreign languages and natural sciences. *Matsferill* shares a strong instructional focus, with results intended to inform work in the classroom. National tests will be compulsory for the 4th, 6th, and 9th grades. The results will be used to identify schools that need additional support but will not be made publicly available.

Netherlands

The Netherlands' school system is highly decentralised, with most decisions being made at the school level, with school boards playing a key role in implementing the curriculum. To balance high school autonomy, the government put robust accountability systems in place. This included relying on standardised national student exams, although these tests are not used to track students. The Netherlands Inspectorate of Education monitors and assesses quality and compliance against national standards. The Inspectorate also provides targeted guidance and support to weak schools. Additionally, there is substantial support from school organizations and other stakeholders, including "flying brigades" that assist schools identified as weak. Fewer students than in almost any European country leave school with low literacy and numeracy skills and a student's socio-economic background has less impact on performance compared to the OECD average. Similar to Norway, a strong vocational and educational upper-secondary levels complements compulsory education, with only few young people being out of employment, education or training.

Source: (OECD, 2016)(OECD, 2025)

The curriculum remains broad and, at times, vague, making implementation challenging for schools and teachers. The LK20 reform (see above) shifted the focus from knowledge acquisition to skills and competencies, while promoting interdisciplinarity, i.e. teaching topics across multiple subject areas. It also granted schools and municipalities greater autonomy to adapt the curriculum to local needs. While teachers are generally positive about the curriculum (Directorate of Education, 2023), the reform has been criticised for being both complex and insufficiently precise, placing a heavy burden on schools and teachers (Dahl and Irgens, 2023). Tensions appear to have grown between strengthening core skills such as literacy and numeracy and advancing a broader competency-based framework (Karseth and Hotvedt Sundby, 2022). Natural sciences account for 10% or less of compulsory instruction time, below most OECD countries. Experts also note that the curriculum for developing social and emotional skills lacks clear objectives, leaving many students, particularly those from disadvantaged

backgrounds, struggling (Ministry of Education, 2024). Against this backdrop, further reform towards a more focused curriculum is needed to ensure students acquire the necessary skills to succeed.

Early childhood education and care (ECEC) delivers substantial long-term benefits for skills development and well-being, particularly among disadvantaged children (Heckman, Pinto and Savelyev, 2013). Investment in ECEC is highly effective because of the critical brain development during this period. Quality depends on a well-structured curriculum and high-quality pedagogy (OECD, 2021). In Norway, ECEC is almost universal, though not compulsory, with over 95% of children aged 3–5 attending preschool. The country spends close to 1% of GDP on ECEC, among the highest shares in the OECD (OECD, 2025). However, quality remains a concern (Størksen et al., 2024). The current curriculum is widely regarded as vague, unstructured and lacking ambition, with few concrete objectives and limited quality control. Opportunities for guided play, intentional interaction and exploration to foster curiosity among children are underdeveloped. In response, a ministerial expert group has proposed measures to improve ECEC quality. The proposed measures include a more ambitious curriculum with playful learning, systematic efforts to strengthen social and emotional skills and enhanced professional development for teachers (Ministry of Education, 2024).

ECEC participation among disadvantaged children, particularly those from immigrant backgrounds, remains below potential, despite a long-term increase (OECD, 2022). Low participation limits opportunities for children’s early learning and integration into Norwegian society and it undermines policy objectives to reduce inequalities in knowledge and skills. One contributing factor is that municipalities, which manage ECEC, charge attendance fees, even though these are capped and relatively modest. In addition, cash-for-care benefits that reward home schooling (and which are withdrawn if a child attends ECEC) could discourage families, especially immigrants, from enrolling their children in preschool (Ministry of Education, 2024). Finally, the universal child benefit is not conditional on children attending ECEC, thereby providing no incentives for families to participate. Against this backdrop, the government should eliminate any financial support that deters families from sending their children to ECEC.

2.5. Declining quality of the school environment is being addressed

The school environment in Norway is generally considered conducive to learning, but it has deteriorated and now ranks around the OECD average. Surveys conducted alongside the 2022 PISA wave, as well as regular national student surveys, indicate that students still enjoy school, feel a sense of belonging and hold positive views of their teachers (Directorate of Education, 2024). Absenteeism and bullying are pertinent but below the OECD average. However, violence in primary schools has become a concern. While many measures can be implemented at the school level without legislative change, the government amended the Education Act in 2025 to strengthen disciplinary mechanisms, including allowing teachers to intervene physically in cases of major disruption when other measures fail. The Directorate for Education is also preparing a national register of absences at the individual student level.

Excessive use of digital devices, particularly mobile phones, is among the most significant factors affecting school climate, education quality and student performance across OECD countries (Andrews, Egert and de la Maisonneuve, 2024). Robust evidence from randomised controlled trials in the Nordic countries confirms the benefits of restricting smartphones in classrooms (ForumNordic, 2024). Finland’s experience with a complete smartphone ban at school seems very positive (Finnish News, 2026). In Norway, teachers’ strong belief that digital devices disrupt learning corroborate these findings (OECD, 2025). Today, nearly all primary schools and, to a lesser extent, secondary schools have banned mobile phones and smartwatches during lessons, following a 2024 government recommendation. While this stricter policy has not been formally evaluated yet, schools report improvements in the learning climate. On the other hand, a broader digital strategy, including tablets and laptops, is necessary for such bans to be fully effective (Kessel, Hardardottir and Tyrefors, 2020). Going forward, the government should continue to strengthen disciplinary measures and maintain restrictions on non-educational digital device use, while monitoring impacts and ensuring that the benefits of digital technology for learning are preserved.

Table 2.1. Policy recommendations

MAIN FINDINGS	RECOMMENDATIONS (Key recommendations in bold)
Tailoring education to specific student needs	
PISA scores are declining. Their variation within schools is wide, reflecting Norway's universal and comprehensive education system catering to the average student.	Tailor teaching to each student's needs to help them fully reach their potential.
Girls outperform boys in PISA tests, with the gap widening.	Consider introducing a more flexible school entry age.
While Norway provides encompassing language training to immigrants, the testing system remains underdeveloped.	Strengthen language skills through standardized testing.
Despite reforms over the past years, autonomy over classroom organisation and teaching methods remains clearly below the OECD average.	Increase autonomy of schools and municipalities in classroom management and determining teaching methods.
Getting more out of high spending	
Small schools are expensive and might not deliver adequate education quality.	Merge schools at the secondary level at least, and foster intermunicipal collaboration for school services. Remove earmarked support for small schools.
A high teacher-pupils ratio requirement drives cost and seems unrelated to quality.	Remove the teacher-pupil ratio requirement in favour of more targeted measures, such as small-group instruction, within-class grading, or two-teacher classrooms.
Wage progression is low, and salaries are below comparable professions.	Steepen salary grades and introduce premiums for special challenges and performance, against stronger appraisal.
Improving teaching quality and the school environment	
Teaching quality has declined to around the OECD average. Stress among teachers, affecting teaching quality, is high. Teacher appraisal is relatively unsystematic.	Develop a comprehensive strategy to raise teacher quality, by making teacher education more practical, improving teaching practices to better address individual student needs and expanding teacher appraisal.
Standardised testing is relatively unsystematic, compromising learning and equality of opportunity at school.	Strengthen the role of standardized testing and grading and make it more regular at all school levels, to inform progress of students and quality of teachers and schools.
Despite reforms over the past few years, the curriculum can be vague at times, with tensions arising between lifting core competencies and social and emotional skills.	Streamline the curriculum, strengthen core competencies, clarify the required social and emotional skills and make them more operational.
The school climate has deteriorated and is now around the OECD average. Most primary and to a lesser extent lower secondary schools have issued phone bans at school.	Strengthen disciplinary measures including absence control, as provided by the revised education law. Enforce digital device bans, while ensuring that the benefits of digital technology can be reaped.
Making early childhood education and care more effective	
The early education childhood and care (ECEC) curriculum seems unstructured and little ambitious. Educational objectives related to social and emotional skills remain vague.	Clarify the objectives of ECEC and make the curriculum more ambitious, structured, and specific, above all regarding the development of young children's social and emotional skills.
Participation of children from disadvantaged households, notably immigrants, remains relatively low. Some social benefits provide incentives for home schooling young children.	Remove all financial incentives that deter families from sending their children to ECEC.

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3

Managing the risks of global value chain disruptions

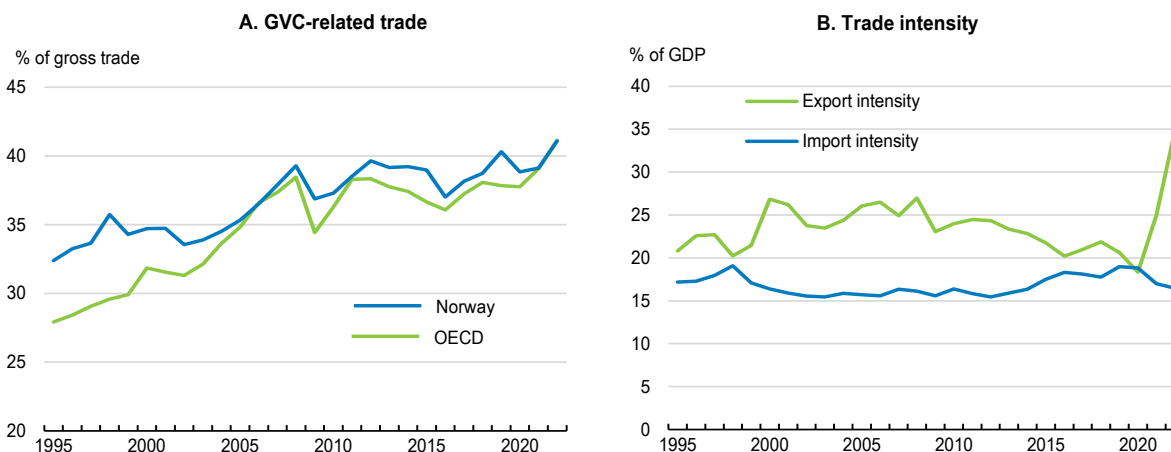
Hansjörg Blöchliger

Norway's position as a major commodity exporter makes it less reliant on critical imports than most OECD countries. Nevertheless, its economy remains vulnerable to disruptions in global value chains (GVCs). Recent trade tensions, repeated supply shocks and heightened national security concerns have amplified calls for domestic policy responses. In this context, Norway has reinforced its decentralized and flexible approach to the management of GVC risks. While households and firms bear primary responsibility for mitigating such risks, government intervention can play a complementary role. Promoting GVC diversification through open trade policies is key. Further policy options include strengthening risk management systems, supporting inventory and stockpiling of essential good, and fostering research, development and innovation to reduce strategic dependencies. In doing so, policymakers must recognize the limited influence of a small open economy on global supply networks and avoid distortive industrial policies.

3.1. Norway's GVC integration has deepened

Norway's integration into global value chains (GVCs) – broadly defined as cross-border trade in intermediate goods and services – has deepened over the past three decades (Figure 3.1, panel A). GVC-related trade expanded rapidly during the early 2000s, rising by about five percentage points, while trade involving products crossing only a single border correspondingly dropped. Historically, Norway has relied more heavily on GVC trade than the average OECD economy, though this gap has narrowed over time. The high share of intermediate goods in Norway's imports largely reflects its role as an upstream commodity exporter, especially in oil and gas, a pattern underscored by the surge in export intensity around 2022 (Figure 3.1, panel B). Import intensity is hovering at around 15-20%, with the decline in traditional industrial sectors and agriculture offset by the growth in information technology and services. Longer-term effects on trade of the COVID-19 pandemic, rising geopolitical tensions and events in the middle east have yet to materialize.

Figure 3.1. Norway's GVC integration has deepened



Note: In panel A, GVC-related trade comprises exports of goods and services that are produced in more than one country and have crossed more than one border. The time series are sourced from World Bank Integrated Trade Solution (WITS) platform relying on OECD Trade in Value Added database. In panel B, import/export intensity is a measure of the ratio of imports/exports to total production.

Source: World Bank Integrated Trade Solutions (WITS); OECD, Trade in Value Added; and OECD calculations.

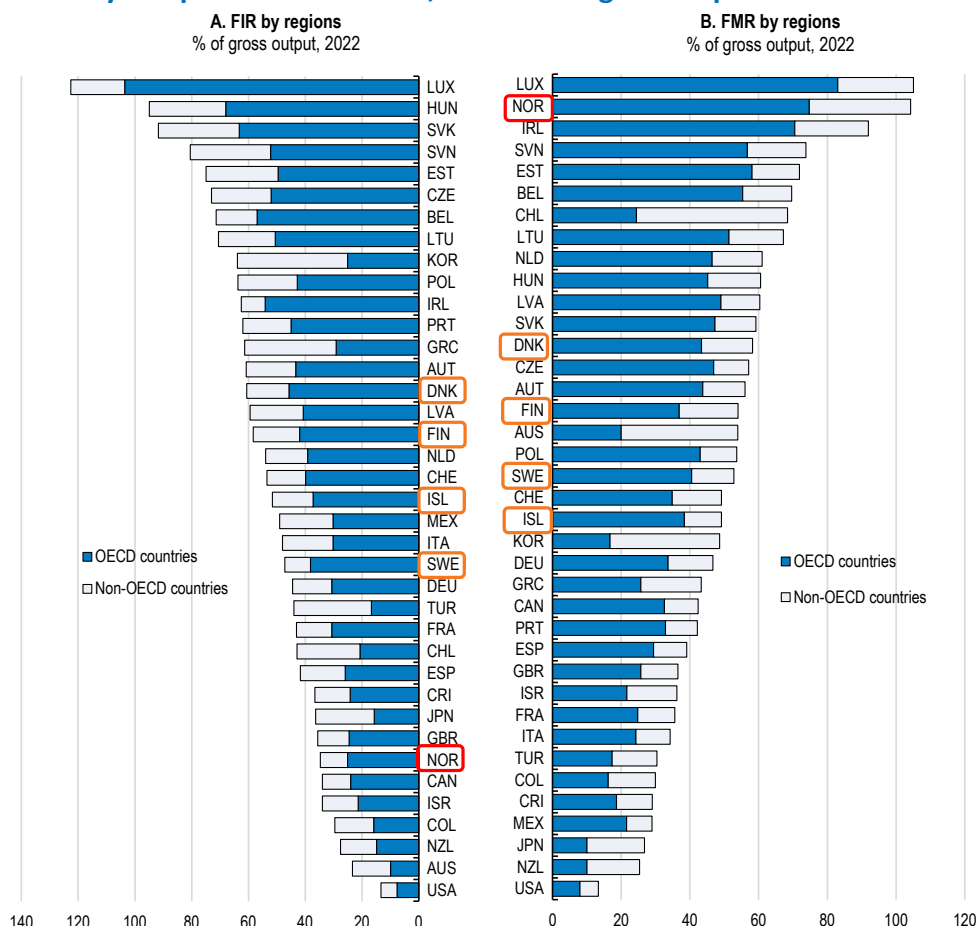
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Norway's distinctive position within GVCs becomes clearer when viewed through the lens of foreign market reliance (FMR or exports to downstream industries) and foreign input reliance (FIR or imports from upstream industries) (Figure 3.2). Norway's dependence on foreign inputs is lower than that of most OECD economies, while its exposure to foreign export markets ranks among the highest. This combination of low FIR and high FMR is characteristic of countries specializing in extractive industries—such as Australia or Chile—whose economies are strongly linked to global demand for commodities. As for most OECD economies, intra-OECD trade in intermediate goods dominates Norway's GVC activity, with commodity exports flowing primarily to European partners. Trade in value added with China and the United States accounted for approximately 9% (rising from around 3% in 2019 mainly due to a hike in rare earth imports) and 3% percent of Norwegian GVC trade in 2022, respectively. With relatively modest input reliance and a considerable share of exports difficult to substitute, Norway appears less vulnerable to GVC risks than most other OECD countries. Small and medium-sized enterprises are comparatively better integrated in GVCs than in the OECD average (OECD, 2023).

A rising share of trade in value added with non-European countries reflects growing GVC vulnerabilities (Figure 3.3). While Norway's share of exports to the European continent has hovered at around 80%, the share of Norwegian goods consumed in Europe has gradually declined from 65% to 55% or less. This decline reflects the growing share of intermediate Norwegian goods exported further, for instance basic metals and car parts for the auto industry whose products are exported beyond Europe and the realm of Norwegian free trade agreements (it also reflects the growing share of industrial versus household energy consumption in Europe).

On the import side, the share of imports and of value added imported from Europe has declined in tandem, again reflecting the rising importance notably of China as well as other Asian countries in Norwegian imports.

Figure 3.2. Norway's import reliance is low, while it is high for exports

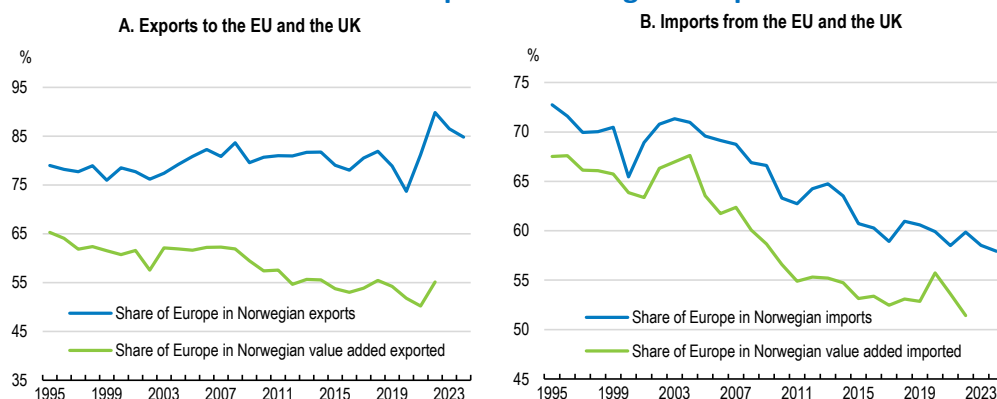


Note: Foreign input reliance (FIR) denotes the ratio of foreign output used in domestic production to total domestic gross output for each country, while foreign market reliance (FMR) denotes the ratio of domestic output used in foreign production to total domestic output for each country.

Source: OECD, [Inter-Country Input-Output tables](#).

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Figure 3.3. Trade in value added with Europe is becoming less important



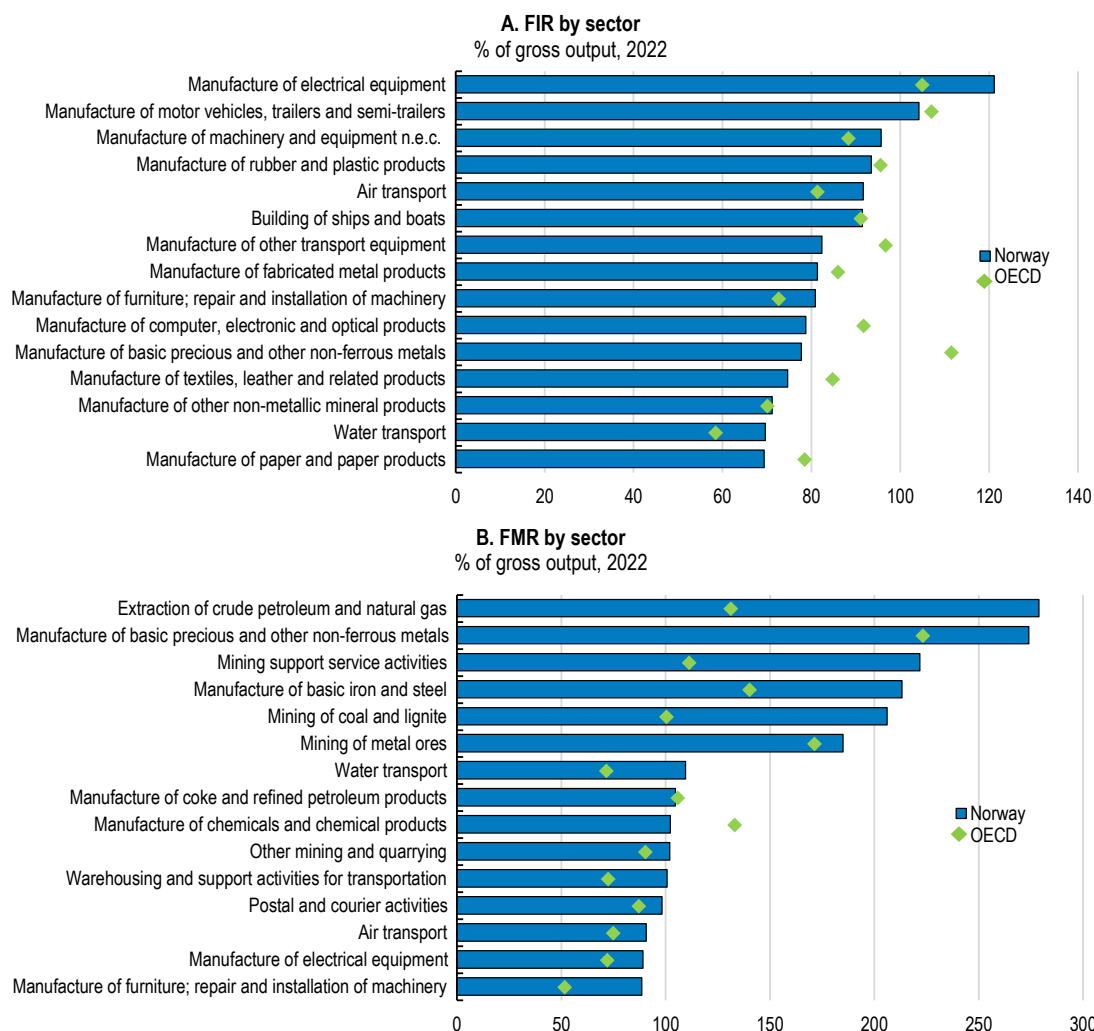
Note: Panel A, share of European consumption in total Norwegian value added exported. Panel B, European value added as a share of total foreign value added in Norway. "Europe" is the European Union plus the United Kingdom.

Source: OECD, Trade in Value Added; Statistics Norway, External trade in goods.

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The breakdown of imports and exports by sector again highlights Norway's relatively low exposure to GVC risks (Figure 3.4). The country appears less dependent on strategic value chains essential for meeting basic needs—such as food and healthcare—or for the supply of critical inputs for a wide range of industries, including mining products and metals. Likewise, Norway's reliance on sensitive IT components, such as semiconductors - which in recent years have faced both surging downstream demand and severe upstream supply disruptions - remains below the OECD average. Moreover, Norway's role as a hub for seafood production and trade (not shown in Figure 3.4) further shields this sector from vulnerabilities (de Oliveira Paes, Gjesvik and Melchior, 2024). Norway was subject to Chinese salmon import restrictions, with little discernible effect, when the Nobel Peace Prize in 2010 was awarded to Liu Xiaobo (Chen and Garcia, 2016).

Figure 3.4. Norway is less vulnerable to GVC risks thanks to the composition of its economy



Note: Foreign input reliance (FIR) denotes the ratio of foreign output used in domestic production to total domestic gross output for each sector, while foreign market reliance (FMR) denotes the ratio of domestic output used in foreign production to total domestic output for each sector.

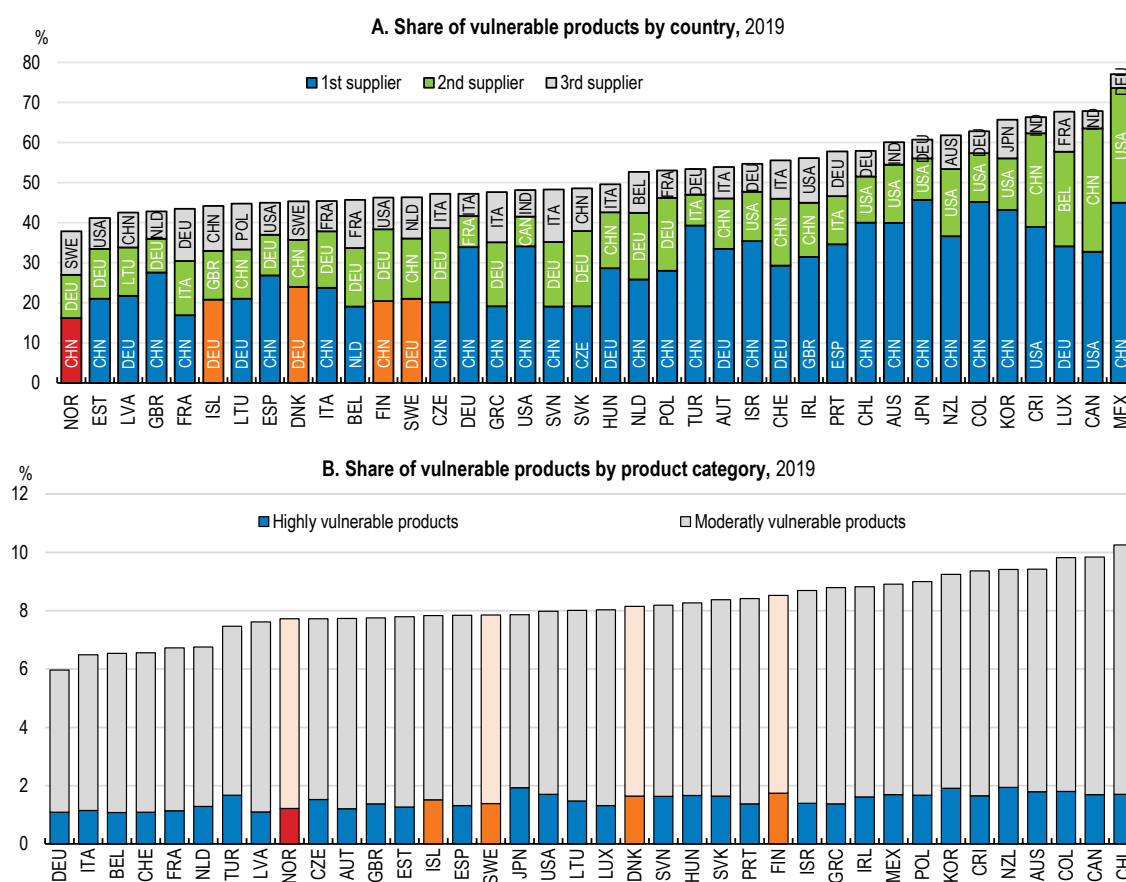
Source: OECD, [Inter-Country Input-Output tables](#).

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Norway stands out as having the most diversified – or least vulnerable—supply chains in the OECD, sourcing around 38% of all vulnerable products from three countries: China, Germany and Sweden (Figure 3.5, panel A). China alone accounts for only around 16%, the lowest share of all OECD countries. Similarly, the share of products deemed vulnerable is much below the OECD average, with only around 1% of all products deemed highly vulnerable (Figure 3.5, panel B). A recent Norwegian study confirms this resilience, finding that Norway faces low exposure through its supply chain networks (de Oliveira Paes, Gjesvik and Melchior, 2024). Risk appears to be

concentrated in a small minority of value chains such as critical raw materials, essential medical equipment, pharmaceuticals and semiconductors (Schwellnus et al., 2023). In these areas, risk mitigation strategies like diversifying suppliers or investing in technological innovation to substitute inputs, could justify significant upfront costs, temporary productivity losses, or higher production expenses. Since Norway is already very diversified, such strategies would need to demonstrate large benefits given the high upfront costs.

Figure 3.5. The sourcing of vulnerable products is well-diversified



Note: Panel B, Products are categorised based on their vulnerability using two key indicators: Global export market share concentration (HHI-MSX) and suppliers' concentration (HHI-M). A product is deemed "highly vulnerable" if both the HHI-MSX and HHI-M exceed 0.5, and it is considered "moderately vulnerable" if both indicators are above 0.3 but below 0.5. Vulnerable products have their imports exceeding the imports of the same product in each country.

Source: Comtrade data, calculation by A. Haramboure and L. Samek, (see Berthou, Haramboure and Samek, 2024).

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3.2. Addressing GVC disruptions

Norway's relatively low exposure to GVC risks has made for an open, decentralized and flexible approach to risk management, granting significant responsibility to businesses, local authorities and individual government agencies. Free trade and open markets, including for foreign investment, remain central to this framework. GVCs are viewed as beneficial as they foster specialization, drive innovation, facilitate knowledge exchange and enhance purchasing power. However, Norway recognizes that vulnerabilities arise when critical sectors involving national interests are affected (Government of Norway, 2025). In a context of growing geopolitical tensions and potential trade disruptions, there is scope to strengthen risk management by leveraging macroeconomic tools, improving monitoring systems and promoting diversification through innovation and skills development. The benefits of these measures must be carefully balanced against their costs and the limited capacity of a small open economy to reshape global value chains.

3.2.1. Macroeconomic policy can effectively react to GVC shocks

Monetary and fiscal policies form the first line of defence when the economic impact of a GVC disruption—whether on exports or imports—unfolds. In a well-designed macroeconomic framework, the government and/or the central bank act swiftly, deploying fiscal and monetary tools to cushion a shock and stabilize the economy. For Norway, whose economy is more exposed to the vagaries of global commodity markets than most OECD countries, having a policy framework that responds quickly to shifts in the global landscape is key.

Norway's macroeconomic framework is robust, allowing rapid and effective policy responses while safeguarding long-term sustainability (OECD, 2024). Fiscal space is vast, with the sovereign wealth fund—the Government Pension Fund Global—amounting to roughly 400% of GDP at the end of 2025. The fiscal rules ensure these resources can be mobilized quickly when shocks like COVID-19 hit. Historically, fiscal policy has been responsive to economic cycles, though its countercyclical strength has weakened somewhat in recent years. The central bank can also react swiftly: after the onset of the COVID-19 crisis, it cut the policy rate from 1.5% to 0% within weeks. It also intervenes in foreign exchange markets to stabilise the krone. Norway's institutions rank among the strongest in the OECD, ensuring that crisis measures are perceived as fair and balanced. High public trust further supports effective policy implementation. For further analysis and recommendations on monetary and fiscal policies see Chapter 1.

3.2.2. Norway has developed a broad-based and flexible risk management system

Norway's GVC risk management is embedded within a broad architecture that comprises civil protection and emergency preparedness; sector-specific supply resilience in health, energy and defence; and trade and industrial strategies (Box 3.1). The “Total Preparedness Report” (*Totalberedskapsmeldingen*), published in 2024, sets out a comprehensive, coordinated response to emergencies (Government of Norway, 2024). Among its priorities are “secure supply chains and food security” and “strengthen digital resilience and control over critical infrastructure”, for instance the electricity grid. Local and regional preparedness are to be bolstered, coordination both across functions and business sectors improved and Nordic cooperation deepened. Working groups or “preparedness councils” involving representatives from the business sector, ministries and voluntary organisations are the key institutions for co-operation. The use of business sector expertise guarantees detailed knowledge about sectors and products and helps to monitor and assess supply risks. Reflecting Norway's decentralised system, similar councils operate at the regional and local levels.

Box 3.1. Norway's risk management set-up is comprehensive, decentralised and flexible

The most important legislation and agencies involved in managing and overseeing risks related to GVC disruptions are as follows:

- The National Security Act (*Sikkerhetsloven*) provides the framework for conducting risk assessments to identify fundamental national functions such as critical infrastructure.
- The Civil Protection Act (*Sivilbeskyttelsesloven*, from 2010) provides a general framework for protecting society and critical infrastructure during crises and outlines local government responsibilities, civil protection measures and emergency powers.
- The Act on Business and Industry Preparedness (*Næringsberedskapsloven*, from 2011) more specifically addresses supply chain-related consequences of crises and regulates collaboration between government, local authorities and businesses, including seizure and storage of essential goods.
- The Transparency Act (*Åpenhetsloven*, from 2022) requires companies to conduct due diligence across all tiers of their supply chains, focusing on human rights and working conditions and as such provides indirect information on the resilience of supply chains and networks (like other European countries, for instance the Netherlands (OECD, 2025)).

The Norwegian Directorate for Civil Protection oversees civil protection and emergency preparedness, while the Ministry of Trade, Industries and Fisheries is responsible for preparedness of the different business sectors. Actual risk monitoring and policy implementation is left to the sectoral agencies responsible for health, agriculture, petroleum or the environment. While these agencies have some limited coercive power, responsibility to deal with GVC disruptions rests largely with businesses and households.

Source: Norwegian administration; internet search.

One of the consequences of the Total Preparedness Report was the establishment of a new unit for economic supply and business preparedness (Ministry of Trade, Industry and Fisheries, 2024). This unit is responsible for coordinating the work across sectoral ministries, identifying market failures potentially requiring government action, and facilitating cooperation with businesses. A key objective is to ensure coherent planning across sectors. In addition, the ministry has a special responsibility for food, fuel, building and construction preparedness, accommodation and services, such as maritime transport. In the proposal for the national budget for 2026, the government has proposed that the Directorate for Civil Protection and Emergency Planning should assist the ministry in the coordination work. Such coordination aligns broadly with the OECD Recommendation on the Governance of Critical Risks (OECD, 2014).

GVCs can be affected by several risks at a time such as foreign export restrictions; decreased access to foreign markets due to import tariffs; competition from subsidised foreign industries; and others. Against this background, the government should monitor supply vulnerabilities and their macroeconomic, systemic and security implications. It should analyse the costs and benefits of policy intervention and disseminate the respective information, as is done in the Netherlands (Box 3.2). The government should further strengthen its supervising and coordinating role in GVC risk management. It should standardise risk management based on a few unified principles; further develop consistent scenarios and contingency plans to deal with risks and vulnerabilities. Furthermore, establishing codes of conduct and harmonising the collection of public and private sector data to track GVC developments may be warranted (OECD, 2020). While firms can assess risks within their own global value chains, they may overlook systemic disruptions affecting entire industries or markets, potentially warranting policy intervention (Acemoglu et al., 2012).

Box 3.2. The Dutch Geo-Economic Monitor

The Netherlands developed the national 2023 Geo-Economic Monitor to assess trade dependencies and related economic vulnerabilities. This monitoring exercise allows policy makers to better identify high-risk sectors and develop mitigation strategies. The monitor has identified 21 product groups in which the Netherlands has a strategic dependency on a non-EU country, and 11 product groups in which a possible strategic dependency exists. According to the monitor, China plays a crucial role in supplying antibiotics, rare earth materials and digital components, which are essential for healthcare, food security and the digital transition. Similarly, the United States is identified as a key supplier of defence-related technologies, critical to national security.

Source: (OECD, 2025)

3.2.3. Inventories and stockpiling could be made more effective

Inventories of critical goods are among the most common policy tools to strengthen supply chain resilience, as they help bridge temporary shortages (Crowe and Rawdanowicz, 2023). Examples include Australia's National Medical Stockpile, Canada's National Emergency Strategic Stockpile and the US Strategic National Stockpile, which hold essential medical supplies. International Energy Agency members maintain oil reserves covering at least 90 days of net imports (being a net exporter Norway is exempt but maintains reserves covering 20 days on a voluntary basis), while natural gas storage proved vital for Europe after Russia's invasion of Ukraine. For many products, storage costs are relatively low compared with alternatives such as substitution. Finland and Switzerland, two small open economies, operate sophisticated inventory systems (Box 3.3).

Box 3.3. Finland and Switzerland built sophisticated emergency stockpiling

Finland

Finland operates a national stockpiling system of essential goods through its National Emergency Supply Agency (NESA), which operates under the Ministry of Economic Affairs and Employment. Two Acts regulate its activities: The Act on the Measures Necessary to Secure Security of Supply (1390/1992) and the Government Decree on the National Emergency Supply (1048/2018). NESA is tasked with planning and operative measures related to developing and maintaining security of supply. In cooperation with other authorities and the private sector, NESA's primary objective is to safeguard the functioning of critical infrastructure, production and services so that they can meet the most vital basic needs of the population, economy and national defence. Several tools are available to the authority, such as stockpiling of essential goods and medical equipment, or laws and regulations that require operators to ensure the continuity of their critical processes amid disruptions and emergencies. The emergency stockpiles - for example medical equipment and fuels - are held by relevant companies but are mandated by NESA. Currently, the balance position of the National Emergency Supply Fund is EUR 2 billion, with most of the amount tied up in private stockpiles funded through government support.

Switzerland

Switzerland has developed an advanced crisis preparedness strategy to deal with temporary disruptions, rooted in its experiences of food shortages, civil unrest and significant state intervention during the First and Second World Wars. Article 102 of the Swiss Constitution obliges the government to ensure economic supply during times of severe distress or crisis, implemented through the National Economic Supply Act. After the fall of the Berlin Wall, the focus shifted from war-related crises to shortages caused by complex supply chains, environmental issues, pandemics and trade conflicts. The Federal Office for National Economic Supply (FONES) and the Federal Office for Civil Protection are responsible for conducting regular risk assessments and preparing strategies to manage adverse events, including overseeing and monitoring private sector stockpiles. The system relies on strong public-private collaboration. Private companies are mandated to hold stocks of essential goods and critical inputs, with the list of products deemed for stockpiling proposed by private sector experts and approved by the Federal Council. Firms holding inventories receive financial support, funded through levies on imports. The FONES also maintains a public campaign encouraging households to build up their own emergency provisions.

Source: (National Emergency Supply Agency, 2025) (OECD, 2024).

The Norwegian government has recently strengthened security of supply measures notably in the following areas (Government of Norway, 2024):

- *Food and agricultural products:* The Food Security Strategy highlights vulnerabilities in fertilizer, seed and grain supply chains, especially due to the war in Ukraine. In 2025 the government reintroduced requirements for grain storage, which had been abandoned in 2003. The government also explicitly aims at strengthening self-sufficiency in agriculture.
- *Medical Supplies and Pharmaceuticals:* The COVID-19 pandemic exposed weaknesses in the supply of personal protective equipment, vaccines and essential medicines. Norway maintains strategic stockpiles and has strengthened domestic production capabilities in this sector.
- *Energy and Fuel:* although Norway is a major exporter of oil and gas, it remains vulnerable to refined fuel supply disruptions and electricity cuts. The government is investing in strengthening grid resilience and requires hydropower generators to store minimum amounts of water to address emergencies or disruptions. Importers and producers of petroleum products are also required to store minimum petroleum reserves that can be immediately released.

The list of stockpiled items and their quantity is continuously reviewed by the preparedness councils at the national, regional and local level. The government usually compensates private businesses if it requires them

to provide stocks. For goods considered essential, the current stockpiles can maintain the country's demand from 20 days (petroleum products) to around three months (wheat) in case of a “full stop” in imports (Government of Norway, 2024). The government is also running regular campaigns for self-preparedness and private stockpiles of food and water, medical and hygiene products, energy and information.

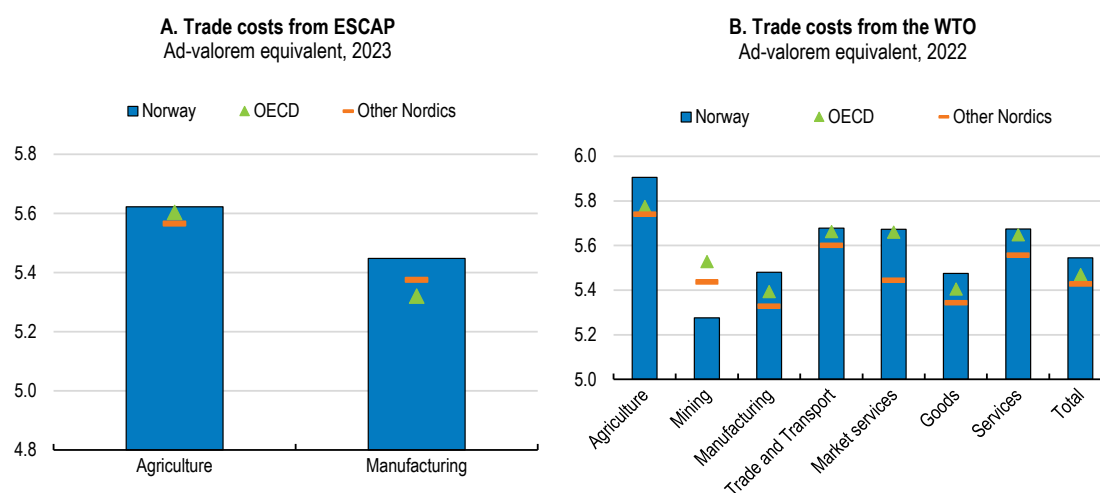
Maintaining inventories - which amounts to maintaining excess capacity - can be costly, lead to waste and create inefficiencies. Stockpiling for every specific event is difficult, as highlighted during the COVID-19 crisis, and severe or prolonged disruptions will exhaust even large inventories. Conversely, stockpiling to increase self-sufficiency may be misleading if security of supply is high, e.g. if stockpiled products can easily be substituted or alternative sources of supply can be found. Compulsory stocks may create “moral hazard” – companies and households hold less inventories than they otherwise would – leaving overall economic resilience unchanged while increasing the burden for the public sector. Against this background, the list of items in compulsory stockpiles should remain focussed on essential and difficult-to-replace goods and their assessment should rely on indicators of risk and security of supply.

3.3. Diversification could reduce GVC risks

3.3.1. Deepening trade helps to increase resilience against GVC shocks

Diversification through deeper international trade would increase Norway's resilience against GVC shocks, as domestic companies will be able to widen their access to foreign markets (Schwellnus, Haramboure and Samek, 2023). Diversified supply chains are a better means to secure supply than protectionism and self-sufficiency. Effective trade costs are higher in Norway than the OECD average and the Nordics, notably in highly subsidised agriculture (see macro chapter) and some service sectors (Figure 3.6). Although greater GVC integration can heighten an individual company's exposure to shocks, the economy at large benefits from removing trade barriers and lower trade costs, notably in the form of smaller GDP volatility (IMF, 2022). Lowering trade barriers makes markets “thicker”, by expanding the number of possible suppliers and buyers, helping companies to deal with supply-related risks once they occur. NordPool, the power exchange covering the Nordic countries, demonstrates the mutual benefits of integrated markets in enhancing economic resilience and ensuring stable service delivery (OECD, 2024).

Figure 3.6. Trade costs are high in Norway



Note: Panel A, trade costs derived from ESCAP-World Bank for agriculture and manufacturing, averaged across destination economies in 2023, expressed as ad-valorem equivalents, in logarithms. Panel B, trade cost estimates from the WTO, in logarithms.

Source: World Bank Trade Cost database (Economic and Social Commission for Asia and the Pacific ESCAP); WTO.

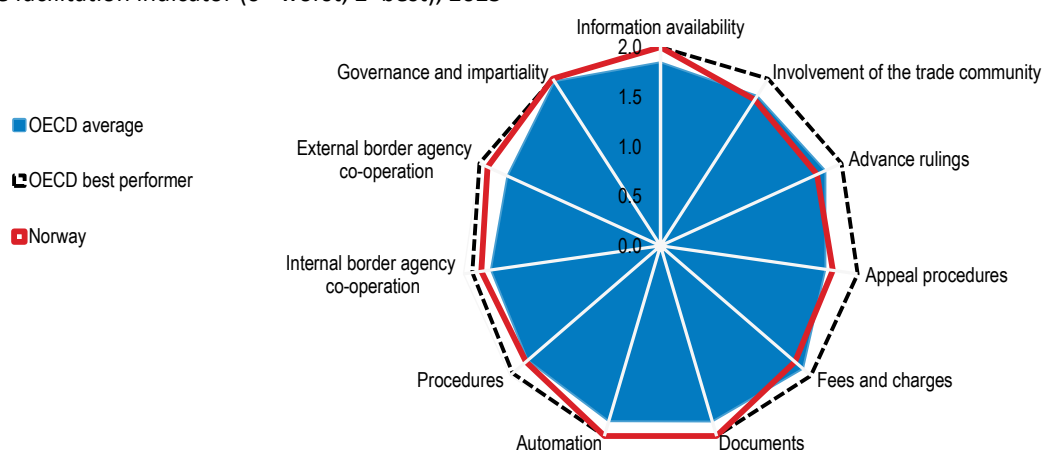
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Lower trade costs can be achieved by signing new free trade agreements (FTAs) and deepening existing ones. In addition to the EEA agreement, Norway has concluded 38 FTAs with countries or regional blocs worldwide, typically in coordination with its EFTA partners Switzerland, Iceland and Liechtenstein. As of the start of 2026, an additional agreement is under negotiation with Vietnam. As a result, Norway's trade with non-European partners, particularly in Asia and the Americas, has grown steadily since 2010 (Figure 3.3). Deepening FTAs, especially with the European Union, could further reduce trade costs and enhance Norway's ability to adapt to future disruptions by enabling firms to diversify suppliers. Existing and future agreements could also incorporate provisions on supply security and maintaining open trade during crises. For example, the Australia–Japan FTA includes commitments to avoid measures that would restrict energy and mineral supplies in the event of shortages. A more radical option would be the unilateral elimination of all tariffs on industrial goods, as Switzerland did in 2024.

Improving trade facilitation can further reduce barriers and lower trade costs. Procedures for customs clearance and the accessibility of trade-related information significantly influence these costs. Small and medium-sized enterprises tend to benefit more than large firms from such improvements, enabling them to diversify supply chains more effectively (López González and Sorescu, 2019). While Norway ranks among the top performers in the OECD, there is still room for progress in areas where it falls below the OECD average. This is particularly the case by engaging the trade community more actively, providing clearer advance rulings and ensuring greater discipline in applying charges and fees to imports and exports. Improving trade facilitation could also foster foreign direct investment, whose share in GDP is relatively low, notably because of a high share of public ownership in the energy sector (see macro chapter).

Figure 3.7. Norway ranks high on trade facilitation

Trade facilitation indicator (0= worst, 2=best), 2025



Source: OECD (2025), Trade Facilitation Indicators.

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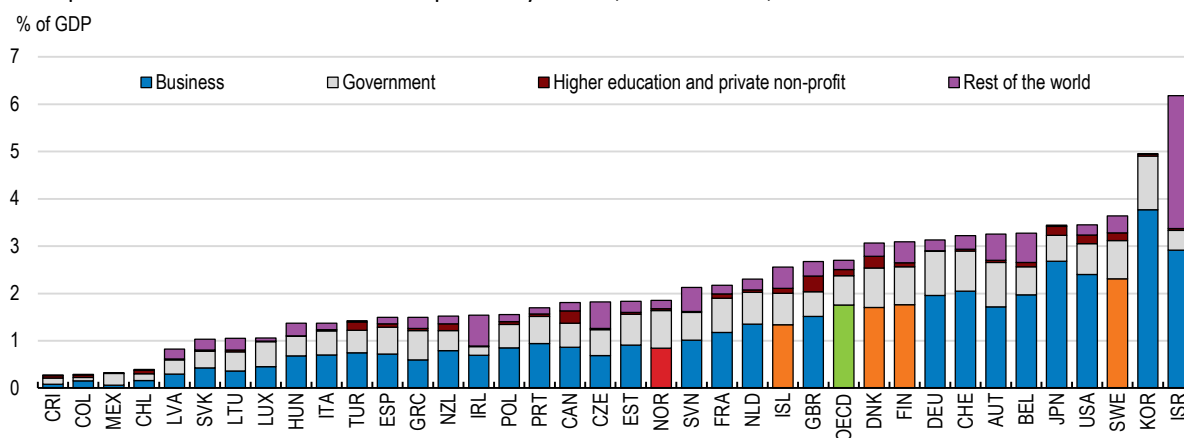
3.3.2. Invest more in R&D but refrain from ineffective industrial policies

Norway's R&D spending as a share of GDP remains below the OECD average and lags other Nordic countries (Figure 3.8). While this partly reflects Norway's commodity-based economic structure, boosting R&D could help reduce dependence on the commodity sector, lower exposure to geographically concentrated suppliers and foster diversification (for example, high lithium prices have over the past few years fostered research on and development of batteries with lower lithium content). Against this backdrop, the public sector could expand funding for cutting-edge research enabling firms to improve production processes, enhance monitoring systems and strengthen supply chains. Given the high costs and inherent uncertainty of innovation, closer coordination and joint programmes with Nordic and EU partners, combined with corporate co-financing, would help scale up domestic R&D efforts and accelerate technological progress. Finally, Norway

should invest more in technical and managerial skills development, as higher-skilled workers may be better able to retool production processes, have greater knowledge of the company's supplier network beyond its immediate partners and implement more prudent inventory management strategies (Schwellnus, Haramboure and Samek, 2023).

Figure 3.8. Spending on research and development should be expanded

Gross expenditure on research and development by source, share in GDP, 2023 or latest



Source: OECD, Main Science and Technology Indicators.

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As a small open economy, Norway should avoid new distortive industrial policies and trade restrictions, above all because they tend to be costly with few benefits. The country already spends more on subsidies than the OECD average (OECD, 2024), and they increased by around 50% since 2020 (see macro chapter). Participation in a costly and ineffective subsidy race could result in overcapacity and stranded assets, fuel protectionism and impair international co-operation. Selecting companies eligible for support (“picking winners”) may prove difficult, lead to market distortions, waste of public resources and risk capture by special interests. In addition, the fiscal cost might be unduly high. Norway’s economic success rests on openness to trade, a sound macroeconomic framework and strong private markets supported by trusted institutions. Preserving and expanding these foundations is key.

Table 3.1. Policy recommendations

MAIN FINDINGS	RECOMMENDATIONS (Key recommendations in bold)
Strengthening the risk management framework and addressing supply disruptions	
As an exporter of key commodities, Norway is comparatively less exposed to GVC risks. Its GVC risk-management system is decentralized and flexible, with many responsibilities delegated to local authorities and businesses.	Maintain the decentralised and flexible risk management system. Improve coordination among different agencies, notably among civil protection and the ministry of Trade, industry and fisheries. Assess GVC vulnerabilities and risks both on the import and export sides, including the costs of policy intervention.
The government recently updated its policy priorities, including measures to secure supply chains and strengthen food security.	Target measures toward high-risk sectors and products that are critical for Norway's economy and society.
Risk monitoring is rather unsystematic. Some sectors and products involve national interests and expose vulnerabilities.	Develop consistent scenarios and contingency plans; establish codes of conduct and common risk indicators across sectors; and harmonise the collection of public and private sector data to track GVC developments.
The inventory system is lean, relying mostly on own responsibility of businesses and households. Inventories are costly, cannot cover for every contingency and can bring "moral hazard". A requirement for stockpiling wheat has been adopted on grounds of low self-sufficiency.	Maintain the lean inventory model and build inventories for essential goods only. In the agricultural sector, replace the concept of "self-sufficiency" with that of "security of supply".
Diversifying the economy	
Exposure both on the import and export side to countries without free-trade agreement has risen, while trade with Europe has declined. Norway remains outside the EU customs union.	Extend and deepen free-trade agreements, notably with countries where trade is expanding. Deepen the EEA agreement to ensure Norway keeps full access to European markets.
Trade costs are above average. Enhanced trade facilitation could notably support SMEs in accessing and growing their export markets.	Reduce trade barriers, notably in agriculture. Improve trade facilitation through clearer advance rulings and greater discipline in applying charges and fees to exports and imports.
Industrial policy can be costly and distortive.	Refrain from ineffective industrial policies, both fiscal and regulatory.
Total spending on research and development as share of GDP is below the OECD average.	Expand incentives for private investment and scale up grants where useful while focusing tax support. Coordinate research programmes closely with other Nordic countries and EU initiatives to benefit from economies of scale and scope.

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4

Resetting regulatory frameworks to revive business dynamism

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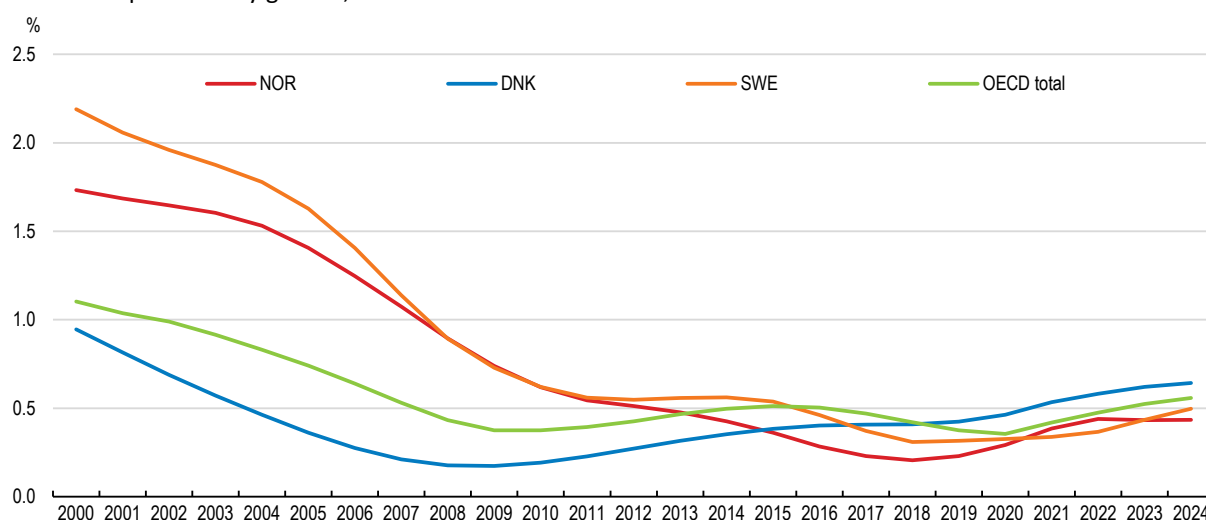
Despite overall low regulatory barriers, recurring regulatory burdens are high and increasing in Norway. These burdens risk undermining business dynamism and, consequently, productivity developments. The entry rate and the share of employment in young firms have been declining in Norway. Young firms in Norway are innovation oriented, but their prospects for expansion are limited and many high-growth young firms exit the market possibly prematurely. To revive business dynamism, regulatory burdens throughout the business life cycle need to be alleviated. As the stock of regulations continues to expand, the system for reviewing existing regulations should be strengthened while new regulations should be rationalised. Excessive reporting obligations and unnecessarily stringent licensing requirements should be eased, which would encourage new businesses, including in key network sectors. Reducing barriers to new businesses, including foreign affiliates, would boost competitive pressure and facilitate the diffusion of frontier technologies. Finally, the ongoing reform of insolvency regimes should aim to avoid premature firm liquidation and reduce overly punitive personal bankruptcy framework, in order to promote risk taking behaviour and entrepreneurship.

4.1. Business dynamism is weakened by stringent regulations

Productivity growth has slowed over the past decades in Norway (Figure 4.1). Past OECD studies suggest that stringent regulations in the product market adversely affect productivity developments at the firm level (Andrews, Criscuolo and Gal, 2019) as well as at aggregate levels (Conway et al., 2006); (Nicoletti and Scarpetta, 2003), where the efficiency of resource allocation is also reflected (Arnold, Nicoletti and Scarpetta, 2011; Andrews and Cingano, 2014). According to the OECD framework for the quantitative assessment of structural reforms (Égert and Gal, 2017), such stringent regulations, together with rigid insolvency regimes, account for a substantial share of impediments to long-run productivity developments.

Figure 4.1. Underlying productivity growth has slowed

Total factor productivity growth, 2000-2024



Note: Total factor productivity for Norway is calculated based on mainland GDP excluding offshore activities.

Source: Own calculation based on the OECD Economic Outlook database.

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Regulations are essential for achieving various objectives and they can support economic activity. Therefore, the key policy challenge is to achieve these objectives effectively while minimising the economic distortions generated by regulation. These objectives include economic ones, which address market failures such as asymmetric information (e.g., adverse selection and moral hazard) and externalities (e.g., pollution), as well as social and environmental objectives. However, regulations create trade-offs with economic efficiency when they entail adjustment frictions. In particular, regulations impose compliance costs (e.g., adjustments in production processes), administrative burdens (e.g., the time and resources spent monitoring and reporting compliance), and costs related to delay and uncertainty (Cordes, Dudley and Washington, 2022). The decline in business dynamism could be attributed to rising adjustment frictions, which reduce the responsiveness of firms to growth opportunities (Decker et al., 2020).

The approach to discussing regulations needs to evolve to address new challenges (OECD, 2025a); (European Union, 2025). As in many other OECD countries, regulatory barriers discriminating against market entry have been significantly reduced over the past three decades in Norway. At the same time, regulatory compliance costs and administrative reporting burdens have increased. The number of legislative proposals has substantially increased over this period in the European Union. In addition, the average length of each proposal has almost doubled (Marcus, 2024) and the language has also become increasingly complex (Haag, Hurka and Kaplaner, 2025). Norway is part of the European single market, which requires the incorporation and application of legislation covered by the European Economic Area (EEA) agreement into national law. Moreover, the country has also introduced its own new regulations, which have outpaced the reduction in existing ones.

The focus on regulations is also shaped by changes in economic and technological developments. As the economy has evolved over time, the policy objectives underlying some regulations may have become outdated. Also, progress in digitalisation provides new opportunities to better manage regulations by simplifying and streamlining regulatory obligations for businesses, strengthening coordination across authorities and even reducing some of the risks that form the rationale for certain regulations – risks that may now be addressed more cost-efficiently through alternative policy instruments. In parallel, regulatory frameworks need to be adapted to fully harness the productivity gains offered by digitalisation and artificial intelligence (OECD, 2025a).

A growing and more stringent regulatory environment may have a role in sapping the vitality of OECD economies (OECD, 2025a). To the extent that regulatory burdens add to adjustment frictions, they reduce the efficiency of resource allocation across firms. In particular, the fixed costs stemming from such regulatory burdens disproportionately weigh on potential entrants and new firms. This would amplify the stymieing effects on market entry of explicit entry barriers and rigid insolvency regimes that excessively penalise failed entrepreneurs. All of these factors harm productivity-enhancing channels, as new firms often possess a comparative advantage in radical innovation while also exerting competitive pressure on incumbents to innovate. The progress in implementing the policy reforms recommended in past OECD Economic Surveys has been overall limited (Table 4.1).

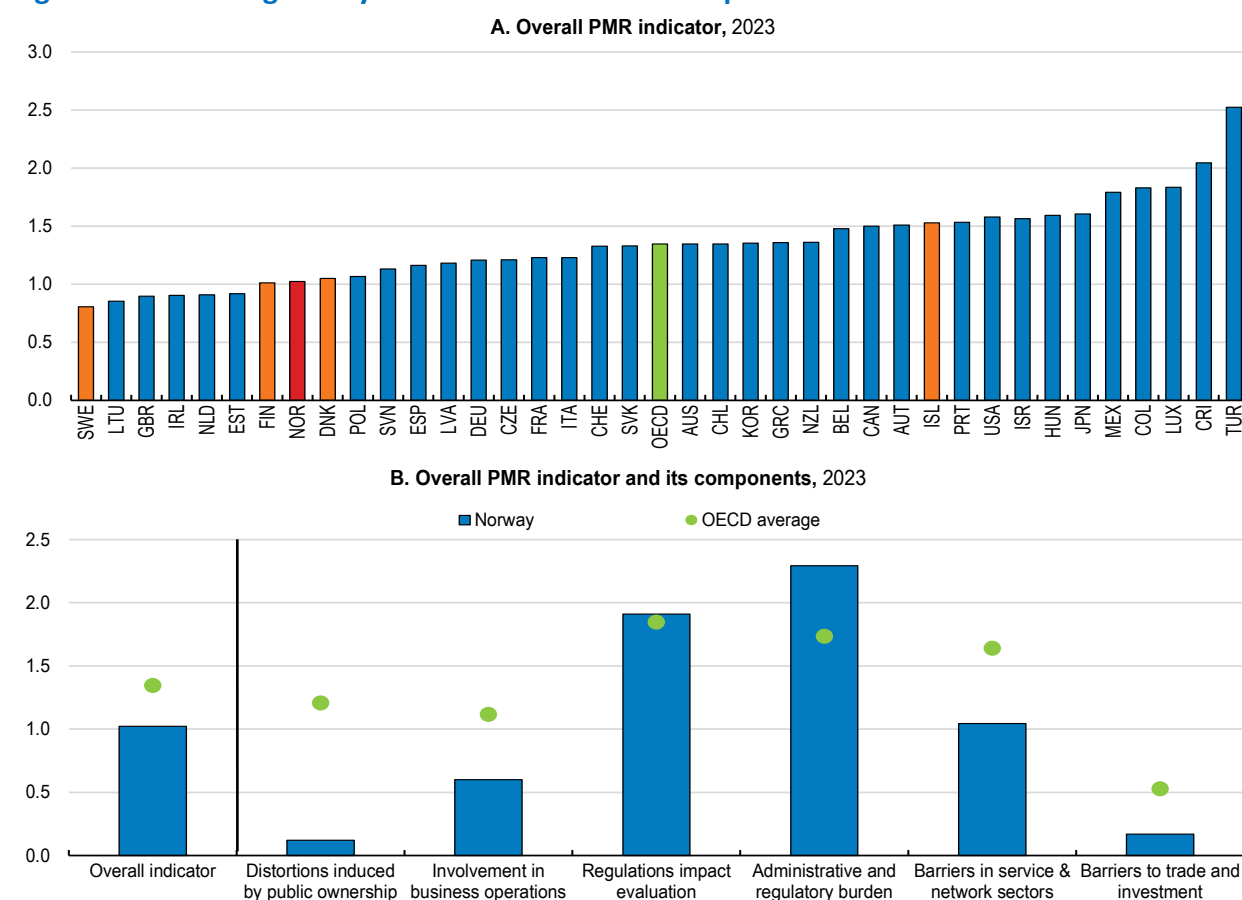
Table 4.1. Past recommendations and actions taken to improve productivity

RECOMMENDATIONS (key ones in bold)	ACTIONS TAKEN
Policies to improve productivity and employment	
Improve the general legal and administrative environment for businesses, notably by conducting regular evaluations of regulation, to foster startups.	Backward action: Parliament decided in 2025 to wind down the Council, providing little justification for the decision.
Keep up public integrity efforts in the areas of anti-money laundering, lobbying, foreign bribery and public procurement.	The authorities have been investigating the implementation of the new EU anti-money laundering package.
Improve insolvency procedures through better routes to recovery for businesses in difficulty or by facilitating exit.	A new proposal for regulation of insolvency procedures has been presented to Parliament.
Simplify and shorten the licensing and permit process for power generation and transmission.	Licensing procedures for smaller power plants were simplified so that a separate grid connection licence is no longer required. The duration of new facility licences was extended from 30 to 50 years.

4.1.1. Norwegian firms face increasing regulatory burdens

The OECD Product Market Regulation (PMR) indicators, which assess regulatory frameworks in legislative terms by standardised metrics across countries, suggest that regulatory frameworks in Norway are overall less stringent than in many other OECD countries (Figure 4.2; Panel A). Norway is among the best performer across OECD countries in several policy areas, such as the governance of state-owned enterprises (SOEs), conduct and entry regulations in service sectors, trade facilitation and trade tariffs. However, the country's performance lags behind the OECD average in "Administrative and regulatory burden", which assesses entry barriers, and "Regulations impact evaluation", which relates to the regulatory policy making system (Figure 4.2; Panel B). The PMR indicators do not directly cover regulatory burdens that firms face on a continuous basis, such as compliance costs and administrative reporting burdens, but these costs can result from a weakness in "Regulations impact evaluation" as discussed further below.

According to recent surveys conducted by the OECD, most business associations consider regulation in their country to be excessive (OECD, 2025b). In these surveys, the number of business associations reporting regulatory requirements and compliance as the most significant challenge was by far the largest, more than twice the number of those identifying other issues such as talent acquisition and retention, taxation. Very similar results are found for Norway, according to surveys conducted among Norwegian firms by NHO (2025). Survey results find that firms perceive regulatory issues as the most important non-market determined obstacle to firm expansion, exceeding taxation or access to finance (Figure 4.3).

Figure 4.2. Some regulatory frameworks need to be improved

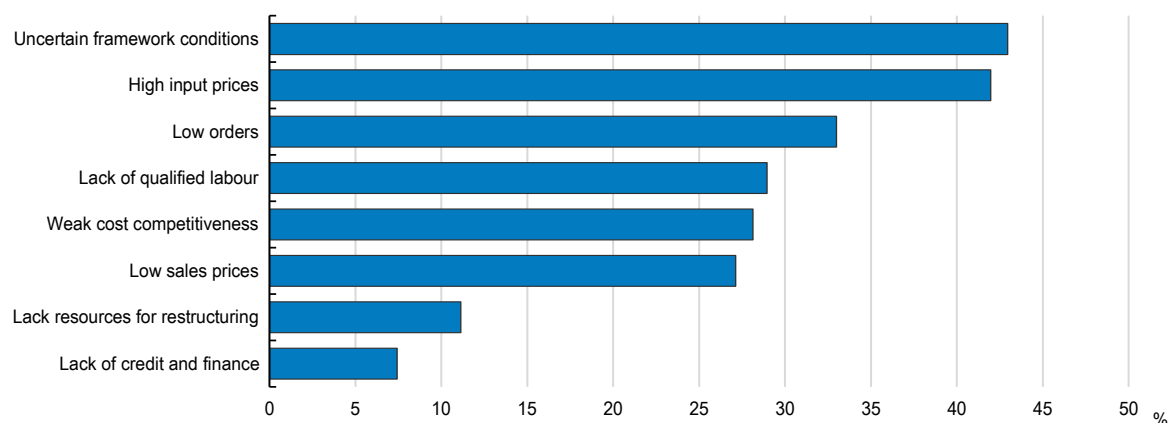
Note: In the OECD PMR indicators, the score ranges from 0 (least restrictive) to 6 (most restrictive). Panel B shows the headline indicator and the six medium-level components.

Source: OECD Product Market Regulation indicators database.

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Figure 4.3. Regulation is perceived as a significant challenge

Barriers to expansion for Norwegian firms, Q1/2026, % of companies



Note: The chart shows the percentage of Norwegian firms reporting each problem as a significant challenge (multiple choices). According to NHO (2025) "Veien til vekst – Hva nå, Norge?", the single area that drives the results for "uncertain framework conditions" was regulations/legal requirements.

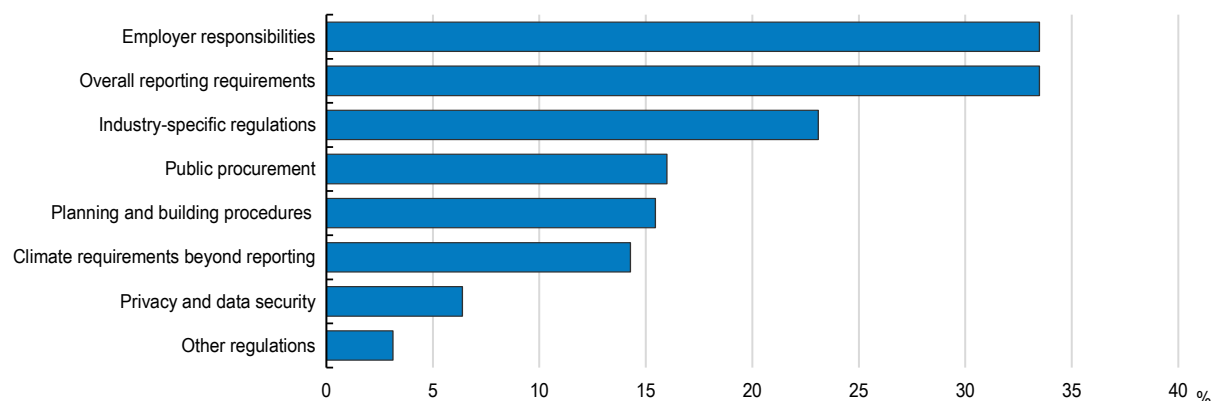
Source: NHO Member Survey.

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Among regulation-related tasks, business associations from 67% of countries in the OECD surveys view reporting costs as the most burdensome, followed by costs incurred complying with content obligations in regulation, frequent changes to regulation and lack of coordination between different regulatory bodies. The same trend is observed in Norway. According to the NHO surveys, firms report overall reporting burdens are the most burdensome regulatory requirements, followed by content obligations in regulation (Figure 4.4).

Figure 4.4. Reporting obligations and industry-specific regulations are cumbersome

Percentage of Norwegian firms perceiving each task as the most burdensome



Note: The chart shows the percentage of Norwegian firms reporting each problem as a significant regulatory burden (multiple choices)

Source: NHO Member Survey, April 2025.

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The vast majority of business organisations (77%) in the OECD surveys reported that administrative compliance costs have grown over the past three years. The situation is similar in Norway. According to a survey conducted by NHO in 2025, 66% of surveyed firms perceived that the administrative burden had increased over the past two years. The Better Regulation Council, a regulatory oversight body (see below), conducted qualitative assessments of the impact of regulatory proposals on businesses. According to these assessments, out of 300 proposals reviewed in 2024, 250 involved costs for businesses. Most of these entailed small costs, but 88 involved high-to-medium costs. The remaining 50 proposals were considered as reducing business costs.

Reporting obligations in Norway, as elsewhere, are wide-ranging, and some of them are cumbersome. For instance, the VAT system is complex due to exemptions and multiple rates. Some firms face difficulties in identifying the VAT rules applying to their products. As a result, there is a risk that firms, concerned about underreporting and subsequent penalties, pay too much when declaring VAT. Against this background, firms often rely on reporting tools and authorised accountants to comply with a wide range of requirements, which in some cases are very costly. Such tools can, for instance, connect firms' bank accounts with the accounting system and convert data into a format compliant with public reporting requirements. These systems may be used in cooperation with a state-authorised accountant who can review, correct, or file reports on behalf of business owners. As a result, overall reporting burdens are substantial, in particular, for small businesses (Box 4.1).

Box 4.1. Estimated administrative costs for small and medium-sized enterprises

Administrative reporting and documentation requirements impose substantial costs on Norwegian firms. A joint survey conducted by NHO, Regnskap Norge and Revisorforeningen among small and medium-sized enterprises (SMEs) estimates that SMEs' reporting obligations towards public authorities amount to approximately NOK 20 billion, or 0.5% of mainland GDP, annually (Table 4.2).

The estimate is based on firms' self-reported time spent on reporting and documentation activities and an assumed hourly labour cost. Reporting to the Norwegian Tax Administration accounts for the largest share of the estimated burden, amounting to around NOK 9.8 billion annually.

Table 4.2. Estimated annual reporting costs

Public authority	Estimated annual costs (NOK bn)
Norwegian Tax Administration (Skatteetaten)	9.8
Business Register Centre (Brønnøysundregistrene)	3.8
Norwegian Labour and Welfare Administration (NAV)	2.4
Statistics Norway (SSB)	1.6
Municipal authorities	0.8
Norwegian Labour Inspection Authority (Arbeidstilsynet)	0.4
Other public authorities	1.2
Total	20.0

Note: The cost estimate is calculated as: total cost = average hours spent on reporting × assumed hourly cost × number of SMEs in Norway. An hourly cost of NOK 600 is applied. SMEs are defined in the survey as firms with fewer than 100 employees. The survey received 1 711 responses from member firms of NHO, Regnskap Norge and Revisorforeningen.

In the survey, SMEs report that the reporting load and the time required for reporting constitute the most demanding aspects. These are followed by the complexity of the regulatory framework and challenges related to digital reporting systems, including insufficient system reliability and user-friendliness.

Source: NHO, Regnskap Norge and Revisorforeningen (2024), “Skjemaveldet koster småbedriftene 20 milliarder”.

Moreover, firms are often required to submit the same information to multiple authorities (NHO, Regnskap Norge and Revisorforeningen, 2024). This relates in particular to turnover data, wage and payroll information, sickness absence and income declarations, annual accounts and other accounting information, as well as general business data. For instance, the Norwegian Labour and Welfare Administration (NAV) often requires firms to provide the same information that they have already submitted to the tax authorities. The necessary information, however, already exists in a digital platform where such information is supposed to be shared among authorities (“Altinn”, see below). On top of this, the Labour Inspection Authority can also require firms to provide the same information again during its controls.

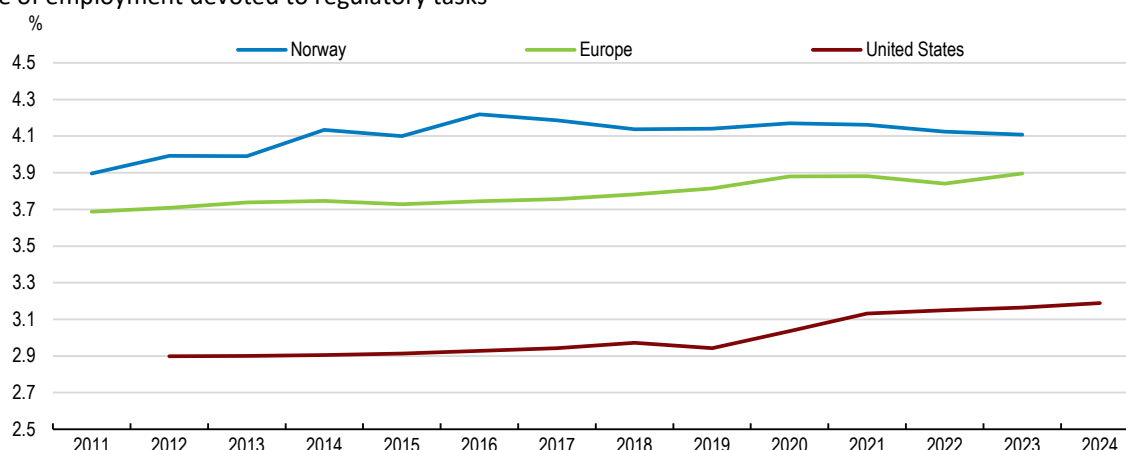
Costs associated with complying with content obligations in regulation are difficult to quantify, but they are likely to be significant (NHO, 2025). According to a survey conducted by NHO among its sector-level affiliate associations, the share of those reporting industry-specific regulations as most burdensome is notably high in renewable energy and power producers (72%), followed by seafood and aquaculture companies (57%) and financial institutions (54%). Indeed, Norwegian environmental, social and sustainability regulations tend to strive for best-in-class standard, with correspondingly heavier requirements. According to the OECD Environmental Performance Reviews (OECD, 2022), Norway has aligned its actions with many EU regulations and goals as part of the EEA, sometimes with more stringent requirements than EU members.

Although it is difficult to assess the overall regulatory costs, a recent OECD study attempts to identify them by looking at the resources spent on dealing with regulation. Andrews, Turban and Tyros (2026), using a task-based approach, found that the share of aggregate wages devoted to regulation-related tasks in the United States increased from 4.0% in 2012 to 4.2% in 2024, amounting to USD 521 billion or 1.8% of GDP. They also found that the share of jobs devoted to regulatory tasks in the United States is 3.2% in 2024. According to the estimate, following Andrews, Turban and Tyros (2026), the share of jobs devoted to regulatory tasks increased in the 2010s and has remained higher in Norway than in the United States and the European countries for which data are available (Figure 4.5).

According to Andrews, Turban and Tyros (2026), the average increase in regulatory costs over the last 10 years (around 3%) is associated with a decline in labour productivity of 0.5% and a reduction in the share of workers in young firms of almost 0.4 percentage points. These results are broadly in line with other studies that found a material aggregate cost of regulatory burdens (Coffey, McLaughlin and Peretto, 2020; Dawson and Seater, 2013). These results suggest that high regulatory costs may weaken business dynamism and productivity growth in Norway.

Figure 4.5. Regulatory costs for businesses in Norway are high

Share of employment devoted to regulatory tasks



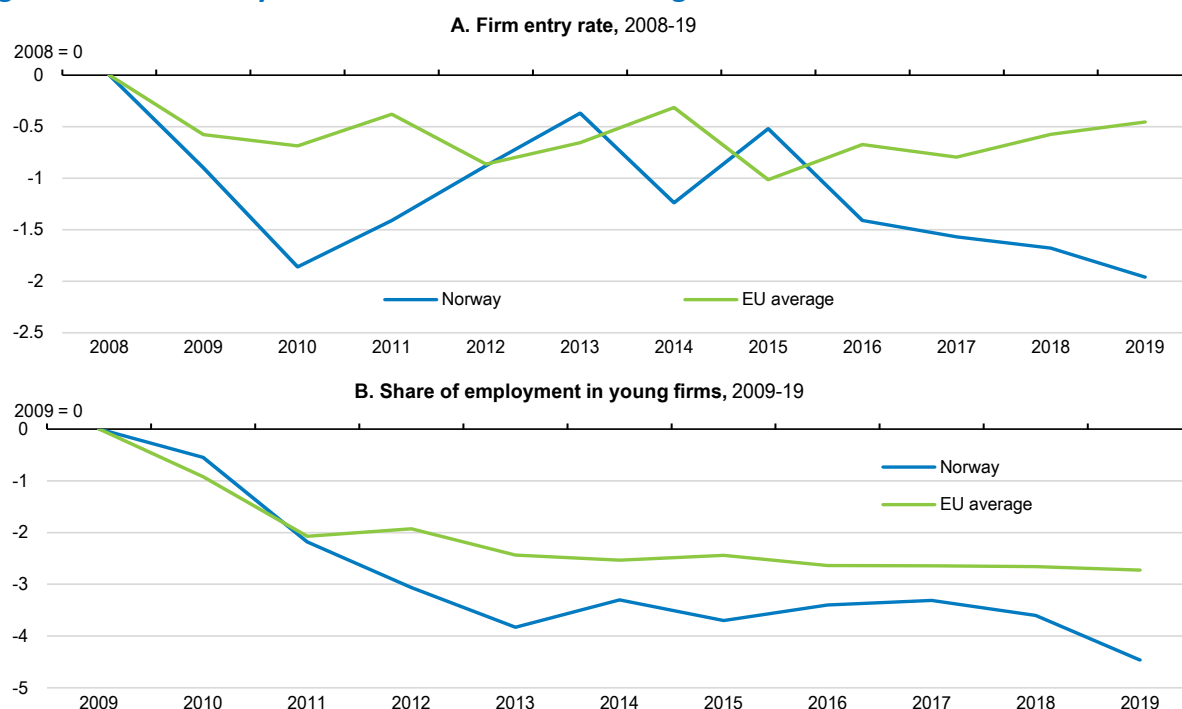
Note: The employment-weighted sum of occupations' regulation task intensity scores in the three regions. "Europe" refers to the average score of EU countries except Bulgaria, Malta, and Slovenia, and includes the United Kingdom (data available up to 2019), Iceland, Norway, and Switzerland.

Source: OECD calculations based on Andrews, Turban and Tyros (2026), "Regulatory compliance costs and productivity: New task-based evidence".

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4.1.2. Stringent regulations reducing business dynamism

The entry rate has been declining in Norway (Figure 4.6), although business dynamism appears to be strong, given high entry and exit rates (Box 4.2; Figure 4.7). Moreover, firm expansion is limited compared with many EU countries (Figure 4.7), while the share of employment in young firms has been declining (Figure 4.6). The share of "high-growth" firms (i.e., those that have increased employment by at least 10% over the past three years) and their contribution to both total employment and value added has markedly declined in Norway since the late 2000s (Fjaerli, Nygård and Rybalka, 2025). The trend decline in firm entry and the expansion of young firms can be associated with high regulatory burdens (OECD, 2025a).

Figure 4.6. Business dynamism has been on a declining trend

Note: Panel A shows the evolution of the firm entry rate expressed as a % change with respect to the reference year (2008). Panel B shows the evolution of the employment share of 1-5 year old enterprises, i.e., the number of persons employed in enterprises newly born in t-1 and t-5 having survived to t, divided by the number of persons employed in the population of active enterprises in t, which is expressed as a % change with respect to the reference year (2009).

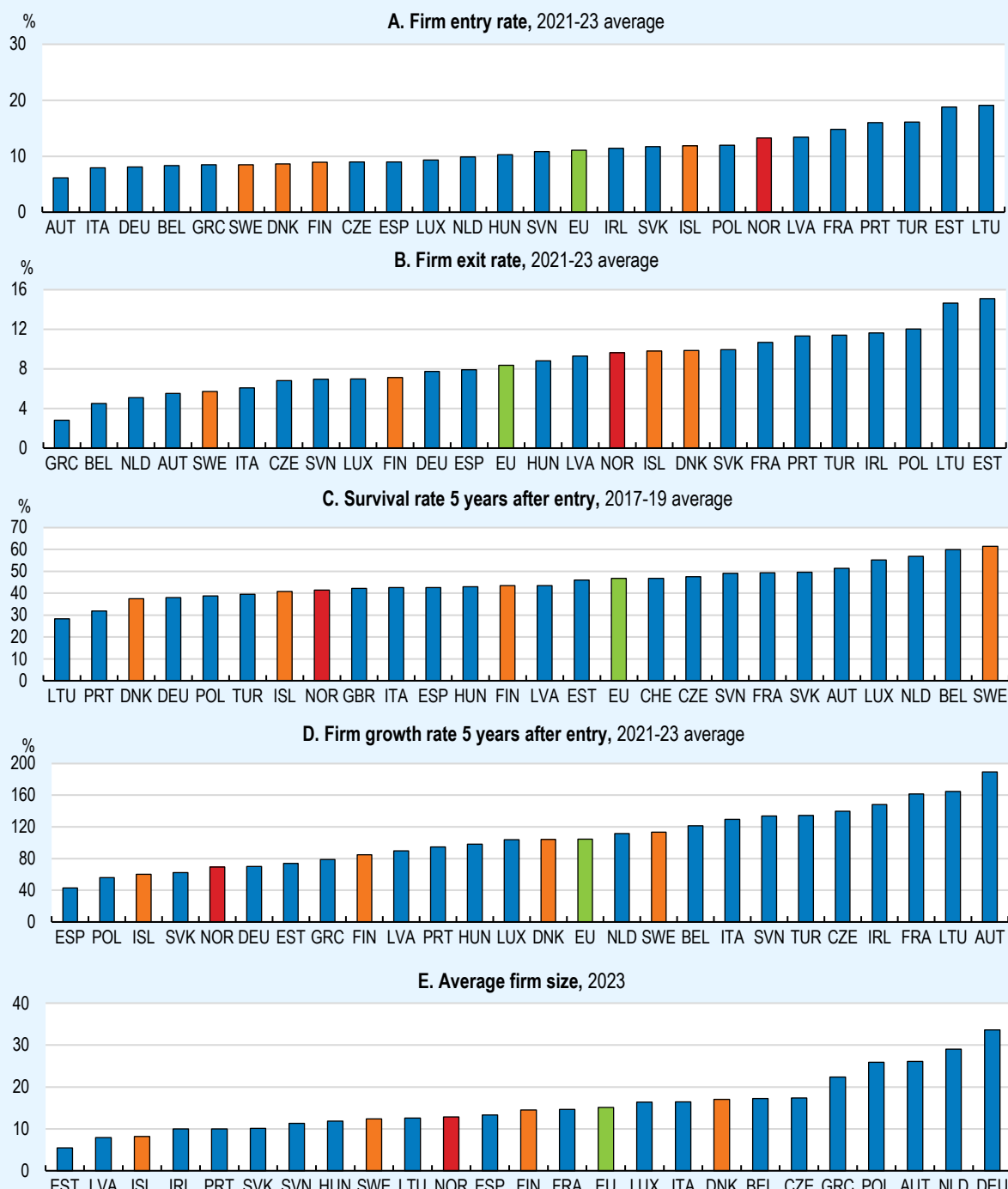
Source: Eurostat Business Demography.

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Box 4.2. Business demography statistics in Norway

In Norway, turnover is frequent but firm expansion is limited. Both the firm entry rate and the firm exit rate in Norway are higher than in many EU countries (Figure 4.7; Panel A and Panel B). However, the survival rate among young firms (those remaining in the market five years after their entry) is lower in Norway than in many EU countries (Figure 4.7; Panel C). Moreover, the expansion rate of young firms (measured by the number of persons employed) is among the lowest across EEA countries (Figure 4.7; Panel D). Overall, the average firm size in Norway is smaller than the EU average (Figure 4.7; Panel E).

Notwithstanding their limited expansion, young Norwegian firms are innovation oriented. The share of innovation-active firms is among the highest across the countries surveyed by Eurostat, and the difference with respect to the EU average is mostly driven by the performance of young firms (Figure 4.8). The share of young firms (1-9 years old) among all innovation-active firms, standing at 27.7%, is among the highest across the surveyed countries. In addition, among small firms with 10-49 employees, the proportion of young and innovation-active firms is markedly high. Although business R&D as a share of GDP is relatively low in Norway (Figure 4.8), business R&D undertaken by small firms (10-49 employees) stands at 0.3% of GDP, one of the highest levels across the EEA area. Business R&D among small firms fell in 2024, according to the latest data published by Statistics Norway in April 2024. This is a concern, particularly if the decline becomes entrenched over time. However, for now, the share of small businesses in total business R&D remains comparatively high.

Figure 4.7. Turnover is high but firm expansion is limited

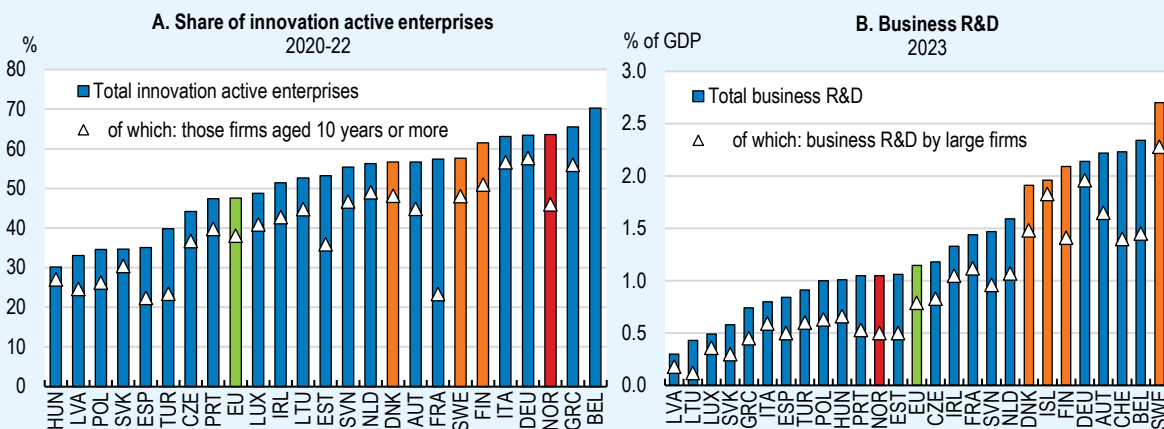
Note: Panel A shows the number of new enterprises as a share of the total number of active firms. Panel B shows the number of enterprise deaths as a share of the total number of active firms. Panel C shows the number of enterprises newly born in t-5 having survived to t, divided by the number of enterprise births in t-5. Panel D shows the number of persons employed in the enterprises newly born in t-5 that have survived to t, divided by the number of persons employed in the year of birth by the same enterprises (the sample is limited to employer businesses). Panel E shows the number of persons in employment divided by the number of firms (the sample is limited to limited liability companies among employer businesses). All the panels except for Panel C refer to the data for the industry, construction and market services sectors, excluding public administration and defence, compulsory social security, and activities of membership organisations. Panel C refers to the data for business economy except activities of holding companies.

Source: Eurostat Business Demography.

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Figure 4.8. Norwegian young and small firms are innovation oriented

Share of innovation active enterprises, 2020-22



Note: Innovation active enterprises are those which introduced at least one of the 4 types of innovation, product, business process, business organisation and marketing during the period 2020-22.

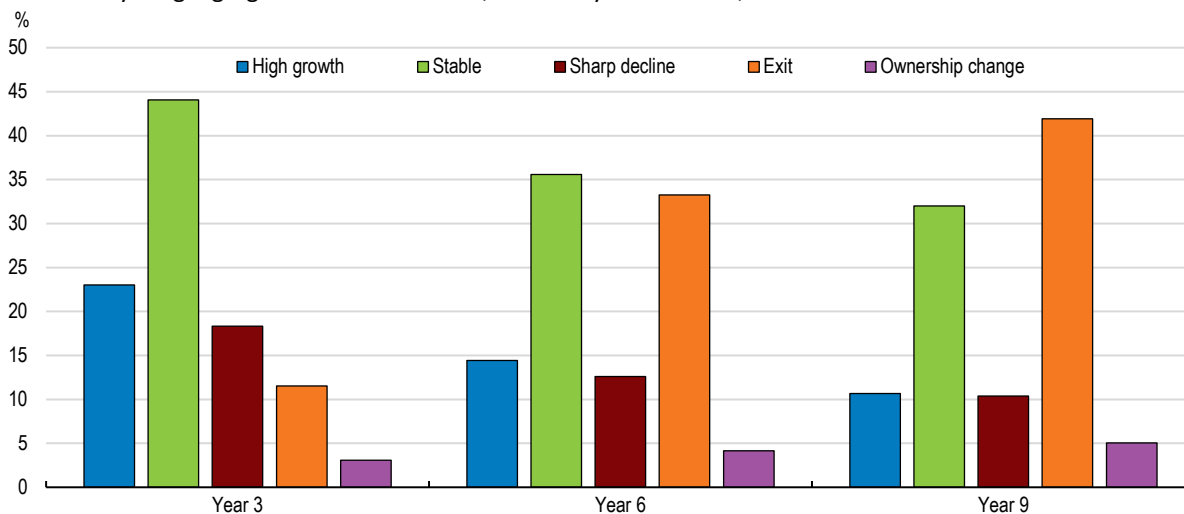
Source: Eurostat Community Innovation Survey 2022; Eurostat Research and Development (R&D) statistics.

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The low survival rate among young firms (Figure 4.7) may indicate that the high exit rate reflects, at least partially, the premature dissolution and liquidation of young and innovative firms in Norway. This occurs in a context where young firms in Norway have a relatively higher propensity for innovation than elsewhere (Figure 4.8). Fjaerli, Nygård and Rybalka (2025) examine changes in the status of young firms classified as “high-growth” during the period from 2005 to 2014 at a nine-year horizon (Figure 4.9). They showed that only 42% of them survived in the market nine years after they had become a “high-growth” firm.

Figure 4.9. Young prospective firms likely often end up with exiting the market prematurely

Transition of young high-growth firms at the 3-, 6- and 9-year horizons, 2005-23



Note: The chart shows the transition of “high-growth” young firms at the three-, six- and nine-year horizons. First, it identifies 4 or 5 year old young firms that initially had 10 employees or more and expanded by more than 10% over the last three years (as well as those that had been smaller but had obtained funds for R&D and innovation). The transition is evaluated at every three-year interval and classified as: “high growth” (expansion by 10% or more), “stable” (no change, expansion of less than 10% or contraction of less than 10%), “sharp decline” (contraction by 10% or more), “exit” (bankruptcy, liquidation, or becoming inactive), and “ownership change”, which includes mergers and acquisitions.

Source: Fjaerli, Nygård and Rybalka (2025), “Fra oppstart til vekst”.

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Aggregate productivity developments have been increasingly driven by a handful of large established firms. McKinsey (2025), based on a sample of around 3 400 Norwegian companies across five key industries, documented that 1% of these firms (“frontrunners”) accounted for around 40% of total productivity growth in these industries during the period between 2015 and 2023. Most of these frontrunners are large established firms. Compared with the largest companies in other Nordic countries, the largest Norwegian companies tend to focus more on maintaining steady cash flows than on pursuing further growth (NHO, 2025). Over the period 2005-25, among the top 50 Nordic companies, Norwegian firms have increased dividend payments more than those in other Nordic countries, while they increased investment to a lesser extent than their counterparts.

Growth prospects, as measured by market capitalisation, are low compared with other Nordic countries. Among the 50 largest listed Nordic companies, the share of Norwegian companies in total market value has more than halved since the mid-2000s (NHO, 2025). The same source showed that the value of Norwegian growth companies among the 1 000 largest growth companies in the Nordic region was also lower than in Denmark, Finland and Sweden as of 2022. These findings suggest that business dynamism needs to be revived by supporting the entry and expansion of new firms. The on-going government initiatives to reduce regulatory burdens and to reform insolvency regimes should contribute to this objective. Other related recommendations in this Survey, in particular the reform of capital taxation (Chapter 1), would also help boost business dynamism.

4.2. The regulatory policy making system should be revamped

Given the increasing regulatory burdens and declining business dynamism, there is now a strong case for a regulatory reset in Norway, as in other OECD countries. It should aim to manage more effectively the current stock of regulations and ensure that the design of new regulations is sufficiently responsive to an evolving economic environment (OECD, 2025a). A robust regulatory policy-making system lays the groundwork for such a regulatory reset. However, this is an area with large scope for improvement in Norway according to the OECD PMR indicators (Figure 4.2, Panel B).

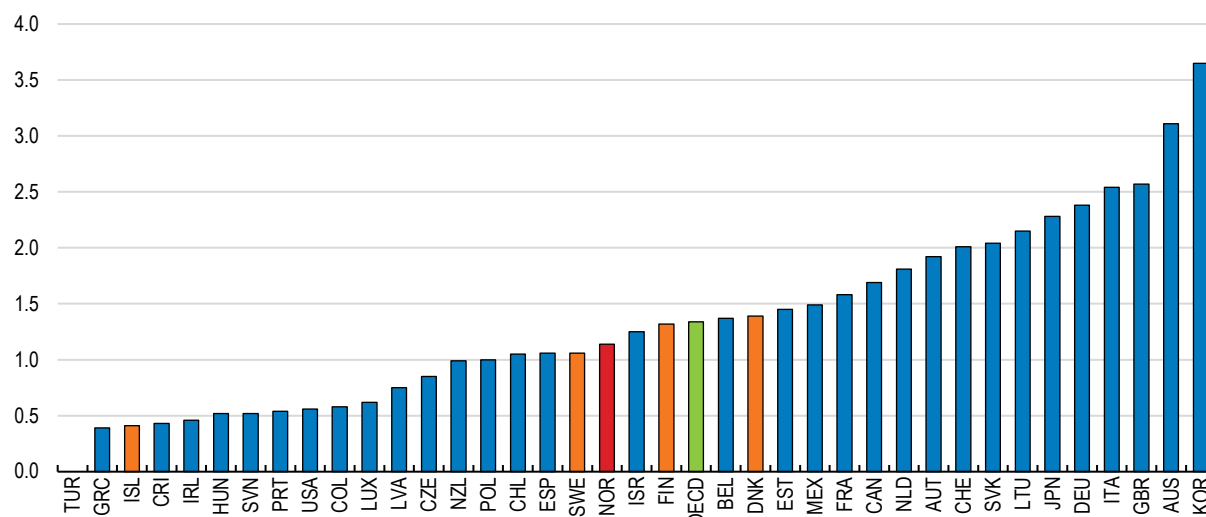
The Norwegian government announced a new regulatory simplification strategy to reduce administrative costs in spring 2026. The strategy will introduce a requirement to use e-invoicing and digital bookkeeping, although its details are not yet established. The government introduced a similar strategy in the past, aiming to save the business community NOK 11 billion between 2021 and 2025. According to a government report published in August 2025, the measures adopted so far are expected to result in annual cost savings for businesses of around NOK 7 billion, including the use of electronic invoicing, an important ongoing initiative. However, the actual progress seems to be below the target according to the head of NHO. This may reflect underlying regulatory issues that impede the full utilisation of digital technologies (see below).

4.2.1. Strengthening ex-post evaluation of regulation is key

While pursuing simplification by utilising digital technologies, the Norwegian government should tackle the complexities of regulations themselves. Ex-post reviews of regulations are the area with the greatest scope for improvement in Norway (OECD, 2025c; Figure 4.10), according to the OECD Indicators of Regulatory Policy and Governance (iREG). The OECD’s Best Practice Principles on Reviewing the Stock of Regulation provides guidance on how to review existing regulations in line with this recommendation (OECD, 2020a). The following discussion builds on this guidance.

Figure 4.10. Ex-post reviews of regulation have significant scope for improvements

Composite indicator “ex-post evaluation”: primary laws, 2024



Note: The OECD Indicators of Regulatory Policy and Governance (iREG) measure OECD countries' progress in implementing regulatory policy practices as advocated in the 2012 Recommendation on Regulatory Policy and Governance (OECD, 2012). The scores range from 0–4, increasing in conformity with best practices.

Source: The OECD Indicators of Regulatory Policy and Governance (iREG) survey.

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Periodic ex-post evaluation

In Norway, periodic ex-post evaluation of rules is mandatory for some primary laws. This is also the case in some OECD countries, whereas systematic mandatory periodic ex-post evaluation of all (or at least major) primary laws exists in slightly more than 30% of OECD countries. In Norway, such mandatory ex-post evaluation may be required by Parliament when the legislation is enacted, but there is no systematic requirement across all primary laws. Threshold tests to identify those regulations with the highest impact, thus requiring a review, are not used. In the United Kingdom, in contrast, regulations affecting businesses are systematically reviewed every five years, covering relevant aspects discussed just below (OECD, 2020a).

According to OECD (2020a), there are four key questions that guide ex-post reviews, forming the basis of ex-post evaluation methodology. The first is whether a valid rationale for regulating still exists (“appropriateness”). In reviewing the performance of a regulation, it is essential first to determine whether the underlying policy logic remains valid in light of subsequent changes in the economy and policy environment. The larger the number of objectives and the more ambitious they are, the more authorities need to navigate complex trade-offs between the different objectives. One such example can be seen in the agriculture sector (Box 4.3). Such restrictive regulations not only limit competition in the agriculture sector but also induce anti-competitive practices among large incumbents in the retail sector (Norwegian Competition Authority, 2024; Box 4.4).

Box 4.3. Main findings from recent OECD studies on the agriculture sector in Norway

The strategic objectives of Norway’s agricultural and food policies are set out in the 2016 White Paper “Change and development – A future oriented agricultural production” (Ministry for Agriculture and Food, 2016). These objectives include food security, maintaining agriculture throughout the country/protection of landscape, increased value creation and ensuring sustainable agriculture.

Norwegian agricultural policies navigate complex trade-offs between different objectives. The farm support measures tied to production and border protection in Norway serve to maintain domestic agricultural production, but this comes at the cost of increasing food prices and public expenditure and

hindering innovation. While such measures help preserve landscapes, safeguarding land resources does not necessarily require actual agricultural production, to which current support measures are tied. Moreover, agricultural production increases emissions, particularly when it is exempted from key policies aimed at achieving environmental objectives, notably carbon taxes (except those on fossil fuels) and other emission-mitigation schemes.

Norway provides the third-highest level of agricultural support as a share of the value of production among the countries analysed in the OECD Agricultural Policy Monitoring and Evaluation (OECD, 2025d). In 2022-24, transfers to producers (Producer Support Estimate) averaged 47% of gross farm receipts. The principal policy instruments supporting agriculture include budgetary payments differentiated by commodity and region, border protection measures and domestic market regulation based on the Marketing Act.

Budgetary payments based on production factors represents 58% of producer support. The largest single budgetary programme is a production payment made per head for most types of livestock. Many payments are differentiated by region and farm size to equalise income opportunities.

Domestic market prices are maintained through border protection and market regulations. Market Price Support (MPS) represented 27% of producer support in 2022-24 and applies to most major domestic commodities. For agricultural products, simple average Most-Favoured-Nation applied tariffs (i.e., the standard tariff rates that a country applies to imports from all WTO members with which it does not have a preferential trade agreement) were 31.1% in 2023 (compared with 0.4% for non-agricultural commodities). Certain sectors face significantly higher rates, such as meat (98% on average) and dairy (97%) (WTO, ITC and UNCTAD, 2024). The Marketing Act, which governs domestic market regulation, also covers the target price model for grains and some fruits and vegetables, through which the government and farmers' organisations annually negotiate target prices and the budgetary framework for payments to farmers.

Source: OECD (2021), Policies for the Future of Farming and Food in Norway ; OECD (2025d), OECD Agricultural Policy Monitoring and Evaluation.

Box 4.4. Anti-competitive practices among the largest grocery chains

The grocery sector in Norway is highly concentrated across most parts of the value chain and has been a priority area for successive parliaments, governments and the Norwegian Competition Authority (NCA) for several years (OECD, 2025e). In this sector three major grocery chains together account for over 95% of the market. While profitability of the three largest grocery chains is high (see below), some anti-competitive practices have been identified. First, the NCA found evidence that co-operation among the grocery chains on extensive price monitoring in each other's stores, which lasted from 2011 to 2018, was illegal and therefore imposed financial sanctions on the three chains. These chains appealed to the Competition Appeal Tribunal, which upheld the NCA's decision in August 2025. These chains brought the case before the courts and their appeal will be heard in late 2026. Second, the three chains used restrictive covenants on properties to prevent competitors from establishing grocery operations. There were a few small competitors that exited the market due to the lack of suitable premises (OECD, 2025e). The government introduced a new regulation in January 2024 to prohibit the use of such covenants.

In 2024, at the request of the Ministry of Trade, Industry and Fisheries, the NCA completed a margin study in the grocery sector for the period from 2020 to the first half of 2023. The study contains two separate reports investigating margins and profitability in the three major grocery chains at the firm and product levels as well as a selection of relatively large suppliers. The operating return for the majority of surveyed companies was significantly higher than what one would expect in a market with low entry barriers and strong competition. Product-level results showed large differences in margins between product categories. The grocery chains had high margins in the product groups "chocolate and snacks" and "non-alcoholic beverages", while margins were low in the product groups "meat", "seafood" and "egg". The study also showed that the suppliers' margins declined during this period, while the grocery chains' margins remained

stable. Furthermore, the study found that the cost of goods for the surveyed suppliers constituted a high share of variable production costs, between 70% and 95%, implying that an increase in the cost of goods therefore initially has a major impact on suppliers' margins on various products.

The NCA, at the request of the Ministry of Trade, Industry and Fisheries, has surveyed differences in purchase prices offered to the three large grocery chains by a selection of suppliers since 2017. The NCA finds large variations in the price differences the suppliers offer to the grocery chains. Purchase prices result from negotiations between suppliers and grocery chains, in which the latter provide various benefits in exchange for lower prices. Such benefits include logistics services, replenishment and in-store marketing and promotions. The NCA showed that a decline in purchase prices in two of the three grocery chains in 2022 and 2023 was associated with an increase in such benefits.

Source: Norwegian Competition Authority (2024), Dagligvarerapport (Grocery Report) 2024.

The second key question is whether the regulation has actually achieved its intended objectives (“effectiveness”). A fundamental element of reviewing the performance of regulations is to assess the outcomes relative to what otherwise would have occurred. In Norway, where periodic ex-post evaluation of rules is undertaken for some primary laws, it systematically assesses whether the underlying policy goals have been achieved. In around one quarter of OECD countries, such an assessment is required for all primary laws. Ensuring continued effectiveness also means that policymakers must be mindful of the assumptions made at the design stage and observe if they prove to be accurate in practice. Such comparisons between actual and predicted impacts are conducted in some ex-post evaluations in Norway.

The third key question is whether regulation has achieved its goals at minimum cost and without unintended adverse outcomes (“efficiency”). Overall, countries are less likely to assess costs and benefits when evaluating rules than when designing them, but around 20% and 25% of OECD countries assess systematically assess costs and benefits, respectively, including Sweden in both cases. In Norway, both costs and benefits are assessed only for some primary laws, and quantification is not required in either case. Without comprehensive consideration of both costs and benefits, it is not possible to determine the net impact of a rule. Moreover, it is unclear how costs are assessed, as administrative burdens, compliance costs, and enforcement costs are never assessed. This is in contrast with ex-ante evaluation, in which all of these are systematically assessed. Finally, while around 30% of OECD countries examine unintended consequences systematically for all primary laws, Norway examine them only for some ex-post evaluations.

The fourth key question is whether alternative approaches may have performed better (“alternatives”). This represents an opportunity to reconsider whether other options might be more efficient at lower cost and/or more effective in achieving regulatory goals. Notwithstanding such benefits, only three OECD countries, namely, the United Kingdom, Korea and the Slovak Republic, systematically assess the impact of a rule against alternative options for all primary laws, while Norway does so only in some ex-post evaluations, as is the case in many other OECD countries. Such assessment would help inform recommendations as to whether the regulation in question needs to be modified or replaced by alternative policy instruments. For Norway, such assessments would be particularly helpful in the areas where regulatory stringency is relatively high such as licensing requirements (see below).

The results of ex-post evaluation of regulations are generally available to the public. One such example among recent evaluations is the assessment on the Norwegian Transparency Act, conducted by the Ministry of Children and Families, drawing also on input from external bodies such as KPMG. The evaluation concludes that the Transparency Act has significantly strengthened Norwegian companies’ work on responsible business conduct. However, it also identified challenges such as high compliance costs and administrative burdens, including those related to building internal systems. According to the report, actual costs may have been around three times higher than originally estimated. Moreover, the report identified some unintended consequences: while supplier questionnaires (“skjemavelde”) are extensively used, small firms may be excluded due to heavy documentation requirements; and while disclosure requirements are high, more

transparent companies may score lower than competitors who do not disclose risks sufficiently. These findings provide key insights for possible reforms.

Finally, ex-post evaluations are only useful if they inform necessary changes to existing rules. In Norway, although periodic ex-post evaluations have been conducted, the government does not provide a public response to the recommendations made in these evaluations. In particular, the country does not report evidence that recommendations from ex-post evaluations have led to tangible improvements in the evaluated regulations, in contrast with Denmark, Finland and Sweden. This crucial step – translating ex-post evaluations into actual changes to existing regulations – remains a gap in many countries (OECD, 2025f). Norway should consider filling this gap by strengthening the mechanisms through which ex-post evaluations are effectively translated into reforms of existing regulations.

Broader reviews to advance policy goals

Ad hoc reviews can be established to address a more general theme or concern, such as compliance costs, or to focus on a particular economic activity, alongside the programmed ex-post evaluations. There are clear benefits to review regulations as a group, rather than individually, where the regulations concerned interact with each other or operate jointly to achieve related policy objectives (OECD, 2020a). Some of the largest gains from reform have resulted from such ad hoc initiatives (OECD, 2020a). In conducting such broader reviews, high priority should be given to reviewing regulations that have wide application across the economy or society and have potentially significant impacts on citizens or organisations, and for which there is prima facie evidence of a problem (OECD, 2020a).

Countries have an opportunity to make more strategic use of reviews that broadly assess the stock of regulations, depending on the identified problems. One such approach is the so-called “principle-based review”, which focuses on a uniform screening criterion or principle to address specific performance issues or impacts of concern. This approach, being more selective, tends to be more manageable than “in-depth” reviews (see below) and can enable deeper analysis (OECD, 2020a). Principle-based reviews are relatively common, as for instance 17 EU member countries have undertaken them over the past five years. In doing so, most focused on administrative burdens, while other criteria such as compliance costs and competition were used much less frequently. In some OECD countries, such broad-based reviews focusing on compliance costs or competition have been conducted, including as many stakeholders as possible and specifically aiming at reforms (Box 4.5).

In Norway, there are mechanisms that correspond to principle-based reviews, including “Official Norwegian Reports”. These are produced by an expert commission appointed by the government or a ministry. Such broad-based reviews should be used for policy reforms effectively. For instance, the Official Norwegian Report on FDI screening mechanism published in 2023 provided a number of sound recommendations but has not succeeded in gaining broad attention or leading to policy reforms. Given the substantial obstacles faced by Norwegian businesses (Section 4.1.1), the authorities should consider carrying out a principle-based review focused on reducing regulatory burdens by setting up a formal mechanism specifically aimed at reform and engaging a wide range of stakeholders, following the example of other countries including Denmark (Box 4.5).

Box 4.5. Examples of broader reviews based on a principle

In Australia, as part of a wider “national competition policy” agreement among Commonwealth, State and Territory Governments, reviews of legislation with identified anti-competitive effects were conducted in the period 1995 to 2005. A new decision rule was instituted that such regulations could only be retained where it could be demonstrated that a) they yielded net benefits to society that outweighed the costs and b) that the policy objectives could only be achieved by impeding competition. Around 80% of some 2 000 individual legislative items were reviewed over the period, with a majority being removed or reformed. This enabled the jurisdiction in those cases to qualify for “competition payments” from the federal government. In 2024, the Intergovernmental Agreement on National Competition Policy was adopted,

recommitting governments to update national competition principles. This renewal includes a multi-year reform schedule and supports priority pro-competitive reforms to be introduced in coming years.

The Danish Business Forum for Better Regulation was launched in 2012. It aims to ensure the review of business regulation in close dialogue with the business community. The Forum organises regular meetings where representatives from industry associations and businesses come together to discuss regulatory challenges, such as compliance burdens, administrative complexities, or barriers to innovation. The Forum also conducts reviews of regulations in different policy areas, identifies options for simplification in response to digitalisation and offers business-oriented digital solutions. The Forum then provides specific policy recommendations to government officials to inform changes for a more business-friendly regulatory environment. Proposals from the Business Forum are subject to a “comply or explain” principle, whereby the government is required to commit to either implement the proposed initiatives or to justify why the initiatives will not be implemented.

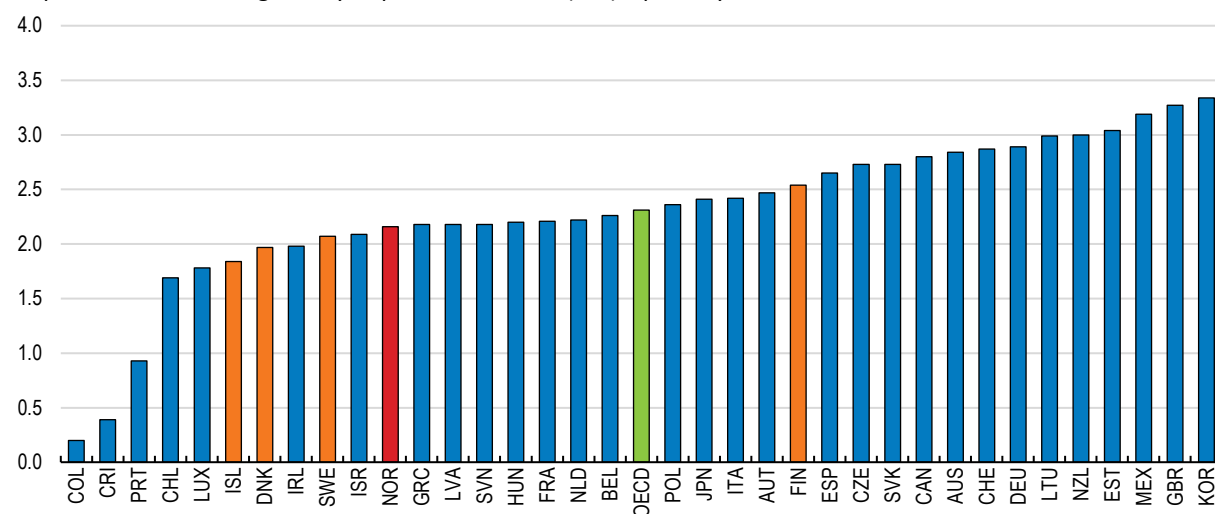
Source: OECD (2020a), “Reviewing the Stock of Regulation”; OECD (2025f), “Better Regulation Practices across the European Union 2025”, updated by the Secretariat.

4.2.2. Ex-ante regulatory impact assessment could be more effective

New regulation should aim to achieve policy objectives while minimising unnecessary costs, particularly in a context where the modernisation and simplification of the regulatory framework are required. The regulatory framework for introducing new regulation is more solid than that for existing regulation in Norway, but the distance from OECD best practice is actually larger in this area, according to the OECD iREG (Figure 4.11).

Figure 4.11. The scope to improve regulatory impact assessment is comparatively large

Composite indicator “Regulatory impact assessment (RIA)”: primary laws, 2024



Note: The OECD Indicators of Regulatory Policy and Governance (iREG) measure OECD countries' progress in implementing regulatory policy practices as advocated in the 2012 Recommendation on Regulatory Policy and Governance. The scores range from 0–4, increasing in conformity with best practices. The iREG survey on RIA for primary laws covers practices in the executive only, thus Türkiye and the United States, where all primary laws are initiated by the legislature, are not in the chart.

Source: The OECD Indicators of Regulatory Policy and Governance (iREG) survey.

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In Norway, there is a requirement to conduct a Regulatory Impact Assessment (RIA) in the development of all regulations. In doing so, multiple options are considered, including the baseline (i.e., no policy action), the preferred option, multiple regulatory alternatives for all primary laws – standards that are comparatively higher than in many other OECD countries. Multiple non-regulatory alternatives are also considered for some primary laws. Such considerations help reduce the risk of overlooking alternative, potentially more effective ways of achieving the desired impact, or of imposing unnecessary rules and burdens that may undermine it.

When conducting RIAs, both the costs and benefits of proposed regulations are assessed, and quantification is required in both cases in Norway – again representing higher standards than in many other countries. Moreover, RIAs in Norway comprehensively examine how new rules affect a range of aspects beyond direct costs and benefits for all primary laws. These include impacts on competition, small businesses, market openness, innovation and trade. The coverage is among the most extensive across OECD countries. Compliance costs, however, are considered only for some primary laws. Finally, broader assessments are lacking in Norway, as is also the case for ex-post evaluation, as there is no requirement to investigate macroeconomic and financial costs, which are examined in seven OECD countries including Finland and Sweden for at least all major laws.

RIAs should meaningfully inform regulatory design. This is the area in which Norway lags behind the OECD average and other Nordic countries. First, only some RIA results are published online in Norway, in contrast with all other Nordic countries where they all are. Second, RIAs are not publicly accessible through a central registry, which is the common platform across OECD countries, in contrast with most other Nordic countries. Moreover, decisions not to conduct a RIA are not made publicly available, leaving room for discretion in regulatory design. Importantly, the extent to which RIAs lead to modifications of regulatory proposals is not clear, as the effectiveness of RIAs in this regard has not been assessed according to the OECD iREG database. The authorities should consider increasing the transparency of the RIA process and ensuring that the results of RIAs are more systematically taken into account in regulatory design.

4.2.3. Regulatory oversight should remain solid

The governance structure plays an important role in ensuring both ex-ante and ex-post evaluations are conducted effectively. In Norway, line ministries propose new regulations and they are adopted by the Government (“the King in Council”). The Ministry of Finance oversees the Instructions for Official Studies (Utrekningsinstruksen), which set the requirements for preparing regulatory proposals and conducting RIAs. The administration of the Instructions for Official Studies is delegated to the Norwegian Government Agency for Public and Financial Management (DFØ). The agency is responsible for providing guidance on how government entities must or may comply with the Instructions and how technical analysis should be conducted. Line ministries are also responsible for conducting ex-post evaluations. The requirements for ex-post evaluations are based on the Regulations for Financial Management (Økonomiregelverket).

Norway established the Better Regulation Council, a regulatory oversight body, as is the case in many other EU and OECD countries. In many instances, evaluations are most appropriately conducted within the ministries responsible for the relevant regulations, given their subject-matter expertise, familiarity with developments over the life of a regulation and access to relevant skills. However, the more “sensitive” a regulation is, and the more significant its economic or social impacts, the stronger the case for an arm’s-length or independent review process. Countries therefore often use standing bodies within government to conduct such reviews (OECD, 2020a), as is the case for the Better Regulation Council. In this respect, New Zealand has adopted a different approach by establishing a dedicated Ministry for Regulation, a central government agency with cross-government oversight responsibilities aimed at improving the quality of regulation, strengthening regulatory stewardship, and reducing unnecessary regulatory burdens (Box 4.6).

Box 4.6. The Ministry of Regulation in New Zealand

The Ministry for Regulation is a central government agency in New Zealand established in 2024 to strengthen regulatory management and improve the overall quality of regulation. Its core functions include ensuring the quality of new regulatory proposals, improving the performance of existing regulatory systems, and building capability across the public sector in regulatory design and implementation. The Ministry also plays a key role in overseeing the framework for regulatory analysis by providing guidance, tools, and quality assurance processes to support evidence-based policy development. It works closely with other agencies to reduce unnecessary regulatory burdens and promote more efficient, transparent, and

effective regulation. In addition, the Ministry has a regulatory review function, which enables it to engage with people affected by regulation and identify how existing regulation could or should be improved. More broadly, the Ministry seeks to embed good regulatory practice across government, ensuring that regulation is proportionate, well-designed, and regularly reviewed to remain fit for purpose, including through the Regulatory Standards Act 2025 that establishes a set of regulatory principles based on good law making and economic efficiency.

According to the Better Regulation Council, some RIAs were not sufficiently robust. The council assesses whether impact assessments have been carried out in accordance with the requirements of the Instructions for Official Studies and whether the impacts on the business sector have been sufficiently identified. The council issues non-binding written opinions, with each opinion concluding with a traffic-light rating, including a “red light”, which indicates that the proposal has not been adequately assessed. In 2024, the council issued 11 opinions with a red-light rating. Among recent cases, the council found the assessment of the amendment to the Tax Administration Act to be insufficient. According to the council, the authorities did not provide estimates of the administrative costs for firms to fulfil reporting obligations. However, given the non-binding nature of the council’s mandate, its opinion had little impact on the amendment to the Act.

The role of the Better Regulation Council is limited compared with that of regulatory oversight bodies in OECD best performers. The Council plays a role in regulatory design and stakeholder engagement, similar to regulatory oversight bodies in many other European countries. However, the Council does not have the authority to return RIAs for revision, in contrast with regulatory oversight bodies in 15 OECD countries. The Regulatory Scrutiny Board in the European Union often issues negative opinions on impact assessments and return them for revision if they do not include a clear comparison of regulatory options, including cost-benefit analyses for each (OECD, 2025f). In Norway, the Council also has no responsibilities for ex-post evaluation, neither in directly conducting evaluations nor in quality-controlling the ex-post evaluations undertaken by line ministries. By contrast, in slightly more than 33% of OECD countries, a body outside the government has responsibilities for reviewing ex-post evaluations.

Parliament decided in 2025 to wind down the Council, providing little justification for the decision. The Council has expanded its capabilities over time to comment on stakeholder engagement activities and to publish formal opinions on regulatory impact assessments for revision. The business community views the Council as a regulatory “watch dog”, considers it effective in assessing regulations and emphasises that its statements should be better reflected in regulatory outcomes (NHO, 2025). The decision to wind down the Council should be repealed. Thereafter, the Council’s mandate should be expanded so that it exercises effective influence in the design of new regulation, for instance, by allowing it to return inadequate RIAs for review, and in the ex-post evaluation process.

4.2.4. Stakeholder engagement should be better framed

There are clear benefits to engaging stakeholders. They provide information about the impacts of rules as experienced in practice and help identify regulations or regulatory areas that are problematic. Stakeholder engagement at an early stage, i.e., before rules are drafted, is key to understanding policy problems and to identifying potential solutions. Such early-stage engagement takes place in Norway for some primary laws. In contrast, stakeholder consultation on draft primary laws, which opens the rule-making process to those directly affected, is systematically required, as in many other countries. Stakeholders should also be actively engaged in broader reviews (e.g., principle-based reviews; see above), as they help effectively identify regulatory burdens and detect adverse interactions across regulations (“public stocktakes”).

The setup for stakeholder engagement is overall robust. There is a complete online database of all regulations, which is up-to-date and freely available to the public in a searchable format. The government publishes online a list of primary laws to be prepared, reformed or repealed in the near term. Moreover, the minimum consultation period is set at six weeks, which is relatively long compared with other European countries. Thus, the public is sufficiently informed and has sufficient time to express its opinions. Stakeholders submit their statements, and

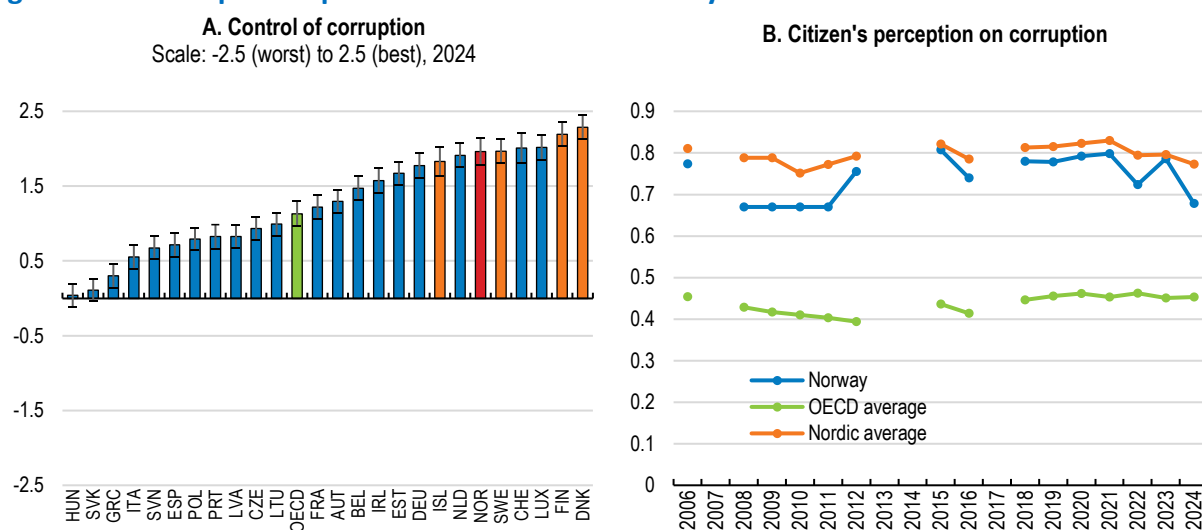
the authorities decide how to reflect them in the final legislative proposal. Nonetheless, the contribution of stakeholder engagement to policy design is not clear, as publicly available information on stakeholder consultation is limited, including information on cases where draft regulations were revised as a result of stakeholder input. Importantly, the authorities are not required to respond to consultation comments, for instance by publishing a government response explaining how feedback was integrated into the final regulation.

While it is important to engage stakeholders actively, the lack of transparency and accountability in interactions between interest groups and policymakers risks tilting the playing field in favour of interest groups. In general, as governments across countries make greater use of industrial policies, policy reforms to check unregulated lobbying activity are becoming increasingly important to ensure that markets remain competitive and no undue advantage is given to better-endowed or more politically connected firms (Vitale and Bitetti, 2026).

However, the interaction between interest groups and public officials in the regulatory process is generally not regulated in Norway, as is also the case in other Nordic countries. Further, these interest groups are not required to register in a dedicated public lobbyist registry. Likewise, public officials are not required to make their agenda available online. They are not required to make publicly available the identity of those consulted during each regulatory process, which is a notable difference from all other Nordic countries where such requirements exist. There is no regulation specifically addressing conflicts of interest for appointed public officials or senior civil servants, although a cooling-off period after leaving office does apply to them. Moreover, advisory groups, which are more frequently involved in consultation on draft primary laws in Norway than in other countries, are not required to publicly disclose the names of their members.

In fact, although corruption is perceived to be low (Figure 4.12), lobbying is among the most vulnerable areas to public integrity in Norway (OECD, 2024); Figure 4.13). The Group of States against Corruption (GRECO) of the Council of Europe also notes that lobbying is among the few areas in which Norway has not fully implemented its recommendations (GRECO, 2025). According to GRECO, Norway needs further efforts to increase transparency regarding how top executive officials engage in contacts with lobbyists and other third parties seeking to influence governmental processes and decisions. In concrete terms, the information recorded on the conclusions of the meetings with lobbyists and other third parties needs to be routinely made public, identifying the persons with whom the meetings took place and the specific subject matter discussed.

Figure 4.12. Corruption is perceived to be low in Norway



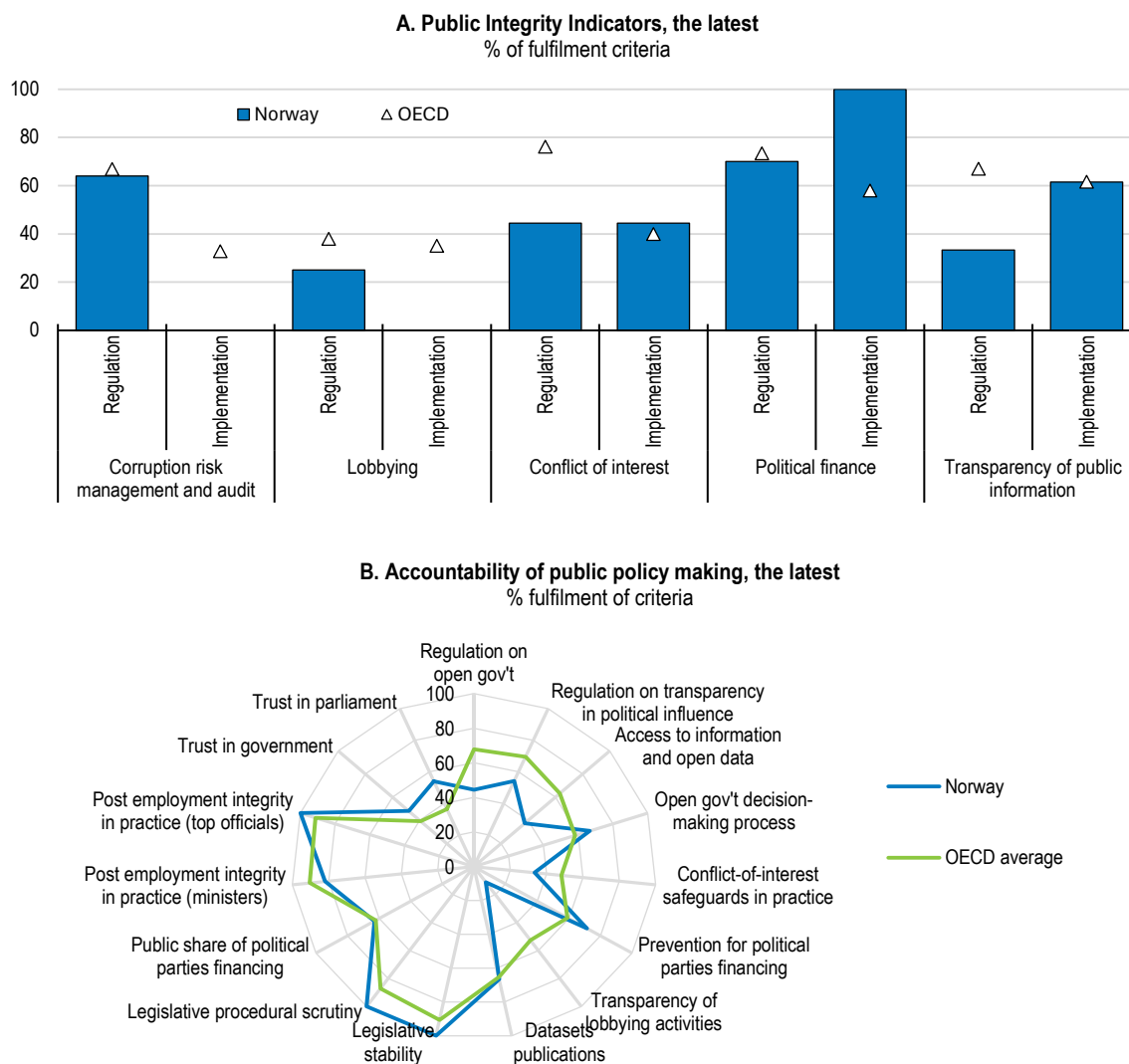
Note: Panel A shows the point estimate and margin of error for the headline indicator *Control of corruption* in the Worldwide Governance Indicators (WGI) produced by the World Bank. Panel B shows the scores from the World Bank's WGI, which are based on a survey question posed to citizens—"Corruption is widespread throughout the government"—and range from 0 (worst) to 1 (best). The original survey data come from Gallup's *Gallup World Poll*.

Source: World Bank, Worldwide Governance Indicators.

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Another vulnerable area to public integrity in Norway is conflicts of interest (Figure 4.13), to which the remaining recommendations by GRECO relate. Any member of the government, the Storting (Parliament) and the Supreme Court is obliged to submit an interest declaration, unlike appointed public officials and senior civil servants. However, according to GRECO (2025), there are no specific sanctions to ensure proper enforcement of the integrity system, including the applicable disclosure requirements. GRECO highlights the importance of introducing such specific sanctions and a formal system for review of the declarations.

Figure 4.13. Enhancing policy making would also reduce vulnerabilities to public integrity



Source: OECD Public Integrity Indicators.

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4.3. Regulatory barriers should be revisited

The overall firm entry rate is high but has been on a declining trend, and the contribution of young high-growth firms has weakened in Norway. Ensuring market entry of prospective new firms is essential for facilitating more effective learning from the global frontier as such firms have the comparative advantage in adopting and commercialising new technologies, and they help maintain market discipline, boosting competitive pressure on incumbents to innovate (OECD, 2015; Saia, Andrews and Albrizio, 2015). Finally, stringent regulation of foreign direct investment (FDI) and international trade can also act as entry barriers insofar as they restrict the establishment of foreign affiliates and mute the productivity enhancing effects of

international competition. The impact of such restrictions may be disproportionately large, as foreign firms investing abroad tend to be at the technological and productivity frontier.

4.3.1. Market entry regulation should be fit for purpose

In Norway, the scope to reduce administrative and regulatory barriers to market entry is greater than in many other OECD countries (Figure 4.2; Panel B). Entry barriers are distinct in nature because they inherently discriminate against new entrants, whereas ongoing compliance costs and administrative burdens apply to all businesses. However, compliance costs may weigh disproportionately on entrants and young firms. When reviewing stringent entry barriers as part of ex-post regulatory evaluation, the authorities need to assess whether the related requirements remain valid in terms of their rationale, whether they are effective and efficient and whether alternative policy options should be pursued (see above).

Administrative burdens for startups

The number of procedures and the number of public bodies that must be contacted in order to start a company remain large. Company registration is streamlined through the “Coordinated Register Notification”, managed by the Brønnøysund Register Centre, which submits information to the Central Coordinating Register for Legal Entities, the Register of Business Enterprises, the Norwegian Labour and Welfare Administration, Statistics Norway and the Norwegian Tax Administration. However, separate registration is still required for VAT and employees. Overall, registration requirements are relatively high compared with other Nordic countries. There is scope to streamline these procedures. For instance, the register of the employees at the Ministry of Labour, which is not required in other Nordic countries, could be removed or integrated with other procedures. Likewise, registration of employees in an insurance scheme can be consolidated with other procedures, as is the case in Denmark and Sweden.

Despite some complexity at the legislative level, administrative procedures are facilitated through a single web portal called “Altinn” (Box 4.7). The portal is managed by the Norwegian Digitalisation Agency and provides entrepreneurs with information on the procedures required to start a company. Moreover, the information is classified by economic activity, allowing entrepreneurs to access easily what is relevant to them. Importantly, Altinn also serves as a single point of contact through which entrepreneurs apply for many (though not all) licences. In this fully digitalised process, the entrepreneur uses a common identification number throughout all applications, which avoids unnecessary duplication.

In practice, however, the overall reporting burdens remain large. As firms often need to introduce reporting tools and hire accountants in practice (see above), such reporting obligations are considered to be an effective entry barrier. To reduce them, coordination among authorities needs to be strengthened so that information reported by firms is effectively used for multiple purposes. In this respect, the Storting adopted a decision in March 2026 to ensure the implementation of the “once-only principle” (i.e., reporting obligations cannot be imposed when the same information has already been submitted to public authorities). This decision needs to be effectively rolled out. Going further, a study commissioned by the Ministry of Finance (Schwencke, 2019) argued for making it possible for small limited liability companies to submit integrated reporting that would provide relevant data for both the annual financial statement and tax return, with appropriate adjustments (e.g., valuation methods) applied within the administration. The authorities should consider the introduction of such a single data submission.

Box 4.7. Altinn – a web portal managed by the Norwegian Digitalisation Agency

Altinn, managed by the Norwegian Digitalisation Agency, is a common web portal for information and a platform where governmental agencies can develop and run their services. As of January 2025, 78 service owners (government agencies, directorates and municipalities) are involved in the Altinn collaboration.

In Altinn, businesses can access information regarding their requirements to government entities and complete applications or online reporting. A key factor has been that the design of Altinn from the outset was on business needs, which helped to ensure that Altinn remains user-focussed and subject to change as user needs differ over time (OECD, 2020b).

The Start and Run of Business section of Altinn contains comprehensive and co-ordinated information across agency boundaries with its quality assured by the agency that is responsible for the laws and regulations. The section has its own business support desk that guides entrepreneurs and SMEs. The EU Single Digital Gateway team conducted an evaluation of the user-friendliness of all European contact points in 2018 and the user tests ranked the information content under “Start and run Business” in the Altinn information portal as the best in Europe (OECD, 2020b).

Altinn supports entrepreneurs in the procedures to start up a business by the Coordinated register notification, which is managed by the Brønnøysund Register Centre. This coordinated notification can be used to submit information to the Central Coordinating Register for Legal Entities, the Register of Business Enterprises, the Norwegian Labour and Welfare Administration’s register, Statistics Norway’s Central Register of Establishments and the Corporate Taxation Data Register. This covers a large number of registrations, but separate registrations are required for VAT and employment contracts.

While specific licences are required for startups in some industries, application forms and services for these licences are also available in Altinn. The application operates on the basis of the Common identification number assigned to a given entity. The same identification number is used when the applicant needs to obtain multiple licences and permits from different licensing authorities. Not all licensing authorities are associated with Altinn and these are mainly local authorities, including those issuing the licence for the production or sale of alcohol, tobacco or food.

Regarding on-going reporting requirements, Altinn offers “the a-ordning”, which is a co-ordinated service used by employers to report information about income and employees to the Labour and Welfare Administration, Statistics Norway and the Norwegian Tax Administration. The information is submitted electronically, either machine-to-machine via the employer’s payroll system (integrated via Altinn’s APIs) or via web forms in Altinn. The Norwegian Tax Administration administers the service on behalf of the other public agencies.

Altinn is used by 100% of businesses for tax returns and annual accounts, with some 99% using it for VAT. It is also largely utilised for shareholder register statements (98%), bankruptcy proceedings (95%), and co-ordinated register notifications (91%), according to (OECD, 2020b).

Source: OECD (2020b), “One-Stop Shops for Citizens and Business” updated by the Secretariat.

Licences and permits

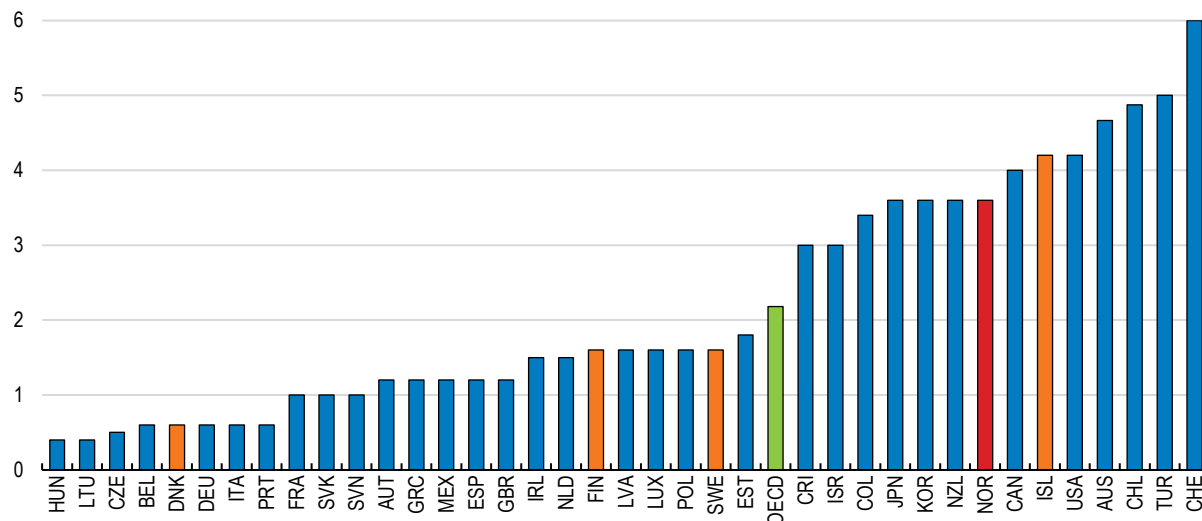
The business licence system in Norway is more complex than in many other OECD countries (Figure 4.14). Licences and permits refer to regulatory tools and processes that provide formal ex-ante approval. As an ex-ante intervention, licences and permits differ from other regulatory tools in that they focus on risk prevention before an activity begins, blocking or allowing market entry or the start of operations, rather than regulating ongoing operations or addressing issues after they arise. Licences and permits should be used in a risk-proportionate way, i.e., when activities are high risk and ex-ante conditions and safeguards are essential for risk mitigation. These include cases where the probability of serious harm is high, where potential harm would be significant and irreversible, and where risks need to be managed even before operations commence (OECD, 2025g).

Currently there is no requirement that a new licence introduced by the government has to be risk-proportionate. This contrasts with Denmark, Finland and Sweden, where such a requirement exists for all or most licences. The authorities should consider a more graded regulatory response - one which is proportionate to the level of risk posed by a business or activity. When the probability of harm is low or when any potential harm is reversible or low impact, alternative options such as notifications or reporting requirements should

be used instead (OECD, 2025g). Such an approach would help avoid over-reliance on licences and permits and would contribute to simplifying the licence system by ensuring only strictly necessary processes and information obligations are imposed, and that licences and permits are standardised for clarity and efficiency.

Figure 4.14. Licence and permit regulations are stringent

PMR score for “Licences and permits”, 2023



Note: The chart summarises the scores for all the items related to licences and permits under the category “communication and simplification of administrative and regulatory burden” in the OECD PMR indicators. The score ranges from 0 (least restrictive) to 6 (most restrictive).

Source: OECD Product Market Regulation indicators database.

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In Norway, there is no requirement for the authorities to regularly review existing licences. Periodic risk assessment is crucial to ensure that licences and permits continue to achieve their intended objectives in changing circumstances (OECD, 2025g). As with regulation more broadly, the policy objectives behind the use of licences and permits may be difficult to identify or may become outdated. Periodic review of existing licences should therefore be undertaken. Although the government keeps an up-to-date inventory of licences required for businesses, this is managed by various bodies. Consolidating these inventories into a single body, as in many OECD countries including Finland and Sweden, would make it easier for the government to conduct periodic assessments of existing licences and permits.

The lack of a risk-proportionate approach is also reflected in the use of periodic licence renewals. In Norway, a number of licences issued by public bodies, mostly related to workplace security such as fire and electricity usage, have to be periodically renewed. There is basically no such requirement in any other Nordic country. While time-limited licences may be appropriate in specific contexts, overuse of this approach creates unnecessary burden. In most cases, compliance can be more effectively ensured and addressed through inspections and enforcement mechanisms. Necessary measures to manage risks can still be requested from licence holders without imposing mandatory periodic license renewals (OECD, 2025g).

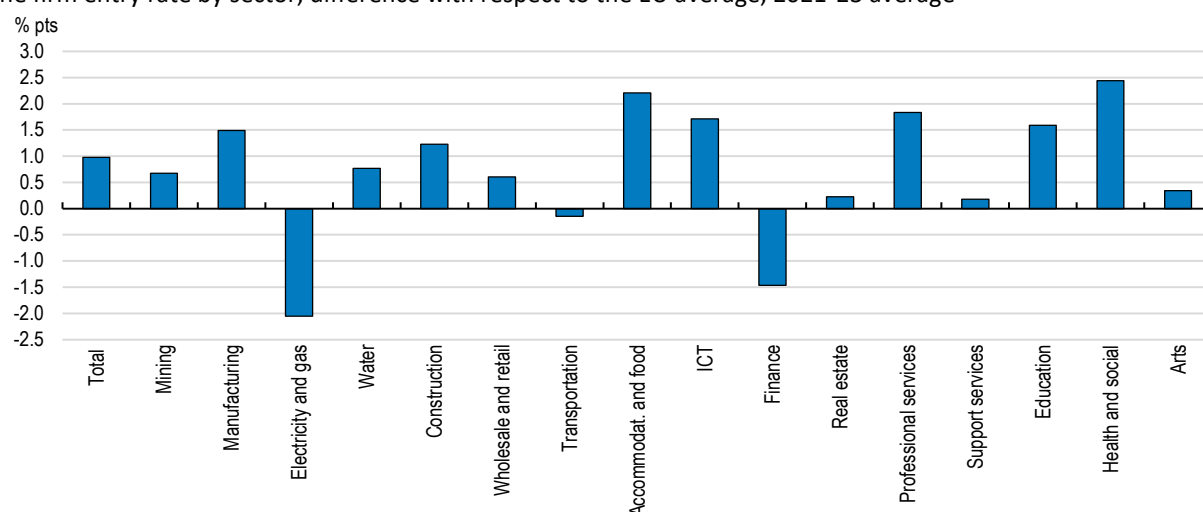
Most barriers to efficiency in licensing stem from a lack of institutional coordination, along with legal or procedural complexities (OECD, 2025g). Efficient coordination requires the participation of all actors involved in licensing from high-level strategy makers to operational roles, and across all levels of government. This helps ensure alignment of approaches, methods and requirements, while minimising duplications, overlaps or gaps in information collection and the management of licensing processes (OECD, 2025g). As the coordination across different levels of government is not strong in Norway, engaging local authorities in establishing common policy objectives and harmonising risk assessments would help streamline licences and permits and their requirements.

4.3.2. Regulatory barriers in key upstream industries should be alleviated

Stringent regulations in key upstream sectors further weigh on business dynamism, affecting productivity developments in downstream sectors (Bourlès et al., 2013; Andrews et al., 2025). Despite the overall high firm entry rate in Norway (Figure 4.7), entry rates vary significantly across sectors (Figure 4.15). Sector-level entry rates in Norway are lower than the EU average in the following sectors: electricity and gas, financial services and transportation services. One possible explanation is relatively high entry barriers in these sectors due to regulation. In fact, sector-level regulation is relatively stringent in the electricity and gas sector as well as the transportation sector compared with other Nordic countries, according to the OECD PMR indicators (Figure 4.16).

Figure 4.15. Firm entry is limited in some sectors

The firm entry rate by sector, difference with respect to the EU average, 2021-23 average



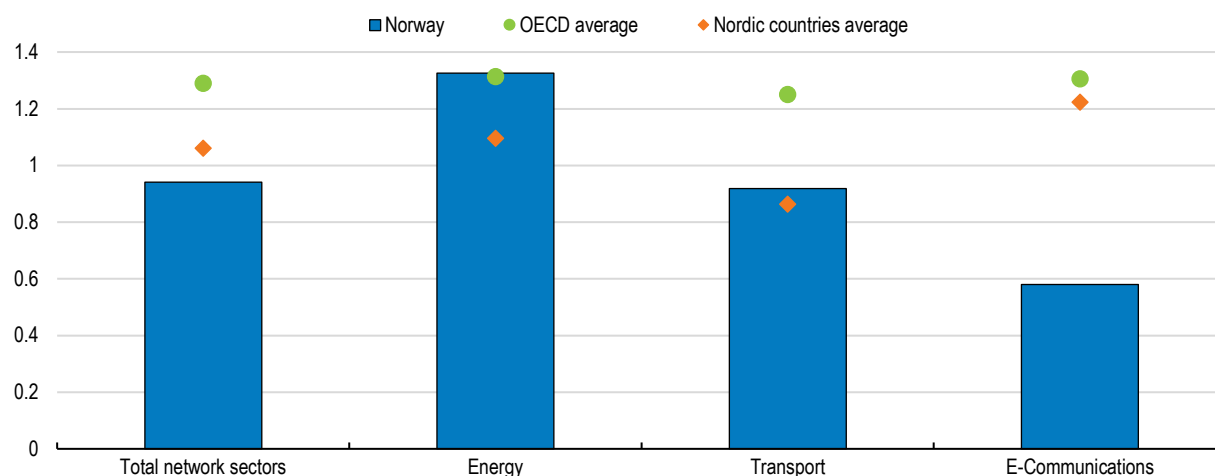
Note: The chart shows the data for the industry, construction and market services, excluding public administration and defence; compulsory social security; activities of membership organisations.

Source: Eurostat Business Demography.

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Figure 4.16. Entry barriers exist in some key network industries

PMR Sectoral indicators: Network sectors, 2023



Note: The OECD PMR sector indicators measure the regulatory barriers to firm entry and competition at the level of individual sectors. The score ranges from 0 (least restrictive) to 6 (most restrictive).

Source: OECD PMR Sector Indicators.

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In some transport sectors, the requirements to obtain a licence appear disproportionately restrictive. The optimal level of regulatory requirements for new firms varies across transport sectors, depending on the risk associated with the services provided. In general, licensing is necessary in rail and air transport sectors. However, requiring a licence in the road freight sector as well as water freight and passenger sectors is considered stringent, according to the OECD PMR scoring system. In Norway, a licence is required to establish a firm in the road freight and water passenger sectors, while notification suffices in the water freight sector. In contrast, only notification is required in around 33% of OECD countries including Finland and Sweden in the water passenger sector and in around 5% of OECD countries in the road freight sector.

Moreover, the requirements to renew licences also appear disproportionately restrictive in some sectors. Among others, the provision of road freight transport services is a standardised and limited-risk activity and, as such, it should not be subject to licence renewal requirements. In Norway, such licence renewal requirements exist in this sector. In contrast, around 35% of OECD countries where licensing exists do not impose such licence renewal requirements, including Sweden. Maintaining standards and compliance can be ensured by ex-post enforcement, such as inspections and levying fines. In addition, providers of long-distance domestic passenger transport services by coach are not able to freely choose routes, which are subject to approval by the Ministry of Transport. In 24% of OECD countries, carriers are free to choose their routes, including Finland and Sweden.

Licensing requirements become more complex when the authorities need to reconcile potentially conflicting objectives and when coordination problems arise across agencies. An illustrative example is the development of power stations, as this is the sector in which industry-specific regulations are perceived to be particularly restrictive (Section 1.2). According to THEMA Consulting Group, developing a new hydropower station takes 10-12 years, of which 6-8 years are spent on licensing (with project screening and construction accounting for the remaining time). In the case of onshore wind power stations, development takes 7-9 years, of which around 5 years are spent on licensing. These lead times are significantly longer than those in Denmark and Finland, according to the study by Oslo Economics and Sweco (2022).

The long lead times are largely due to licensing procedures, impact assessments and administrative processes. The installation of a large hydropower plant is subject to the Energy Act, as well as the Watercourse Regulation Act and the Water Resources Act (Box 4.8). Power plants exceeding a certain capacity threshold are also subject to an Environment Impact Assessment (Box 4.8). In these processes, numerous authorities are involved. Moreover, under the Planning and Building Act, municipalities are responsible for zoning plans (reguleringsplaner) and granting building permits. As discussed in the last Economic Survey of Norway, licensing requirements are strict and should be alleviated. To do so, the process can be streamlined by expanding the scope of cases in which decision-making power is delegated from the Ministry of Energy to the Water Resources and Energy Directorate, instead of requiring assessments by both public bodies, in the case of large hydropower plants.

Box 4.8. The licensing requirements and procedures for energy projects

The licensing authorities include the Storting (Parliament), the Government (the “King in Council”), the Ministry of Energy, the Norwegian Water Resources and Energy Directorate as well as municipalities.

The developer needs a licence for building a power plant, a licence for the electric components in the facility under the Energy Act and a licence associated with a municipal zoning plan under the Planning and Building Act.

For large-scale hydropower projects, the King in Council formally awards licences for projects dealt with under the Watercourse Regulation Act and for projects with an installed capacity exceeding 10 MW that require a licence under the Water Resources Act. The Norwegian Water Resources and Energy Directorate is responsible for procedures during the application phase.

In addition, under Norway's regulations on environmental impact assessment (EIA), an EIA is mandatory for power plants with an annual production exceeding 40 GWh. For other installations, an EIA is required if the project may have significant effects on the environment and society. If an EIA is mandatory, the Directorate will determine the final impact assessment programme after submitting it to the Ministry of Climate and Environment. The notification is made available for public inspection and local authorities and organisations are consulted on its contents. They also receive a copy of the final assessment programme for information purposes. Once an EIA is completed, the report is submitted together with the licence application.

Authorities, organisations and landowners that will be affected by the project are consulted on the application, and on the EIA if one has been carried out. The Directorate makes an overall assessment of the project and submits a recommendation to the Ministry of Energy. The Ministry prepares the case for the King in Council and presents its recommendation. This is based on the application, the Directorate's recommendations, the views of affected ministries and local authorities and the Ministry's own assessments. The King in Council then makes a formal decision on the project in the form of a Royal Decree. If a project is particularly large (more than 20 000 natural horsepower) or controversial, the Storting is consulted and given an opportunity to debate the matter before a licence is formally awarded by the King in Council. For small-scale hydropower projects, decision-making power is delegated to the Norwegian Water Resources and Energy Directorate.

The Energy Act requires anyone who builds, owns or operates an installation for the production, transformation, transmission or distribution of electrical energy to hold a licence. The Norwegian Water Resources and Energy Directorate is the licensing authority for electrical installations, except for new major power lines longer than 20 kilometres carrying a voltage of 300 kV or more, where the King in Council has the licensing authority. Before the King in Council makes a final decision, the Directorate will make a recommendation to the Ministry. All licence applications under the Energy Act require an EIA.

Source: The Ministry of Energy.

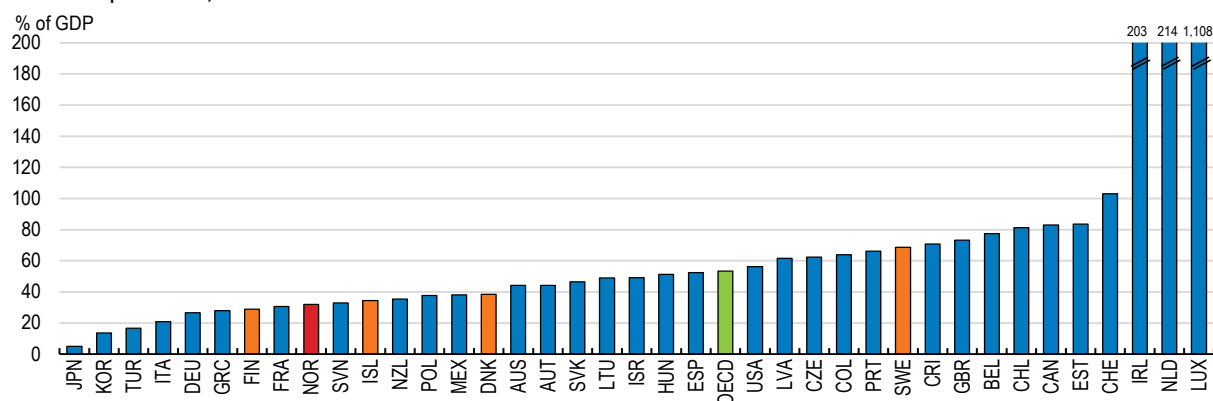
Regarding onshore wind power, coordination problems across different levels of government were partly solved by a reform in 2023. Previously, developers first applied for a national licence and then obtained the municipal permit thereafter. Thus, after the national licence was granted, it did not become valid until the municipal permit was approved. However, since July 2023, the order of approval has changed: a wind power project must first be clarified through a municipal zoning plan under the Planning and Building Act before a national licence can be granted. While this amendment aims to increase predictability and reduce lead times. In practice, the decisions made by municipalities often blocked the development of new plants. While new industrial and energy projects in Norway often face strong local opposition, such decisions likely reflect a wide range of concerns beyond zoning. Norway may consider introducing guidelines or criteria to guide municipal decisions on the establishment of new power plants.

4.3.3. Regulatory barriers to foreign firms should be rationalised

Stringent regulation of foreign direct investment (FDI) and international trade also weighs on business dynamism and limits growth opportunities. Trade openness leads to stronger product market competition, which in turn promotes innovation and productivity-enhancing reallocation via the expansion of the most productive firms into foreign markets and the exit of low-productivity firms (Melitz, 2003; Melitz and Ottaviano, 2008). Moreover, trade and FDI enhance knowledge flows from global customers and suppliers (Crespi, Criscuolo and Haskel, 2008) and from the activities of multinational firms (Criscuolo, Haskel and Slaughter, 2010). The FDI inflow stock in Norway remains very limited for a small economy (Figure 4.17), which can be associated with stringent regulation on FDI.

Figure 4.17. The FDI stock in Norway is very low for a small economy

FDI inward positions, 2024



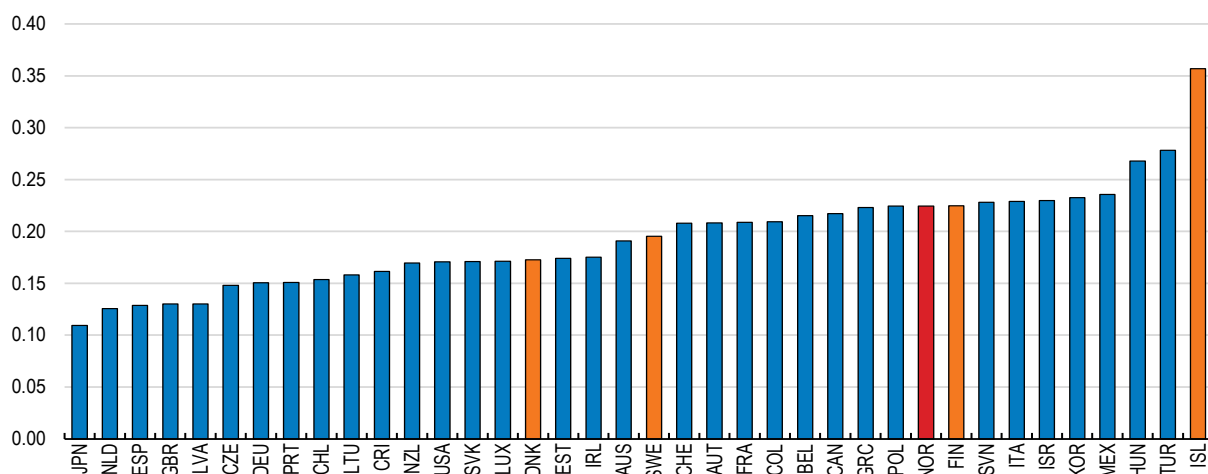
Source: OECD FDI statistics.

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Regulations on the establishment of foreign affiliates in Norway are relatively stringent. Services are increasingly traded across borders, including digitally and through the establishment of local affiliates abroad such as subsidiaries and branches. The effects of such regulations, measured in terms of ad valorem trade cost equivalents, are found to be substantial (Nordås and Rouzet, 2015; Benz, 2017). These effects are generally stronger in small countries (OECD, 2017) and for smaller firms (Rouzet, Benz and Spinelli, 2017). According to the OECD Services Trade Restrictiveness Index (STRI), restrictions on services trade are relatively strong in Norway (Figure 4.18), primarily due to horizontal regulations applying across sectors (OECD, 2026); most of these relate to the establishment of foreign affiliates.

Figure 4.18. Barriers to the entry of foreign affiliates for services are high

OECD Services Trade Restrictiveness Index, 2025



Note: The OECD Services Trade Restrictiveness Index identifies regulations currently in place that restrict services trade. It ranges from 0 (least restrictive) and 1 (most restrictive).

Source: OECD Services Trade Restrictiveness Index.

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The category “restrictions on foreign entry” in the OECD STRI assesses regulations largely related to the commercial presence of foreign firms, which is the most important mode of services trade. The OECD STRI examines the proportion of shares that can be acquired by foreign investors in publicly-controlled firms. In Norway, the number of sectors subject to such restrictions is much larger than in many other OECD countries. This directly reflects the fact that there are more sectors in which the government owns at least one major

firm, which can be perceived as an effective barrier for foreign firms. For instance, foreign firms may have limited incentives to form partnerships with the government in the Norwegian market. Related to government intervention more broadly, many investors increasingly expect government subsidies in Norway. Foreign firms may perceive it as difficult to obtain such subsidies on an equal footing with domestic firms.

In Norway, a majority of company board members and directors are subject to residence requirements, which in practice targets foreign firm entry. No other OECD countries impose such restrictions systematically across all sectors except Belgium, Iceland and Sweden. That said, such restrictions exist in a few sectors in several countries. One possible explanation is that these requirements aim to facilitate law enforcement when managers and directors must be held responsible for any harm their companies cause if they are residents, as is the case in Iceland (OECD, 2025h). However, if that is indeed the objective, the residence requirements appear disproportionately restrictive with respect to the policy goal. The authorities should clarify the purpose of these requirements and repeal or modify them as appropriate.

Under current legislation, FDI screening applies without exclusion of economic interests in Norway. Since 2019, a new investment screening mechanism covers investments in companies critical to national security and financial stability (National Security Act, Law No. 24/2018). An amendment in 2023 (Law No. 77/2023) broadened the scope of the act to include businesses vital to national or security interests, even if they are not directly linked to a basic national function. In 2024, the European Commission proposed a new regulation to strengthen the existing framework. The proposal requires all EU Member States to establish and maintain a screening mechanism and to define a minimum sectoral scope for screening foreign investments. Danish legislation identifies the defence sector, IT security, dual-use items, critical technologies and critical infrastructure as sensitive areas. The Norwegian authorities should consider whether following this example to define a minimum sectoral scope is appropriate. A recent report, submitted by an expert commission to the Ministry of Trade, Industry and Fisheries in 2023 identified challenges in the current system, and highlighted the needs of clarifying the mandatory notification requirement.

Rights of access to public procurement are limited to suppliers from EEA countries and from countries with which Norway has an agreement based on the principle of reciprocity. In Norway, there is an obligation to include a clause in the contract mandating Norwegian wages and working conditions as stated in collective agreements. For contracts that are performed in Norway, the successful bidder may also be required to take on apprentices. Such obligations related to public procurement are not common in the OECD. The rationale in Norway is to prevent social dumping and work-related crimes, which is unclear or appears disproportionate, and to increase the availability of skilled labour in shortage – an issue that should be addressed through strengthening formal VET programmes, including through partnerships with private firms, rather than limiting such requirements solely to public procurement contracts.

4.4. Insolvency regimes should be made business oriented

Rigid insolvency regimes hamper the efficient restructuring of firms facing temporary difficulties and the exit of non-viable firms. Preserving unproductive firms and hampering the efficient reallocation of resources from failed enterprises to productive firms reduce aggregate productivity growth (Caballero, Hoshi and Kashyap, 2008; Adalet McGowan, Andrews and Millot, 2017). Importantly, insolvency regimes that disproportionately penalise failed entrepreneurs discourage risk-taking behaviour (Bartelsman, Perotti and Scarpetta, 2008), thereby weighing on the entry and expansion of prospective firms (Calvino, Criscuolo and Menon, 2016).

Reforming insolvency regimes to sort out viable firms and restructure them successfully would reduce the frequency of prospective firms exiting the market prematurely (Figure 4.9). Mjøs, Kostøl and Pelja (2021) found that firms filing for insolvency tend to have recorded higher growth over the years prior to filing. They also showed that, when comparing firms kept as going concerns with those that were liquidated, operating profit over sales was almost identical on average immediately prior to filing. However, the financial situation in the liquidated firms was significantly worse (e.g., a higher debt-to-asset ratio). This indicates that liquidation

was more often the result of excessive risk-taking than weak underlying profitability, implying that at least some of the firms were liquidated prematurely.

In general, insolvency regimes involve many stakeholders with different views. Insolvency regimes face a number of market imperfections, notably:

- Information asymmetries, as the debtor and creditors assign different values to the firm (Smith and Strömberg, 2005);
- Incomplete contracts, as it is difficult to write a complete contract ensuring an optimal outcome ex-ante (Hart, 2000); and
- Coordination problems, as the interests of individual creditors can conflict with those of creditors as a collective (Marinč and Vlahu, 2012).

Against this background, striking the balance in terms of the rights of the debtor and creditors is difficult.

4.4.1. Most insolvency cases end up with liquidation

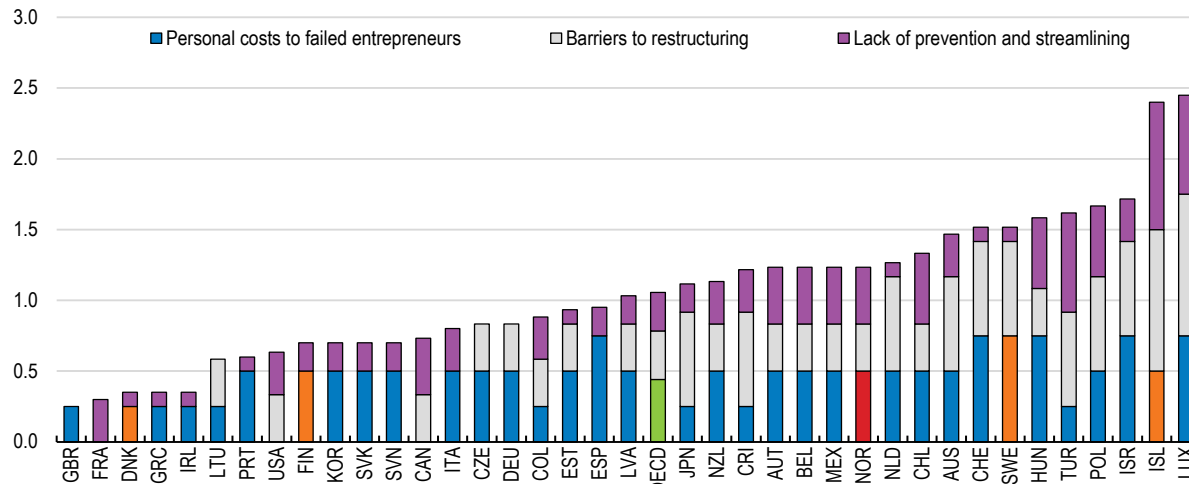
According to official data from the Brønnøysund Register Centre, around 30 800 firms were struck off from the business registry in 2025. Of these, around 21% were deregistered due to liquidation, including “compulsory liquidation” (i.e., the court orders liquidation immediately if the firm fails to meet statutory conditions, for example due to poor bookkeeping), while the vast majority were struck off from the registry as a result of voluntary dissolution. According to court statistics used in Mjøs, Kostøl and Pelja (2021), the share of firms filing for insolvency evolved at around 2% toward the end of the 2010s, down from around 3% at the height of the global financial crisis.

According to figures compiled by Mjøs, Kostøl and Pelja (2021) over the period 2010-19, most insolvency proceedings end with liquidation rather than restructuring. First, out of a total 20 413 insolvency proceedings, the court ordered compulsory liquidation in around 30% of cases, related primarily to SMEs. Among all the insolvency proceedings, 89.9% were terminated due to the lack of assets of the debtor, mostly SMEs, followed by distribution of the debtor’s assets (7.2%) and return to normal operation (2.9%). Along with these 20 413 insolvency proceedings, there were also seven openings of “compulsory composition” (formal restructuring plans) and nine openings of voluntary debt negotiations over the same period. The number of cases in which firms were restructured is excessively limited, which could possibly be related to obstacles in the legislative framework for firm restructuring. Indeed, according to the OECD Insolvency Indicator, Norway has scope to improve measures in the area of barriers to firm restructuring (Figure 4.19).

In Norway, a temporary act was introduced during the COVID-19 pandemic crisis in early 2020 (Reconstruction Act, No. 38/2020), replacing the permanent legislation (Debt Negotiation and Bankruptcy Act, No. 58/1984) with respect to debt negotiations. The temporary act aimed to reduce the risk of unnecessary liquidation of viable businesses experiencing an acute decline in revenues due to the crisis and to increase the chance of successful restructuring processes in viable companies. According to the authorities, the number of restructuring procedures initiated has likely increased somewhat following the introduction of this temporary act. The Ministry of Justice published a proposal (Prop. 56 L (2025–2026) Amendments to the Bankruptcy Act, etc. (reconstruction proceedings)) to replace the existing rules on restructuring procedures set out in the 1984 Act and the 2020 temporary act. Policy reforms are discussed below, mainly reflecting the changes introduced by the temporary act and those introduced under the proposal.

Figure 4.19. There is large room for improvement in insolvency regimes

OECD Insolvency Indicator, 2022



Note: The sum of the scores corresponding to each of three policy areas: “Barriers to restructuring”, “Personal costs to failed entrepreneurs”, and “Lack of prevention and streamlining”. The score ranges from 0 (most effective) to 1 (least effective).

Source: André and Demmou (2022), “Enhancing insolvency frameworks to support economic renewal”.

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4.4.2. Formal insolvency proceedings should become more practicable

Firm restructuring tools

While it is difficult to strike the right balance in terms of the rights of the debtor and creditors, insolvency proceedings in Norway too often end in liquidation rather than restructuring (Thorburn, 2020; Mjøs, Kostøl and Pelja, 2021). According to Thorburn (2020), there has been little protection of debtor firms, their operations cease immediately as suppliers stop delivering, secured creditors abruptly seize collateralised assets, and debtor firms are typically liquidated piecemeal.

Starting insolvency proceedings early is crucial, as it increases the possibility of successfully restructuring viable firms and the liquidation value of failing firms (Adalet McGowan and Andrews, 2016). Debtors tend to delay the commencement of proceedings, as they may hide or cannot recognise the true financial state of their firm. In the vast majority of OECD countries, both debtors and creditors can initiate liquidation and restructuring proceedings. Previously, creditors in Norway could not file for restructuring. Due to the temporary act introduced in 2020, creditors can now also file for restructuring. In the new proposal, this measure is preserved, which would help initiate restructuring proceedings in a timely manner and prevent the value of the debtor’s assets from being lost over time.

Once the proceedings begin, it is key to determine who will manage the debtor’s assets. Allowing incumbent managers to stay in charge of day-to-day operations (“debtor-in-possession” model) has conflicting effects (Adalet McGowan and Andrews, 2016). Managers may have weak incentives to avoid insolvency if they know they can maintain control, thereby reducing ex-ante efficiency. Conversely, if they expect to be removed when the firm becomes distressed, they may have incentives to hide the true financial state of the firm, reducing ex-ante efficiency. Once the proceedings begin, allowing incumbent managers to stay in charge tends to raise the chance of successful restructuring because they possess specialised knowledge of the firm, thereby raising ex-post efficiency. On balance, it is considered unfavourable to automatically dismiss the incumbent manager from a practical standpoint (Adalet McGowan and Andrews, 2018). In Norway, although incumbent management is not dismissed, their management of day-to-day operations is heavily supervised by the “reconstruction committee”, which consists of an insolvency practitioner appointed by the court and creditors’ representatives. While the insolvency practitioner is usually a lawyer, Mjøs, Kostøl and Pelja (2021)

suggest that professionals with business experiences such as auditors should take control of operations, assisted by the lawyer, rather than the other way around.

Continuous operations in the debtor company during proceedings increase the chance of successful restructuring (“stay on assets”). Without a stay on assets, firms' operations can be disrupted by creditors claiming productive assets, thus reducing the value of keeping the firm in operation. On the other hand, restrictions on creditors' claims can adversely affect credit supply (Armour and Cumming, 2008). Therefore, the stay on assets should be time-limited and used strictly to facilitate a restructuring plan (Adalet McGowan and Andrews, 2016). In many OECD countries, including Denmark and Sweden, a stay on assets is permitted and limited in time. As best practice, which balances the interests of the debtor and creditors, the duration of a stay on assets should range between two and four months (Carcea et al., 2015). In Norway, a stay on assets is possible for six months under the temporary act of 2020, which can be extended under certain conditions. No change is foreseen in the new proposal in this respect.

Beyond limiting individual enforcement actions by creditors, several other aspects are key to ensuring continuous operations during restructuring negotiations. In Norway, the insolvency framework allows the debtor company to reject overly burdensome contracts. It also allows the debtor company to avoid transactions that give preference to one or several creditors as well as undervalued transactions entered into before the commencement of insolvency proceedings. The temporary act of 2020 also introduced the possibility of maintaining pre-filing relationships with key suppliers of goods and services deemed critical to the survival of the business. It is important to allow debtor companies to continue payments to critical suppliers so that daily operations are not halted or disrupted (Thorburn, 2020; Mjøs, Kostøl and Pelja, 2021). The new proposal confirms this provision, which is welcome.

It is crucial that the debtor is allowed to obtain new credit after restructuring proceedings begin to meet ongoing needs. However, post-commencement financing should not have priority over existing creditors, which would harm legal certainty and negatively affect credit supply by increasing banks' perceived risks (Adalet McGowan and Andrews, 2016). According to best practice, post-commencement credit should take priority only over ordinary unsecured creditors, not over secured creditors (Adalet McGowan and Andrews, 2016). In Norway, the temporary act of 2020 introduced the possibility of new financing and gave priority to the new credit over both secured and unsecured creditors. Both encumbered and unencumbered assets of the debtor can guarantee new financing after obtaining consent or approval from secured creditors. The new proposal confirms this higher priority for post-commencement credit. The authorities explain that there has been no evidence of adverse effects on credit supply following the change made in 2020. The amount of new financing benefiting from priority is partly limited through a statutory lien mechanism, typically capped at 5% of the value of the collateral. In addition, the framework allows new financing to be secured by super-priority security over certain asset classes, such as operating equipment, inventory and receivables, which may rank ahead of existing secured creditors without a fixed monetary cap.

Timely and efficient decision-making is essential in restructuring proceedings. In this respect, the possibility of so-called “cram-down”, allowing approval of a restructuring plan by only a requisite majority of creditors, instead of requiring unanimity, is key. In Norway, cram-down is possible, allowing a restructuring plan to be imposed on dissenting creditors by a majority vote. The temporary act of 2020 even reduced the threshold for approval to 50% of total claims, down from two-thirds previously, and removed the condition that at least 25% of the debtor's outstanding liabilities must be distributed. According to the authorities, this change was one factor that may have contributed to an increase in the number of restructuring proceedings initiated following the temporary act. The new proposal maintains this lower threshold to reach an agreement. The coverage of cram-down is currently limited to payment deferrals and debt write-downs and does not apply to conversion of debt into equity. Going forward, voting on debt-to-equity conversion could also be envisaged (Mjøs, Kostøl and Pelja, 2021).

According to best practices for cram-down, creditors in the same class should be treated equally, and dissenting creditors should receive at least as much under a restructuring plan as they would under liquidation

(Carcea et al., 2015). These safeguards help ensure that restrictions on creditors' rights do not adversely affect credit supply. In Norway, creditors are not divided into classes for the purpose of voting on the reorganisation plan, which may hamper the efficient adoption of restructuring plans, as individual creditors' incentives may differ across classes. Furthermore, there is no such safeguard ensuring that dissenting creditors receive at least as much as what they would in liquidation. The new proposal aims to reform these aspects. First, it aims to allow creditors to vote separately according to their priority class. Second, the new proposal aims to introduce the safeguard to protect the rights of dissenting creditors.

The treatment of liabilities to public authorities can alter the course of insolvency proceedings. The fact that such liabilities are not dischargeable often make parties unwilling to start proceedings. The temporary act of 2020 introduced derogations allowing restructuring plans to override the super-priority ranking of these liabilities. According to the authorities, this was another main factor that may have contributed to the increase in the number of restructuring procedures initiated following the temporary act. The new proposal introduces a permanent framework under which specific categories of public liabilities can be formally included in restructuring plans and potentially reduced. At the same time, the proposal does not continue the broad temporary derogations from the statutory priority system, replacing them with more targeted and clearly defined rules. Public claims retain their high priority in liquidation, which serves as a benchmark in restructuring, but they are not fully protected from adjustment within a confirmed plan. Compared with the EU restructuring directive, which allows greater flexibility in the treatment of creditor classes and in deviating from strict priority, the Norwegian approach remains more structured and rule-based. This may strengthen predictability, but could also limit flexibility in negotiations where public claims are significant.

A similar asymmetry exists between the treatment of liabilities owed to employees in restructuring proceedings and that in liquidation proceedings. In liquidation proceedings, such liabilities, essentially unpaid salaries, can be reduced for the debtor company through a state-financed guarantee system that protects employees when their employer becomes insolvent. This guarantee does not apply in restructuring proceedings, where liabilities owed to employees must be paid in full by the debtor company. This can constitute a significant obstacle to successful restructuring proceedings and, at any rate, creates a bias towards liquidation. The authorities should therefore consider extending this wage guarantee to cases of firm restructuring (Mjøs, Kostøl and Pelja, 2021).

Finally, the institutional setup can also affect the effectiveness and efficiency of insolvency proceedings. Given the complexities involved in insolvency cases, including assessments of business viability, valuation, creditor incentives and labour-market effects, generalist judges may find it difficult to develop the necessary expertise. In this context, introducing specialised insolvency courts would improve economic outcomes by reducing large and arbitrary variations in judicial decisions that currently arise in generalist courts. (Mjøs, Kostøl and Pelja, 2021) show that random assignment to stricter or more lenient judges leads to markedly different firm survival and employment outcomes, thereby undermining legal certainty. Specialised courts would improve consistency, predictability and value preservation, particularly by reducing inefficient liquidations. The authorities should consider introducing such specialised courts for insolvency.

Treatment of failed entrepreneurs

Personal insolvency regimes are often more important for entrepreneurs and small businesses (Armour and Cumming, 2008). Entrepreneurs typically use personal finances prior to incorporating and receive only limited liability protection (Berkowitz and White, 2004; Cumming, 2012). As small businesses are often owned and operated by families who have pledged personal assets for loans, business insolvency may lead to personal insolvency once a business fails, even where the business is run by a separate legal entity (Bergthaler et al., 2015). In Norway, it is common practice to use such personal guarantees, which applies not only to sole proprietors but also, in some cases, to the owners of limited liability companies.

Personal insolvency regimes should not be excessively penalising, to allow a fresh start after bankruptcy (Adalet McGowan and Andrews, 2016). Excessively penalising personal insolvency regimes could also delay proceedings, as debtors seek to avoid being declared bankrupt. In this regard, exempting the bankrupt's assets

that are not directly linked to the business is important. In Norway's personal bankruptcy regime, exemptions of pre-bankruptcy assets from the bankrupt estate are more generous than in many OECD countries, as they include the bankrupt's house (subject to the conditions that the house is the bankrupt's primary residence and its value is below a specified threshold). In many OECD countries, such exemptions are limited only to modest personal items, such as assets or income required for the debtor's subsistence.

Nonetheless, the possibility of a fresh start is excessively limited in Norway. The exemption of future earnings from obligations to repay pre-bankruptcy debts – the so-called "availability of discharge" – reduces the debtor's burden. In Norway's personal bankruptcy regime, the procedure for discharge is complex and lengthy. In legislative terms, there is no possibility of discharge. In practice, the bankrupt may negotiate with lenders but need to wait two years before applying for debt settlement, and the debt settlement can be granted only five years after the bankruptcy ruling. This is far more penalising than in most OECD countries, where the time to discharge is around two years on average. The authorities should establish a simpler discharge procedure and reduce the time to discharge to two years, in line with peer countries and as recommended by the EU Directive on Restructuring and Insolvency. The new proposal aims to make it possible to restructure liabilities for natural persons in a manner similar to that for businesses. However, this provision differs from the discharge for the bankrupt, as it would be limited to individuals with a high chance of successful debt restructuring.

Denmark pioneered modern insolvency reform and influenced the discharge regimes that spread across Europe, laying the groundwork for the EU's second-chance and early-intervention policy agenda. The Danish 1984 Consumer Debt Adjustment Act introduced structured debt reduction and discharge to curtail wasteful collection efforts and maximise creditor returns over a reasonable horizon. Subsequent reforms – notably in 2005 and major updates to the Bankruptcy Act in 2021-22 – strengthened judicial restructuring and, through the transposition of the EU Directive, introduced a preventive restructuring procedure.

4.4.3. Special regimes for small businesses should be developed

Over recent years, the policy debate has focussed on enhancing insolvency prevention and developing pre-insolvency and simplified insolvency procedures for SMEs (André and Demmou, 2022). It is in these areas that reforms have advanced most significantly across OECD countries over the past decade. SMEs face a higher probability of going through insolvency proceedings, as the share of non-viable firms is higher among SMEs than among large companies (Banerjee and Hofmann, 2020). However, SMEs need differentiated treatment, as they often have limited financial resources while insolvency proceedings can be lengthy and costly. Other obstacles include poor record-keeping, which hampers successful restructuring. Furthermore, the value of assets at stake is generally low and creditors tend not to devote sufficient attention to SME cases.

In Norway, a special insolvency scheme for SMEs was introduced in 2020 (Regulation No. 1247/2020). It established specific fast-track and less expensive restructuring procedures for SMEs with 10 or fewer employees and earning less than NOK 6 000 000. Under this system, in-court procedures were pre-packaged. However, payment of administrative expenses by instalments, typically permitted in many OECD countries, were not possible. Importantly, there was no possibility of a cram-down on dissenting creditors. There is no evidence that these special procedures were used extensively. These special proceedings for SME, introduced in the aftermath of the crisis, were wound down in January 2025 as initially foreseen, albeit with delay.

The new proposal does not prescribe any specific special regimes for small businesses but encourages the authorities to explore the introduction of such regimes. The government should re-introduce such simplified and pre-packaged proceedings targeting SMEs. In doing so, they should first make such proceedings easier by allowing instalments in the payment of administrative expenses and introducing a business recovery mediator, as seen in some OECD countries. These measures would be particularly relevant in Norway, where many small businesses were compulsorily liquidated by the court due to insufficient accounting practices and failure to meet statutory requirements (see above), thus helping prevent some firms to be liquidated prematurely. Furthermore, the enforcement of decisions made by a requisite majority of creditors should be introduced and strengthened,

which would encourage creditors and debtors to try to reach voluntary agreements at an early stage, following the example of the new special procedure introduced recently in the United States (Box 4.9).

Box 4.9. The US Small Business Reorganisation Act

The United States introduced a new restructuring procedure for small businesses in February 2020 to reduce complexity and costs and address the lack of attention from creditors in ordinary SME procedures. The Act introduces a new sub-chapter V to Chapter 11 of the Bankruptcy Code. The debtor generally remains in possession and control of the company, which encourages the use of the procedure. Eligibility is essentially determined by the level of debt. The original debt ceiling was set at about USD 2.7 million, but was temporarily raised to USD 7.5 million during the pandemic. The higher ceiling was extended for another two years in June 2022. After June 2024, the threshold reverted back to the initial one adjusted for inflation.

This new procedure deviates from standard creditor-controlled procedures, in which the reorganisation plan has to be approved by a majority of participating creditors. It gives the court extensive power to enforce decisions made by a requisite majority of creditors on dissenting creditors, which encourages creditors and debtors to try to reach voluntary agreements. The nomination of a trustee, who is an experienced business professional and acts as a neutral adviser, also helps build consensual restructuring plans. This new procedure also aims to speed up restructuring and to lower costs. The restructuring plan has to be presented within 90 days of the case initiation. Reduced information requirements, compared to ordinary Chapter 11 procedures, reduce the need for external expertise, which lowers costs.

Since its inception, its usage has grown steadily from 1118 in FY 2020 to 2647 in FY 2024. In this scheme, the percentage of cases in which a plan is confirmed is 52%, which compares with 23% in ordinary Chapter 11 procedures. The process is also faster in this scheme as the median time to plan confirmation is 6.6 months compared with 10.4 months in ordinary Chapter 11 procedures (these figures are taken for the period from FY2020 to FY2023).

Source: André and Demmou (2022), "Enhancing insolvency frameworks to support economic renewal", updated by the Secretariat.

Table 4.3. Policy recommendations

MAIN FINDINGS	RECOMMENDATIONS (Key recommendations in bold)
Regulatory policy making	
The business community is concerned about regulatory compliance costs and administrative burdens arising from an increasing number of regulations.	Conduct a broad review of regulations focused on reducing compliance costs and administrative burdens for businesses, engaging a wide range of stakeholders.
Ex-post reviews of regulation are conducted periodically only for some regulations, and consideration of their effectiveness, efficiency and possible alternative options is not systematic.	Strengthen the review methodology, including wider use of cost-benefit analysis. Set up mechanisms to ensure ex-post evaluations effectively lead to regulatory reforms.
The framework for regulatory impact analysis for new regulations is solid. However, transparency regarding the results of such analyses is insufficient, and they have little effect on regulatory policy design.	Systematically disclose the results of regulatory impact analyses and facilitate access to them. Ensure that these results are more effectively reflected in the design of new regulations.
The Better Regulation Council is considered effective by the business community in assessing the impact of new regulations on firms. Parliament announced its closure with little justification.	Introduce a body like the Better Regulation Council and strengthen its mandate in regulatory policy design by allowing it to return insufficient regulatory impact analyses for review.
Transparency in stakeholder engagement is limited, which may leave scope for certain interest groups to exert undue influence.	Strengthen the rules governing contact with interest groups by establishing a lobbyist register. Effectively control conflicts of interest among executive officials.
Regulatory barriers	
Despite the advanced digital platform ("Altinn"), the number of public bodies to which firms must provide information remains large in practice, which is particularly burdensome for new and small firms. This is due to complexities in individual reporting requirements and a lack of coordination among public bodies.	Strengthen coordination among the authorities in the common reporting system ("a-ordning") so that they do not require firms to submit information already provided through the system. Introduce a single data submission for the purpose of annual accounting and tax returns for small businesses.
There is no requirement for business licences to be risk-proportionate. In some cases, the requirements for obtaining and renewing licences are disproportionately strict.	Assess the rationale for existing licensing requirements at all levels of government and systematically apply risk-proportionality in licensing requirements.
The procedures for obtaining licences for power generation remain cumbersome and very lengthy. In many cases, the installation of new power plants is blocked by municipalities, reflecting a wide range of concerns beyond zoning.	Streamline and shorten the licensing procedures for establishing new power plants by reducing the number of public bodies that assess and authorise the installation of plants. Consider introducing guidelines or criteria to guide municipal decisions on the establishment of new power plants.
The current legislation on FDI is ambiguous regarding the definition of national security, leaving scope for excluding FDI on economic grounds.	More clearly specify the definition of national security against which FDI undertakings are assessed.
Insolvency regimes	
The state-funded wage guarantee scheme that covers unpaid wages applies only in liquidation proceedings, which can create bias towards liquidation.	Extend the wage guarantee scheme to restructuring proceedings, compensating for the reduction in recoverable wages resulting from the adoption of a restructuring plan.
Given the complexities of insolvency proceedings, large and arbitrary variations arise in judicial decisions made by generalist courts.	Introduce specialised insolvency courts to increase procedural efficiency and improve consistency and predictability in judicial decisions.
Bankrupt individuals must go through several steps to discharge pre-bankrupt debt, and this process takes considerable time.	Simplify the process for discharging pre-bankruptcy debt and reduce the time required for discharge.
A simplified insolvency regime for SMEs was introduced in 2020 but was wound down in 2025. It was not used extensively.	Reintroduce a simplified insolvency regime for SMEs in which administrative charges are reduced and technical support is provided.

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OECD Economic Surveys: Norway 2026

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Norway remains among the world's most prosperous and equal economies, underpinned by sound macroeconomic management and a highly skilled labour force. Yet growth is slow, inflation remains persistently above the 2% target, and the sovereign wealth fund covers an ever-increasing share of budget deficits. While momentum is picking up again, the challenges are unusually high. Complementing the fiscal framework with a medium-term expenditure plan could help reduce spending pressures and maintain long-term sustainability of the public finances. Monetary policy should remain restrictive until inflation is durably anchored at target. The monetary policy framework, especially inflation targeting and central bank independence, works well and should be kept broadly unchanged. Raising teaching quality and streamlining the curriculum will help improve performance of primary and lower secondary education. Deepening trade relations further, improving risk management and maintaining sufficient inventories of essential goods will help mitigate the risk of global value chain disruptions. Regulatory reforms, above all lowering administrative and regulatory burdens for startups, strengthening regulatory reviews and making insolvency regimes more effective, would spur innovation and productivity.

THEMATIC CHAPTERS: FOUNDATIONAL SKILLS; GLOBAL VALUE CHAINS; REGULATORY FRAMEWORK



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