

*Results of Norad funding of Global Education in Norway*

# **Theme: Ethical Guidelines for the Government Pension Fund Global 1997-2017**



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# Summary

Governmental support (funding) for Global Education (GE) through civil society organisations in Norway, administered by Norad, shall, in addition to effects on target groups in Norway, also have an effect on society (impact). Norad assumes that ultimately, it shall "contribute to global and sustainable development effects". In this context, the world's largest sovereign wealth fund, the Norwegian Government Pension Fund - Global (the Oil fund), also called "Norway's most important international muscle", has considerable potential. Thus, Norwegian civil society engaged in issues related to the management of the Oil fund at an early stage.

Following the decision to invest part of the Oil fund in the global stock market the Bondevik I Government, in their government declaration of autumn 1997, declared its intention to develop ethical guidelines for the Oil fund. It was a thought that was initially met with considerable resistance in the Ministry of Finance and influential sections of the political and financial environment. This report shows that Norwegian civil society, with GE support from Norad, contributed significantly to "make the impossible possible" inter alia through the Norwatch project of the Future in our hands (FIVH) and coordination of civil society advocacy through Forum for Environment and Development (ForUM). Together with committed politicians, including "the Father of the Ethical Guidelines" Oeystein Djupedal (Socialist Left Party), the media and other stakeholders, civil society contributed to the adoption in 2004, in the Norwegian Parliament, of ethical guidelines for management of the Oil fund.

Governmental support for GE in the years that followed have contributed, in accordance with Norad funding guidelines, to *wider democratic participation* in political processes related to the continued development of the ethically motivated guidelines for the Oil fund through a wide diversity of Norwegian organisations that engaged in this topic. Support for various GE activities have contributed to *more and better knowledge and critical debate* in the organisations and groups which received such support, but also in and across their selected target groups and the general public, as well as key decision-makers and actors, such as the Parliament, Ministry of Finance, Council of Ethics and Norges Bank (Norges Bank Investment Management - NBIM).

This report shows that civil society initiatives and activities in this field, through governmental GE support and interaction with other actors, have had significant impact and contributed to a number of important development policy effects in Norway, including:

- ✓ the adoption of ethical guidelines for the oil fund by the Norwegian Parliament (2004),
- ✓ the decision of the Parliament to withdraw the Oil fund from (investments in) weapons that violate fundamental humanitarian principles - such as anti-personnel mines, cluster bombs and nuclear weapons (2004),
- ✓ the decision of the Parliament to withdraw the Oil fund from (investments in) tobacco (2009),
- ✓ the statement of the UN and the OECD that Norges Bank, as a minority shareholder through the Oil fund, has a responsibility for the human rights conduct of the companies in which the Oil fund is invested (2013),
- ✓ the decision of the Parliament to preserve the independence of the Council of Ethics when the organisation of the management of the Oil fund was reviewed (2014),
- ✓ the decision of the Parliament to withdraw the Oil fund from (investments in) coal (2015),
- ✓ the expectations documents on Children's Rights, Climate Change and Water Management developed by Norges Bank (NBIM) was strengthened (2015) and
- ✓ Norges Bank NBIM presented a new expectation document on Human Rights (2016).

Governmental GE support has also contributed to civil society activities in other areas related to the management of the Oil fund, which may provide development policy effects in the future, including that:

- ✓ the suggestion that the Oil fund should withdraw (its investments in) alcohol is on the political agenda,
- ✓ the suggestion that the Oil fund should contribute in the fight against tax havens is on the political agenda and may lead to an expectation document on tax and transparency being developed by Norges Bank (NBIM) in 2017,
- ✓ the suggestion that the Oil fund should invest more in renewable energy and developing countries is on the political agenda and can make progress in 2017,
- ✓ proposals for the establishment of ethical guidelines also for investments in government bonds is on the political agenda and can make progress in 2017 and that

- ✓ the demands for increased transparency in NBIM's ownership dialogue with companies in which the Oil fund is invested is kept on the agenda in the critical debate about the management of the Oil fund.

NBIM monitoring of the ethical motivated policies, including the expectation documents prepared in various fields, through management of the Fund and ownership dialogue, will be of significant importance for the extent to which global and sustainable development effects (impact) may be achieved. There is thus reason to note that the field, in which most organisations say they have not achieved significant results, is the issue of transparency in NBIM's management and ownership dialogue. Nevertheless, through the development policy effects in Norway it seems reasonable to conclude that the governmental GE support has contributed to global sustainable development effects by:

- ✓ Ethically motivated guidelines for management of the Oil fund that has strengthened global standard setting for sustainable development, has been perceived as an international "gold standard" for the management of sovereign wealth funds and that NBIM practice in varying degrees is followed by other investment funds and companies.

The report gives examples of this. After the decision of the Parliament in 2004 to withdraw the Oil fund from companies involved in the production of cluster bombs a number of other large investment funds followed suit and did the same, in the same way that also the decision to withdraw from coal in 2015 had a corresponding impact on large funds abroad. After entering into ownership dialogue with the company Monsanto and other leading global players in the plant science industry, NBIM announced in 2009 that they had joined forces in an agreement on combating child labor in seed production. At the same time as (the Norwegian NGO) Grønn Hverdag and the Rainforest Foundation, through GE funding from Norad, ran the palm oil campaign, the Oil fund sold its shares in the worlds largest palm oil company, Wilmar, and 22 other palm oil companies in 2012. The following year Wilmar announced that the company had decided to not produce palm oil wrecking the rainforest or buying palm oil from companies involved in rainforest destruction. And the Council of Ethics reported in its annual report for 2014 that many companies change behavior or implement measures to ensure that the basis for being excluded from the Oil fund lapses.

Nevertheless, although many and good examples may be given and key players have highlighted the Oil fund's influence and potential, this is a field that is difficult to document. Partly, changes in companies and the practice of other investment funds, as well as global standard setting, is normally influenced by many factors. The influence of the Oil fund will be one of several factors which, to varying degrees, will carry weight on the impact. Partly, we know little or nothing about what effect such changes actually have for the companies, countries, local communities and people affected. More thorough investigations and research is needed.

Civil society engagement in the management of the Oil fund, however, has also had a more direct global development effect in that it has contributed to international standard development related to business and human rights. The view of the Norwegian Government and NBIM was that the Oil Fund, as a minority shareholder, had no responsibility for the human rights conduct of the companies in which the fund invested. ForUMs complaint to the OECD contact point in Norway regarding NBIMs investment in Posco, as well as input from ForUM and FIAN to the UN Committee on Economic, Social and Cultural Rights, has contributed to the clarification of both the UN and the OECD that even minority shareholders *have* a responsibility. It now remains to specify what these responsibilities.

The results achieved of governmental support for GE on this issue would not have been possible without the transformation of the purpose of such support that started in the 1990s and rooted in a majority in Parliament. The change allowed for GE funding to be used to focus on development issues beyond aid, stimulated critical debate and encouraged civil society's role as promoters and watchdogs in development policy. These results would not neighter have been possible without a management of GE funding based on multiannual framework agreements that ensured predictability and long-term support for civil society work.

Factors that have contributed to and yielded good results of the activities of civil society's work include that civil society in Norway have been good at building and using national and international networks, building up expertise over time, the ability and willingness to identify and follow up on important issues over time and the ability to make good reports with thorough, objective and balanced information that has given credibility and provided new and better knowledge, as well as new perspectives and solutions to current problems.

# Results of Government funding of Global Education

*In this way, civil society, with GE funding from Norad, have contributed to activities and effects on target groups that have had development policy effects in Norway and development effects globally*

