

In times of widespread mistrust, not only the ability of the political class is called into question, but even its usefulness, as well as that of political Institutions in general. A dangerous idea, but above all a deeply wrong one. We reacted to this aberration by hosting the Finance Secretary of State of Norway, Hilde Singsaas. Not a technocrat, indeed: a woman who chose politics as her profession and that shows us the achievements of decades of good politics in her country. A country where life expectancy is only slightly lower than in Italy, public spending for pensions is still kept under 5% of GDP, whereas in Italy it exceeds 14%, and yet, pension benefits almost double the OECD average! The secret lies with

the ability to reform the system before it becomes unsustainable, and to manage financial resources with a long-term view. The new model for accumulating pension entitlements, the increase in the retirement age and the partial de-indexation of pensions to wages were introduced without raising social unrest and without provoking a Government crisis, thanks to a social dialogue improving the quality of decision-making processes rather than paralysing them. The revenues from petroleum activities are expected to decrease and social spending to rise, due to the ageing of the population. But the petroleum wealth was allocated to the Government Pension Fund, one of the major pension funds globally. Only the real

return on the Fund is used to fund welfare spending: the petroleum revenues will ensure the wealth of the Norwegian people and the stability of public finances over the next decades. But there is more. The Fund's strategies are inspired to ethical guidelines that only allow to invest in a company if the latter respects human rights, international conventions and the environment. Thus, the Fund acts as a promoter of sustainable development all across the world. This is an example we should always keep in mind, to avoid forgetting that *politics matters*.

Mariella Palazzolo

Telos is a member of the FIPRA network

SINGSAAS

NORWAY.

THE RIGHT PLACE WHERE TO RETIRE

“*The Pension Fund has a comprehensive responsible investment strategy which includes exercise of ownership, exclusion and observation of companies, environmental investments, research and international collaboration. Exclusion has been part of the strategy since the ethical guidelines were established in 2004.*”

Telos: Pensions, retirement age and welfare as a whole are among the major issues that the Montiled Government will have to face to tackle the close to balance commitment with the EU. During the negotiations, the Norwegian system, together with the Government Pension Fund was often mentioned as a benchmark in efficiency and long term vision. Could you please give us a flavour of what it is all about?

Hilde Singsaas: In 2011 we introduced a new old age pension system which will strengthen the incentives to work. We have created a new model for accumulating pension entitlements, based on lifelong income, combined with flexible retirement from the age of 62, based on actuarial neutrality. It is possible to combine work and pension from the age of 62 without any curtailment. The new pension system is also made more sustainable in the long run by introducing life expectancy based adjustment of pensions, whose effect can be countered by postponing retirement. In addition, after retirement, the old age pension benefit is indexed to wages less ¾ percentage points, compared to full wage indexation today. The Government Pension Fund was established in 1990 to manage the huge - but temporary - cash flows from the petroleum sector. In the late 1990s, the prospects of large petroleum revenues and a strong increase in fund capital indicated a need for guidelines to ensure a sound management of the petroleum wealth. This led to new fiscal policy guidelines, implemented in 2001, with broad support in Parliament. The petroleum revenues are allocated directly to the Fund, while it is the expected real return on the Fund - estimated at 4 pct. - that is to be spent over time. In addition, emphasis should be put on stabilising the economy. During periods of high unemployment we can spend more than 4% to stimulate the economy. Correspondingly, we should spend less when economic activity is high. By only spending the expected real return on the Fund, the Fund will provide a lasting source of finance for public spending, including pensions.



Hilde Singsaas was appointed State Secretary to the Ministry of Finance of Norway in 2009. Among her duties, Singsaas deals with the development of the investment strategy for the Government Pension Fund Global. In spite of her young age, State Secretary Singsaas is an experienced politician belonging to the Labour Party. During the cabinet Jagland (1996-1997), she was political advisor in the Ministry of Children and Family Affairs. During the first cabinet Stoltenberg (2000-2001), she was again appointed political advisor, this time in the Office of the Prime Minister. In 2006, during the second cabinet Stoltenberg (2006-2009), she had the charge of State Secretary in the Office of the Prime Minister. State Secretary Singsaas graduated in Political Science at the University of Oslo, and has worked as an advisor in ECON (2002–2005). In 2000 she acted as advisor to the parliamentary leader in the Labour Party Parliamentary Group, Jens Stoltenberg. State Secretary Singsaas worked as journalist for *Avisenes nyhetsbyrå* (formerly A-pressens Oslo editorial office) and for the magazine *Stat og Styring*. Since 2005 she is an advisor to the Norwegian Red Cross.

Singsaas lives in Oslo and says that *"being with my children, running and meetings make my day."*

Ethics and finance, sometimes thought to be a contradiction. Nevertheless in 2004 Ethical guidelines were established for the Government Pension Fund Global. On which principles are they based and who takes care that they are respected? Do they envisage the possibility for a company to be excluded from the investments and if so who takes the final decision?

The Pension Fund is managed on behalf of the Norwegian people. Shared ethical values therefore form the basis for the responsible management of the Fund. We believe that good long term returns depend on a sustainable development in economic, environmental and social terms, and on well-functioning financial markets. The Fund has a comprehensive responsible investment strategy which includes exercise of ownership, exclusion and observation of companies, environmental investments, research and international collaboration. Exclusion has been part of the strategy since the ethical guidelines were established in 2004. Exclusion decisions are made by the Ministry based on recommendations from the independent Council on Ethics. Companies are excluded based on production or behaviour that violates fundamental ethical norms, such as violation of human rights, gross corruption or severe environmental damage. Active ownership is another important tool. Its overall purpose is to safeguard the Fund's financial values by contributing to good corporate governance and by striving to achieve higher ethical, social and environmental standards in the companies where we invest.

Sustainable development became a common refrain in almost any political, economical and governmental speech. Such insistence proved detrimental to the original strength of the word. This is not the case of Norway, where there is an official Sustainable Development Strategy, whose work is coordinated by the Ministry of Finance. We are eager to learn more about it.

Sustainable development is important because it captures the fundamental and long term challenges for both individual countries and the world. There is widespread poverty in many developing countries, increasing pressure on ecosystems and global warming. The Norwegian Government gives high priority to these challenges. The Minister of Finance is responsible not only for public finances and economic policies, but also for coordinating the government's work on sustainable development. Norway's strategy covers economic, social and environmental dimensions. It contains several indicators that survey the development on important areas. Every year the Government reports on the development of the strategy in general and on the indicators in the National Budget.

You are a very experienced politician. Your first major government appointment dates back to 2006. And yet you are very young. Italian politics lacks generational turnover and this is considered by many as one of the reasons for the rigidity of the system. How does it work in Norway?

Most political parties in Norway attach great importance to ensuring broad representation in Parliament and Government, both in terms of geography, gender and age. In my own party, Labour, many people have their background from participating in the party's youth organization or party work locally. I believe that Norwegian politicians, to a lesser extent than in many other countries, belong to the political and social elite. One example is the education level among elected politicians, which is not higher than in the general population. Also, politicians' salaries are not particularly high compared with salaries in many other countries.