

Norway's Experience in Oil Wealth Management and Lessons Learned for Islamic Oil-Exporting Countries

تجربة النرويج في إدارة الثروة النفطية والدروس المستفادة للبلدان الإسلامية المصدرة للنفط

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Abstract:

Oil-rich countries, particularly Islamic ones, generally face significant challenges in managing their petroleum wealth. This is especially evident given their failures in achieving high and sustainable growth. Moreover, the continuation of their current economic policies will inevitably lead to the long-term depletion of their financial savings, consequently worsening the prospects for future generations. In contrast, other oil-producing nations, such as Norway, have demonstrated remarkable success in converting their finite oil resources into productive assets, in accordance with the requirements for achieving sustainable development and maintaining intergenerational equity. Driven by academic curiosity, this paper seeks to further explore the factors behind the success of the Norwegian experience, with the aim of deriving lessons and insights for other Islamic oil-exporting countries.

Keywords: Oil -Norway ;Government Pension Fund Global; Sustainable Development; Islamic Oil-Exporting Countries.

Jel Classification Codes : D72, L71, J15, O17, O55, Q32.

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Introduction

The boom in commodity prices, particularly oil, in recent years has led to increased revenues from natural resources in many Islamic countries, whose wealth is often concentrated in natural capital such as oil and gas deposits and mineral resource reserves. This situation was supposed to provide new opportunities to raise the population's standard of living and achieve economic and social prosperity. However, reality has shown that these booms have not significantly improved the fortunes of these countries, particularly in achieving sustained high growth. Additionally, they suffer from the repercussions of Dutch Disease¹. The main reason behind this paradox lies in the fact that most oil-exporting Islamic countries lack the necessary types of institutions to manage their natural resource wealth effectively and in a manner that makes their performance satisfactory compared to the pre-boom period.

In contrast, there are some rare exceptions, including a few oil countries, most notably Norway, which set a good example to be emulated in the effective management of natural resource wealth. This was reflected in sparing the economy the repercussions of Dutch Disease and improving the standard of living for its citizens. Norway is rightly considered an excellent model of sustainable development combining economic, social, and environmental development through the rational and prudent utilization of oil revenues to develop the economy and meet local sustainability requirements. Consequently, it has achieved one of the world's lowest rates of income inequality, while has secured the first position worldwide in various domains, most notably in the Human Development Reports issued by the United Nations Development programme for several consecutive years.

Research Problem

The remarkable economic success achieved by Norway as an oil-producing country, versus the failure experienced by many Islamic oil-producing countries, prompts us to pose the following main question: *How did Norway achieve success in the management of its oil wealth? And what key lessons can be extracted from this pioneering experience to benefit other oil-rich countries, particularly Islamic ones?*

Study Objectives

This study primarily aims to derive lessons and insights for Islamic oil-exporting countries from Norway's success story as an oil economy that wisely benefited from the oil blessing and avoided its mismanagement. This was achieved by adhering to fundamental principles in managing its natural wealth and placing oil revenues into a massive sovereign wealth fund, used to serve the country as a whole and share benefits among members of society. This has made Norway rank first globally in multiple fields, especially Human Development Reports issued by the United Nations Development programme.

Importance of the Study

Given that oil is a non-renewable resource destined for depletion in the future and that it does not belong exclusively to the current generation without regard for future generations, wisdom dictates considering how to use a portion of it to accumulate other productive assets with sustainable benefits. This can be achieved through rational and prudent investment of revenues derived from its export, ensuring the interests of both present and future generations, an achievement realized by Norway, thus making it a pioneering model worthy of study and analysis.

Research Methodology

To enrich the research within a framework of objectivity and achieve results, the analytical descriptive approach, supported by necessary data, information, and numerical indicators related to the research problem, has been adopted. This relies on references and official sources issued by Norwegian official institutions such as the Central Bank and the Ministry of Finance, as well as various other official and scientific sources, whether through direct access to their publications or via their websites, in addition to academic scientific references.

Study Structure

To address the research problem and achieve its objectives, this study is divided into three sections. The first section provides a general overview of Norway and its energy potential. The second section is devoted to highlighting the distinctive characteristics of Norway's experience in managing its oil wealth. Finally, the third section reviews some indicators of the success of the Norwegian oil management experience. In accordance with scientific methodology requirements, the study concludes with a conclusion and a set of recommendations.

Section One: An Overview of Norway and Its Energy Potential

Norway is a small Scandinavian country located in the far northwest of the European continent, with its territory extending deep into the Arctic Circle and a population of 5 million people. It is characterized as a major coastal nation with an extensive maritime territory seven times larger than its land area. The total length of its coastline is 83,000 km, the longest in Europe, making the use of marine resources, alongside the use of the sea as a transport artery, crucial for the development of Norway's economy and society.

Norway is an oil-producing country, with oil discovery dating back to the 1960s, following discoveries made by the Netherlands in the late 1950s of large gas fields in the North Sea. Consequently, Norway decided in the mid-1960s to conduct exploration operations hoping for similar discoveries, which indeed occurred when large reserves of oil and gas were discovered in the North Sea in 1969, qualifying Norway to be among the major producers and exporters of hydrocarbons. Accordingly, the first oil refinery was established by 1971.

Generally, Norway possesses significant reserves, representing about half of European oil stocks and 75% of its natural gas reserves, alongside 1% of global oil reserves. In terms of production and exports, Norway was in 2014 the sixth-largest producer and third-largest exporter of petroleum globally, with approximately 3.5 million barrels per day. The following table illustrates Norway's position within the global oil market.

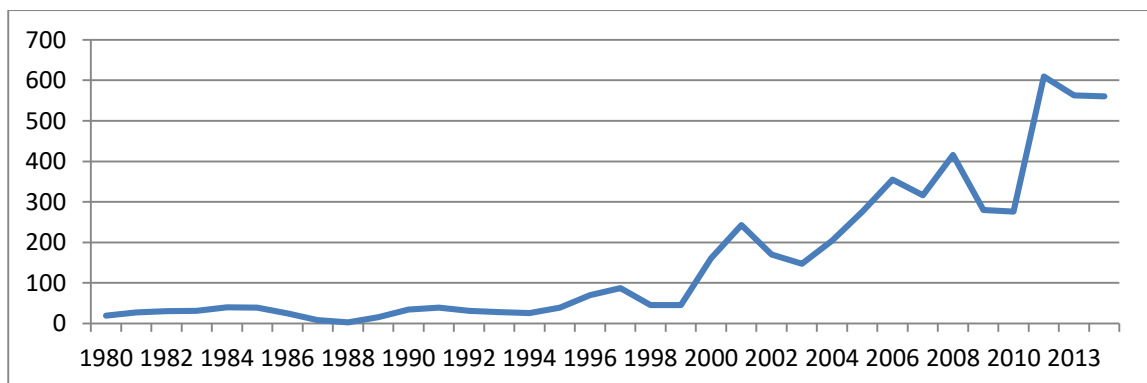
Table (01): Norway's Position in the Global Oil Market in 2013

Country	Cumulative (1990-2013) Barrels	Production of Billions	Reserves (2013) Billions of Barrels	Reserves (2013) % of World Total
Saudi Arabia	82.0		265.9	15.8
Russia	73.8		93.0	5.5
United States	63.5		44.2	2.6
Iran	33.6		157.0	9.3
China	30.0		18.1	1.1
Mexico	27.6		11.1	0.7
Venezuela	26.9		298.3	17.7
Canada	23.6		174.3	10.3
Norway	22.2		8.7	0.5
UAE	22.6		97.8	0.7
Nigeria	18.9		37.1	2.2
Kuwait	19.1		101.5	6.0
United Kingdom	16.9		3.0	0.2
Iraq	15.8		150.0	8.9
OPEC	264.6		1214.2	71.9
World	642.5		1687.9	100

Sources: British Petroleum (BP, 2014a), the International Energy Agency (IEA), and the International Monetary Fund (IMF).

The aforementioned table illustrates that Norway holds a significant position in the global oil market. Its cumulative oil production for the period 1990-2013 amounted to 22.2 billion barrels. Furthermore, its proven reserves in 2013 reached 8.7 billion barrels, equivalent to 0.5 percent of global reserves.

Moreover, a key characteristic of Norway is the substantial development of its offshore oil industry, through which it has become a global leader. Notably, petroleum accounts for approximately one-quarter of the country's Gross Domestic Product (GDP). The following figure depicts the evolution of Norway's oil and gas revenues during the period 1980-2014.

Figure (01): Development of Norway's Oil and Gas Revenues Since 1980 Unit: Billion Krone

Source:(Reiten , Skogen, & Andresen, 2012).

At the macroeconomic performance level, Norway, unlike many other oil-producing countries, particularly Islamic ones, has achieved sound performance that has largely insulated it from the repercussions of the Dutch Disease. The following table compares the economic performance of Norway with a group of Islamic oil-producing countries during 2014.

Table No. (02): Comparison of the Economic Performance of Norway and a Group of Islamic Oil-Producing Countries in 2014

Country	GDP Growth (%)	GDP Growth Volatility (1)	Inflation (%)	Real Government Expenditure Growth (2)	Current Account Balance (% of GDP)
Norway	1.7	1.4	1.9	4.0	13.7
Saudi Arabia	5.2	2.8	2.2	10.1	16.9
Bahrain	5.5	1.7	1.6	10.4	7.9
Kuwait	4.7	6.0	3.2	10.0	32.9
Qatar	11.9	6.6	4.4	14.9	21.6
Oman	4.9	2.9	2.8	10.3	9.4
United Arab Emirates	4.7	4.3	4.3	7.2	9.8
Algeria	3.7	1.6	3.9	10.7	12.5

Source: World Economic Outlook, International Monetary Fund.

(1) Calculated as the standard deviation of growth.(2) Growth rate of general government expenditure deflated by the consumer price index.

The aforementioned table illustrates some key variables for assessing macroeconomic performance and stability in Norway and several Islamic oil-producing countries. Specifically, it is evident that the latter achieved higher growth rates compared to Norway. However, this growth is characterized by fragility, as it is primarily driven by the oil sector, public investment programs, and the rapid growth in public finance expenditure. This is clearly highlighted by the growth volatility indicator, which is relatively low in Norway compared to the other Arab countries, which generally exhibit a high degree of volatility, with the exception of Bahrain and Algeria.

Regarding inflation performance, it is noteworthy that it is more favorable in Norway (low inflation) compared to the Arab countries, which are generally characterized (with the exception of Bahrain) by higher inflation rates. **Furthermore**, the table also highlights the higher rate of real government expenditure growth in the Arab countries compared to Norway. This government spending is heavily linked to oil revenues, which increases the risks of the Dutch Disease and exacerbates the difficulties that these Arab economies will face in the future. In particular, this includes the challenge to the sustainability of public finance conditions in the event of a collapse in oil prices and the resulting significant macroeconomic volatility.

In addition to its distinctive macroeconomic performance, Norway also ranks at the top in some widely recognized global indices, as illustrated in the table below:

Table No. (03): Rankings of Norway and a Group of Islamic Oil-Producing Countries in Selected Global Indices

Country	UN Human Development Index (2014)	Transparency Corruption Index (2014)	International Perceptions	Resource Governance Index (2013)
Norway	1	1		1
Saudi Arabia	34	55		48
Bahrain	44	55		31
Kuwait	46	67		42
Qatar	31	26		54
Oman	56	64		–
United Arab Emirates	40	25		–
Algeria	93	100		45

Source: United Nations Human Development Report (2014), Corruption Perceptions Index (2014), Resource Governance Index (2013).

Section Two: Distinctive Features of the Norwegian Model for Managing Petroleum Wealth

As evident from the table above, Norway ranks first globally in the Human Development Index, the Corruption Perceptions Index, as well as the index for the quality of resource management, transparency, and accountability in the oil and gas sector. Consequently, the remarkable economic success achieved by Norway as an oil-producing nation, in contrast to the failures experienced by many other oil-producing countries, particularly Islamic ones, compels us to pose the following central question: How did Norway succeed in managing its petroleum wealth? This is what we will attempt to explore in the following section.

Following the discovery of oil in Norway in the 1960s and the establishment of the first refining field by 1971, Norway was not qualified or prepared to deal with this newfound wealth. This was due, on the one hand, to the absence of relevant legislation and policies and, on the other hand, to a lack of sufficient local capabilities and skills in the oil and gas industry (Reiten, Skogen, Anderson, 2012). However, this reality did not prevent Norway from moving forward with exploiting this resource. Over subsequent decades, and through a methodology of learning from "trial and error," Norway managed to become a leading model for the successful management of petroleum wealth. The most important distinctive features of this model can be highlighted as follows:

First: Establishing an Early National Consensus on the Fundamental Principles of Oil Policy

Although Norway is a constitutional monarchy, it is an excellent example of a functioning democracy. Hence, in 1971, the Norwegian Parliament reached a collective agreement among various political blocs regarding oil policy. The Parliament's Energy Committee documented the fundamental principles of this consensus in a concise document termed the "Ten Commandments," the most important of which can be summarized as follows (Al-Qasim, 2012):

- The necessity of national control over the direction and momentum of all oil operations in Norway;
- Meeting the country's petroleum needs from domestic production;
- Creating new investment opportunities in Norway based on Norwegian oil;
- Protecting the environment and existing industries from the negative impacts of oil;

- The necessity of establishing a national state-owned company to manage the state's commercial interests in the oil sector and to embody constructive cooperation with national and international companies.

Requiring Parliament's prior approval for all matters related to development plans for oil fields and the granting of exploitation licenses, thereby affirming the country's sovereignty over its wealth and ensuring that these developments have no negative impacts on the environment, health, or non-oil industries.

Second: Establishing and Developing the National Oil Company, Statoil

In accordance with the national consensus on oil policy, the Norwegian oil company Statoil was established in 1972. According to information available on its website (www.statoil.com), it is headquartered in Stavanger, Norway, and is the largest company in the country, employing over 29,000 people. The company is listed on the Oslo and New York (NYSE) stock exchanges, with the Norwegian state owning the majority share at 70.26%. In 2006, Statoil signed an agreement to purchase the petroleum activities of its compatriot, Norsk Hydro. Following this merger, the new entity was named Statoil Hydro starting October 1, 2007. By 2009, the company reverted to its previous name, Statoil, adopting a new star-shaped logo.

Statoil is considered one of the world's largest crude oil producers and a major supplier of natural gas to the European continent. It has a presence on most continents and ranks 13th on the list of the world's largest oil companies. The company has contributed to creating an international and competitive oil services industry, owning a network of 2,000 service stations across nine countries (Reiten et al., 2012).

For the purpose of developing the oil services industry and transferring more skills and expertise from foreign counterparts, the Norwegian government worked to attract major international oil operators such as Total, BP, and Exxon by signing partnership contracts with them.

Third: The Presence of a High-Quality Governmental Institutional Framework

The success of the Norwegian experience in managing its petroleum wealth is attributed, according to a study by Reiten et al. (2012), to the presence of a high-quality governmental institutional framework. This has contributed to enhancing the soundness of the business climate, encouraging industrial dynamism, and allowing for the establishment of a financial institutional structure based on the principles of sound governance and strong institutions, not only in the oil sector but across all government units. In this context, the Ministry of Finance plays the role of comprehensive and integrated economic planning for the country. Additionally, the Norwegian government benefits from the advantage of proactivity in legislation and supervision, avoiding suboptimal solutions, and intervening only, when necessary, based on sound economic principles that consider Norway's long-term benefits. From this perspective, the government resists all forms of pressure, whether from oil companies or the public. For instance, natural gas is sold in the country through auctions to the highest bidder instead of being provided locally at subsidized, lower prices to gain popular support.

Fourth: Establishing a Sovereign Wealth Fund to Invest Oil Revenues and Build Financial Wealth for Future Generations

With the intention of investing oil export revenues, Norway established a sovereign wealth fund in 1990, initially named the "Oil Fund." The rationale for its creation was that oil would eventually be depleted, but the returns on the fund's investments would remain and continue to serve the Norwegian people.

In 2001, Norway established a new fiscal framework for managing its oil revenues. This framework was designed to achieve four objectives (Al-Darwish et al., 2015):

Enhancing macroeconomic stability and shielding the economy from the repercussions of Dutch Disease;

- _ Ensuring the sustainability of public finances;
- _ Achieving intergenerational equity;
- _ Promoting the efficient use of resources.

This new fiscal framework was based on three institutional pillars: a structural fiscal rule, a sovereign wealth fund, and the full integration of the sovereign wealth fund into the government budget.

Under the "structural fiscal rule," Norway broke the boom-and-bust cycles by decoupling government spending from current oil revenues. Government spending in the country can only be financed from the income generated by the assets accumulated from past oil extraction. In this regard, we can quote from the National Budget Act of 2012 (Norwegian Ministry of Finance, 2012):

"Fiscal policy is guided by the fiscal rule, stipulating a gradual phasing-in of oil revenues in the Norwegian economy in line with the expected real returns on the Government Pension Fund Global estimated at 4 percent. The fiscal rule permits spending more than the expected return on the Fund in a cyclical downturn while the use of oil revenues should lie below the expected return when capacity utilization in the economy is high."

Accordingly, the government adheres to the principle of avoiding directly using oil revenues to increase spending. Instead, it transfers the net cash flows from oil and gas to the sovereign wealth fund. To determine the amount the government budget receives from the fund's revenues each year, the "fiscal rule" links the non-oil fiscal deficit to the investment returns of the sovereign wealth fund, where the average transfer is based on an expected real return on investment of 4%. However, this rule is flexible, allowing for additional transfers to achieve stability by moving counter-cyclically and smoothing expenditure. This means that transfers from the sovereign wealth fund to the general budget may be higher than expected returns during a recession and lower during a boom (Al-Darwish et al., 2015). Essentially, this fiscal rule primarily enshrines the principle of limiting the government's ability to increase spending in line with rising oil revenues, thereby protecting the economy and government spending from the sharp cycle's characteristic of oil markets.

Beginning in 2006, the name of the "Oil Fund" was changed to the new designation, the Government Pension Fund Global (GPFGL). The fund is owned by the people of Norway, and its mission is to build financial wealth for future generations. This is in accordance with the motto stated on the first pages of the fund's annual activity report as follows (Norges Bank, 2013): "Our mission is to safeguard and build financial wealth for future generations."

This fund falls under the responsibility of the Ministry of Finance, which decided to delegate its operational management to a specific department within the country's central bank called Norges Bank Investment Management (NBIM). This department, which employs over 120 financial analysts, is responsible for executing the fund's investments abroad. The fund's assets reached \$878 billion USD in 2014 (NBIM, 2015). Norway tasked its central bank, instead of the Ministry of Finance, with managing the fund for the explicit purpose of separating the management of the oil revenue fund from the domestic political process, given the considerable autonomy enjoyed by the Norwegian Central Bank.

Below is an overview of the fund's investment strategy and the key principles governing it.

1. The Fund's Investment Strategy

Campbell (2013) argues that the most distinctive feature of the Norwegian oil fund's investment strategy is its orientation towards investing abroad rather than domestically. This aims to shield the economy from the repercussions of Dutch Disease, which results from the overheating of economic activity. Investing overseas helps balance the pressures and adverse consequences caused by large inflows of foreign currency, notably the appreciation of the local currency and the subsequent deterioration in the competitiveness of its non-oil exports.

The fund's investment strategy is based on the principle of converting oil revenues into permanent-return financial and real estate assets. This fund operates as a multinational corporation, investing worldwide in three main asset classes: equity investments, fixed-income investments (bonds), and real estate investments (since 2011). According to the latest statistics from the Norwegian Central Bank (Norges Bank, 2014), equities account for the largest share of the fund's investments. For instance, the distribution of its investments at the end of 2014 was as follows: equities 61.4%, bonds 37.3%, and real estate 1.3%.

Furthermore, the fund's investment strategy aims to hold small stakes (shares) in a multitude of companies, rather than the opposite (i.e., large stakes in a limited number of companies). In this context, the supervisory body responsible for implementing its investments (NBIM) monitors all developments in the global economy.

The following table illustrates the main companies and countries in which the Government Pension Fund Global invested its assets during 2014:

Table (04): Ranking of the Fund's Equity and Fixed-Income Investments as of September 30, 2014

Rank	Equities	Fixed-Income (Bonds)
1	Nestlé SA	United States of America
2	Royal Dutch Shell Plc	Japan
3	Novartis AG	Germany
4	Apple Inc	United Kingdom
5	Roche Holding AG	Mexico
6	BlackRockInc	Italy
7	HSBC Holdings Plc	Brazil
8	Sanofi	South Korea
9	BG Group Plc	Kreditanstalt für Wiederaufbau (Germany)
10	Total SA	Netherlands

Source: Norges Bank, GOVERNMENT PENSION FUND GLOBAL QUARTERLY REPORT, 29 October 2014, p.4-6.

From the table above, it is evident that the fund holds shares in prominent global companies such as Shell, Nestlé, HSBC, and Total. Regarding government bonds, the fund primarily focuses on acquiring US bonds, followed by those of Japan and Germany.

With respect to the geographical distribution of the fund's investments across continents, according to the latest report from the Sovereign Wealth Fund Institute (SWFI, 2014), they are distributed as follows: Europe 50%, the Americas and Africa 35%, and Asia 15%. For example, during 2014, the fund's investments were spread across 82 countries worldwide and encompassed

approximately 8,000 companies, equivalent to 1.3% of global market capitalization and 2.5% of European market capitalization.

2. Key Principles Governing the Fund's Investments

Unlike many global sovereign wealth funds, the Norwegian Government Pension Fund Global is considered an outstanding model of transparency and adherence to strict ethical standards.

2.1. Transparency

The features of the fund's transparency are manifested in two main aspects (Reiten et al., 2012):

- The fund's accounts are subjected annually to external auditing and review by the Office of the Auditor General in Norway, in accordance with international accounting standards.
- The regular flow of information to the public about all the fund's activities through the publication of periodic reports (every three months) on the management of its activities and accounts. The Norwegian Central Bank also consistently informs the public about all new investment operations and activities of the fund.

2.2. Adherence to Strict Ethical Standards

Truc (2014) considers that Norway's reputable standing in the fields of environmental protection and sustainable development, coupled with its significant concern over the growing phenomenon of "climate change," prompted it to ethicize the operations of its oil fund. In November 2003, the Norwegian government began formulating the general framework for the ethical guidelines governing the fund's investments, based on a report submitted by a committee established for this purpose, known as the Graver Committee. On November 19, 2004, the Norwegian Ministry of Finance established the Petroleum Fund's Advisory Council on Ethics. This council was tasked with monitoring the ethical compliance of the institutions in which the oil fund's assets are invested. Consequently, the council submits recommendations to the government against investing in companies proven to disregard ethical standards (such as failing to preserve the environment). The government then instructs the Central Bank, as the fund's custodian, to exclude these companies from the fund's investment portfolio.

The ethical management of the fund, which became effective on December 1, 2004, is based on the principle of not investing in companies that cause environmental damage or are involved in the arms trade, child labor, or other legal controversies that conflict with the principles of sustainable development. Specifically, the exclusion criteria encompass investment in the following areas (Paulin, 2006):

- Human rights violations, such as: killing, torture, deprivation of liberty, forced labor, and severe forms of child labor exploitation.
- Serious violations of individual rights in situations of war and conflict.
- Severe environmental degradation.
- Companies involved in the production of nuclear weapons and tobacco.

A practical example cited by Paulin's (2006) study regarding the exclusion of companies whose activities are incompatible with the fund's ethical standards occurred in 2005, following the oil fund's divestment from approximately 15 companies operating in the arms sector. Additionally, as reported by the website *La libre.be* (September 4, 2009), the Norwegian government announced on Thursday, September 4, 2009, that the oil fund had excluded the Israeli company Elbit from its investment portfolio, replacing it with investments in the French company Thales and the South

African company DRD Gold. The reason for excluding the Israeli company was the allegations against it for supplying the "Separation Barrier" (which the International Court of Justice** ruled to be illegal) with a surveillance system. The Norwegian Minister of Finance stated at the time, "We do not wish to fund companies that contribute to violating international humanitarian law."

Section Three: Indicators of the Success of Norway's Experience in Managing its Oil Wealth

This section reviews some indicators of the success of Norway's experience in managing its oil wealth, both at the level of its sovereign wealth fund and its macroeconomy.

Subsection One: Indicators of the Success of the Government Pension Fund Global

According to the annual classification by the Sovereign Wealth Fund Institute (SWFI, 2014), the Government Pension Fund Global (GPFG) is considered the largest sovereign wealth fund in the world, followed by the funds of Saudi Arabia, Abu Dhabi, and China, respectively

Furthermore, a study by Redon (2015) indicates that in recent years, the fund has achieved growth at a significantly faster pace than the economy. By the end of 2014, the fund's assets reached 6,431 billion Norwegian kroner (NOK), equivalent to twice (200 percent) the country's Gross Domestic Product (GDP). This represented an increase of +1,393 billion NOK compared to the fund's value in 2013, which was equivalent to 170 percent of the nation's output. The fund's equity investments constitute approximately 1.3 percent of the global market capitalization covered by the FTSE Global Equity Index and 2.4 percent in Europe. The fund is present in 75 countries and manages investments denominated in about 47 different currencies.

The following table illustrates the evolution of the returns on the fund's various investment forms since 2008.

Table (05): Evolution of the Return on Investments of the Government Pension Fund Global (2008-2014)

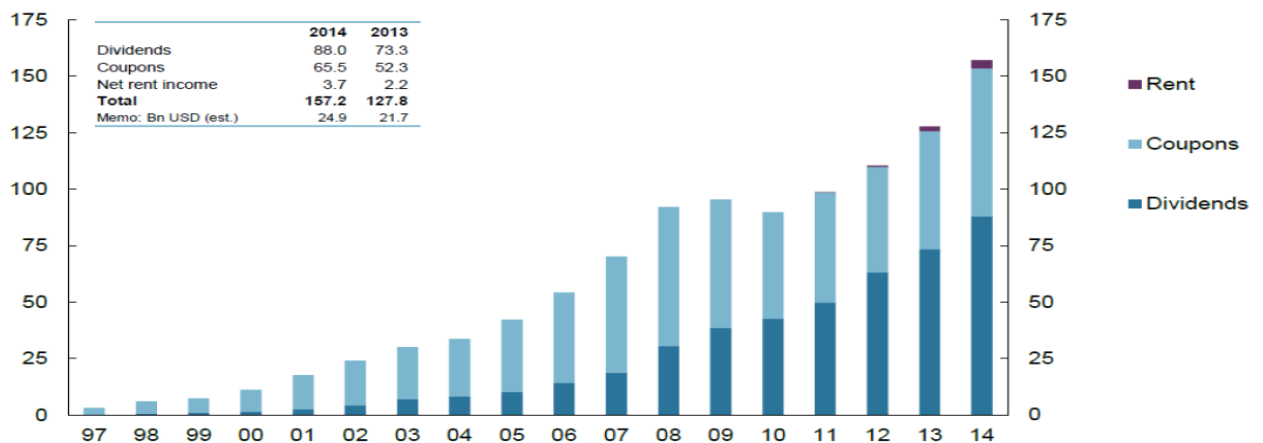
Year	Total Fund Return Rate %	Total Return (Billion NOK)	Equity Return %	Fixed Income Return %	Real Estate Return %
2008	-23.30	-633	-40.70	-0.52	/
2009	25.60	613	34.27	12.49	/
2010	9.60	264	13.30	4.10	/
2011	-2.50	-86	-8.80	7.00	-0.2
2012	13.00	447	18.00	7.00	6.0
2013	15.90	692	26.30	0.10	11.8
2014	7.60	544	7.90	6.90	10.4

Source: Government Pension Fund Global, Annual Reports.

From the table above, it is evident that during 2008, which witnessed the outbreak of the global financial crisis, the Government Pension Fund Global incurred substantial losses, as its market value declined by 23.3 percent, equivalent to 633 billion NOK. However, with the recovery of financial markets in 2009, particularly during the second quarter, the fund achieved an investment return rate of 25.6 percent, representing a profit of 613 billion NOK. Subsequently, in 2011, the fund again experienced losses due to the repercussions of the European sovereign debt crisis and the sharp decline in European stock markets. Thereafter, the fund's activity recovered again during 2013, achieving a profit of 692 billion NOK. Moreover, for the period 1998-2013, the fund's average annual return reached 5.7 percent. In 2014, the fund's return amounted to 544 billion NOK.

It is important to note that the portfolio of equities and bonds, along with the returns generated from them, constitutes the primary driver of the growth achieved by the fund. In contrast, rental income remains modest, as illustrated in the following figure:

Figure (02): Evolution of the Fund's Annual Disbursements of Profits, Coupons, and Real Estate Revenues
Unit: Billion Kroner



Source : Redon N. (2015, March 23). Résultats 2014 conformes aux marchés pour les placements du fonds de pension norvégien, Ambassade de France en Norvège : Service Économique d'Oslo. p.4.

Subsection Two: Indicators of Norway's Success in Macroeconomic Management

Thanks to the prudent management of its oil wealth, particularly the adoption of the structural fiscal policy framework mentioned earlier, Norway has successfully avoided the repercussions of Dutch Disease on its economy. Despite the significance of its oil and gas reserves, their contribution to the macroeconomy remains limited and has not adversely affected other wealth-producing sectors. Consequently, Norway has become an oil-producing country with a diversified economy, occupying a prestigious position in terms of both the volume and diversity of its exports. Notably, over 60 percent of the country's exports originate from sea-related activities (fish, ships, oil, and gas). Furthermore, high levels of investment and demand have stimulated expansion in research institutions, technology sectors, and business services. This has propelled many of these knowledge-based sectors into becoming new sources of exports, thereby creating a platform for developing new export sectors independent of oil, which has reduced Norway's reliance on oil revenues. Recent statistics (2014) indicate that Norway's oil and gas sector constitutes 22 percent of the Gross Domestic Product (GDP), 47 percent of exports, 27 percent of government revenues, 26 percent of total investments, and 4 percent of the workforce. The following table illustrates the performance of selected macroeconomic indicators for Norway

Table (06): Selected Economic Indicators for Norway (2010-2014)

Indicator	2010	2011	2012	2013	2014
Growth Rate %	0.2	2.9	0.2	1.0	2.2
Inflation Rate %	2.4	1.3	0.7	2.1	1.9
Unemployment Rate %	3.6	3.3	3.2	3.3	3.3
Key Policy Interest Rate %	1.9	2.1	1.5	1.5	1.5
Exports % Change	-0.7	-1.8	1.8	-1.3	1.4
Investment % Change	-8.0	7.5	8.1	6.6	3.4
Imports % Change	9.3	3.9	2.3	2.2	3.5
Exchange Rate (EUR/NOK)	8.0	7.8	7.4	7.8	7.8

Source: Norges Bank (Central Bank of Norway).

The table above clearly demonstrates Norway's success in managing its macroeconomy. It is characterized by an economy with stable economic growth, a strong capacity for exports coupled with controlled imports, growth in investment rates, low rates of inflation and unemployment, and stability in its currency exchange rate.

Moreover, Norway is considered one of the few oil-producing countries that has so far managed to avoid significant corruption. According to the aforementioned Resource Governance Index (RGI), Norway ranked first globally in 2013 for governance and transparency in resource management, scoring 98 out of 100 points (the highest score on the index). It was followed by the United States of America in second place with 92 points, and the United Kingdom in third place with 88 points.

This favorable position has enabled Norway to top global economic and social rankings. Additionally, it has achieved one of the world's lowest levels of income inequality. This is clearly evidenced by its first-place ranking in the United Nations Development program's (UNDP) Human Development Reports for six consecutive years (2001-2006), and subsequently regaining the top position in both 2009 and 2014 (Human Development Report, various issues).

Conclusion and Recommendations

The primary challenge for oil-exporting nations is the prudent management of their oil wealth, and avoiding the squandering and dissipation of accrued revenues. This is particularly crucial given that oil is a commodity characterized by price volatility and fluctuating revenue streams. This necessitates the adoption of sound economic policies that prevent the long-term depletion of financial savings, thereby safeguarding the future of subsequent generations. In this context, Norway presents a unique case study, having successfully identified optimal investment alternatives and mechanisms to transform petroleum wealth into other productive and renewable assets. The returns from these assets exceed the value of the extracted oil, all within the framework of sustainable development principles aimed at ensuring intergenerational equity and securing the future for coming generations.

Generally, examining the Norwegian experience allows us to derive a set of valuable lessons for oil-exporting countries in general, and specifically for Islamic ones, which still grapple with the genuine challenge of managing this wealth. The most important lessons are as follows:

- The importance of establishing a national consensus within parliament on the fundamental principles of oil policy. Consequently, Islamic oil-exporting countries are urged to activate this principle more robustly to assert greater control over the direction and momentum of all oil operations within their borders, embody constructive cooperation with international companies, and protect the environment and existing national industries from the negative impacts of oil (e.g., Dutch Disease). This should occur within the context of entrenching a "sustainable development" approach, which necessitates agreement between the authority and the people that oil is not the exclusive property of the present generation alone. Therefore, they must view themselves as responsible trustees and guardians of their children's opportunities, not entitled to solely benefit from this wealth by scattering oil revenues indiscriminately on unsustainable consumption.

- The necessity of having sound, transparent, and highly efficient government administration. This allows for the entrenchment of good governance principles and the building of strong, high-quality institutions, which are fundamental prerequisites for sustainable growth that fosters long-term prosperity and stability.

- The success of oil wealth management is contingent upon the existence of robust rules and practices for managing public finances in the country, similar to Norway's structural fiscal rule. The presence of such rules helps protect these riches from the impact of fluctuations arising from political pressures and allows for breaking the boom-and-bust cycle by decoupling government spending from the volatile revenues of oil exports.

- Since oil is a non-renewable resource destined for depletion one day, a portion of its export revenues should be allocated to accumulating other assets. This is the role undertaken by Sovereign Wealth Funds (SWFs), which some Islamic oil economies, like "Algeria," have been slow to establish. As demonstrated by the Norwegian experience, the wise management of oil resources necessitates allocating a portion of its revenues to 'future generations' through the creation of sovereign wealth funds. These funds serve as crucial tools for saving and achieving economic stability, acting as an effective mechanism for transferring wealth for the benefit of future generations, enabling them to live under suitable economic conditions.

- The investment strategy of sovereign wealth funds in Islamic oil-exporting countries, as illustrated by the Norwegian experience, should be based on converting those revenues into permanent financial and real estate assets with enduring returns. This is achieved by acquiring small equity stakes (shares) in a multitude of companies, rather than the opposite (i.e., large stakes in a limited number of companies). The equity portfolio and its resulting returns should be the primary driver of

these funds' growth, alongside other Sharia-compliant investment alternatives (such as real estate, Sukuk, etc.). The supervisory body responsible for executing its investments must monitor all developments in the international economy.

-Endeavoring to develop national oil companies by attracting leading global corporations in the hydrocarbons sector, given their expertise, skills, and experience. Additionally, efforts should focus on developing a skilled local industrial base centered around oil and gas activities, particularly by developing Energy Services Group companies, similar to Norway's approach. Norway possesses an extensive network of oil service companies operating in many countries. These companies primarily aim to serve and develop the oil industry by providing security and safety services for oil company assets, undertaking construction works, establishing, installing, and maintaining equipment, and building production wells, oil refineries, pipelines, and chemical plants.

-It is evident that the blessing of oil abundance alone is insufficient. Sustainable growth and long-term prosperity depend on the existence of an environment that fosters the accumulation of human capital and knowledge to transform oil wealth into productive assets. Human development is the foundation of economic development. Norway was not initially qualified or prepared to handle the oil wealth upon its discovery; however, over time, it managed to build the necessary and sufficient local human skills in the oil and gas industry, as well as the frameworks responsible for managing the Government Pension Fund Global's assets, making it the largest sovereign wealth fund in the world.

Footnotes

¹This refers to the Netherlands, which in the 1960s experienced a massive increase in its wealth following the discovery of large natural gas reserves in the North Sea. This had serious repercussions on the rest of the country's economic sectors, as it led to an appreciation of the real exchange rate of its currency, the guilder, which negatively impacted the competitiveness of its traditional (non-gas) exports in international markets. Furthermore, spending the revenues from these natural resources on non-tradable goods and services accelerates the shift of resources away from competitive, tradable goods sectors, which undermines openness and growth. Consequently, this syndrome, a significant increase in a country's income resulting in harmful consequences for the economy, has been named the "Dutch Disease." For more on this topic, refer to: Ebrahimzadeh, Christine (2003). "Dutch Disease," Finance & Development magazine, Washington: International Monetary Fund, March issue: 50-51.

²The FTSE Global Equity Index includes a sample of 7,400 stocks from 47 different countries and represents 98 percent of global stock market capitalization.

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