

A COMPARISON BETWEEN NORWEGIAN GOVERNMENT PENSION FUND AND BRAZILIAN PRE-SALT SOCIAL FUND

Isabela Morbach Machado e Silva, FD-USP, Phone +55 11 98999-6607, E-mail: isabelamorbach@gmail.com

Hirdan Katarina de Medeiros Costa, IEE-USP, Phone +55 11 963732483, E-mail: hirdan@usp.br

Luísa Weichert, FD-USP, Phone +55 11 99322-3372, E-mail: luisa.weichert@gmail.com

Edmilson Moutinho dos Santos, IEE-USP, Phone +55 11 30912641, E-mail: edsantos@iee.usp.br

Overview

Since the middle of the last century, the world has seen the emergence of Sovereign Wealth Funds (SWF). According to the Sovereign Wealth Funds Institute (2012), it can be defined as “a state-owned investment fund or entity that is commonly established from balance of payments surpluses, official foreign currency operations, the proceeds of privatizations, governmental transfer payments, fiscal surpluses, and/or receipts resulting from resource exports.” The SWFs are ruled by the Santiago Principles, a document constructed by the IMF’s International Working Group of Sovereign Wealth Funds (IWG) to recommend and patronize the applications and investments of this kind of fund. The SWFs are created in order to fulfill macroeconomics demands, using series of investments strategies, which include foreign assets acquisitions. For instance, the Norwegian Government Pension Fund is one of the world’s model SWF. Its revenue origins from petroleum exploitation and is considered a saving fund, although part of the financial return is applied on pension. Following this example, Brazil created the Pre-Salt Social Fund, in order to invest the pre-salt petroleum revenues, and consists in a saving fund, according to the IMF classification. The present article focus on analysis and comparison of the legal structures of the Norwegian Government Pension Fund (GPF) and the Brazilian Pre-Salt Social Fund (SF), aiming to understand if does the Brazilian fund apply the Norwegian standards.

Keywords – Sovereign Wealth Funds; oil revenues

1. What are Sovereign Wealth Funds and their foundation context

The financial instrument known nowadays as Sovereign Wealth Fund is not new. The oldest known is the *Texas Permanent School Fund* (Texas Education Agency, 2016) a subnational fund of Texas State (USA) created in 1854, almonst a century before the creation of the pioneers national funds, such as from Kuwait (1953), Abu Dhabi (1976) and Singapore (1981).

Nonetheless there are more than 80 sovereign funds, it is posible to say that until the beggining of this century, the SWFs were not widely known. Partialy because until then there was not an specific concept to differ the governments’ *Investment Funds* from the common private *Investment Funds*, and partialy because it was only after the years 2000 that the number of SWF exploded.

The quickly expansion of the Sovereign Wealth Funds, particularly by oil and other natural resources exporting coutries, is assigned to the *commodities* high prices in the international market, which caused a fast accumulation of foreign assets and others revenues. Although not all funds are destined to manage non renewable natural resources revenues, the ones which does are highlighted to this paper’s objective.

The referred size and number of funds have grown and are still growing fastly and its presence in the international financial market seem consolidated. According to the *Sovereign Wealth Fund Institute* (SWF, 2016), there are, currently, 78 Sovereign Funds based on *Commodities* and *Non-Commodities* revenues. At the same time, the *Global Finance* journal indicates the existance of 80 funds, adding the *Strategic Investment Fund* (França) and *Italian Strategic Fund* (Itália) (Global Finance, 2016).

Since the existent eighty funds present different proposals, objectives, revenues' resources, institutional structure and strategies, even if the choice is for a common definition to all, it will be hard to treat them as an unique category or specie. Sovereign Wealth Fund is a gender and some species come from it. SWFs are a heterogeneous group and for the purposes of this paper, the classification adopted will that proposed by the IMF, which classifies them according to their purpose (IMF, 2008, p. 5):

- “(i) stabilization funds, where the primary objective is to insulate the budget and the economy against commodity (usually oil) price swings;
- (ii) savings funds for future generations, which aim to convert nonrenewable assets into a more diversified portfolio of assets and mitigate the effects of Dutch disease;
- (iii) reserve investment corporations, whose assets are often still counted as reserve assets, and are established to increase the return on reserves;
- (iv) development funds, which typically help fund socio-economic projects or promote industrial policies that might raise a country's potential output growth; and
- (v) contingent pension reserve funds, which provide (from sources other than individual pension contributions) for contingent unspecified pension liabilities on the government's balance sheet”.

A *Sovereign Wealth Fund* can be used as a useful public policy tool if it is well integrated with the other fiscal management instruments of the country. In particular SWF could further a fiscal stabilization and saving fiscal revenue for long-term goals. For example: the preparation for the aging population (if used for pensions financing or to facilitate the intergenerational resources' transfer). It can be also introduced more professionalism and comprehension for the investments and risk management structures, increase transparency and *accountability* on the governments' assets management.

A good SWF management may result in higher returns risks adjustments and may help reduce (or eliminate) the opportunity costs of reserves detention. However, the sovereign funds may also represent tax risks when badly managed. The international experience has shown that the oil funds with rigid operational rules and independent authorities to spend, or those involved in extratax activities, has led to fragmentation of the budget process. These lead to potential negative implications to the efficiency (and transparency) of the management and resources' allocations, in particular when the control and monitoring mechanisms are weak. It is to highlight that the same fund can have multiple goals, including overlept, that may be altered on the course of its existence. For example, in some countries the stabilizations funds evolved to funds with savings goals, such as the Botswana fund because while the accumulated reserves exceeded the amount considered necessary to the country's short-term tax stabilization, it has chosen to maintain it, changing its purpose.

The diverse objectives of the SWFs imply different investments' horizons, return and risks acceptance index, which reflects the diverse administration and management approaches. For example, funds turned to stabilization emphasize liquidity, with a short-term investment horizon, when compared to the ones with saving goals, in which the liquidity is low.

On the international financial market point of view, therefore private, the SWFs may facilitate the efficient allocation of *commodities* revenues' surpluses between countries and increase the market liquidity, including in moments of global financial crisis. The financial application of associated revenue to the SWFs, in general, follow the private logic, which facilitates its application in spite of the restrictions usually vinculated to the public administration. On the other had, beyond the market's expectation to the growth of SWFs number and the exponential increase of foreign exchange transfer to them, the accelerated growth of the investments is faced with certain apprehension by the market as well as by the States.

It is questioned the adoption of investments' strategies constantly aggressive and the investments return expectations, beyond the expansion of the governments' roles in the industries and international markets, because the investments may be affected by political

goals. When the investor is the State, there is a risk that the investments decisions aim to jeopardize the neighbour State instead of obtaining profit. Or, by another perspective: been the State the investor, it will not only aim profit, but also sponsor social and environmental responsible activities.

In this sense, it is possible to affirm that if on one hand, the expansion of the SWFs create great economic and political expectations by beneficiaries countries – or with expectations to receive these investments -, on the other hand, many of them may be seen with distrust the excess of public money under the power of banks, private investors and government. There is a geopolitical question with the governments' motivations when investing in other countries, beyond the possible impacts on the markets and the integrity of government process to the investment decision making.

Despite being a relevant question, the impacts on the financial market and its possible geopolitical controversies that emerge by the increase of number and value of the SWF will not be studied in this paper.

2. Government Pension Fund – Global (GPF) from Norway

With the industrialization process initiated in the XIX century and a successful history on the exploitation of hydric resources to energy generation, Norway has only become a big oil and gas explorer by the decade of 1970, meeting its highest point of exploration by the year 2000.

In 1971, when it was initiated the exploitation of the first norwegian oil well, the country's GDP 14.583 billions of dollarsⁱ and the revenue originated by natural resources exploitation corresponded to 0,16% of the GDPⁱⁱ. By the year of 2000, the GDP reached the value of US\$ 171.316 billionsⁱⁱⁱ and the natural resources exploitation represented 19,21%^{iv} of national GDP, only the oil activity corresponded to 15,68%^v.

Politically organized as a constitutional monarchy, the country is considered one of the most developed in the world, according to the socioeconomic index evaluated by international organizations as UN, World Bank and OECD^{vi}. With a population of approximately 5 millions of habitants (2015)^{vii}, the country reached a GDP of 388.315 billions dollars in 2015^{viii} and keeps occupying the highest point on the HDI (Human Development Index) ranking, 0,944 (2014). Furthermore, other factors as GDP per capita (approximately 74 thousand dollars by year in 2015)^{ix} and the a low inequality rate, represented by Gini Index (25,9 in 2015)^x, confirm the high degree of development.

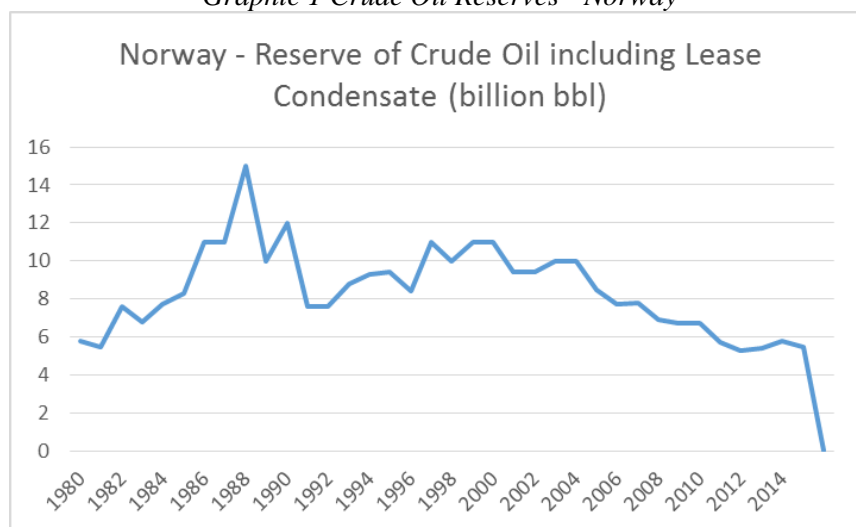
Norwegian oil property is set at Section 1 (1.1) of Act 71 from 29.11.1996,^{xi} which explains the right for oil deposit on the continental platform and its resources management. There is express determination that the norwegian State is shareholder of property rights from the oil underwater deposits (continental platform) and its exclusive right to administrate these resources.

The exploitation and production activities may be conceded to third parties through exploration license or by the State itself, through *STATOIL Petroleum AS*, state-owned norwegian company. In 2014,^{xii} the company produces more than 26.41 millions of cubic meters of oil (1m³ = 6,289 oil barrels), from a total of 88.09 million produced in Norway – 29.98% of national production. It was also responsible for 36.01 millions of cubic meters of natural gas (33.09% of total national production). Its dividends were responsible for 7,25% of non renewable natural resources revenues of the norwegian government in 2014^{xiii}. In 2015, the oil and natural gas exploitation represented, approximately, 40%^{xiv} of the total value of norwegian exportations.

The first oil well from this country, denominated *Ekofisk*, had its exploration and production initiated in 1971; subsequently there was the discover of great reserves in the country. On later decades, the country became one of the greatest oil producers in the world and in 1996 reaches the 7th position, holding itself in this position for more than a decade and between the ten biggest oil producers and explorers. In the last years, Norway initiated the natural decline path of its improved oil reserves, resulting in its position decrease in the

production ranking. In 2012, it passed to the 13th position on the *International Energy Statistics* ranking:

Graphic 1 Crude Oil Reserves - Norway



Source: U.S. Energy Information Administration
 Author's elaboration, may/2015.

It can be observed that the Norwegian worry related to oil exploration was not referred only to the future exhaustion of resources, which is expected, but to the effects of massive resources entry in the country's economy, the legacy to be delivered to the next generations and the financing of a society which is growing older. That way, in 1990 was created *The Petroleum Fund of Norway*, whose name was altered for *Government Pension Fund – Global* since 2005. This public fund is composed by revenues originated by the oil exploration and its correspondent financial performance, being considered the biggest Sovereign Wealth Fund of the world in resources volume.

It is interesting to register that the success of the *Government Pension Fund – Global* was preceded by the failure of another fund created in 1960, the *National Insurance Fund*, whose purpose was to increase the long-term investment capacity in Norway, promoting sustainable growth in the local economy.

Some authors explain that the lack of success was due to the fact that, in the middle of Keynesian politics of the 70s (ALDCROFT, 2001), the fund did not receive the deposits that were due to it, making impossible to accumulate resources, jeopardizing in a significant way the financial return of the investments which were no longer made, reaching real return rates on investment negatives during the most part of years 1960, 70 e 80:

While efforts were made to enact legislation that set aside money for the future, most of the money was spent immediately. Some of the spending benefited physical and social infrastructure: Norway rebuilt its excellent system of roads and bridges and provided free health care and higher education to all residents. But other expenditures were less beneficial for long-term growth. For example, minimum wages were set extremely high, which rendered a number of economic sectors uncompetitive in global markets, and industries were subsidized. Much of the funding for industry was earmarked for dying sectors, such as ship building. This support allowed facilities to remain open for a few years more, but could not reverse the inexorable decline of such industries. Much of the funding for new ventures went to friends or relatives of parliamentarians or of the bureaucrats responsible for allocating the funds. Moreover, Norway's policy of aggressively spending the government's petroleum revenues brought chaos to public and private finances when oil prices plunged in the mid-1980s. The

government's oil revenue dropped from about \$11.2 billion in 1985—or about 20 percent of Norway's gross domestic product—to \$2.4 billion in 1988. The resulting retrenchment of public spending and tightening of credit led numerous banks to fail, as well as bringing an unprecedented wave of bankruptcies by private citizens (LEI, 2013)

The resources were used in current public spends, which means, became part of the fiscal budget and were spent in an immediate form. Einar Lei (2013), professor of Economic History at Oslo University, describes the fast and inefficient spends cenary promoted by the norwegian government:

Despite the efforts to approve the legislation which spares money for the future, the bigger part of the resources was spent immediately. Some of the spends benefited the physical and social infrastructure: Norway reconstructed from an excelent system of roads and bridges to free health service and university studies to all residents. But the other spends were less beneficial to the long-term growth. For example, the minimum wage was defined in extremely elevated standards, which turned many economic activities non competitive on global markets. Big part of the financing for new projects went to congressmans' friends or relatives, or to the bucrocrats responsible for the funds attribution. Furthermore, the aggressive spent policy of the norwegian government brought caos to the public and private finance, when oil prices fell in the middle of the 80s. The government's oil revenues fell cerca US\$ 11,2 billions in 1985, or cerca 20% of the GDP in 1988. Despite the unsuccess, the fund still exists, but it is not expressive.

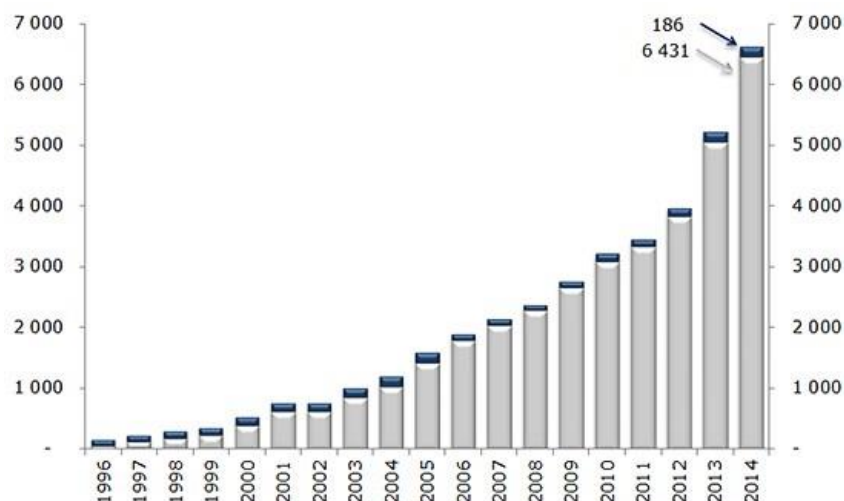
By the end of the years 1980, the cenary was hard. The norwegian economy was in an awful state, with enourmous unbalance originated by a strong growth pulled by a credit boom and a bank crisis that draw near, bringing back the questioning on the oil's exploration resources utilization.

The discussions soon began raise the idea of creating a Sovereign Fund. Many officials from the Finance Ministry was against the creation of the fund, based on the failure of the *National Insurance Fund* and its worries on the politicals short-term expenditures. It was questioned how to avoid that the norwegian economy incurred on the same mistakes that happened in Netherlands with the gas explotation (LEI, 2013).

The *Petroleum Fund of Norway* was created in this context, in 1990, and all the concerns originated by the prior experience appeared, in some way, in the new Bill^{xv}.

The first deposit on the fund happened in 1996, and in 1998 the norwegian central bank Norueguês (*Norges Bank*), responsible of the fund management, created the *Norges Bank Investment Management*, the current fund's assets manager entity. The *Government Pension Fund - Global (GPFG)* integrates, together with the *National Insurance Fund*, *The Government Pension Fund of Norway*^{xvi} and figures today as the biggest Sovereign Wealth Fund in the world, evaluated in october 2016 in approximatedly US\$ 880 billions:

Gráfico 2 GPFG – Market value (NOK billion)



Source: *Norges Bank and Folketrygdfondet.*

The GPF was established by *Government Petroleum Fund Act* (Act 36, from June 1990), edited by the Parliament (Storting). That Act provided for the creation of a Central Bank account to save oil revenues and established a SWF under Finance Ministry responsibility. The fund consists in a bank account (it does not have its own legal status) where the resources are deposited, without legal affectation, which in its turn implies no formal limitations to the deposited revenues use. In this sense, the rules and guidelines to the administration are susceptible to modifications without having to face a legislative process.

Until the present date, it is observed a loyal execution to the resources use guidelines according to the initially established, through the recommendations of the Finance Ministry with the approval of the parliament or the State Council. In 2001, the parliament decided to institute the Budgetary Rule, which determines that only the projected real return on the investment may be transferred annually to the public budget and the extraordinary values shall be reinvested in the fund. In this way, the fund does not lose capital through time, as only the resources referred to the investments' return are spent, without decreasing the main amount. Its main goals are to fortify the government's saving in order to finance the social security expenditures and promote sustenance to the long-term policies. Once created to stabilize the income stream and save resources to the next generations without a predetermination on expenditures destiny, it is possible to say that the fund is mainly of accumulation.

The GPF's resources are composed by all the liquid revenues^{xvii} from oil exploration in Norway and the return of these resources' investments, deducted the resources transferred to the Fiscal Budget. According to an unofficial translation from Norwegian available from the Norwegian government website, the following gross revenues are part of the cash flow from petroleum activities^{xviii}:

- a) Total tax revenues and royalties deriving from petroleum activities collected pursuant to the Petroleum Taxation Act (no. 35 of 13 June 1975) and the Petroleum Activities Act (no. 72 of 29 November 1996);
 - b) Revenues deriving from tax on CO₂ emissions due to petroleum activities on the continental shelf pursuant to Act relating to CO₂ tax in the petroleum activity on the continental shelf (no. 72 of 21 December 1990);
 - c) Revenues deriving from tax on NO_x emissions due to petroleum activities on the continental shelf
 - d) Operating income and other revenues deriving from the State's direct financial interest in petroleum activities.
- State revenues from net surplus agreements associated with certain production licenses
- e) Dividends from Statoil ASA

- f) Government revenues deriving from the removal or alternative use of installations on the continental shelf;
- g) Any government sale of stakes representing the State's direct financial interest in petroleum activities. Government Pension Fund Act, 2005.

The following expenses shall be deducted from the gross revenues. Dessas receitas são deduzidas as seguintes despesas, especificamente quando se tratar de atividade de exploração por parte do Estado norueguês^{xix}:

- a) Government's direct investments in commercial petroleum activities (the State's direct financial interest);
- b) Operating costs and other costs directly related to the State's direct financial interest
- c) Government expenses in connection with the removal or alternative use of installations on the continental shelf;
- d) Any government purchase of stakes as part of the State's direct financial interest in petroleum activities

The income transferred to the fund is composed by the "liquid cash flow from the oil activities, which is transferred to the government's central budget: by the liquid result of the financial transactions associated to the oil activities, and by the return on the invested capital in the fund"^{xx}.

It is important to highlight that the revenues originated from the oil exploration mean, nowadays, an average around more than 30% of all the revenues in Norway. This percentual could evidence an economic dependence in relation to the petroleum and its derivatives revenues, however the government's efforts, represented by a prime fiscal discipline on the non utilization of the revenues, reach a saving rate close to 100% of the oil revenue, beyond its financial return.

3. The Fundo Social Brasileiro (FS)

The Brazilian *Fundo Social* was created by Law nº 12.351 of 2010, which disposes about exploration and production of oil, natural gas and other fluid hydrocarbons, under production sharing system, in areas with pre-salt and other strategic areas, defining the resources' purpose, objectives, structure and sources, and other arrangements.

According to article 47, its purpose is to construct source to social and regional development, in form of projects and programs in areas to poverty combat and development, such as education, culture, sports, public health, science and technology, environment and the mitigation of climate change. In order to do so, the law expresses these goals:

- a) Construct a long-term public saving based on the revenues received by the Union;
- b) Offer resources to the social and regional development, as stated in art. 47; and
- c) Mitigate the income and prices fluctuation in national economy, originated by the variations of the production and exploration of oil and other non renewable natural resources generated income.

As it may be noticed, its structuring characteristic is the formation of a long-term saving that not only might benefit the present generation by promoting development through the application of its financial returns on projects established in art. 47, but also guarantee resources (financial, social and economic) to the next generations.

The *Fundo Social* does not have the feature to combat the macroeconomics effects related to the resources paradox, not even works to be a fiscal or monetary policy instrument. In recent analysis of the FS, Marcos Tadeu de Souza (SOUZA, 2013) comments the orientation which permeated the legislative process which gave birth to the fund, maintaining

clearly the goal to protect the balance between present expenditure and the constitution of a public saving, which aims to shield the next generations.

The FS allows, in the first moment, to retain the resources generated by the oil and gas exploration in order to preferentially make applications abroad. This applications will proportionate a financial return that might be, then, appropriated annually by the fiscal budget and destined to important areas such as education and public health. The fund allows a temporary and volatile income source to become a regular and more stable income to the priority budget activities in the present and future.

The reason to be of the FS, since its creation, is clearly represented by the goals and objectives expressed in the law of its creation. It is still pending regulation.

Initially, the resources that compose the FS are the ones generated by the exploration and commercialization of oil and gas listed in the Law, however, the text of the law admits that other revenues sources might be determined afterwards. By the moment, the vinculated revenues of the fund are the following:

- a) Quota value from the signature bonus destined to the FS by the production sharing regime;
- b) Quota value of the royalties allocated to the Union, deduced those destined to its specific organs, as established on the production sharing contracts, by the form of the regulation;
- c) Revenue derived from the commercialization of oil, gas and other fluid hydrocarbons, pursuant to the law;
- d) The royalties and the special share from areas located in the Pre-salt polygon contracted under the concession regime, consigned to the Union's direct management, in compliance with §§ 1° and 2° of article 49;
- e) Results from financial applications on its cash equivalents;
- f) Other resources consigned to FS according to the law.

Differently from what is observed on other funds, the revenues destined to the *Fundo Social* are basically revenues classified on the Brazilian legal framework as Patrimonial Current Revenues, without transfer to Tax Revenues. It is important to register the existence of a discussion about the exploration of oil and gas in Brazil, that will not be discussed in this paper, as the present work focus on analysing the situation post-raising, that however need to be mentioned. First: knowing in which specie of public property the oil must fit; depending on the answer given, it is possible to extract consequences about the classification of royalties as public revenue – current revenue or capital revenue^{xxi}. Secondly: On the contrary of what was earlier predicted, the fund collection in 2014 did not meet not even a fourth of the value expected. The budget law bill of 2014 authorizes the use of R\$ 13,43 billion from the fund, being R\$ 6,7 billions to the saving generation and other R\$ 6,7 billions to education area^{xxii}. Third: even four years after its creation, the FS has only its Budgetary Unit in the Union Budget^{xxiii}, but the regulation is still pending. Which means, 50% of its resources were distracted by the law of 2013, and the other 50% follow the main goal and can already be identified on the Union Budget, but are not invested and do not generate return.

4. Main differences

On what concerns juridical and institutional structure, which allow or expressly create the Sovereign Wealth Funds, the provisions of its main aspects as goals, objectives and financing -, both funds were instituted by specific law that determines, beyond its creation, its general frame, the origin of revenues inputted to the fund and the management responsibility. The main difference between the sovereign funds reveals itself on its juridical structure that regulates its operation. A big number of decisions relevant to the Norwegian fund are made through recommendations of the Finance Ministry, recommendations that are submitted to approval of the Parliament.

On its turn, on the *Fundo Social*, the operation rules need to be determined by the regulation law, in order to modificate them, it must have approval of the Legislative Power. Although the regulation must be made by law, the stability and continuation of the rules do not stay through time and are frequently changed. In this case, in which the promulgation and regulation are still pending, since its approval three years ago, the law was chaged to allow the redirection of half of its resources to finance ordinary expenditures with public health and education.

Regarding the resources sources inputed in the SWFs, on both cases, the funds adopted similar sources, revenues originated by exploration of oil and gas, which sould guarantee that the during natural resources boom, there will be more saving.

Another difference between these funds is that the FS adopted percentages far lower than the norwegian fund. Which means that the cration of the fund reflects a shy operation.

Regarding its purposes, the funds are analysed are very similar as stabilization and saving funds. In each of them, there is one goal that stands out more than other. For example, in the *Government Pension Fund - Global*, even being the one with most market value, mantains the resource savings. Yet the operation of the brazilian *Fundo Social*, is still limited to the consequence of its pending regulation, and for this reason there are limitation to more technical and qualitative analysis. However, it is possible to affirm that, taking into account the values destined to its composition, which have lower representantion when confronted to the national budget, its stabilization function will be very limited.

It may seem correct to atribute that part of the success in the persecution of a SWF goals is strongly related to the rules that limit the resources removal.

Conclusion

As described above, there are different kinds of legal, institutional and governance structures, which results in the fact that SWFs are considered a heterogenic group. The funds are usually classified by the origin of their funding and their purposes. The origins can be either commodities based or non-commodities based. Regarding the objective, the IMF ranks the funds as: (i) stabilization funds; (ii) saving funds; (iii) reserve investment corporation; (iv) development funds; and (v) contingent pension reserve funds. This article will focus on SWFs based on commodities. One of the main mechanisms of SWF is the capability to fight the resource curse mitigating short-run instability, capturing the rent and thinking long-run. The resource curse refers to the slower economic growth of natural resource rich countries and according to Hamilton and Ruta (2006), the four main causes of the curse are: (i) financial resources deprivation over time because of a decrease in commodities prices; (ii) raising exchange rates and deindustrialization (the commonly called Dutch Disease); (iii) weaker growth-linkages of a commodities-based pattern of exportations; (iv) government temptation for “easy rents”, spending rather than investing. Oil, natural gas and minerals are the most common commodities in which those funds are based. In this sense, it is also important to consider that these sorts of resources are time-limited, which means, in a determined period of time, it will not be possible to exploit it anymore. By creating a fund from these revenues, the State can guarantee that the next generations will also benefit from the exploitation of the natural resources of the present, which will exhaust at some point.

Therefore, considering its methodology, the Norwegian Government Pension Fund (GPF) has the following legal standards: it was established by the Government Pension Fund Act and its formal owner is the Ministry of Finance. Despite its ownership, to make any significant change to the investment strategy, a proposal has to be presented to the Parliament. The financial return is transferred to the fiscal budget, in order to cover deficits in other sector of the Norwegian economy, including pension. On the other hand, the Brazilian Pre-Salt Social Fund (SF), in its creating Law 12.351/10, presents that it is owned by the Presidency and its investments choices will be made by the Management Committee. The financial return can only be invested in the policies established on art. 47.

Willing to assure that the future generations will also benefit from the commodities exploited in the present, countries have been creating the so called Sovereign Wealth Funds (which can also be based on non-commodities, but these are not the focus of this research).

Despite having each one its own particularities, these funds have common objectives and similar strategies and structures. The Brazilian law followed the Norwegian example but it is also important to highlight that there are important distinctions between both funds, as there are great socioeconomic differences between the two countries analyzed.

Acknowledges

We acknowledge the support of the RCGI Research Centre for Gas Innovation, sponsored by FAPESP (2014/50279-4) and Shell. In addition, we acknowledge the support of CAPES, and National Agency of Petroleum, Natural Gas and Biofuels through Human Resources Program n. 04.

References

ALDCROFT, Derek Howard. *The European Economy 1914-2000*. 4ª edição. London (UK): Routledge, 2001.

BACKER, L. C. Sovereign Wealth Funds as Regulatory Chameleons: The Norwegian Sovereign Wealth Funds and Public Global Governance Through Private Global Investment. Available at: <https://litigation-essentials.lexisnexis.com/webcd/app?action=DocumentDisplay&crawlid=1&doctype=cite&docid=41+Geo.+J.+Int'l+L.+425&srctype=smi&srcid=3B15&key=97e14f1968976e98161bc39dcb00c887> . Accessed: 19 oct. 2016.

BERNSTEIN, Shai; LERNER, Josh; SCHOAR, Antoinette. *The investment strategies of sovereign wealth funds*. *The Journal of Economic Perspectives*, v. 27, No. 2 Spring, 2013.

COSTA, H.K.M. O princípio da Justiça Intra e Intergeracional como elemento na destinação das rendas de hidrocarbonetos: temática energética crítica na análise institucional brasileira. São Paulo, 2012. Universidade de São Paulo.

KIRK, H.; RUTA, G. From Curse to Blessing: Natural Resources and Institutional Quality. *Environment Matters* (n.d.): July 2005-June 2006.

INTERNATIONAL MONETARY FUND. *Sovereign Wealth Funds – A work Agenda*. 2008. <http://www.imf.org/external/np/pp/eng/2008/022908.pdf> Accessed: jun. 2015.

JEN, Stephen. *The definition of a sovereign wealth fund*. Morgan Stanley Research Global, v. 26, oct. 2007.

MACHADO e SILVA, I. M. Fundo Social do Petróleo: de onde vem e pra onde vai? *Revista da Faculdade de Direito da UERJ*, v.1, p.118-130, 2016.

JORDAN, L. ; COSTA, H. K. M. ; SANTOS, E. M. ; SIMOES, A. F. . The Brazilian Sovereign Fund and the Brazilian Social Fund: A measure of the efficiency of Brazilian Sovereign Wealth Funds in fighting the resource curse and the Dutch disease. In: 4th Meeting of Latin-American Energy Economics, 2013, Montevideo, Uruguay. Proceedings of the 4th ELAEE, April 8-9, 2013 - Montevideo - Uruguay. (<http://aladee.org>). Montevideo: ELAEE, 2013. v. 4. p. 01-20.

LIE, Einar. *Learning by failing. The origins of the Norwegian oil fund*. Draft. University of Oslo, October-2013. <http://eml.berkeley.edu/~webfac/cromer/Lie.pdf>

NATURAL RESOURCE GOVERNANCE INSTITUTE. *Norway Government Pension Fund Global*. http://www.resourcegovernance.org/sites/default/files/NRF_Norway_July2013.pdf

NORWAY - GOVERNMENT PENSION FUND – GLOBAL. List of Sovereign Wealth Funds. Wealth Fund Institute, 2010. <http://www.swfinstitute.org/fund/norway.php>

OECD Economic Surveys Norway, jan. 2016. <http://www.oecd.org/economy/surveys/Norway-2016-overview.pdf> Último Accessed 01 dez. 2016.

STATISTICS NORWAY. *Pirâmide Etária da População Norueguesa*. <https://www.ssb.no/en/befolkning/statistikker/folkemengde/image/218947.png?encoded=2f666666666678302f35382f29303136286874646977656c616373&ts=14b9c3a668>

SOUZA, Marcos Tadeu Napoleão de. *O Fundo social e o PL nº 323, de 2007*. Consultoria Legislativa. Brasília, Câmara dos Deputados. Agosto/2013. p.

-
- i WORLD BANK. Norway GDP (US\$), 1960-29=015. World Bank national accounts data and OECD National Accounts data files. Available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=NO> Last Access: 01 dec. 2016.
- ii *Idem*, Norway Total natural resources rents (% of GDP). *Idem*. Available at: <http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS?locations=NO> Last access: 01 dec. 2016.
- iii *Idem*, *GDP Index*. Available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=NO> Last access: 01 jan. 2016.
- iv *Idem*, Total natural resources rents (% of GDP). Available at: <http://data.worldbank.org/indicator/NY.GDP.TOTL.RT.ZS?locations=NO> Last access: 01 jan. 2016.
- v *Idem*, World Bank. Available at: <http://data.worldbank.org/indicator/NY.GDP.PETR.RT.ZS?locations=NO> Last access: 01 jan. 2016.
- vi OECD *Economic Surveys Norway*, jan. 2016. Available at: <http://www.oecd.org/eco/surveys/Norway-2016-overview.pdf> Last access: 01 dec. 2016.
- vii WORLD BANK. Norway, population, total. World Bank Data: Available at: <http://data.worldbank.org/indicator/SP.POP.TOTL?locations=NO>
- viii *Idem*, Norway GDP (current US\$). Available at: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=NO> Last access: 01 jan. 2016.
- ix *Idem*, GDP per capita (current US\$). Available at: <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=NO> Last access: 01 jan. 2016.
- x World Bank. Norway Gini Index. Available at: <http://data.worldbank.org/indicator/SI.POV.GINI?locations=NO> Last access: 01 jan. 2016.
- xi Section 1-1. The right to subsea petroleum deposits and resource management. The Norwegian State has the proprietary right to subsea petroleum deposits and the exclusive right to resource management.
- xii Norsk Petroleum. Available at: <http://www.norskpetroleum.no/en/production/companies/statoil-petroleum-as/> Last access: 01 jan. 2016.
- xiii Segundo dados do Ministério das Finanças. Available at: <http://www.norskpetroleum.no/en/economy/governments-revenues/> Last access: 01 mai 2015.
- xiv Norsk Petroleum. Available at: <http://www.norskpetroleum.no/en/production-and-exports/exports-of-oil-and-gas/> Last access: 01 jan. 2016.
- xv All of the civil service's misgivings from 1984-86 were written into the new bill.
- xvi The funds are independent, responsibility of the Finance Ministry and its resources are deposited in different accounts, managed by different organs.
- xvii Liquid revenues originated by oil exploration are all the brutal revenues deduces the public expenditures in the sector.
- xviii <https://www.regjeringen.no/contentassets/9d68c55c272c41e99f0bf45d24397d8c/governmentpen-sionfundact.pdf> Accessed feb. 2015.
- xix Government's direct investments in commercial petroleum activities (the State's direct financial interest); Operating costs and other costs directly related to the State's direct financial interest; Government expenses in connection with the removal or alternative use of installations on the continental shelf; Any government purchase of stakes as part of the State's direct financial interest in petroleum activities.
- xx (...) the net cash flow from petroleum activities, which is transferred from the central government budget, the net results of financial transactions associated with petroleum activities

and the return on the Fund's capital. *Government Pension Fund Act* (Nº 123 de 21/12/2005), Seção três.

xxi This discussion may be deepened with the reading of FERNANDES, Andressa Guimarães Torquato. *Direito financeiro aplicado ao setor do petróleo*. São Paulo: Universidade de São Paulo, 2013; MARQUES NETO, Floriano de Azevedo. *Bens públicos: função social e exploração econômica: o regime jurídico das utilidades públicas*. Belo Horizonte: Fórum, 2009; BERCOVICI, Gilberto. *Direito Econômico do Petróleo e dos Recursos Minerais*. São Paulo: Quartier Latin, 2011; e SCAFF, Fernando Facury. *Royalties do Petróleo, Minério e Energia. Aspectos Constitucionais, Financeiros e Tributários*. São Paulo: Revista dos Tribunais, 2014. SILVEIRA, Alexandre Coutinho. *Governança pública de royalties: Federalismo fiscal e futuras gerações*. Dissertação de Mestrado. Universidade de São Paulo. 2014.

xxii The Budget Law Bill of 2014 is available on the website of the Federal Budget and may be accessed by the link http://www.orcamentofederal.gov.br/orcamentos-anuais/orcamento-2014/orcamentos_anuais_view?anoOrc=2014

xxiii According to *Manual de Contabilidade aplicada ao setor público*, 6ª ed., elaborated by the Secretary of National Treasure: The Budget Unit is part of the institutional classification of the public budget. "Constitutes budget unity the group of services subordinated to the same organ to which will be embodied its own appropriation (art. 14 Law nº 4.320/1964). The budget organs correspond to groups of budget unities. The appropriations are embodied to the budget unities, responsible for the execution of the actions". p. 67. Available at: http://www.tesouro.fazenda.gov.br/documents/10180/456785/CPU_MCASP+6%C2%AA%20e+d%C3%A7%C3%A3o_Republ2/fa1ee713-2fd3-4f51-8182-a542ce123773