
Norwegian development finance and corporate social responsibility.

- An analysis of the Norwegian investment fund for developing countries – NORFUND's approach to CSR.
-



Master's Thesis

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26.11.2009

Word count: 42 522

Preface

The process towards this written thesis has been shorter than expected. Some opportunities offered have to be taken and thanks to the people mentioned here I have been able to finish what I started before venturing out on a new exiting journey in life.

First of all I want to thank my supervisor Professor Helge Hveem at the University of Oslo for inspiring talks and for opening some doors that made this project possible. The project also relied on the open attitude of Petter Vilsted, Kjartan Stigen and the rest of the Norfund organisation. Thank you for your time and for letting me ask strange and difficult questions.

Further on I want to thank Professor Rob Van Tulder and the others at the department of Business-Society Management at the Erasmus University Rotterdam for exciting insights and a very welcoming atmosphere. Siri, Marit and Stine for engaging coffee breaks and valuable comments. Alexander Ebhart at the University of Vienna as our coincidental meeting truly made a contribution. Runar and Lars for proofreading.

And a very special thanks to Anne for patience, support and encouragement.

This research would not have been possible without the support of these people, however the written thesis as presented here is my own original work and I am fully responsible for any remaining misunderstandings and errors.

Vegar Wikhammer Heir

Blindern, 26.11.2009

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Abbreviations

ADB	African Development Bank
CDC	Commonwealth Development Corporation
CSR	Corporate Social Responsibility
DFI	Development Finance Institutions
EBL	Energibedriftenes Landsforbund
EDFI	European Development Finance Institutions
FDI	Foreign Direct Investments
FIVAS	Foreningen for Internasjonale Vannstudier / The Association for International Water and Forest Studies
GC	Global Compact
HSE	Health Safety Environment
IDRC	International Development Research Centre
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
IPE	International Political Economy
IO	International Organisation
IR	International Relations
NHO	Confederation of Norwegian Enterprises
NOK	Norwegian Kroner (currency)
NORFUND	The Norwegian investment fund for developing countries
NORAD	Norwegian Agency for Development Cooperation
NOU	Norsk offentlig utredning
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OFC	Overseas financial centres
POE	Privately owned enterprises

SEG	Social, environmental and governance
SME	Small and Medium Enterprises
SOE	State owned enterprises
UN	United Nations
WB	The World Bank
WTO	World Trade Organisation

1. Introduction

Norfund - the Norwegian investment fund for developing countries was set up in 1997 to be a new and complementing tool in the traditional development and aid policy by the Norwegian Government. It was built on the idea that investments would foster economic growth and reduce poverty in developing countries. By offering risk willing capital to small and medium enterprises and investment funds, Norfund is investing in the private market with capital transfers from the Norwegian Government.

This paper analyse Norfund's approach to corporate social responsibility, CSR. The attention towards how companies act in relation to their employees, the owners, the environment and the society as a whole can be argued to have grown in the recent decades and the umbrella term for corporate behaviour on these areas is CSR. In this paper it is argued that the ethical, normative and politicised theme of CSR could and should be applied to actors such public-private enterprises and hybrid organisations like Norfund.

An understanding of how organisations approach questions on CSR should be developed on a structural level, leaving the issue based approach that the everyday media takes in the hunt for fresh headlines. It is important to reveal and give attention to scandals such as the use of child labour or environmental spills, but researching how the companies or organisations think about CSR is important in order to understand the background and reason for the issues that hit the newspaper headlines.

The development finance institutions - DFIs are institutions set up to invest money in developing countries with a political mandate of creating economic growth and development. Most Western-European countries have a DFI and in 2007 they had a total portfolio of 15 billion Euros (EDFI, 2007:1). The financial importance of these investors can be said to be small when measured against other international capital flows, but the fact that they are investing with a political agenda in developing countries makes them different from more ordinary investors such as investment banks, pension funds and hedge funds.

The academic focus on DFIs is low and a search enquiry on Google scholar on "development finance institution" gives 408 article hits, while searching for "corporate social responsibility" gives 50.900 hits and "hedge fund" gives 17.700. DFIs should be subjected to more research, and this paper should be read as an academic contribution coming from the field of political

science and political economy, trying to offer a different perspective than what is offered in a financial analyses and investment cases.

The Norwegian DFI, Norfund could be argued to have special importance among DFIs, as Norway is already one of the world's largest state investors with an outspoken political agenda through their Sovereign Wealth Fund, the Governments Pension fund - Global. Since the Norwegian state also has a strong position as shareholder in companies registered on the Oslo stock exchange, it controls 58 percent of all foreign direct investments by Norwegian companies ¹ in 2006 (Hveem 2009:388). Norway is known for the ethical guidelines that the SWF is being monitored on and this places the DFI in a light of public attention towards ethical issues. Norway is also one of the countries with the highest per capita official development assistance. The combination of high will of contrition to development and high ethical standards puts the DFI in the crossfire of further investigation.

The purpose of this research is threefold. First, to shed light on the problematic role that Norfund occupies. Secondly, to uncover some of the underlying norms and interests that constitutes and drives Norfund in its activity. Third, to analyse Norfund's approach and strategies on CSR. The first two tasks will be an underlying theme throughout this analysis, and the third task is guiding the research questions and the operationalisation of this research project. The format of this research is a case study of Norfund using data collected through interviews with people in the organisation. The ontological perspective is developed from a constructivist standpoint. This will be specified and elaborated on in a dedicated chapter on research methods.

The analysis and discussions presented in this paper comes at a time when the international agenda of the Norwegian state is debated. It can be argued that the Norwegian foreign policy and development policy is undergoing some fundamental changes at the moment. The international changes and how Norwegian interests abroad should be coordinated has been on the agenda for the government (Lunde & Thune et.al, 2008; Solheim, 2008; NOU No.14, 2008). In relation to this it has been suggested to step up Norfund's activities by channelling some of the Governments Pension Fund - Global into a new development fund of 10 billion NOK (NOU No.14, 2008). The discussions presented in the present thesis will therefore be increasingly important in the years to come as the field of development finance will grow in the Norwegian context.

¹ Comprising companies where the state has 33 percent or more of the shares.

The analysis of Norfund has importance beyond gaining an understanding of the organisation. An analytical framework on CSR approaches have been constructed to do the analysis and this is presented in the literature review in this paper. This framework should be seen as a potential tool to apply to other organisations and especially state-market hybrids like other DFIs. This thesis could therefore be seen as a way of creating an analytical tool applicable for a future comparative analysis between state investment vehicles or even European DFIs. However, the potential for theory building from one case is limited and so this paper does not offer stringent theories for generalising between cases. But the building of a theoretical framework on CSR, adapted to hybrid organisational forms like the DFIs, can be characterised as a small step in the direction of a theory building process in this area.

1.1 Research questions and hypotheses

This section presents the research questions and the hypotheses. The background for setting these hypotheses will be presented in chapter four. A further discussion on why we could expect H1-H4 to be true/false can be found in section 4.7 to 4.9.

Research Question one:

What is Norfund's approach to CSR?

H1: Norfund takes an inactive approach to CSR

H2: Norfund takes an active approach to CSR

H3: Norfund take a reactive approach to CSR

H4: Norfund take a pro-active approach to CSR

The research question consists of two phenomena that need to be defined in order to answer the question or to suggest some of the hypotheses, Norfund and CSR. These words relate to each other through the word *approach* that can be defined as “ideas or actions intended to deal with a problem or a situation” (Wordnet, 2009). Then the initial question can therefore be extended to *What is Norfund's ideas or/and actions in relation to CSR?*

The paper is built around this main research question as chapter five deals with the **ideas** by presenting a literature review and constructing a theoretical framework. Chapter two present **Norfund** and the organisation's history. Then the analysis in chapters six and seven present data from interviews with the purpose of demonstrating what Norfund's approach to CSR is. In chapter eight the findings will be further discussed, pointing back at the research questions

and applying hypotheses. The initial research question will be broken down into two supporting questions that will be further operationalised for analysis:

RQ 2. What is Norfund's values and motivation for engaging in CSR?

RQ 3. What is the scope and application of CSR in Norfund?

These two questions are set to be able to point at some key issues and processes within the organisation that it will be important to shed light on in order to answer research question one. Discussing several issues within the organisation will provide important indicators for how the ideas are linked with the actions in the organisation. Thus, research questions two and three are important in answering the overall research question for this thesis. Chapter six builds on research question two, and chapter seven builds on research question three. Hypotheses related to research question two and three will be offered throughout the discussion as these should be seen in relation to the statements from the relevant interviews.

A clarifying point has to be made before further introduction to the topic; as Norfund is an investor, both directly and through portfolios, the term CSR is here understood in a broad manner, and not just on the company-specific level. Norfund is the owner of companies and the research focus in this thesis is on how Norfund can and do influence the companies, the funds, the managers and the overall surroundings to take or not to take social responsibility². When talking about investors' CSR, one could focus on how the employees in the main office are treated; the waste management in their cantina and so on, but this is of little interest in this project. The focus is on what perspective Norfund as a political, social and corporate actor has on the CSR of the companies and funds that they are invested in.

The focus of the thesis is not to discuss the single issues in the CSR policy of Norfund in detail, but single examples are used to support the claims made. Much of the debate on CSR is understandably on single issues and the hunt for "who did what?" as the agenda is often set by journalists chasing the next headline or NGOs fighting for a single cause. Such a discussion can be fruitful in getting companies and governments to take stand in the single issues that make it to the public sphere. It is here recognised that single issues can be critical for the general reputational risk that an organisation or a company are facing. This paper offers an approach to the concept of CSR in development finance by investigating the limitations and scope of CSR in Norfund. Uncovering some of the mechanisms that might lead to issues

² The problematic nature of this term will be discussed

hitting the headlines or not, instead of an in depth study on the technicalities of each investment and the ethical issues that might rise.

2. Norfund

This chapter will present the Norwegian development finance institution Norfund. First, the background and the history of Norfund is presented, followed by a short discussion on the development discourse at the time. Secondly, several key issues are empirically presented and discussed, linking the theory with the data collected.

2.1 Background

The following chapter first describes the historic backdrop leading to the process of establishing Norfund – The Norwegian Fund for Developing Countries. A historic look at the processes around and in Norfund is important in order to discuss and understand the current role and challenges of the organization.

The formalization of the idea of a Norwegian investment fund for developing countries first came with the Official Norwegian Report no.5 in 1995 with the title “Norwegian South-Politics for a changing world”, commonly known as the Alstadheim report (NOU nr.5, 1995). This report was written by a commission set down in a Norwegian Royal resolution by February 1993, with background in the Government’s white paper No.51, 1991-1992, where a review of the official development assistance (ODA) and north/south relations was suggested in light of the changing international political environment. From this white paper the commission was given the task of suggesting strategies not only for Norwegian official development assistance, but an overall outlook for Norwegian north/south relations and how to reach the political goals defined by the Storting at the time (NOU no.5, 1995).

The background white paper was written under the labor party Government with Prime Minister Gro Harlem Brundtland and Foreign Minister Thorvald Stoltenberg (Regeringen.no, 2009). Some years earlier Brundtland was Chair for the UN initiated “World Commission on Environment and Development” which delivered their agenda setting report “Our Common Future” and first used the term “sustainable development” (World Commission on Environment and Development, 1987). Brundtland’s international engagement on these issues had a clear agenda of linking several complex issues together and suggesting wide solutions for the international community. Environment and development were described as mutually enforcing mechanisms;

Poor people are forced to overuse environmental resources to survive from day to day, and their impoverishment of their environment further impoverishes them, making their survival ever more difficult and uncertain.

(World Commission on Environment and Development, 1987).

2.2 The Alstadheim Report

In the Alstadheim report almost a decade after the Brundtland commission delivered their report, the connection between environment and poverty was still important. However, the economics of development is arguably given a larger role. The report describes how the international society had changed and was changing after the fall of the Soviet Union, where planned economies have failed and “there has been a fundamental shift towards a more market based economy” (NOU nr.5, 1995:31).

The title of the report and the given mission was to review and suggest changes and directions for “Norwegian South-politics in a changing world” (NOU, nr.5, 1995). The report can be said to be doing this by giving new definitions to some of the old development ligua and lifting new challenges to the agenda. It represents and introduces an integrated political-economic view on development. This argument can be supported by three identifiable trends in the report; first, a new division between low, middle and high income countries as oppose to the previous definition of south-north-east, which was more common during the period of a bi-polar world view. This new definition is based on the UNDP’s Human Development Index that consists of integrated indictors such as GDP per capita, level of education and life expectancy rather than political or geographical variables. Secondly, it points to the increasing globalisation and the regionalisation at the time as a major trend that make countries more interconnected when it comes to financial, communication and production flows. These changes are challenging local and international political balances, but also open up opportunities for regional organisations. Thirdly, the report discusses some of the debates and controversies at the time in Norwegian development community such as “trade or aid?”, “economic growth or social development?” and “the role of business” (NOU nr.5, 1995:31-34). It is suggested in the report that these controversies should rather be seen as complimentary tools and that the debates should be on the mechanisms of how to make trade and business beneficial in the development process. The shift in how development was talked about and what solutions suggested can be argued to have set the stage for fresh thinking in how development and aid should be organised.

In the concluding parts of the Alstadheim report, a concrete suggestion is offered to how challenges in the changing environment for development assistance can be met. The lack of capital and lack of access to capital in countries in the south is identified as a structural problem for development. It is pointed to successful projects of private sector development where NORAD (the Norwegian Agency for Development Cooperation) and Norwegian private investors have made capital available for low and middle income groups in developing countries. It is also pointed to the fact that many industrialised countries and all other Nordic countries have had some sort of institutions with the mission of providing “responsible capital for the establishment of businesses in the south” (NOU no.5 1995:260-261). It is then suggested that Norway should establish an investment fund with a mandate of providing risk capital in countries in the south. This fund should be set up with two main functions; direct investments together with Norwegian private partners³ and to provide capital to local development banks.

The Norwegian Official report was followed by proposition nr.13 (1996-1997) to the Odelsting, where the Norfund law was formalised. Three main working areas were drawn up; 1) Investment in collaboration with a Norwegian investor, 2) Joint ventures with a Norwegian company and a local company, 3) Capital injections in local finance institutions (Ot.prp. nr.13, 1996-1997). The formal organisation of the fund in relation to the Norwegian state is as a Special law company (Særlovselskap). This restricts the state’s legal responsibility for the funds activities or financial obligations (NOU nr.34, 2003).

2.3 Part of a larger shift in the development discourse

It can be argued that the Alstadheim report was part of a larger shift in strategies and thinking around development assistance, not just in Norway. The following White paper nr.19, 1995-1996, called “A world in change, Norwegian policy towards developing countries”, also called “Bistandsmeldingen”, picked up on the recommendations and the views from the Alstadheim report.

The message of sustainable development as communicated in the Brundtland commission has been central in UN approaches to development in the following decades after it was introduced (Ganesh, 2007:385). But the methods and who shall achieve sustainable development have arguably been changing towards an increased confidence in the market mechanism’s ability to promote sustainable development. Signs of this can be found in the

³ The demand of cooperating with a Norwegian investor was later removed from Norfund’s official policy.

UN report following the 1995 World Summit on Social Development, in which the individual governments are given the task of promoting dynamic, open, free markets (Ganesh, 2007). This can be said to represent the shift in thinking about development from the state to state aid into the nation state as a facilitator for market activity. It can be argued that this new direction played a founding role for the emergence of private sector development which resulted in the set up of DFIs as a part of a wider development strategy.

2.4 What Norfund does

Norfund’s capital can be divided into five different categories; direct investments, funds, financial instruments, renewable energy and ‘other’ investments. In 2008 Norfund made new investment agreements totalling 598 mill NOK, where 130 mill NOK went to funds, 260 mill NOK to financial institutions, 168 mill NOK to Renewable energy and 41 mill NOK to other direct investments (Norfund, 2009b). The division between these for the whole portfolio is shown in figure 1.

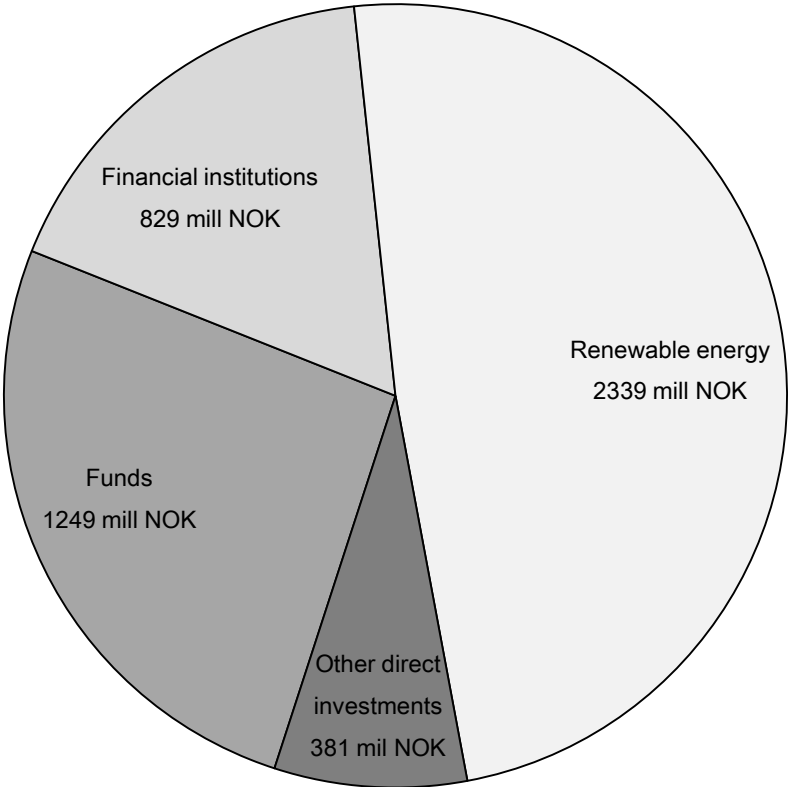


Figure 2.1 - Norfund’s Investments

2.4.1 Funds

Norfund hold approximately one third of its invested capital in funds. These are funds with a profile matching the mandate: aimed at small and medium enterprises (SMEs) in developing countries. The focus is on developing and following fund managers with local connections and understanding that can invest and follow up companies in their environment. By the end of 2008, Norfund held shares in 30 different funds which had invested in more than 200 SMEs. The investments are spread over a variety of sectors, such as agriculture, chemical industry, construction, food production, mineral resources and transports (Norfund, 2009b; Norfund, 2009c).

2.4.2 Financial institutions

In this category we find banks and microfinance initiatives. Norfund has contributed in the Norwegian micro finance initiative, together with Norwegian private banks. This institution facilitates and funds microfinance institutions through equity, loans or the issue of guarantees. The current holdings in financial institutions are 829 million NOK (Norfund, 2009c).

2.4.3 Additionality of investments

Norfund's mandate is to explicitly contribute with investments that would not otherwise have been realised through the ordinary market mechanisms. The prime goal is to trigger profitable investments that would otherwise not have been considered because of high risk (Lov 1997-05-09 nr.26). The mission is to create additionality by taking on some of the risk in the market and then team up with other investors, preferably private investors, to increase the capital available for private business.

The additional capital triggered is also a way of ensuring the business case for the investments, by knowing that some other investor is willing to do the investment on grounds of a market analysis. There is a difference between direct investments and financial investments, where the latter is better at triggering private capital. For direct investments it is often consortiums of DFIs investing instead of private capital and as a result of the lack of private capital (Norfund, 2009b; Norfund, 2009c).

Norfund's mandate states explicitly that the investments made should be viable and profitable (Lov 1997-05-09 nr.26). A move towards a more developmental focus with reporting on developmental effects as the main case could arguably push the organisation towards a social profile that would violate the demand where investments are measured on profitability. An

important distinction here is what the organisation is measured on, or what expectations to how they measure, and how they actually perform.

2.5 Development Finance Institutions

The term development finance institution (DFI) can broadly be defined to include a range of alternative financial institutions. A common denotation is that they are set up with some developmental or social agenda, but could be funded fully private or public, or a combination. In Europe the DFIs are associated as fully financed or controlled by national governments, with a political mandate of investing with the goal of development. The DFI description is most often used of bilateral finance institutions, meaning that they are owned and controlled by a single country (Francisco et.al, 2008;EDFI, 2009).

The economic rationale behind DFIs can be explained by two fundamental assumptions. First, that inflow of FDI into countries contributes to economic growth, secondly that the access to financial institutions is an important factor in economic growth. The DFIs are set up to bridge the gap between commercial investments and development aid under the assumption that better access to financial services spurs economic growth. The imperfections in the private market for capital in developing countries could lead to misallocation, which means that profitable businesses and investments do not attract investments. Some of the reasons for this could be the social or political risk involved, the lack of financial instruments or the lack of information about local market conditions (Levere, Schweke & Woo, 2006).

3. Context

This chapter give a presentation of how Norfund's social and political surroundings. The analysis later in this current paper builds on data collected inside the organisation and the definition of the context given in this chapter is important in understanding Norfund's special role. It can also be argued from a methodological perspective that when focusing on a case it is important to define the context that the case is found within.

3.1 The bargaining society

Van Tulder and Zwart's framework of the bargaining society is a useful way of contextualizing the interplay between societal actors and to show that this is not an area with definite boundaries. The figure has three dimensions and Norfund could here be placed along the state-market dimension as a hybrid organisation.

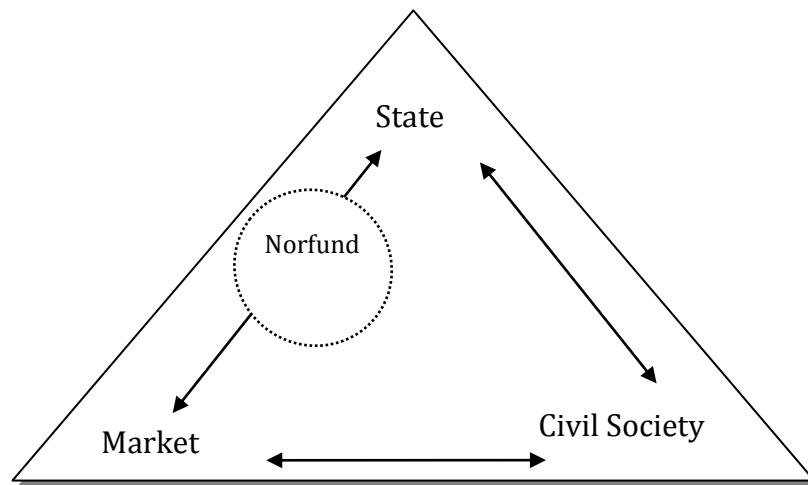


Figure 3.1 - The Bargaining Society

(based on Van Tulder & Van Der Zwart, 2006)

This structure is based on three ideal-types of organizations. Real world institutions would not fit perfectly within any single corner of the triangle. As an analytical tool this model should be seen as dimensional and not purely made up of dichotomies, this means that most actors would be placed somewhere in between the corners. Norfund is here placed well within the market-state dimension as it is a state owned organisation, with a politically defined mandate. But Norfund operates in the market to achieve its mandate, therefore it is a hybrid organisation placed in the middle on the state-market dimension. It does however relate to the civil society, but the organisation is not founded on or by civil society actors, thus it is not placed within the market-civil society dimension or the civil society-state dimension. The figure is used later on to illustrate how Norfund's position is found to move within the context of the bargaining society.

3.2 Linking CSR and Development

The development strategy of DFIs and similar public-private partnerships for development is to invest in companies with the purpose of making them economically sustainable in the medium to long term. The company in itself is the mechanism that creates development on ground and the money lenders or financiers are only mediating the effort made on ground. We can trace this action-intention trace back to political decisions and the laws funding state. The figure illustrates this chain of intension.

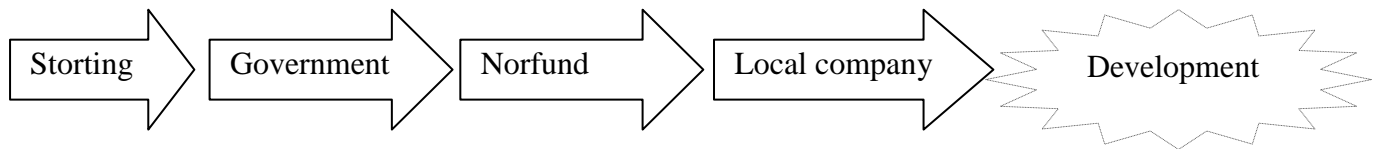


Figure 3.2 - The Chain of Intension

This model is simple, but illustrates the line of accountability, formally regulated and bound up at the different stages. Informally the boundaries between these institutions are weaker, illustrated by how the media blames the government when some sub contractor in the Norfund owned company SN Power breaks what is acknowledged as acceptable working conditions (Aftenposten, 1.11.2008). Legal and financial liability is formalised by the Norfund law, which restricts the direct responsibility of the political bodies (Lov 1997-05-09 nr.26).

3.3 Stakeholders

First I will use the stakeholder approach to define the research question and to define the special context that Norfund is in. The stakeholder approach serves as a starting point on further elaboration on the role of Norfund. It is necessary to include several more aspects than the operational approach described in management studies but this will form the analytical platform.

The concept of stakeholder theory can be said to have grown out of strategic management studies with influence from academic fields of corporate planning, systems theory, corporate social responsibility and organizational theory. The management perspective on stakeholder theory offers an operational approach to how corporate managers need to “understand the concerns of shareholders, employees, customers, suppliers, lenders and society, in order to develop objectives that stakeholders would support” (Freeman & McVea, 2001:190). The perspective in this literature is placed with the firm and describes how the firm should and could handle the different stakeholders and issues in a wider societal context. To look beyond the forms of governance described for the firm we can look to the frameworks of corporate governance.

To get an overview of the complex relationships between different actors a analysis of the stakeholders and how they relate to each other is a fruitful exercise. Separating between primary and secondary stakeholders can be fruitful to identify

3.3.1 Primary stakeholders.

The classic business-literature definition of primary stakeholders is “the direct supporters of the company,” such as employees, shareholders, investors, consumers and suppliers. Whether government should be included as a primary stakeholder depends on degree of state involvement. But it could be argued that the state should be included as a primary stakeholder in any case because of the relationship with the state through taxation and legislation. Thus the organisation or the firm are dependent of state activities even if it is a private market actor. For hybrid organisations or state controlled organisations such as the DFIs, the state should be included as a primary stakeholder. Their activity is undoubtedly dependant on state activity directly through laws and funding (Van Tulder & Van der Zwart, 2006:135-137). A key question addressed in the analysis in the current paper is what kind of challenges that organisations with the state as one of their primary stakeholders face.

3.3.2 Secondary stakeholders

Actors that are indirectly influenced by and able to indirectly influence the activities of the organisation can be classified as secondary stakeholders. This category can be extended to include a great variety of groups such as, local communities, media, trade unions, competitors, analysts, environmental activists, supervisory bodies, non-profit organisations, the natural environment, future generations and the general public. Such a broad definition is general by nature as it includes all the possible actors that could be affected by an organisations activity (Van Tulder & Van der Zwart, 2006:135-138).

The specific stakeholders identified does of course depend on the sector that an organisation is operating in and other characteristics such as ownership and organisational structure. When taking a discursive approach to stakeholder theory is becomes important to investigate the organisations perceived stakeholders. One could make the argument that what kind of stakeholders that an organisation identifies is related to the ideological dimension of liberal market values.

For Norfund this approach could be seen on at least two levels; the management of the companies that Norfund invests in and the management of Norfunds itself. The distinction is important, but the two levels are also intertwined by that some of the stakeholders that can be identified in the core Norfund organization is also the stakeholders of the single investments made.

Figure 3.3 illustrates the stakeholders that Norfund has to relate to when doing direct investments either direct or indirect. There are also relations between the stakeholders, but this dimension is left out to keep the simplicity of the figure. The strength of the relationships between Norfund and the various stakeholders varies from project to project and so the arrows are only to symbolise the two way communication. One can separate between the domestic stakeholder and the stakeholders in the operating countries.

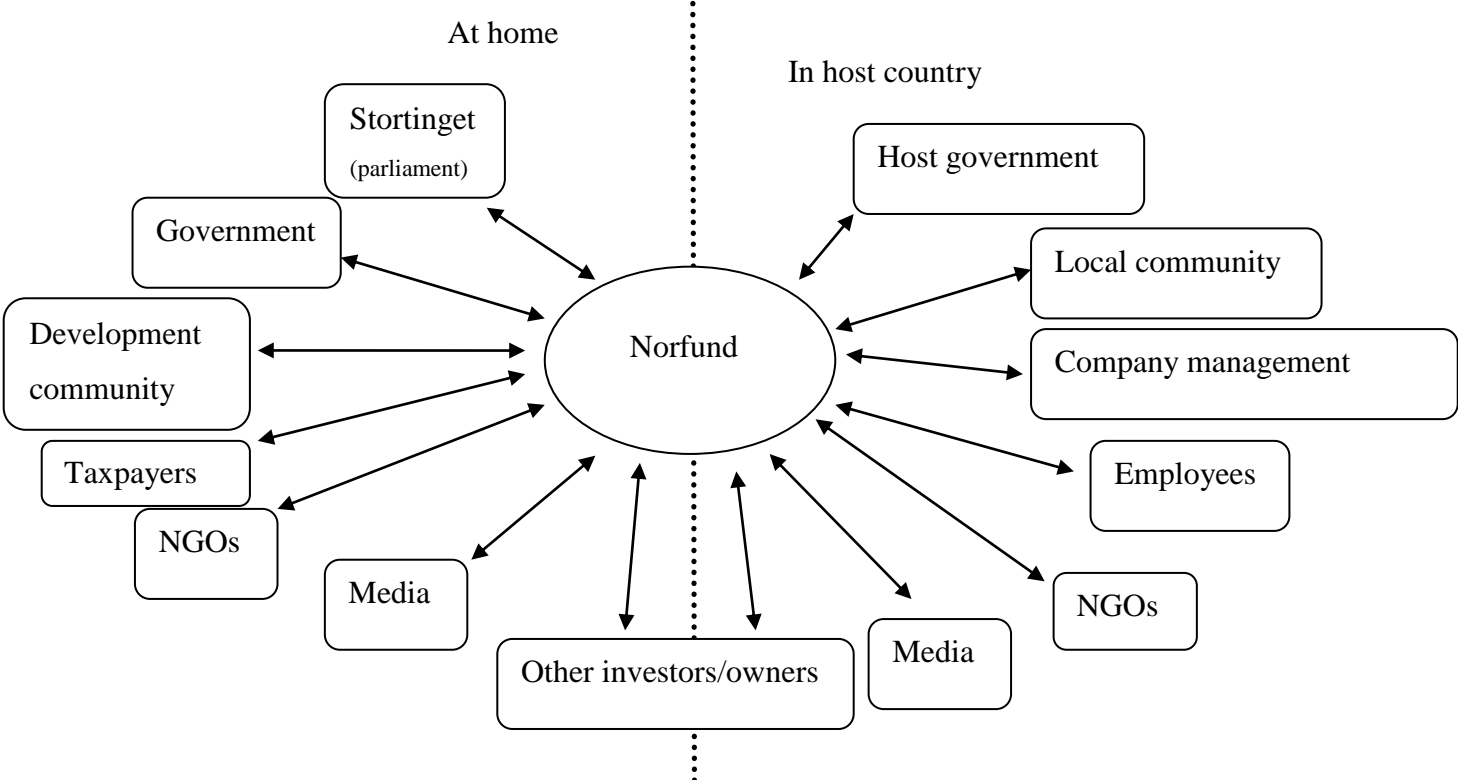


Figure 3.3 - Stakeholders

3.4 Comparing Norfund to other domestic finance institutions.

In the Norwegian context, Norfund could be compared to other financial institutions with an outspoken ethical agenda in some way. The ethical guidelines of the Norwegian Sovereign Wealth Fund, the Governments Pension Fund - Global is known and debated at an international level. Investments that break with a set of guidelines are excluded from the portfolio, and this approach can be characterised as a negative selection of investments⁴. As previously discussed, Norfund has a positive inclusion of investments, where companies with some special characteristics are chosen to be included in the portfolio.

⁴ There is an ongoing change in this strategy towards working with companies to change as an alternative to divestment

Storebrand bank states that “we are to choose the best investments, but refrain from investing in companies that break with human rights, ethical guidelines or seriously harms the environment” (Storebrand, 2009). This is an example of a private actor that excludes investments on the basis of some CSR values. One can also find private actors that have a strategy to include investments on the basis of CSR values. Cultura bank has a mission that, “We only lend to projects that contribute to positive, social, cultural and environmental development” (Cultura Bank, 2009). This is an example of a similar strategy Norfund’s mandate. The two by two table summarises the public-private vs. the excluding-postive.

Table 3.1 - Examples of state-private, negative-positive selection of investments

	Negative- excluding	Positive - including
State	Governments Pension Fund -Global	Norfund
Private	Storebrand bank	Cultura Bank

4. Literature review and theoretical constructs of CSR

This chapter will present theories used in analysing and approaching the research questions. Each part in this chapter relates to the research questions and builds the foundations for the analysis. First, a short definition of CSR will be given, followed by a presentation of the research tradition of the concept.

4.1 Defining CSR

Dahlsrud (2006) analyse 37 definitions of CSR. It is problematic to give a clear definition of the CSR concept from a research point due to the vast variety of existing definitions. To understand and be able to use the concept in a relevant manner, we then have to dive further into the foundation of the concept. Discussing which actors it relates to and within what context it is applied can serve as a starting point. These three wide definitions give some insight to which actors we are dealing with and in what context;

- 1) *Corporate social responsibility is seriously considering the impact of the company's action on society.* (Carroll and Buchholtz, 2008:39)
- 2) *Social responsibility is the obligation of decision makers to take action which protect and improve the welfare of society as a whole along with their own interests* (Davis & Blomstrom, 1975:39).
- 3) *The idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations* (McGuire, 1963:144).

Two key aspects of the term can be identified from these definitions; the company and the society. And from this a simple but wide definition can be suggested; *CSR is the relation between the company and the society.* This definition will serve as the backdrop for further discussion on the concept of CSR, but first a historic review is presented.

4.1.1 CSR as a field of study

Corporate social responsibility as a linguistic term and a concept can be traced back to the 1950s and 1960s when social science scholars in the US started researching and questioning the responsibility of business in the society (Carroll, 1999:270-271). Despite the relatively long history as a concept it is difficult to find a common understanding and definition of CSR in research today. The concept is applied within different schools of teaching and research, i. e. economics, business, philosophy, ethics, politics, sociology, theology and more (Jones, 1996; Kallio, 2007; Korhonen, 2002; Godfrey & Hatch, 2007). It can be understood as a field of research that stretches across different disciplines and not as a discipline in itself (Lockett et.al., 2006). If we define CSR as an overarching definitional term, we can find several other terms and concepts that have grown out from the concept as it has developed. Stakeholder theory, corporate citizenship and business ethics theory are only a few examples of the related and more distinct concepts within the theme of CSR (Carroll, 1999:288). CSR can be seen as a collective name of different activities found within different disciplines and not as a description of one specific activity in itself (Godfrey & Hatch, 2007:88).

Making the distinction between discipline and theme of study could be challenging as the concept is applied and understood in different ways under the different academic disciplines, and it requires the researcher to be rigorous in how the definitions and discourses that form the concept is treated. The ambiguous nature of the theme makes it important and necessary to collect and analyse information on the constructs and discourse (Jones, 1996). If there was a

common understanding and definition of CSR, research could have focused solely on the action of the actors and been working under one academic discipline. But with a diverse interpretation and use of the term, a broad research focus is needed. This sets the stage for an approach on how language integrates and constitutes mental, social, cultural, institutional and political phenomenon (Gee, 1999).

4.1.2 Critique of studying CSR

A sharp critique of the use of CSR as a concept in business, academia and in popular discourse comes from Marxist institutionalism. The foundation of the critique is to be found in its understanding of the corporation and the entrenched ideology of capitalist political economy. Jones' (1996) understanding and critique of CSR is characteristic for this approach, where he describes two different approaches to CSR which he sees as flawed. Firstly, the reasons for corporations to be socially responsible can be explained by rational economic behaviour. Such a definition of CSR does not exceed the description of all the other profit calculated decisions also present in a corporation, and is therefore redundant as a definitional concept describing something more than the core process of maximising profit. This perspective can be argued to lie close to the arguments used by utilitarian and liberal economists, and will be further elaborated on later in this chapter. A second understanding and critique of the concept offered by Marxist institutionalism is an understanding that corporations would act socially in excess of their main goal is flawed, as the owners of capital has one intention with the corporations; to produce more capital through maximising profits. Believing that the owners care about anything but the capital rests on a distorted view of the underlying intentions of the capitalist; that the corporation is set up for any other reason than to create a profit for the owners (Jones, 1996; Shaw, 2009). This rejects the notion of a CSR concept and views the study of CSR as a distortion in a larger structural debate within the academic field of IPE on capital and power. There are some structural constraints of capitalism that makes the study of CSR irrelevant because of the inherent incentives and agendas built into a capitalist system (Shaw, 2009) In this paper, such a view is rejected on the basis that the concept of CSR has some ideological, moral and systemic characteristics and as such it is not limited to the internal mechanisms of corporations or by the description of the capitalist system. This will be discussed in the following part, where the different ideological dimensions of CSR are identified. It is nevertheless useful to keep in mind the critical perspective when dealing with the concept of CSR on a structural and theoretical level.

4.2 Constructing and identifying approaches to CSR

An argument that this research will be built on, is that the understanding and definition of the concept of CSR will matter for what approach actors take in the operational activities. This is based on the more philosophical approach that ideas matter and constitutes the way people talk and act (Moses & Knutsen, 2007:210-213). Such an approach does not reduce the importance of understanding and studying the operations and activities of companies, governments or investors, but demands a wider framework for interpreting talk and acts related to single issues and can be found within the constructivist perspective.

It makes a discursive approach useful for understanding the background, the framework and the ideologies that the actors operate within. This approach seeks to uncover some ideological dimensions by looking at how language and practices constitute the understanding of CSR. One could operate with two levels of definition, firstly how the actor or the organization perceives its social responsibility, and secondly how this perception is operationalised in actual performance and action. This research does not solely focus on one of these levels, but investigates both the practical approach and the guiding values as it is assumed that these two levels constitutes each other⁵. Especially when working with hybrid-organisations such as DFIs it is important to uncover the values that lead to specific decisions by focusing on the actual decisions. Hybrid organisations often have stated social ideals or goals, extending the ones stated by private corporations. However, the hybrid organisations are to some extent operating within a market to achieve some of the social ideals. Examples of such hybrid organisations can be public-private hospitals, Islamic banking and research institutes (Tulder & Zwart, 2007; Koppel, 2003). Understanding their operations and the effects are important as a descriptive research exercise, but this paper argues that understanding and describing the ideas, guiding principles and social ideals can offer more fundamental explanations to how such organisations are working. One way of approaching such a task is to identify the discourses in play within organisations. A variety of ways of dividing, rating and separating understandings and issues within the CSR concept can be identified, and the various academic disciplines can be found to have their way of approaching the concept.

For this research it has been important to construct a typology with discourses that describes the different approaches to CSR in a wide way, broader than the classic business perspective (Aupperle, Carroll & Hatfield, 1985; McGuire, Sundgren & Schneeweis, 1988). A policy

⁵ For further elaboration on this; see the chapter on philosophy of science

perspective at the structural level has been constructed to be applicable for different actors such as governments, citizens and NGOs. Approaching the concept with the theoretical lenses of international political economy (IPE) as a global conversation (see Blyth, 2009), with emphasis on norms, identities and ideas (Abdelal, 2009; Ruggie, 1998) has been useful. The framework constructed on CSR discourses builds on the field of business ethics and IPE with an overarching dimension of CSR from moral theory, as put forth by Michaelson (2006) where ethics are not separated from compliance. The integration of ethical values as guidance for policy is one of the assumptions that the analysis rests on.

To identify discourses, a framework and a theoretical model on different approaches to CSR has been constructed by doing a literature review on the theme. The historic and ideological roots to the different discourses are presented and linked with up to date examples. With basis in the theoretical dimensions, a precise framework of CSR regimes is constructed with the purpose of identifying the CSR approach taken by Norfund. The institutional and organisational aspects of the hybrid organisation can restrict the use of standard measurement methods for corporations, and the typologies are constructed acknowledging the role of DFIs as hybrid-organisations.

This way of thinking about CSR can be modelled into four different ideal models, which should not be seen as a scale from better to worse behaviour by corporations, but independent characteristics of how the concept of CSR is defined and the roles assigned to the actors. These overarching theoretical constructs do not only apply to corporations themselves, but to society as a whole, including governments through regulation and ownership of companies, NGOs expectations and customers' demands of how corporations should act. The different attitudes to the role of corporations can be found in theories and discourses in a wide understanding of international political economy and moral philosophy (Godfrey & Hatch, 2007). The different approaches can be defined as competing CSR-regimes that will differ between companies, governments and whole societies. From a corporate perspective, the CSR regime that a company operates under may differ from one country to the other. A philanthropic act like building a school or a community centre might be seen as an act of window-dressing in one country, as an excellent act of local commitment in a second country, or as a prerequisite on religious grounds in a third country. The societal context determines how a corporate act is perceived, expected and valued within a social entity such as a country. When the international dimension is added to the equation, the complexity and the rivalry of the issues increases. Not just between multinational corporations and in the countries that they

invest in, but also between governments, IOs and NGOs. Examples of such complex arenas with differing CSR regimes are the WTO, OECD, the World Bank, ILO, IFC and the UN (Tulder & Zwart, 2006:221).

The following framework is based on van Tulder's (2006:144; 2008; 2009; Van Tulder, Van Wijk & Kolk, 2009) typology of four different approaches to CSR. These models were originally developed to describe how different businesses handle CSR, but with an increasing focus on CSR in itself as a development strategy (Kell & Ruggie, 2001; Prahalad, 2006; Utting, 2003; Kolk & Van Tulder, 2005; Thérien & Pouliot, 2006) the framework could and should be applied to other actors than MNC, such as development agencies, funds and public-private partnerships. The original typology is extended, not by applying more categories, but adapted to encompass a range of actors in society, especially with the hybrid organisations like the DFIs in mind.

The following sections will give a short litterateur review of the theoretical foundations for the different approaches; *inactive*, *reactive*, *active* and *proactive*. These should not be understood as mutually exclusive or best practice models but as constructs or ideal models with their own logic and proponents (van Tulder & van der Zwart, 2006:143).

4.3 The Inactive Approach

This view is fundamentally in-ward looking, where business is given the role of efficiency and competitiveness in the immediate market environment.

The ideological roots can be said to stretch back to utilitarianism with John Stuart Mill, Jeremy Bentham and Adam Smith (Nyeng, 2002; Lundestad, 2005; Swanson, 1995). An action is determined solely by its contribution to overall utility. This is derived from consequence ethics, where focus is on the end result rather than on the ways it is being achieved (Van Tulder, Van Wijk & Kolk, 2009:401).

In early political economy⁶ Smith gave some early insights on ethics and economics in his groundbreaking work *Wealth of Nations* ([1776]1998). His work on economics and moral philosophy encompasses a way of looking at society with the market as the central social structure. He clarifies how the actors in the market should act; "By pursuing his own interest

⁶ The classic definition of Political Economy as the study of production and trade is now known as Economics. The contemporary definition of political economy is interdisciplinary by including law, political science and economics in explaining structures in society (Weingast & Wittman, 2006; Lake, 2006).

he frequently promotes that of the society more effectually than when he really intends to promote it” (Smith, [1776]1998:594).

The economics of a free market is central and government restrictions on this market would reduce economic output. Under a free market the market-actors are pursuing their self-interests and then an “invisible hand” will adjust prices, ensure maximum output and promote public interest as a whole (Smith, [1776] 1998). This view demotes politics and lifts economics in the balance between the two. The following quote exemplifies Smith’s view on how companies should think about the setting of wages as an input factor that would diminish unless the workers were given a higher wage than bare subsistence:

A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation (Smith, [1776]1998:101-102).

Interpretations of Adam Smith and David Ricardo can be argued to build the foundations for classical economics (O’Brien, 2003). But it was Milton Friedman that took the theories from classic economy into the growing debate on corporate responsibility in the 1970s, with his essay titled “The Social Responsibility of Business Is to Increase Its Profits” published in the New York Times (Cheney, Roper & May, 2007:5; Friedman, 1970). Here he states that the purpose and the responsibility of the corporations are limited to making as much money for their stockholders as possible (Friedman, 1970). This clearly defines and limits the role of corporations, not only to serve the interest of their stockholder, but it also defines the interest of the stockholders; to maximise the profit and gain a return on their investment (Friedman, 1970). He uses the definition of social responsibility about the core activity of the firm, and the main goal is to pursue the value adding activity of maximising profit;

...there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud (Friedman, 1970)

This approach is often referred to as a part of the stockholder theory⁷, where corporate management's responsibilities are limited to the will of the stockholder (Friedman, 1962; McAleer, 2002).

4.3.1 The link to 'development' and poverty alleviation under the inactive approach

Corporations that are making social contributions are reducing the shareholders power to decide over their own money (Friedman, 1962). The owners of property should themselves decide on making charitable donations and not let the corporation take a social role extending their mission to generate economic profit. Friedman also discusses the rationale behind why social engagements like charities or donations should be avoided for economic reasons, both for corporations and for individuals. Here he points to the problem of the prisoner's dilemma⁸ where one's donation will benefit all those who refrain from donating, and therefore one would and should not donate unless everyone else does. This is also referred to as a neighbourhood effect (Friedman, 1970; 1962).

Henderson gives a contemporary view within this approach by explaining why corporations should not engage in "the current doctrine of CSR" (2001:160-164); as this would reduce the welfare production in society by interfering with the market mechanisms. The corporations should be focused on keeping the costs down to increase profits, and this will lead to innovation, which subsequently benefit ordinary people, including the poorest (Henderson, 2001:140). Defining the corporation as a social entity and to extend its social responsibilities would make the general public worse off and the poorest countries and people would lose out as the market structure would not be able to operate freely and the pie to share would be reduced (Henderson, 2001).

4.4 The Reactive approach

This approach is not radically different from the inactive, but has some practical implications. The attention is here more on avoiding making any mistakes as defined by the external environment of the organisation. Thus, it is often described as a classic outward-in approach, where the values and the expectations of the operating environment are incorporated in activities. For organisations, this often means that they do not react unless competitors or similar organisations adopt norms and values. Thus, CSR can translate into corporate social *responsiveness* (Van Tulder et.al, 2009:401). From a moral theoretical stand, this view can be

⁷ Also referred to as the shareholder theory.

⁸ Interpreted as a game-theory representing a choice between selfish behavior and socially desirable altruism (Kuhn, 2007).

classified as negative duties. This means duties not to cause harm, which is arguably different from the duty to prevent harm as a positive duty (Malm, 1989). The negative duties for corporations are then set by the stakeholders, meaning that firms are compelled to conform to informal, stakeholder-defined norms of appropriate behaviour (Maignan & Ralston, 2002). As such the corporations are not given any other internal norms or value than maintaining the interest of the stakeholders through not doing harm while performing their core activities.

Compared to the inactive approach organisations are more sensitive to their surroundings, but the motivation is fundamentally the same; to maintain the self-interest of the organisation. The indicators that an organisation measure itself and report on is the same as in the inactive approach, such as productivity, short and mid-term return and employment (Tulder & Zwart, 2006:142-146). Violating the norms set by the stakeholders does not mean violation of formal laws with legal persecution as a result, but the corporation might be hurt by reputational damage or other methods that the stakeholders might have to inflict in the corporate behaviour. The damage that such processes might cause the corporation is the prime motivation for engaging in CSR. The perspective of conditional morality also applies to this approach as the actors do not engage in activities unless similar actors do the same. Acts of social responsibility are reactions to external norms and practices.

Corporate philanthropy, as often associated with CSR or even defined as CSR, can be found by actors taking the re-active approach, however only the form that gains the core activity of the company. An example could be when companies build a local health clinic or a school in developing countries to gain goodwill and market access.

4.5 The Active Approach

Organisational objectives and acts are motivated by explicit ethical values and are realized and run regardless of stakeholder pressure. This approach is characterised as inside-out or outward oriented approach to the core activities of the organisation (Van Tulder & Van der Zwart, 2006). In ethics, this approach can be characterised by taking positive duties; the duty to prevent harm. This means that instead of not just inflicting harm; there is a duty to actively prevent harm from happening (Malm, 1989). This can be described as organisational integrity, where organisations act, not because of some external pressure from stakeholders, but on autonomous grounds. There is an inherent code of ethics and an urge to pursue this within the organisation (Kaptein & Wempe, 2002).

In societies that are founded on principles of business production methods, this approach can be regarded as socially irresponsible as it breaks with the core understanding of social responsibility as value creation itself and the role of corporations as profit making instruments for the owners. Business efficiency and the continuity of the company are challenged under this approach as some normative, ethical guidelines are more important than the survival of the business at any cost. “Doing the right things right” could be a suitable slogan for this approach.

4.6 The Proactive approach

Activities are set up and aimed at the stakeholders in the first place and are interactive in that actors on the outside of the organisation and actors inside meet to agree on certain common norms. Habermas’ (1992) discourse ethics as the moral fundament for this approach, as actors meet to gain a common understanding of an issue by forming norms that everyone agrees upon. Valid norms are created through a mutual understanding, and creating much emphasis on the conversation or the communication between actors. Some basic rules have to be in place for this approach to function, for example that everyone has to have the opportunity to take part in the debate, without any internal or external coercion (Van Tulder & Van der Zwart, 2006: 145-146; Habermas, 1992:50-54). This approach take social responsibility as a societal concept, where the whole society is the focus for corporations and their activity should benefit the whole economy, taking a welfare orientation (Van Tulder & Van der Zwart, 2006:146). The activities undertaken by the proactive is aimed at external stakeholders at the setup of the organisation. This approach is often found in bargaining societies where the overall benefit of one industry or company is agreed upon by the society as a whole. One could see processes of globalisation in light of the proactive approach as a continuous discourse-process defining common expectations and responsibilities for all international actors (Van Tulder & Van der Zwart, 2006:270-271). However, operating under international conditions is complex for most actors and a pro-active approach is therefore easier under conditions where communication with stakeholders at all levels is present, for example within state borders.

The four approaches described are summarised in Table 4.6. The different definitions of CSR in line three are set to indicate how the different approaches see responsibility in different ways. The different approaches’ strategy towards handling single issues is shown as dimensional in the table. It stretches from defensive for the passive approach to offensive for an active, and points to the depth of action in handling CSR issues. From defensive, when

4.7 The political economy of CSR regimes

At the bottom of the table three distinct CSR regimes are placed according to the CSR approach found in America, Europe and Asia. The placement is based on identifiable characteristics such as the reporting on sustainability among Fortune Global 250 companies; where 90 % of European companies report, while 35% of the American companies report (Van Tulder & Van der Zwart, 2006; Williams & Aguilera, 2008). But the different CSR regimes are identified as more structural systems within some socio-political traditions, with their own corporate governance systems (Williams & Aguilera, 2008). A much used framework from international political economy (IPE) is Hall and Soskice's (2001) varieties of capitalism. They offer a systemic approach to differences in structure and strategies in the political-economic reality between states with their framework. They are mainly concerned with the internal institutional practices of states and draw an analytical boundary between liberal market economies (LMEs) and Coordinated Market Economies (CMEs) (2001:3-68). Underlying values and systemic characteristics that constitute the diversity described by Hall and Soskice gives a foundation for a further investigation into political-economic issues, such as corporate governance differences. It has been shown that the differences between how European and US companies are regulated, in combination with the difference in structure of ownership, give different types of corporate scandals (Coffee, 2005). Gjølborg (2008) argues that these political-economic differences still persist and that there is no global convergence, as suggested by proponents of globalisation (Friedman, 2007). As CSR is found in other structures than the economic, such as ideology or religion, there might be an economic convergence

4.8 Norwegian CSR and why we could expect Norfund to take an Active approach

A distinct Norwegian CSR regime can be recognised by looking at the political economic relationships and traditions entrenched in the Norwegian society (Gjølborg, 2009). The social system and the post-war period have been characterised by stakeholder dialogue between strong groups of actors in society. Especially the trade union's position has contributed to a society where problems have been raised and this tradition has been carried on by an active NGO engagement with corporations (Morsing, Midttun & Palmås, 2007). The fundamental societal conditions in Scandinavian societies can be seen as driving the CSR agenda forward by; "a general competence in dialogue, critique and negotiation" (Morsing et.al, 2007). Combined with a general high trust in organisations and institutions and the willingness to

engage, these characteristics do not only make corporations able to handle issues, but it raises the expectations of how society as a whole should deal with issues. These expectations rise when Norwegian companies operate abroad as the societal institutions able to absorb issues that might come up are absent. The Norwegian government formalised the CSR work towards companies going abroad in 1997 with the establishment of KOMpakt, a body with representatives from labour organisations, NGOs, academia; truly in style with the corporatist tradition (Gjølberg, 2009:8). The development from this initiative to the White paper on CSR in 2009, the CSR aspect has been increasingly entrenched in the foreign policy and part of the branding of Norway as an “humanitarian superpower” (Gjølberg, 2009; St.meld. nr 10, 2009).

In the analysis of this paper, Norfund’s approach to CSR will be seen in relation to the Norwegian and the Scandinavian CSR regime as described here. It could be claimed that the expectations towards any organisation in Norway, public or private, would be high when it comes to attention towards issues that might rise, but to a larger extent being able to handle a potential situation. Thus, we could expect Norfund to take an *active* approach, as most organisations within a Norwegian context could be expected to take such an approach, according to the Norwegian CSR regime, manifested by the White paper on CSR (Gjølberg, 2009; St.meld no.10, 2009). This is in line with hypothesis three. Given that Norfund has a political mandate of development and is operating with public money we could even expect Norfund to take a *pro-active* approach towards CSR, which is hypothesis four.

4.9 The case for Norfund to take an inactive approach

Hveem, Knutsen & Rygh analyse the differences of Norwegian state owned enterprises (SOE) and privately owned enterprises (POE) engagement in FDI when it comes to jurisdiction and political conditions in the host countries (2009). Their results show that there is little difference in investment behaviour between SOEs and POEs when it comes to investing in democratic countries and countries protecting labour rights. This suggests that SOEs do not include typical CSR values like democracy and labour rights any more than private investors do in their investment decisions (Hveem et.al, 2009:23-24). Norfund cannot be characterised as a conventional SOE, and on a market-state scale from fully private to state department, it should be characterised closer to the state department than conventional Norwegian SOE such as Statoil or Telenor. The analysis by Hveem et.al is nevertheless interesting as it suggests that state ownership does not make companies more inclined to following CSR policies. If the same was true about Norfund and (the investments made) as a state actor in the capital markets, the CSR approach could be expected to be closer to an *inactive* approach than an

active or proactive. This argument rely on a description of institutional behaviour that it might be fruitful to compare with, and does not offer an explanation of why we should expect Norfund to take an inactive approach. It is according to hypothesis one, that we could expect Norfund to take an inactive approach to CSR.

Although the national context shows that there is a strong tradition in solving societal issues in collaboration with stakeholders, this seems to change when Norwegian companies invest abroad. A study of how Norwegian companies performed on CSR compared to international companies showed that 60% performed worse than their international counterparts (Midttun & Dirdal, 2004). This study is however presented as an exception from a wider trend that the Scandinavian companies can be measured to take a stronger overall approach to CSR (Morsing et.al, 2007). An explanation to this might be that the companies investing abroad are in sensitive or risky sectors like infrastructure (Telenor and Veidekke) or extraction of natural resources (Statoil and Vattenfall), and that companies in these sectors are more vulnerable to social and environmental issues (Morsing et.al, 2007).

4.10 CSR issues

In table 1, the different approaches to CSR are indicated on a dimension from defensive to offensive towards CSR issues. In the further analysis on Norfund's approach to CSR, some key issues are selected and used as indicators. Issues are here defined as when the contextual expectations towards the operations of an organisation differ from the operations and/or the attitudes of the organisation. This causes an expectational gap or an issue for the organisation. The stakeholders often hold different views among themselves on acceptable behaviour of an actor. This causes a normative distance between the different stakeholders and the actor itself (Van Tulder & Van der Zwart, 2006:158). Wartick and Mahon (1994) offer a structured framework for dividing issues into how they become issues. This framework comes from management studies, but is here adapted to be useful for the analysis of Norfund's approach to CSR. Wartick and Mahon (1994) divide such issues into three ideal groups; factual gaps, conformity gaps and ideational gaps.

The factual gaps rise when there is disagreement on the facts at the basis of an issue. There is a disagreement about the underlying assumptions of some act or operation. Conformity gaps are when stakeholders agree on the facts and assumptions, but disagree on the responsibility (Wartick & Mahon, 1994; Van Tulder & Van der Zwart, 2006). An example of this can be issues related to the damaging effects of tobacco, where governments, producers and public

opinion have a common understanding about the negative health effects, but there is a gap in the expectations on who should take the responsibility. This gap forms several questions linked to the same issue: Should the government regulate? Should the producers warn or stop production? Should the public take responsibility for own life and health?

The third kind of gap producing CSR issues is the ideational gaps. Differing norms, ideals and values can create deep disagreements on corporate behaviour (Wartick & Mahon, 1994; Van Tulder & Van der Zwart, 2006). Such gaps are increasingly important as cross-border activity exposes groups of different belief systems and normative understanding to relate to bilateral actions. An example of this is the issues that MNC face both at home and abroad. For example the Norwegian Telecom Telenor ASA, which has been criticised for the use of child labour in Bangladesh, not just by its Norwegian stakeholders, but also leading figures in Bangladesh (Aftenposten, 13.05.2008).

The framework on different kinds of issues is applied to the stand taken by Norfund and the relation to the organisation's stakeholders. In the analysis of Norfund's approach to CSR the issues focused on will be characterised and seen in light of the kinds of issues described. The issues can be argued to be closely linked to the four approaches discussed as different kind of issues are handled in different ways depending on which approach is taken. Therefore one could expect issues to be handled differently from an active to a passive approach to CSR, according to the theoretical framework given in table 1. This is discussed further in the analysis and the concluding parts of this paper.

4.11 Organisations' motivations and limitations to CSR engagement

In the following section the use of organisational theory will be discussed in light of research questions two and three; *What values motivates Norfund to deal with CSR? And how is CSR operationalised in Norfund?*

As previously discussed in this paper CSR can be defined as set of norms and rules. Kratochwil defines norms and rules as "problem-solving devices for dealing with the recurrent social issues of social life: conflict and cooperation" (1995:69). Then one can ask how these problem-solving devices develop, and do they develop in response to change in social issues and social life? The rules and norms in the international sphere can be characterised by how institutionalised they are: bound through conventions, practices or precepts (Kratochwil, 1995:94).

To answer research question two and three this view can be used, as values and norms can be identified in the practices and conventions in the organisation. To analyse statements on processes and issues regarding CSR in an organisation, can potentially say something about how institutionalised certain norms and values are. The results from such an analysis on Norfund will be presented later in this paper. First a discussion on organisational aspects and theory will be presented under the assumption that CSR can be seen as an organisational value depending on three key factors: employees, competencies and organisational identity

Three issues are important when looking at CSR as an organisational value; the approach taken by the employees, the core competencies and the organisational identity (Collier & Esteban

4.11.1 Organisational culture and motivation to pursue CSR

Observing what is going on within organisations is different from explaining *why* things are done. In academic studies on organisations, it is often referred to the culture of organisations and not the discourse. Such studies often build on an anthropological understanding of culture, but they share with studies of discourse the fundamental understanding that values and belief systems should be the focus of study (Schein, 1985:3). The concepts of organisational culture and organisational discourse will here be used interchangeably although there is a debate on the nuances between the uses of the two concepts (see Alvesson, 2004). By understanding the organisational culture it can be argued that we are able to explain the things observed. The concept of culture in organisations can here be defined as the informal values and norms found within organisations (Christensen, Lægreid, Roness & Røvik, 2004:47).

Whether public or private; organisations can be set up with different purposes and goals and can have different motivations for running processes and achieving their goals. The forces that motivate and drive an organisation can be said to be manifest in some organisational concepts that include the organisations mission, internal culture, organisational incentives, as well as the values and beliefs about the role the institution plays in society. From this, some key factors motivating organisations can be identified; history, mission, culture and incentives (Lusthaus, Anderson & Murphy, 1995:23-29). These factors can be identified both at the individual level and the organisational. Much of the literature on organisations' motivational factors for engaging in CSR is narrowly defined within the business perspective, but the analysis in this paper goes beyond such a perspective by defining the organisation as a social

entity. Isolating the single motivational factors and analysing how acts in single issues can be seen in light of these factors is done when analysing Norfund's motivation for engaging in CSR.

4.11.2 Historical factors

Organisations have a history and a memory, both on the individual and on the structural level. Individuals within the organisation gain experience and have their own history in the relation to the organisation, but these experiences should not be fully equalled to the history of the organisation. There is a common interpretation of the past that consists of information stored, based on individual recollection and shared interpretation of key events (Walsh & Ungson, 1991:57-88). Thus, the history is manifested in formal documents such as the story of how the organisation was established, key achievements and important changes in structure and management. But the history also consists of the unwritten collection of stories and experiences from critical processes or events, entrenched in the organisational identity. The history of an organisation can therefore be an important factor in analysing the motivations for organisations to take certain actions and strategic choices (Lusthaus et.al, 1995:23-29). A detailed history of how Norfund was set up is included in this paper as this is seen important in understanding the decisions made today. This historical account is not a deep analysis of the historic narratives within the organisation, but based on the official papers available to the researcher. How the historical motivational factor has come into play in Norfund will be discussed further in the analysis.

4.11.3 Mission statements

The mission statement of an organisation can be characterised as a yardstick on the higher purpose for the existence of the organisation. This could be a document collecting dust on the shelf, not guiding the daily decisions in the organisation, but the mission statement could also be formulated and used in a way that applies directly to the activities in the organisation and such be a driving force behind the decisions made. One can separate between the perceived mission and the written mission, where the perceived mission is part of the organisational culture (Lusthaus et.al, 1995). On the CSR field one can find differences between the actors that make CSR statements as a window-dressing exercise through their mission statements and the actors that incorporate CSR to their activities. This dimension can be found in the different CSR approaches, where actors taking a re-active approach would pursue window-dressing and be limited to stating CSR principles until the stakeholder pressure is too strong.

While a more active approach would incorporate CSR, not only in the statement but also in the daily decisions made (Van Tulder & Van der Zwart, 2006).

Culture

Christensen et.al (2004) discusses how the organisational culture is formed through internal and external pressure. Internal pressure is characterised by the norms and values that the employees bring into the organisation through their educational background or professional experiences. Different sub-cultures within organisations can also act on the organisational culture from the inside. External pressure can come from entities that the organisation relates to in their close environment. For public organisations that might be instructing ministries or consultancies (Christensen et.al, 2004). Selznick (1984) differs between an *organisation* and an *institution* as analytical models for how incorporated systems for carrying through policies are. The model organisation is characterised as mechanical and instrumental. Rules and policies are strictly defined and adhered to without the interference of belief systems or personal judgement within the organisation. The *institution* is described by social and cultural conditions affecting how the decisions are made. Decisions are taken on more flexible and adoptable grounds not necessarily bound by strict processes to operate (Selznick, 1984:5-22; Christensen et.al 2004:47-50).

CSR can be argued to consist of a set of dimensions on several political issues. Child labour, environment and equal right are examples of political issues with their own dimensions with inherent supporters and opponents. How corporations relate or should relate to such political issues in a broad sense can be described as the corporate social responsibility. Proponents of the *inactive* or the *proactive* approach (van Tulder, 2006) both has to relate to the politics of such issues in that they reject the corporate responsibility or believe that corporations maintain a social role and responsibility. The nature of CSR makes it inherently *institutional* as it requires actors to take on some social, normative, adaptable role. When political issues, for example slavery or corruption, is regulated and incorporated into the laws of one country, the issue can be argued to cease to exist as a CSR issue. The state has taken on the social responsibility of the company. Such a view relies on an very strict understanding of the ideal model of the *organisation*. If all companies are organisational rather than institutional then issues regulated by official law would no longer be a CSR issue as the instrumental and mechanical approach to regulation would ensure that any social values within a corporation would not be guiding for the management and activities.

The CSR dimensions can be discussed in light of the ideal models of organisations described by Selznick (1984). Although these models are developed with public organisations in mind, they could be applied to corporations for the purpose of the analytic exercise. If corporations are steering their CSR policy according to social values, among employees, customers and the wider society, they can be argued to be closer to the *institutional* model. While if they rely on governmentally enforced laws and international regulations in dealing with their CSR issues, they can be characterised as closer to the *organisational* model. This dimension can be recognised from the ideal models of *inactive* and *proactive* in the CSR discourse with the arguments that the corporation only has responsibility towards its owner and the public regulation where it operates, and only these official rules set by the owner should be guiding for the social engagement of the organisation.

The theme of corporate governance deals with the relationship between the management of a company and the owners. This divide is one of the essential attributes of the corporation, but also controversial (Berle & Means, 1932; Bainbridge, 2008:5). The separation of ownership and management creates a potential for the interests of the shareholder and the managers' interests to diverge. The classic definition of such diverging interests is that the investor is entitled to the profits of the company, but the managers have incentives to hide earnings for the benefit of the company and thus themselves (Bainbridge, 2008:3-8).

5. Methodology, methods and design

A clear distinction is made in this chapter between methods, methodology and design, where methodology is understood as the principles that determine the tools of scientific investigation. Research method is the description of strategies and techniques for gathering data and testing of hypotheses. Research design is here defined as a description of the actual research process. The first section in this chapter discusses the methodological assumptions made in this paper. The second section gives a description of the methods applied and the last section presents the research design.

5.1 Research methodology

This chapter on methodology outlines the scientific assumptions that underlines this research and should not be mistaken for a description on the specific methods applied. The ontological and epistemological assumptions that the research rest on will be explained and discussed. First, the reasoning for choosing research method and the philosophy of science will be discussed.

Yin (2009:8) recognizes three conditions for the choice of research method, (1) type of research question, (2) the researchers control over events and (3) focus on current or historic events. In social science the researcher's control over events is limited and experimental approaches are less common than in the natural sciences. The use of statistically controlled variables can ease some of the problems related to experimental designs and establish causal analyses. Sophisticated statistical methods can be applied to establish controlled relationships between variables that represent some descriptive features (Ringdal, 2001:75; Hellevik, 2004:25). This often implies a simplification of the observed world to fit the models to be able to see relationships and draw conclusions. The statistical, descriptive approach can increase our understanding of what happens, but lacks the ability to explain why it happens. Sceptics to the implementation of such methods in social science point at the complexity and irrationality of social relations, and that this naturally limits the ability to predict through quantified variables (Strange, 1988:11).

As researchers we then have to make some choices of how we can gain knowledge and explain the political and the social world. How we can get knowledge and what reality we are working within are questions that enter the debates over philosophy of science, the ontology and the epistemology of research. Ontology is concerned with what the world is made of,

what exists and what is real. Thus, the ontological stand taken has great implications on what a researcher focuses on. The definition of what the world consists of and what exists has consequences for what is worth studying and how things are studied (Moses & Knutsen, 2007:4-11).

Epistemology can be defined as the conditions for how to gain knowledge of that which exists. It is concerned with the certainty of the conclusions and claims that follows from an analysis. A third definitional concept is the methodology of research, which describes and discusses the methods applied. It should not be confused with the methods themselves but, as a description of the principles that leads us to one method or the other (Hay, 2002:61-67).

The research and analysis presented in this paper is approached with thin constructivism⁹ by recognising that people may look at the same thing differently and that the world can be described and perceived in a variety of ways (Moses & Knutsen, 2007:4-11). It can be said that there is a tradition in the study of CSR from an IPE approach to take a constructivist stand (Ruggie, 2008; Haslam, 2007; Langley, 2008). From a constructivist point of view the world should be understood by looking at context, assumptions and conventions to understand social action and the agents performing it. It is worth mentioning that there is a conceptual difference between social constructivism as an applied theory of international relations (IR) and constructivism in philosophy of science. But in this paper constructivism is not limited to be a theory of IR or a meta-theoretical assumption within the philosophy of science. It is approached as an integrated research perspective, building on Ruggie's (1998) understanding that constructivism "rests on a deeper and broader ontology, thereby providing a richer understanding of some phenomena and shedding light on other aspects of international life that, quite literally, do not exist within the neoutilitarian rendering of the world polity" (Ruggie, 1998:883).

Such an approach to the philosophy of science can be said to have a different purpose than a positivistic approach. The goal of the research presented in this paper is not to find a causal or a law-like relationship between variables. However, it is recognised that a positivistic approach could have been applied if the purpose of the research have been different and that research on CSR in general is not limited to a constructivist approach. But such an approach offers the ability to examine one particular event in light of larger developments; the

⁹ "Thin constructivism accepts a basic tenet of modern science, that one can proceed with research assuming a clear distinction between researcher and data, between the student and the studied" (Barkin, 2003:9).

understanding of what is real and meaningful to one actor can tell something about how this actor will behave and offer potential explanations on how this has consequences for the surrounding society (Moses & Knutsen, 2007:9-13).

The research question should be the guiding principle in choosing the scientific viewpoint and the methods applied. By making the research question decide which technique that would be best to answer the proposed research question, the researcher is not bound to a specific method, but will follow the best method for the topic and question proposed. But it could also be argued that most research questions can be answered with the application of different methods, without one of them being better than the other. Also the researcher is under a resource strain, because when the choice is made on what method to choose and data collection is started, the researcher has invested time and effort into one method, which will make the shift to another more costly. The ideal would of course be to perform research with a wide array of methods applied to the chosen topic and then review how the different methods perform in answering the research question. However, most researchers are under constrain of time and resources and have to make a choice early on in a study. The inherent problems in choosing a less fruitful method for one's research project could ease as the researchers experience and knowledge increases.

The topic for this research project can be broadly defined as development finance and corporate social responsibility. This is a field stretching across several disciplines such as economics, politics, business and ethics. Different disciplines often have their own ontology and epistemology with the result that different methodologies are applied. This could be challenging for the inexperienced researcher when choosing an approach for such a research topic. But for this project a case study has been chosen, as the focal point in this study is the hybrid organisation of Norfund. When one single phenomenon is studied the research can aim to uncover manifest interaction of significant factors in the chosen organisation. But it can also capture more latent nuances and patterns (Berg, 2009:318). These advantages and the flexibility offered by the case study has been guiding selection of method in the research on Norfund. With the case study as a framework, the data has been collected through interviews and document studies. This has been done by following an initial research plan set with the basis in the research questions. The following section will explain assumptions and measures taken when carrying out the research plan.

5.2 Research Methods

This chapter describes why and how the case study method is used to analyse Norfund and CSR. The issues of validity, generalising and the use of discourses when doing case studies and performing interviews is discussed. Findings and analysis in this paper should be seen in light of the strengths and the weaknesses of the methods applied as discussed in this section.

5.2.1 The case study

This thesis is set up to answer questions on “how” and “why” CSR is handled in Norfund. This type of research question is wide by trying to investigate mechanisms and processes in relation to the phenomena in focus. This makes the case study a good choice of method because of the ability to “investigate a contemporary phenomenon in depth and within its real-life context” (Yin, 2009:18). The “why” and “how” form of the initial research question suggests that a case study would be a fruitful way of answering the research question as the case study offers an in depth focus on a single issue or phenomena. Berg defines the case study as “a method involving systematically gathering enough information about a particular person, social setting, event or group to permit the researcher to effectively understand how the subject operates and functions” (2009:317).

Case studies can offer several advantages over other methods when performed with rigidity and clear definitions and with presentations of the specific techniques and methods applied to the case. Especially four strengths can be described for case studies; high conceptual validity, good procedures for developing new hypotheses, the ability to closely examine the casual mechanisms in single cases and the ability to describe casual complexity (George & Bennett, 2005:19). But the case study has also been criticised for not being a method at all, but rather a choice in what is being studied (Stake, 2005). Gerring acknowledges this by stating, “to understand what a case study is, one must comprehend what it is not” (2004:342).

Much of the criticism against the case study has been on that it is unscientific and without any distinct research design. This argument could be held true if the researcher does not spell out the details of the research design and thereby leave the results and the analysis of the research to rest on intuition (Scholz & Tietje, 2002:3). When using qualitative and non replicable data sources it is therefore imperative to follow a research protocol when collecting data and to give a comprehensible description on how the research has been done when reporting results. The integration of data from different sources also requires a rigorous and clear framework, not only when collecting data, but also when presenting results and doing analyses (Yin,

2009). In this research a case study protocol was created in the initial stage of the process, consisting of a plan on how to perform the research, giving the research questions, defining the case and setting an interview guide¹⁰.

When a case study is designed to focus on one particular object, without the goal of testing theory for wider generalisation or that the case represents a wider universe, the study can be called an intrinsic case study. Such a study is done to investigate special characteristics or problems inherent in the phenomena as oppose to instrumental case studies, where the case only serves as an illustration of a theory (Stake, 2005; Berg, 2009:325-326). This study should be placed somewhere between these focuses, as the main goal is to gain an understanding of the mechanisms at work within the organisation of Norfund, not with the prime goal of generalising to similar organisations or testing an organisational theory. However, the CSR theories applied to this case and the analysis of how the organisation relates to these theories can be seen as part of a greater comparative exercise, where similar or different organisations could be seen in relation to the same framework. This would place this research in a wider universe with the comparative values this can offer, thus, it should not be seen as purely an intrinsic case study. This research does not offer a comparative study of the CSR approach in other organisations to the one found i Norfund, but the results could be basis for future comparative studies. The theoretical framework and the discourses identified could be applied to other development finance institutions in future research. Some hypotheses for such future projects will be suggested in the concluding part of this paper.

5.2.2 Validity of concepts and the use of discourse

One of the advantages of case studies is the potential for high concept validity (George & Bennett, 2005:19). Concepts and definitions within social science are often ambiguous and imprecise. It is hard to argue that there is a common understanding of abstract phenomena's such as "democracy", "economics" or "politics". When dealing with such concepts it is therefore an important exercise to define and refine such concepts. Such definitions build the foundation for most research because the results rest on how the words, concepts and phenomena are operationalised. This view can be limited to a research-technical problem, with an overall goal that everyone should understand the meanings attached to the words and concepts used. So it is important that research projects tell the reader what underlying assumptions are made and what meanings should or should not be attached to the concepts

¹⁰ The interview guide is attached in Appendix I

used. One can separate this exercise into two levels; theoretical definitions and operational definitions (Hellevik, 1991:40). Theoretical definition is the set of explanations that a concept is put into and how it relates to other concepts. It is the background explanation of why this phenomenon is relevant. The operational definition is the bridge between the empirical world and the theoretical. This definition is the key to how the theory should be identified in the data. When performing quantitative research, this distinction between theoretical definitions and operational definitions can be more precise than with qualitative research. This does not mean that it is an easier task to do, or that the definitions are less problematic.

This challenge is met by using insights and methods from the discourse analysis, not by performing a full discourse analysis, but using discourses as an analytical tool in a case study. Some discourses are identified from the literature on CSR and ethics, and these are used as ideational frameworks for the analysis. This approach builds on the assumption, “that ideas matter and the way people think and talk about society is systematically related to the way that they act” (Moses & Knutsen, 2007:212).

5.2.3 Using discourses as an analytic framework

Silverman defines the discourse analysis as “the study of the rhetorical and argumentative organization of talk and texts” (2006:401). A deeper definition of discourses are given by Potter & Wetherell, “...people are using their language to *construct* versions of the social world. The principal tenet of discourse analysis is that function involves construction of versions, and is demonstrated by language variation” (1987:33). Using a theoretically constructed scheme as a lens on how an actor relates to a set of issues has similarities with analysis of ideology. But ideologies are seldom expressed directly through text and talk but are reproduced through discourses, not as clear images, but in bits and pieces through the use of language. To access the ideological dimension one then has to analyse the discursive practices that is going on within and around the object studied. Thus, ideology analysis and discourse analysis is here seen as closely related and complementary where the ideologies are the lenses guiding us what to look for and the discursive practices are the material we look in (Van Dijk, 1995a; Van Dijk, 1995b). Discourse analysis as a research method can be criticised for reducing the value of objective facts and materialism¹¹. Independent facts about the world are not comprehensible and this limits the possibilities for testing, comparing and explain theories independent of the discourses themselves.

¹¹ As defined in philosophy of science; different from dualism or pluralism.

The field of CSR could have been approached by using concepts like ‘ideologies’ or ‘paradigms’, but the concept of discourse has several levels to it as the constitution of power and the practice of language. The different levels that the discourses relates to makes it useful as a tool in qualitative research as one can identify ideas through examining language practices and vice versa (Thagaard, 2003:112). In the analysis of Norfund’s approach to CSR, the discourses will be used as an ideational framework and as possible model approaches to CSR and how these approaches or discourses can be identified in the language practices. This should not be seen as a fully fledged discourse analysis itself, but rather as the exercise of applying some of the assumptions taken and tools used in the methodology of the discourse analysis.

5.2.4 Generalising from case studies

Knowledge gained from positivistic research has strict demands of generalising results to a wider set of cases. This is of course an important criterion if the purpose of research is to build law-like statements about how the world is put together; statements that can be time-less and universally true. It is therefore important to separate between the different goals of research and this is tied to the concept of generalisability (Kvale, 1997:158-163). Schoefield (1990:180-194) suggest three different purposes of generalising from research; the study of ‘what is’, studying ‘what may be’ and studying ‘what could be’. A single case study can be done within a clearly defined context of similar or less similar cases to compare and place results within a confined space, depending which of the three purposes the study has. The generalisability of such research can be argued to rest on the chosen context of what is, may be or should be (Schoenfield, 1990:180-194). These aspects of Norfund will be discussed in the analysis of this thesis.

5.2.5 Organisations and case studies

What makes the case study a valuable tool when studying organisations? To gain insight into the life of an organisation the researcher should systematically gather information on all aspects. Berg identifies the case study as “an extremely useful technique for researching relationships, behaviours, attitudes, motivations and stressors in organizational settings” (Berg, 2009:331). The investigation could include information on a wide scale within the organisation or it could be limited to one particular aspect of the organisations qualities (Berg, 2009:330-331). In this project, one aspect of the organisation Norfund is the focus for the investigation; the approach to CSR. This is a limitation on the research focus of the organisation and it reduces the research from being an overall organisational study. However,

the concept of CSR is complex and can be said to be interwoven into the organisations policy and practices, in addition it is something that all actors within and around the organisation relates to (either consciously or unconsciously). Thus, the limitation to one single issue (if one can talk about CSR as a single issue) within Norfund does not necessary mean that many aspects of the organisation as such can be left out of the study. A broad scope is necessary even if the initial narrow definition of the research might seem limiting. Thus, the supporting research questions are set; 1) what are the possibilities and the limitations to exerting CSR?, and 2) What are the motivations for CSR? These two research questions can be seen as an operationalisation of the initial research question in seeking to uncover some mechanisms and issues that form the overall approach to CSR taken by Norfund. The two supporting research questions has been guiding in the data collection process offering the ability to specify questions for interviews and issues to search for in studying documentation. The following section will go through the interview as a qualitative research method.

5.2.6 The Interview

An interview will always be historically, politically and contextually bound. The conversation and the information gained form it will always rely on the social setting that two (or more) people engage in at a certain moment in time. The conversation can be described as a process where the interviewee and the interviewer both participate in the production of *the interview* (Fontana & Frey, 2005:695-698). This rejects the interview as a source of neutral information and it cannot be the source of objective data. Interaction and interpretation from both sides in the interview setting will affect the result of the interview. One can then ask if the interview should be part of the research toolbox for social scientists at all, given the problematic social relationships that seem to be in conflict with our ability to gain neutral knowledge? One can see this discussion in light of the debate on the philosophy of science where the interviewee and the interviewer are both working within different constructed contexts. The results are negotiated and contextualised within a certain setting.

Kvale (1997:161) separates between three distinct forms of generalisability; naturalistic, statistic and analytic. The statistic generalisation is explicit and focuses on creating and treating data from interviews in quantitative way and the statistical generalisability depends on the selection of interview subjects and the independence among them. Naturalistic and analytical generation depends on the judgement of the researcher and the reader of data collected through interviews. The analytical generalization involves some “reasoned judgement” to whether the results might be valid or transferable to other situations or subjects,

while naturalistic generalisation emphasise the reader or the interpreters intuition and experiences (Melrose, 2009; Stake, 1995 :85).

If research is done to gain in-depth knowledge on one phenomenon under a specific context, there is no obvious need to discuss the assumptions for generalisability. But if the researcher focuses on some of the aspects of generalising while collecting the data and presenting an analysis, the usefulness of findings and results for future research might improve.

For the study of Norfund, an analytical generalisation could have been a fruitful exercise, but this paper will be bound to giving some suggestions and not a full analytical generalisation. The results and analysis of Norfund's approach to CSR should nevertheless be seen as a solid foundation for future studies where generalisation between development finance institutions could be done by including structural aspects in a comparative research design.

To answer research question two and three in this research; what motivates and what limits Norfund to be engaged in CSR activities, the information gained from the interviews has been central. If one rejects the interview as a source of objective descriptions, the value of descriptions gained from interviews will be less valuable. The role that the interviewee takes in the relation to the interviewer will affect the stories told, and the analysis rests on the researcher's interpretation of these stories. The information gained from this research should nevertheless be seen as descriptive and valid for the world out there. The research interview offers a window to a reality that might be difficult to grasp without engaging in personal stories and interpretations. Empirics presented on the basis of interview data should therefore be seen in the light of the method of data collection, but not rejected because of it.

5.3 Research Design

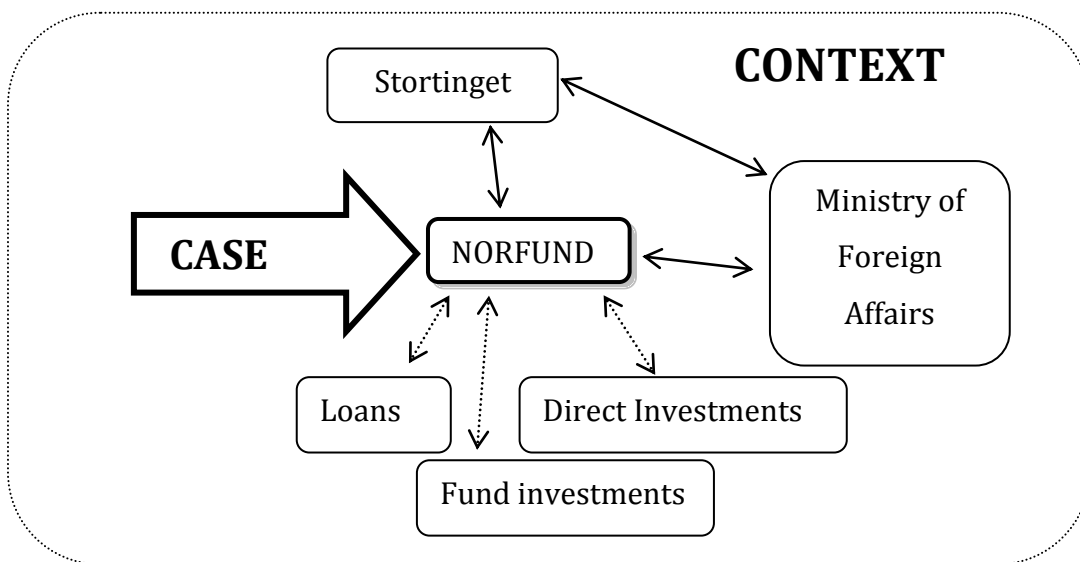
The research design is here understood as the concise description of how data is collected and the logic linking the data to the analysis. The design of the research should not be mistaken to include the methodology and methods, but should be seen as a practical research recipe. First in the following section a definition of the case is presented. Then the data collection process is described, followed by a clarification of how the analysis has been done.

5.3.1 Defining the Case

For case studies, one of the most important clarifications to make is what the case is. Drawing the line for what is to be studied and under what context the case is to be studied should be included to ensure accuracy and to avoid abstract and unclear measures (Yin, 2009:46-60).

For single case studies a holistic approach can be taken, but this requires the researcher to clearly define what the limits to the case are. When doing studies where several levels or units within the same case can be recognized, an embedded case study can be applied (Yin, 2009:46-60). Norfund can be defined as a level in a multilevel decision-range from the Storting (parliament) and the government by the ministry of foreign affairs to the single investments made on ground. The figure below is a simple illustration of how a possible refinement can be made. Especially when dealing with social and political phenomena the distinctions and reasoning behind them must be carefully made. This challenges the nature of research performed by the social scientist and is part of the wider discussion on ontology previously touched on. The figure serves as a simple illustration of the different organisations in the wider context but should not be taken as an accurate mapping of the complex environment that surrounds Norfund as an organisation. The case is limited to Norfund, defined as the processes and issues inside the organisation. The context surrounding the case in the figure represents a selection of actors that Norfund relates to in different ways, but is no accurate listing of all actors. The arrows only symbolise some of the complex relationships that the case have to relate to and the arrows does not indicate the direction of the relationship. The relation between context and case is discussed in the next section.

Figure 5.1 - Case and the Context



5.3.2 Distinguishing units of data collection and unit of analysis

In case studies the units of analysis and the data collection points does not have to be the same objects. To gather information about the unit of analysis it might be necessary to gather data from surroundings and sub-units. It is important to distinguish that data gathered from and about people in an organization and data gathered about the organization itself (Yin, 2009:88). The information from individual persons interviewed will only say something about their perception and views about the organization, so the statements made should not be taken as purely a fact finding mission about the organization. Recognizing this limitation, or rather distinguishing what we are able to gain knowledge about from interviewing people as oppose to observing and quantifying, is a part of the broader discussion on theory of science and research methodology. But it does have on-ground implications when moving from the information gained through interviews to analyzing this information. The data collected through interviews with Norfund staff should therefore be taken as the employee's subjective perceptions about the world around them and the organization and the researcher's perception of the employees' views. Such a limitation is made on the basis of the research questions, focusing on the subjective narratives within the organisation on some selected issues. Extending the research could have been done by including more actors from Norfund's environment, for example by collection data from the MFA or directly from employees in the companies invested in. This could offer further insights into some of the issues raised and possibly brought new arguments forth, but would have extended the research considerably. Thus, a clear limitation to this research was set at the organisational boundaries of the Norfund organisation

5.3.3 Preparing the data collection process

The initial entry point to the organisation was made through personal acquaintances between staff at Norfund and the University of Oslo. The organisation should be characterised as open and access would have been granted without any personal connections, but the fact that a personal connection was available possibly made the entry easier. When contact was established, Petter Vilsted (Social, Environment and Governmental - SEG advisor) took the responsibility of opening doors and granting access to the rest of the organisation. This access would not have been restricted without the SEG advisor, but was made easier and more efficient as he had a good understanding of the research project. Korezynski (2004:2) defines gatekeepers as "the people who, metaphorically, have the ability to open or close the gate to the researcher seeking access into the setting". Petter Vilsted, the SEG advisor, cannot be

characterised as a gatekeeper in a strict interpretation, but he arguably gave access to information (both staff and documents) that would have been harder to access without his help. The researcher made an effort to maintain a friendly relationship with the SEG advisor as easy access to the organisation rested on his willingness to facilitate. All interview agreements were made through him and but the selection of the interviewees were made in collaboration with the researcher (the process of selecting interviewees is described in the next section).

Norfund was approached with an open agenda on how the research would be done and what theme the researcher was interested in. In the initial stage of the data collection process, before any interviews were done, the researcher had several talks with Petter Vilsted. These talks were initiated by Norfund to clarify the scope of the project and to come to some agreement with the researcher on what kind of information would be available. The project was still in the planning phase at this point, but a common understanding of what kind of project would be feasible developed throughout the initial meetings. In this process it could have been tempting to alter the project in a direction that would have suited Norfund, and it was therefore important to maintain a distance between the intentions of the staff or the organisation and the development of the research project. Having a conscious attitude towards such issues can be seen as important in maintaining the independence of research in general. The initial talks were nevertheless useful as this gained an understanding on several key issues that would otherwise have been unknown to the researcher before the interviews. None of the initial meetings were recorded and is therefore not used as material in this research, but several of the issues that the researcher was made aware of were picked up on in the interviews.

In the initial stage, the researcher was granted access to one particular investment project; with investment plans, follow-ups and various other documents for one direct investment in Africa. This project could have served as a useful exemplification of the issues raised in this paper, but it was chosen not to include information from this specific project for three reasons. First, explaining and understanding such projects can be technical and extensive, and this would have demanded a considerable space in this paper, arguably moving away from the core theme. Secondly, the project was chosen by Norfund. There was no specific reason to believe that a good practice example was chosen, but such a potential biased selection of case would challenge the validity of the research. Such a problem could have been eased by suggesting a different project as example, one chosen randomly or by qualification of the

researcher. But this was not done in consideration of the timeframe available for the researcher to get familiar with a specific development project. The third reason for not using the suggested project was the confidentiality of some of the information granted access to. This would have demanded close communication with Norfund in the presentation of the information in this paper, risking that the paper would have to be restricted to the public. Thus, specific examples from this direct investment project is not included in this project. However, gaining familiarity with the actual procedures when doing direct investments has increased the knowledge of the researcher and this has undoubtedly benefited the research.

5.3.4 Selecting interviewees

Four criteria were set when selecting who to interview: Who has the relevant information? Is this person available? Will the person provide me with the information during an interview? What could possibly restrict the person from giving me information? In qualitative interviews one of the criteria for choosing who to interview is the *relevance*, often expressed as experience and first hand knowledge about the topic (Rubin, 2005:64). Determining what kind of people to talk to in an organisation can be difficult when you are an outsider and can only relate to the organisation's chart. Norfund is a relatively small with approximately 30 full time employees at the main office, with clearly stated titles, positions and responsibilities.

Given this research's theme of CSR, it was given that the CSR advisors should be interviewed. But restricting the research to the CSR team could have presented a skewed image, probably not representing the organisation as a whole. It was therefore a goal to balance the knowledge and relevance of the selected interviewees and the representation of the organisation as a whole. The organisations hierarchy was another aspect that worked on the selection, and having all levels of the organisation represented was important.

The SEG advisor made a suggested list of people that would be possible to interview and from this list the following five people was chosen by the researcher:

Name	Position
Vilsted, Petter	Sustainability Advisor
Stigen, Kjartan	Investment director
Jacobsen, Per G.	Investment director
Ersdal, Elin	Head of department, direct investments
Roland, Kjell	Managing director of Norfund

The initial interview phase was limited to five interviews with an option of a second round if the researcher found that necessary. No further interviews than the first five were done of two reasons. First, the time included in processing and analysing the interview data was more intense than anticipated in the beginning of the process and to make sure that the project did not grow out of proportions it was early decided that the five in-depth interviews were enough. Secondly, there was no obvious effect between more interviews and being able to better answer the research questions. Without a clear argument that more sources and information would increase the validity of the results, there was no reason to interview more people.

It was considered to interview people from the context close to Norfund, like the Ministry of Foreign Affairs or the Storting. This could have shed light on potential discrepancies between the case and the context by introducing an external dimension to the analysis. But such extended data collection was not done as the research questions and focus in the project has been on the organisational approach to CSR. The limitation and goal of doing this research within the confined academic boundaries is set above the constant hunt for new data and information. However, it is suggested that the findings presented in this paper could form a basis for an extended analysis where the context should be included. The theoretical framework constructed should and could be applied to other social, economic and/or political actors in the close environment to Norfund. This will be further discussed in the concluding remarks in this paper.

5.3.5 The interview guide and the interview situation

In the initial stage of the research an general interview guide was prepared, building on the research questions. After selecting the interviewees this guide was adjusted according to the role of the people that was to be interviewed. Some topics and questions were set to make sure that as many aspects as possible were covered given the different positions of the interview subjects, while some introductory questions were set to gain an overall impression.

The interviews were done at the Norfund offices within the scope of two weeks. All the interviews were on appointment and the interviewees' knew that the overall topic of the interview would be Norfund's relation to CSR. The key contact, Petter Vilsted was presented with a summary of the research plan and this plan was probably circulated in the office. No effort was made by the researcher to restrict the interviewees' knowledge about the research, it was rather considered an advantage that the subjects had some idea what the research would

touch on. The researcher spent some time at the office (having lunch etc.) in the week before the interviews to get familiar with people and the setting. This made the interviews smooth as the interviewer and the interviewed were already introduced and had a common understanding of the reason for the interview.

The interviews were semi-structured with a set of planned questions prepared for each of the interview subjects. The questions were based on the interview guide (to be found in Appendix 1). A conversational style was adopted when asking the questions and listening to the subjects responses. Follow up questions were put forth as the interviews progressed and the interviewer tried to get the subjects to come up with examples and confirmations of the information they were giving.

Each interview started with a short introduction of the research and then the interviewees presented themselves and their role in the organisation. This information was later useful when identifying the different recordings.

All interviews were recorded using a digital sound recording device¹². Taking notes were also considered as a method for data collection, but after some initial tests it was found that the information gathered through recordings would be more accurate. When taking notes, the researcher arguably interprets the information given in the process of writing down information. When doing sound recordings, the interpretation and analysis of the information is saved to a later stage when the sound recordings are listened to. The researcher's ability to perform an interview and at the same time taking notes and writing down the information given by the interviewees were not sufficient to trust this as a method for recording the data. This problem could have been solved by bringing a third person in as a secretary, but this was not done due to the costs involved.

The interviewees were asked in the start of the interview for their permission to record the conversation and everyone agreed to be recorded. The sound recorder with a small microphone attached was placed on the table during the interviews, but recording was never started before the interviewees had approved to be recorded. And at the end of the interview, the interviewer told the interviewees when the recorder was turned off. In a couple of the interviews, the conversation continued after the recorder was turned off and information was given "off the record". Statements given after the recorder was turned off are not included in the analysis in line with research ethical guidelines when doing interviews.

¹² An Olympus VN-3100 dictaphone

5.3.6 Transcription

The digital recordings were stored as mp3 files with a total length of approximately 9 hours. There are several ways of transcribing recorded sound files, from just taking notes when listening to the recordings to writing down word by word and describing other sounds like laughter or coughing. For the purpose of the analysis it was not seen necessary to include the sound specific details from the recorded interviews, such as pauses or dialect specific elements. The sound files were transcribed into plain Bokmål, with the purpose of analysing statements at a later stage. This method has its advantages when it comes to transferability as the language and result of the transcription is easy to understand externally and does not depend on a strict transcription scheme set by the researcher. But it also challenges some of the perceived objectivity that often comes with interview transcripts, as these are often seen as a true reflection of the conversation and even the subject's opinions. It should be acknowledged that the interview itself is a process of interpretation between the interviewed and the interviewer, and that this process continues with the treatment of sound recordings and transcription. The sound recording lacks facial expressions, eye movement and the external environment that might affect how the subject's statements would have been interpreted in the actual interview setting. When the sound recording is to be written down there is an interaction between the transcriber and the sound recording, where the aim is to make the transcription as accurate as possible under the constraints of sound quality and the transformation from spoken language to written language.

The researcher transcribed all interviews himself, within a couple of days after the interview. This can increase the reliability of the interview as a method as the researcher remembers the setting and the facial expressions during the interview and might be able to adapt the transcription accordingly.

The transcription was done using dedicated computer software¹³ with the option to reduce the speed of the sound clips so the transcription could be simultaneous. However, the transcriptions process was timely and one hour of recorded interview took four to five hours to transcribe on average. The overall sound quality was quite good but some interviewees had a less clear vocal distinction which demanded more of the transcriber as the sound clip had to be replayed. This did not challenge the overall outcome of the written transcripts.

¹³ Express Scribe v4.35

5.3.7 Translating interviews

The interviews were done in Norwegian language and transcribed by the researcher in Norwegian. As the analysis and reporting were decided to be done in English, the statements from the transcripts had to be translated into English. Translating text from interviews might challenge the validity of research as the translation might lose some of the meanings attached to the initial statements. Not just in linguistic terms as a technical translation problem, but also the translators knowledge of the cultural concepts connected to the language used. Such problems can be met by different measures depending on the type of research and the different cultural spheres faced (Birbili, 2000; Temple, 1997).

The translation of the material was done by the interviewer himself. This should be seen as an advantage since some of the expressions and the non-verbal language during the interviews could be taken into account when translating. The translation have been done trying to maintain both the underlying meaning in the statements and the words used to express this meaning, as far as the language constraints between Norwegian and English have made this possible. The researcher considers him confident with academic English and has previously done research in English; this should also be taken into account regarding the validity of the process of analysing Norwegian interview transcripts and presenting them in English.

The nature of the subject studied, CSR and development finance is dominated by English terms and definitions. The working language in the Norfund organisation is partly English. This can be argued to reduce some of the potential dangers of translation because concepts and definitions are used in a similar way between the languages. This is also the reason why the analysis and reporting of the results are done in English.

A measure that could have been taken to ensure the validity of the interview data was to send the translated statements back to the interviewees for proof reading their own translated statements. Because of the time and cost limitations of the project, this was not done. It can be argued that this reduces the validity of the results, but on the other hand it clearly limits the analysis to be based on the data collected at one specific moment (the interview) and the researcher's interpretation of the data and not a continuous communication flow between the researcher and the interviewees where statements are changed. Thus, the data collection and the analysis have a clear cut start and an end.

5.3.8 Analysing the collected data

Case studies can be problematic when it comes to the stage where the information collected should be analysed. It is not always clear-cut how the data should be analysed, and this is maybe the most challenging exercise when doing case studies. There is no well defined and agreed upon way of analysing data from case studies, and this has been challenging for a fresh researcher (Yin, 2009:127-129). A clear plan for how the data was to be analysed was laid out before the data collection process started. This plan had to be modified along the way; nevertheless it offered guidance for how to search for useful documents and what kind of questions to ask, especially during the interviews. The research questions have been the foundation for the analysis from the beginning of the project and any changes that were necessary to do in the process have been done with the research questions in mind. The theoretical propositions that supported the research questions have guided the data collection and according to Yin (2009:130) this is the most preferred strategy.

The research questions set and the propositions made can be argued to be widely defined, meaning that there is no simple or easily defined answer to them identifiable before the research and the analysis is performed. A large part of the data collection had an explorative character, with open-ended questions asked and a large number of documents were searched through to identify relevant dimensions or issues that could be interesting in light of the research questions. In the initial phase, before the data collection started, two logic propositions were identified in relation to the main research question: Norfund's approach to CSR. The values and motivations for CSR and the operational understanding of CSR. These two aspects were then used in analysing the data from the interviews. By sorting statements according to the 1) values and motivations, 2) the operations or actions, the qualitative material was put into a system that could offer some answers to the research questions set.

5.3.9 Analysing interviews

The information that is possible to get from interviews depend on the intention of the researcher in the first place. The data collection process can be separated into two general parts; the search for empirical data and the search for the more underlying values and discourses. The factual information gained through interviews can be considered a simple layer of the data collection, while the values and discourses that have crystallized can be seen as a more complex layer, dependent on more factors and harder to externally verify. This dimension could be seen in the debate on how accurate and empirical the information gained through the interview is, and to what extent it can be used in analysis. To briefly summarise

one dimension in this debate according to Silverman, the positivist treat interviews as reports of an external reality, while constructivists see the interview as displays of perspectives and moral forms that is uncovered through the interaction between the interviewer and the interviewee (2006:144). In this dualist perspective, the research done in this project can be said to lean towards the constructivists, with the methodological limitations and possibilities that come with this perspective.

To answer the first research question the insights and the tools from the discourse analysis have been applied to the theoretical framework constructed. The transcribed interviews, online material published by Norfund and internal documents have been basis for such analysis. All statements and phrases remotely connected to CSR, both explicitly stated as connected to CSR policy and those that the researcher found relevant, have been structured together. Then the statements and phrases have been categorised according to the four CSR approaches described. This initial method offered an overview of the material collected and it structured the different arguments made. However, singling out statements and removing them from the original context (i.e. the transcribed interview) could reduce the analytic value of the statement in that some of the underlying meaning is lost when removing parts of a text from its original context. The term original context is especially problematic when dealing with transcriptions from interviews as the original setting is the actual face to face interview and so the transcription is only a reproduction of the original material (Kvale, 1997:116-118). This problem is reduced when the researcher is involved in all stages in the process, from interviewing to transcription and analysing, as the purpose is not only to record and analyse what has been said, but also the apprehension and constructs attached to the language. This is what separates an analysis of discourse from a content analysis as the setting in which the language is used, for what purpose and for whom, becomes an interesting part of the study (Berg, 2009:353).

Other measures taken to reduce the potential loss of meaning from separating the different arguments were to reverse the process by tracing the key statements back to their context, where the preceding and following parts of the interview (or the chapters in an official document) were read. Then the statements could be interpreted in light of the setting in which they first appeared. The transcripts of interviews were read closely and statements that would be related to some aspects of the research questions were singled out and gathered. According to Berg (2009:149-150) listening to recordings of interviews might give some interesting

impressions, but it is the close examination of the transcriptions that might reveal the important results.

5.3.10 Problems of analysing language

The interaction between the researcher and the employees is based on a common understanding of concepts talked about in the interviews. The validity of the information that the researcher gain through conversation rests on the common understanding of the concepts talked about. One specific problem that came to mind while doing this research is the concept validity of CSR in itself. In the Norfund organisation, a slightly different concept, SEG (social, environmental, governance) is used in the daily work, and this could alter the meaning of CSR in working language. The researcher does not use the same concepts and formulations as the interviewees and this could lead to misunderstandings with a challenge to the construct validity¹⁴ as a result. To meet such problems, the researcher tried to adopt some of the working language, but more importantly focus on the actual content of the terms used. This could be a general problem when gaining inside access to organisations and institutions as the “tribal” language on the inside deviates from the language on the outside, or with the academic language that the researcher applies to the project. This challenge was met by focusing on issues and avoiding the use of internal language, asking follow-up questions to make sure that the researcher had the same understanding of a concept talked about and good preparation before the interviews by reading internal documents.

¹⁴ Defined as the meanings attached to a concept and how inconsistency or inaccurate understanding of these meanings can affect the credibility of the study (Golafshani, 2003:602).

6. Analysing motivation and values of Norfund

This chapter analyse the motivation for Norfund to be engaged in CSR and maps the values that these motivations are based on. This chapter seeks to answer research question two (What is Norfund's motivation for engaging in CSR?) and chapter seven seeks to answer research question three. Both chapters are sub-analyses in order to answer research question number one and the results will be jointly discussed in chapter eight.

What is Norfund's motivation for engaging in CSR? The term motivation is here defined as “the reason for action, factors that gives purpose a direction to behaviour“(Princeton Wordnet, 2009). To make the initial research question more explicit, some underlying questions relating to the motivational factors for CSR have been set and will be answered in the following chapter:

What guidelines are Norfund following?

How is the Norwegian CSR regime working on Norfund?

How is the government guidelines taken into account?

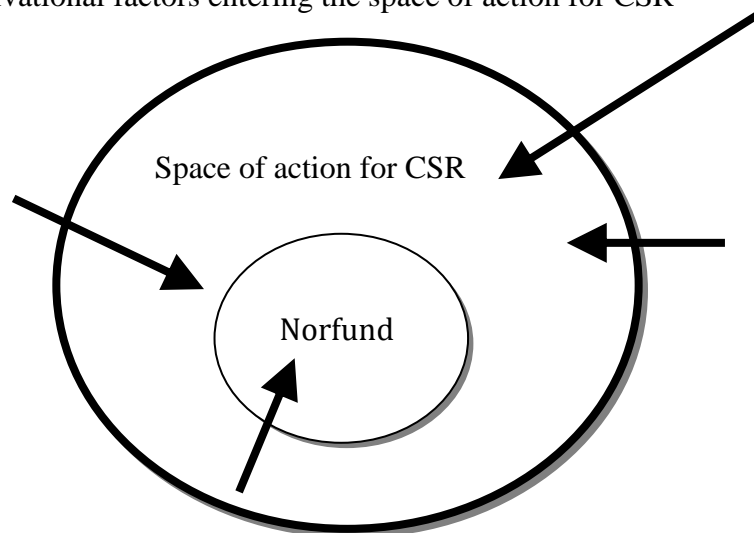
How is Norfunds relation to its owner (the MFA)?

In addition to these factors, three related issues are discussed in this chapter: the Norwegian aid industry, the measuring of development and the cooperation with the Norwegian industry. These issues are key processes in how Norfund relates to its surroundings when it comes to the adoption of CSR values and motivations for action.

The perspective of this analysis is from inside the organisation and the data that the analysis relies on is interviews with relevant members of the Norfund staff and internal and external documents on the operations of Norfund.

This chapter will present and discuss some key areas, actors and issues where the CSR values and motivations come from. Figure 6.1 symbolise the focus of this analysis where the arrows represent different motivational factors working on Norfund. The motivational factors work on different spheres of the organisation and penetrate the different layers. Some factors are more influential in how Norfund see and act on CSR, while others are less important.

Figure 6.1 - Motivational factors entering the space of action for CSR



6.1 The government's white paper on CSR.

23rd of January, 2009, the MFA presented a white paper on CSR. The paper was written to clarify the governments stand on CSR towards actors such as state owned companies, Norwegian businesses abroad, the government's pension fund –global (GPF-U) and Norfund. This white paper seeks to define and clarify how the different actors should relate to CSR and the governments expectations towards how the actors should behave (St.Meld. nr.10, 2009). The White paper has been criticised for not being very concise or suggesting any regulation to enforce the CSR values described (Midttun, 2009). As the MFA is the owner of Norfund, this white paper lays down Norfund's approach to CSR, and Norfund is discussed in a dedicated section of the White paper. Thus, it is an important paper for how Norfund is expected to act on CSR.

To us it is a challenge to operationalise CSR on ground and this should not be something that is described in detail in political documents like the White paper (Roland [interview] 26.06.09).

This statement show a distance between the principles communicated in the White paper and the operational approach taken by Norfund. One could argue that the usefulness of such a paper rely on how the actors can operationalise it, as described in theory on organisational motivation, where mission statements can work as an overall yardstick for the organisation. There is however no indication that the values communicated in the White paper has not been incorporated in the Norfund policy papers on CSR. To a large extent the mission statement of Norfund were already in line with what was communicated in the White paper. What such a

policy document signalise is which political causes that are important to the government, and Norfund can be argued to have picked up on these signals:

We're a part of the CSR discourse, but at the same time, CSR is more relevant to the company level, and not the instrument of financing. A lot of the work in the CSR field is about mobilising companies to work for good and important causes. (Petter Vilsted, [interview] 22.06.2009).

We had a discussion after the recent white paper on CSR and decided to increase the ambitions in this area. For next year we will ask for increased funding for such purposes. That is the way to change the politics and level of ambitions (Roland [interview] 26.06.09).

The white paper has been criticised externally on the point that it was not specific enough on how investors are to understand CSR (Midttun, 2009). This can be argued to be a serious flaw of the governments CSR policy, as Norway is a large investor and stock holder through the SWF, but also when it comes to the growing outward FDI (Midttun, 2009; Hveem, Knutsen & Rygh, 2008). One could also argue that the white paper does not take into account that there might be some Norwegian variances of CSR values. Throughout the paper, CSR is referred to and defined by UNs Global Compact regime and the OECD guidelines. The international focus is in line with the approach taken by Norfund:

If the white paper nr.10 had laid down bounding principles that were not in unification with the IFC standards and the consensus between the DFIs that we are following today, it would have been problematic and possibly making our role more complex in international cooperation. (Petter Vilsted, [interview] 22.06.09).

Such an approach can be argued to have some implications on how CSR is seen as universal, and not relative to societies or economic contexts. Gjølberg (2009) argues that there is a distinct Nordic model of CSR. In light of this, one should be reluctant to blindly adopting the international guidelines, assuming that these are in line with some common perception on what CSR is and should be for Norwegian actors. If CSR is seen as something socially and contextually bound to the national or regional debate, one could argue that the Norwegian policy on the area should reflect this debate. The policies described in the White paper and Norfund's adoption of these are not formulated or presented in a way that shows the social context they are produced within, but are presented as something universally right. This aspect is strengthened by Norfund's uncritical adoption of international guidelines.

6.2 Public Relations strategy and media attention

Public relations can be defined as “the practice of managing the flow of information between and organization and its publics” (Grunig & Hunt, 1984:6). The public attention towards Norfund can be said to have increased in the last couple of years:

We have a higher conscience that we are under public scrutiny now than before. This reflects the decisions we make in that we do not want to do something that can be misinterpreted in the public sphere (Vilsted [interview], 22.06.09).

This is interesting in a CSR context because of Norfund’s complex and problematic role as an investor in high risk developing countries combined with the high expectations to ethical behaviour. One could see the communication with the Norwegian society as a way of communicating this role and as such raising the roof for potential CSR issues that might come to attention in the future. This could be seen as a preventive strategy as the role of the organisation is communicated to the wider public before a sensitive issue hit the headlines.

The public expectations are not problematic to meet as long as we communicate honestly and clear about these things. The world is not ideal and we are set to be active were it is less ideal than most places and that is why we are there (Roland [interview] 29.06.09).

It is demanding to communicate our role. It is hardest in the media, but it is not so hard to make Stortinget or our owner understand that the world is not ideal out there. But the level of knowledge in the media or the commercial interests in making headlines makes it difficult (Roland [interview] 26.06.09).

It can be argued that Norfund has stepped up the PR strategy. One example of this is the launch of a computer game called “Utviklingsinvestoren” (the development investor) aimed at Norwegian high schools. In this game the players get 100 million NOK to invest and you are to take on the role as a development investor. Throughout the game the players has to deal with various dilemmas such as corruption, pollution and labour laws when deciding which investments they want to do. The game was run as a competition between classes at high schools throughout Norway and the winners got a trip to Africa to visit an actual investment project. The intention is to make this game available to the wider public in the future (Utviklinginvestoren.no, 2009; Aftenposten 13.03.2008).

The strategy to make Norfund’s work and dilemmas known to students in high school can be said to be part of a long term strategy on making Norfund more visible and active in the Norwegian public. By introducing the organisation to young people on a platform of participation one can argue that the dilemmas that the organisation deals on a daily basis can

be communicated to a wide audience and hereby gain support and understanding for some of the tough choices that has to be done.

It is a conscious strategy to communicate what we do. It has been a well hidden secret to most people in Norwegian society, so we have to be more outspoken in explaining what we do. (Roland [interview] 26.06.09).

This approach could be seen as part of reducing the negative attention towards issues that might be seen as unacceptable and to get a more nuanced discussion the next time some of Norfund's companies are accused of using child labour or that the HSE conditions are not in accordance with what the Norwegian public expects. As such the PR strategy can reduce the CSR risk for Norfund in a national context, by reducing the likelihood that CSR issues in some of the investments will cause reputational damage for Norfund as an organisation in the Norwegian society.

We do not feel the media attention every day, but when it happens it is uncomfortable. [...] Not because we want to hide something, but when issues like SN Power in India or Telenor in Bangladesh come up it is uncomfortable by definition (Jacobsen [interview] 24.06.09).

The media can be seen to play an important role as a watchdog by giving attention towards sensitive issues. Due to the complex role of Norfund, one would expect the attention to be high on how Norfund operates. But how is this attention felt within the organisation? And what impact does it make on the investment behaviour? Does media attention motivate Norfund in CSR issues?

A lot of people seem to have forgotten how it was when this country [Norway] built infrastructure like dams and railroads. These projects were not free from injuries or deaths. It is a bit naive to think that one can do investments [in developing countries] demanding the same results as you can in Norway today. It is a different culture, you can have rules and restrictions but it does not help; you cannot follow each worker in every step he makes. Things will happen even if you like it or not (Jacobsen [interview] 24.06.09).

Norfund could meet media attention with at least two different attitudes; first, that media attention makes Norfund aware of CSR and because of this it gives an opportunity to investigate and improve the conditions a project that might have been overseen in the regular SEG operations done by Norfund. Or a second approach could be that the focus on CSR takes up too much time and resources, reducing the ability to maintain core functions like managing projects. These two differing approaches could be put into the constructed CSR framework, where the first one could be seen as *active* and the second one as *passive*. It could be argued

that the approach taken will have implications on how information is communicated with media and the wider public.

I think it [the incident in India with SN Power] has increased our attention and consciousness on these issues, especially following up through board meetings in the companies. We have to ask questions like; what happened in that traffic accident? Were they really compensated? What measures are put in place so it does not happen again? It has been more attention to such issues than before the India deaths (Ersdal [interview] 26.06.2009).

The media attention seems to have had a learning effect on CSR issues in India. The attention towards this issue maintained over some time, with several headlines over a certain period (Aftenposten, 31.10.08). This increased the pressure on Norfund and a strategy to explain the problematic role for development finance was taken:

You get what you ask for. There is a focus on negative issues in the media. But the last issue with India was quite balanced. No one has criticised us after they have been explained the situation. People see that there are not Norwegian standards in India, but it takes some time to make them realise that (Stigen, [interview] 29.06.09).

The intensity of the media attention towards the project of building of power plant in India does not reflect the overall media pressure. In general the attention towards the projects can be seen as relatively low, considering Norfund's ownership in over 200 companies (if one includes investments made through funds). Closely following projects and digging for information on projects in developing countries can be time consuming and expensive for journalists and media corporations. The Norwegian international media capacity can be said to have limited resources and this could be some of the explanation as to why Norfund has not seen more attention towards single investment projects. Another factor is the attention towards the Governments Pension Fund – Global, which is taking up public attention and Norfund is arguably in the media shadow because of this.

The attention from media is surprisingly low to what we do. But they do not know enough about what we are doing, so I guess the attention will increase in the future (Roland [interview] 26.06.09).

From this, Norfund can be seen to take an active and offensive approach towards media attention by trying to explain their problematic role and attempting to educate the wider public through initiatives such as the aforementioned computer game¹⁵. Legitimising their role would be good in the long run as it insulates from being criticised on factual gaps from what the public expects and how the operations are run. This approach should be seen as a

¹⁵ The online game “Utviklingsinvestoren” (the development investor).

successful issue management approach, set to handle future problems domestically. In light of the suggested expansion of Norwegian development finance, this can be said to be a strategy of political character as it potentially legitimises future activities, which will possibly be more extensive than the current operations by Norfund. However, the approach does not tell anything about how the issues are resolved within Norfund or what steps are taken in light of investigative media attention. A study on the relationship between the issues in media and improving CSR measures and/or the ability to respond to criticism with action in the investments could reveal more than this analysis does. The media attention does motivate Norfund to take measures on CSR through increased effort of communication and a strategic public relations strategy. But this should not be set equal to an active approach towards following up CSR in the investments done. The strategy could be seen in light of the Norwegian CSR discourse where negotiation and engagement are central characteristics. Norfund's approach to the media attention is in line with this: open and engaging.

6.3 Guidelines

The term CSR can be said to be surrounded by the concept of guidelines from various organisations, states and groups. A guideline is characterised by being voluntary, as opposed to restrictions, laws and prohibitions. One could see guidelines as a first step in a desired direction as it lays down a visionary picture of a wanted situation (OECD, 2009; Autischer, 2009). In general, the purpose of guidelines are, "orientation, coordination, motivation and legitimisation" (Autischer, 2009). Therefore which guidelines are adhered to might say something about the intentions and underlying values that an actor base the activity on.

We can set guidelines ourselves, we have to operationalise these things anyway. And it should always be a good debate internally on these things. And I think our board, the managing director and the organisation see the importance of this (Ersdal [interview], 26.06.09).

Our reality is very complex and the guidelines from the IFC are very strict. We need some flexibility to adapt to different investments. To have clear instructions that dictates what we can do would limit what we can accomplish (Ersdal [interview] 26.06.2009).

Norfund is seen to take a passive and inward approach on this issue. An aspect of adopting guidelines is the fact that the guidelines are set by someone else, meaning that Norfund import some values and norms set in the political environment of the World Bank. Another aspect is the inactive attitude towards contributing in the dialogue on these guidelines. It is expected that a country like Norway, hailed for the transparency and the ethical guidelines set for the Governments Pension Fund -Global, would be highly considered in discussions on guidelines.

Influencing such guidelines can be argued to represent power in a global governance perspective but Norfund does not take this role. One could argue that such activity is not in line with Norfund's mandate and that it would be more natural for the MFA to take on such tasks. But the fact that Norfund is invited to participate with other DFIs in the discussion and revision of the IFC standards, but refrain from participating, should raise the question on whether Norfund is using its international authority in accordance with what is stated:

We do not demand that all companies that we invest in shall be within the IFC standards or high international standards on HSE, but we shall contribute so that they move in the right direction. If we demanded the ideal standards before entering, there would have been no companies to invest in. These standards consider the more overarching politics and the principles are not that important to us. The important thing is to move in the right direction in every company by identifying what they can improve on. That is why we leave constructing standards to the IFC (Roland [interview] 26.06.09).

The on-ground approach taken can be argued to be in line with the mandate that Norfund has to work within. But looking at the Norwegian CSR regime, perhaps we should expect the political environment to take stronger measures to make sure that Norwegian policies, values and issue management were reflected in the CSR approach taken by Norfund? Within the Norwegian CSR regime voluntary codes and informal guidelines can be argued to have set the standards. Collective bargaining and communication has been a common feature (Gjølberg, 2009). In the White paper on CSR guidelines are presented as a central part of the official Norwegian CSR policy. Few regulations or restrictions are described, but the CSR strategy circles around expectations and encouragement in relation to international guidelines. The Scandinavian CSR regime and traditions cannot be said to be taken into account here as companies are encouraged to following international guidelines (St.meld. nr.10, 2009). This also leaves Norfund to the international guidelines and they specifically follow the World Bank, IFC standards.

We are a small DFI so we are using the IFC standards in everything we do; we are not moving the frontier on this area" (Ersdal [interview], 26.06.09).

The IFC organises a *community of learning* that is set up to share experiences between the different organisations that adhere to the IFC guidelines. This is also a forum for developing the guidelines further, where the participants can comment and suggest changes. The community of learning are hosting events where the guidelines are discussed (IFC, 2009).

Norfund has been invited to the learning community twice, but never participated (Vilsted [interview] 22.06.09)

We have decided to import guidelines. Others have more resources devoted to affect the guidelines. I have not seen this as a problem that these standards are not ambitious enough. We are on the receiving end and will follow the IFC guidelines (Roland [interview] 26.06.09).

The UNDP has been in touch with Norfund on several occasions to make the organisation sign on to the Global Compact (GC) guidelines. This has triggered an internal discussion on whether Norfund should join:

The Global compact guidelines are loose principles that you sign on to and you decide yourself what kind of principles you want to adhere to. This reduces the value of GC for Norfund as the guidelines we are following [the IFC guidelines] are strictly defined and extends the voluntary nature of GC (Vilsted, 2009 [interview]).

Another way that Norfund could use the GC guidelines is to work with the companies that they invest in to get them to sign on to the GC. This reflects a view that CSR is something that the companies have to do:

If Norfund signed the GC guidelines it would be more as a communication strategy (Vilsted [interview] 22.06.2009).

For Norfund it is more important to get an overall understanding of our partner's strategies than judging them on the basis of their commitment to GC or not (Vilsted [interview] 22.06.2009).

It is positive if the companies that we invest in are adhering to the Global Compact principles, but we are not pushing for the Global Compact per se (Ersdal [interview] 26.06.09)

The internal debate on this reflects the dimension of how CSR is operationalised within the organisation. Some of the responsibility is here moved to the companies themselves and Norfund arguably acts as a facilitator of voluntary action rather than enforcing some strict principles towards the companies. This way of making sure that guidelines are acted on can be characterised as weak, with considerable uncertainty that guidelines are anything more than an act of window-dressing.

6.4 Reacting to new issues

Understanding how issues develop on the CSR agenda is important, as this can tell something about what kind of actors that is influential and from where Norfund takes instructions. A relevant question to ask how new issues are being implemented into the investment decisions and the project management?

When new issues are identified, they are discussed in the organisation and a common stand on how Norfund should deal with such issues is decided on. An example of such an issue that has

led to a positioning paper is the discussion on bio-fuels, where we expressed a sceptic attitude and decided to be on hold (Vilsted [interview] 22.06.09).

One can differ between unofficial and official mechanisms that work on how new issues rise and become important. Of the official ways, the IFC guidelines are pointed at as the most important, but also policy guidelines formed by the Norfund board, like the *business integrity policy* document (Norfund, 2009a). Unofficial channels that could influence the rise of new issues are the values of the employees, methods applied by the consultancies doing environmental and social reviews on projects, the influence of NGOs and the values communicated by the board to the organisation. All these channels are part of the general context that Norfund has to operate within and balance, and one can see similar patterns for other DFIs.

The DFIs in general are feeling political pressure in their respective countries, and a natural response to this is to engage pro-actively to include issues in their projects and to use technical assistance to improve on such issues (Vilsted [interview] 22.06.09).

These internal discussions can be argued to rely on how the organisation is reading the public opinion, attention and debate on rising issues. Norfund could be characterised as an outward-in organisation in that it picks up issues that are debated and try to read the public position and adjust their behaviour accordingly. But to be pro-actively engaged would mean, according to the CSR discourses identified, to include all actors relevant in discussing issues and find some agreement to act upon. Looking at Norfund's engagement with NGOs can serve as an indicator on the engagement with external actors that are not in the political command line (such as the MFA).

One of the few NGOs that have been in touch with Norfund directly on specific issues is FIVAS (The Association for International Water and Forest Studies). Several meetings have been held to clarify Norfund's point of view on the issues that FIVAS is working with. FIVAS has been engaged and critical to single projects and in the overall policy, their views have been expressed by contacting Norfund and SN Power directly and by writing newspaper posts (FIVAS, 2008).

There have been some meetings with some NGOs on hydro power. They have approached us directly to criticise the damaging effects of building dams. We've had some meetings with natives from Chile. We have meetings with stakeholders but most issues come from IFC or the MFA. (Ersdal [interview] 26.06.2009).

We are trying to have some dialogue between Norfund and the Norwegian Electricity Industry Association (EBL) to start a project on energy and development where we want to involve the NGOs in a constructive dialogue (Roland [interview] 26.06.09).

Norfund can be seen to take an inclusive approach towards NGOs and the issues that they put on the agenda. But to have a dialogue is only the first step in including issues in the policies and the decisions made. To uncover how the dialogue is transferred into action one should look at how Norfund see the organisation in relation to the Norwegian debate on new issues.

We are not interested in the Norwegian debate [on building of hydropower] in these areas. We are convinced that this is an excellent development policy if we can do this in a sensible, profitable way and get others involved, and then our owner should take this debate. To us this is a discussion on that Norway came out of poverty this way and now we are helping others to do the same. But this does not mean that we are exporting the Norwegian model. That would be a task for NORAD (Roland [interview] 26.06.09).

We are supposed to do profitable investments in wind and water with sensible standards on environment and protection. Others should discuss the legal framework and politics (Roland [interview] 26.06.09).

From this it can be suggested that Norfund tries to depoliticise¹⁶ its role. When it comes to including new issues in how the organisation operates it can be argued that an economic instrumental approach is taken. In the balance between state, market and civil society, Norfund can be placed closer to the market, given these arguments. Then it could be discussed whether this is a strategy to push some of the negative attention on to political authorities to avoid inclusion in the debate every time new sensitive issues rise. To be able to hide behind economic arguments and to be perceived purely as an economic actor could reduce the expectations that Norfund should be engaged with CSR.

Our role is to be investor, not political authority (Roland [interview] 26.06.09).

¹⁶ Understood as removing the political role or removing the political aspect with an issue.

Figure 6.2 - The role as a market actor

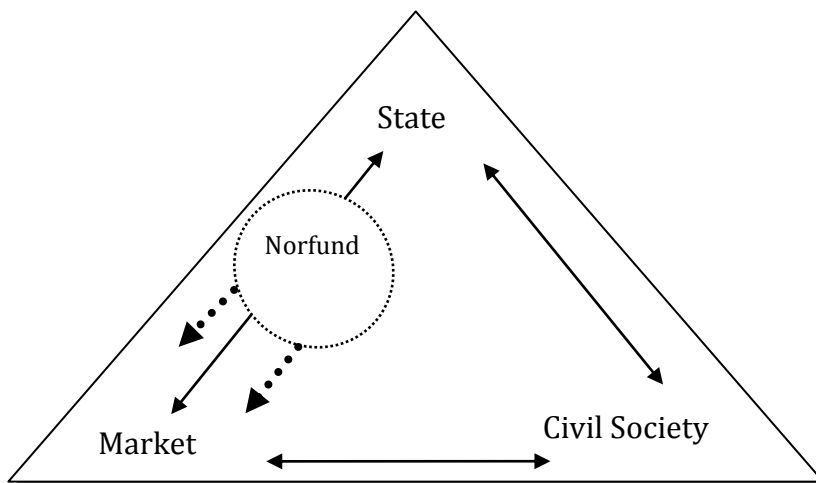


Figure 6.2 illustrates Norfund's strategy to be perceived as a market actor or an investor rather than a politicised development organisation. This approach does not qualify for a pro-active approach towards CSR on new issues and the inclusion of NGOs. When Norfund is trying to change the perceived role of the organisation by creating a distance between the organisation and the debates, a more inactive approach can be recognised. Some dialogue has been seen, but the actual inclusion of arguments from this dialogue is hard to see reflected in policy change.

Communicating the scientific and politically independent role of finance can be recognised as a discourse in itself, following arguments from poststructuralist IPE. Financial decision making have been depoliticised and made into an instrument above public or political control or attention (see De Goede, 2001; Bieler & Morton, 2008 and Carrol, 2006). Bracking (2009) argues that DFIs play their part in this discourse and name them "the great predators in the political economy of development". Norfund could be analysed with the theoretical lenses that this academic branch offers, but that would be an extension of the analysis done here. Nevertheless, it can be suggested that Norfund is part of a greater discourse of the depoliticisation of the financial system in general and development finance in particular.

6.5 The relation to the Ministry of Foreign Affairs

The owner of Norfund is the MFA and has authority through the Norfund law to give a general instruction on the organisation and work of the fund (Lov 1995-05-09 nr.26). Norfund is also subject to the general Norwegian foreign policy and the development policy.

They [the MFA] give us instructions through the award letter (tildelingsbrevet) that we receive once a year, in addition to this we have some meetings throughout the year to discuss relevant issues, and sometimes we contact our owner directly if we are making any structural changes. (Ersdal [interview] 26.06.2009)

We have four meetings a year with our owner. Then it is a lot of informal contact about projects, single issues and countries, or initiatives that the MFA takes where it is a need to find out how Norfund is placed in relation to an issue (Roland [interview] 26.06.09).

The contact between the MFA and Norfund is close and this is expected as the MFA has the right to instruct Norfund on a general level according to the Norfund law (Lov 1995-05-09 nr.26). This relationship can be characterised as a balancing act by Norfund, as on one side it is expected that Norfund would want to be seen as a professional investor abroad, with a long term politically neutral strategy. On the other side, Norfund is set up with a specific political goal and is set to achieve this with public funding. These sides are not necessarily contradictory, but it demands that Norfund communicate internationally on their mandate and reports back to the MFA on the results achieved.

There has been some change in the relationship between the two organisations:

Previously, the only formal way of influencing Norfund was through the budgets if money was transferred to Norfund. The budget texts could put some guidelines, but it was a simple model. You were dependant on someone with close relations to the MFA” (Stigen [interview] 29.06.09).

In the award letter there is a development in the direction that the MFA is demanding more of us. Especially on reporting (Ersdal [interview] 26.06.2009).

The MFA is demanding more of Norfund when it comes to providing visible results. As Norfund is expanding their operations and getting more visible in the Norwegian public debate, it is expected that the political control and responsibility is increased.

We have a running dialogue with the MFA. The development minister has a constitutional responsibility for Norfund in Stortinget. There is a set of things he has to go through to report, something yearly and other things are more frequent. (Stigen [interview] 29.06.09).

We have an annual meeting with the foreign policy comity in the Parliament (Stortinget) where we tell them what we do. Then we reply to questions coming from Stortinget when they are working on issues where we are mentioned (Roland [interview] 26.06.09).

The information flow and understanding of Norfund’s activities seem to be good and Norfund is arguably making an effort to sell their cause both to the MFA and Stortinget. This strategy is sensible as Stortinget approves the budget and therefore the potential public transfers to the

capital base of the fund¹⁷. To make sure that there is an understanding of Norfund's role is an act of self preservation and one of the ways to make sure that the activity of the fund is not politically controlled in detail.

We have a strategy adopted two and a half years ago on what kind of countries to invest in. This is a long term strategy and we try not to go in and out of countries. Political winds matters less to us, we are more like Norwegian businesses, if Norway decides that one country is to be boycotted, we have to adhere to that, part from that we are not part of the foreign policy or a foreign policy instrument (Roland [interview] 26.06.09).

The MFA does not instruct Norfund on single issues, and is Norfund relatively unaffected by the day to day international politics that the MFA is occupied with. However, when abroad the collaboration between the MFA and Norfund can be argued to be closer:

We make a point out of maintaining a good relationship with the [Norwegian] embassies locally where we are invested. Both because it is useful for us, as they have good knowledge about the countries, but also because they have relations to the different Ministries in the country and that can make us a more interesting partner by getting some protection against abuse from the local authorities (Vilsted [interview] 22.06.2009).

Does this activity make Norfund a political actor when operating abroad, representing the official Norway? One could argue that this indicates that the definition of a market in developing countries might be more complex in that the political actors are involved in other ways than legislation, and that this forces corporations and organisations to seek influence through their home governments embassies. This situation could be the same for private companies abroad and does not indicate a higher degree of political control, but only a practical measure. However, if the strategies were changed due to influence at a lower level, for example during Norfund advisors' visits to foreign offices, one could argue that the official command lines between the MFA and Norfund are challenged.

6.6 The Norwegian aid-industrial complex

The Norwegian aid-industry has been criticised for, among other things, that there is a close connection between the Ministries, NGOs and academia. Some of this criticism is that development policies and funding are used in domestic politics to get positions or influence (see Tvedt, 2003). As an instrument in the official development policy one would expect that aspects of the aid industry complex should also be found within Norfund.

There is no doubt about that there is an aid-industry complex, and that is probably some of the most unhealthy that we have in Norwegian public administration. The way that aid money is

¹⁷ In the 2010 budget, 441 million NOK is suggested as fresh capital to the fund (St.prop. 1S, 2009).

being used to buy influence and loyalty in important connections in Norway. You do not see other public money used in the same way (Roland [interview] 26.06.09).

Norfund can be argued to represent an alternative to the conventional development organisations that organise projects based on public or private donations. Thus, Norfund could be seen as a challenger fighting over the same funding and attention as the conventional organisations.

There is certain scepticism in Norad towards the private sector. They feel that it is not real aid (Stigen [interview] 29.06.09).

Parts of the Norwegian Aid community find themselves in a glass bowl which does not correspond with the Norwegian society or the international society. They think that we should not be helping countries do the same as we once did to get wealthy. These forces have no influence on the Norwegian society, in Norwegian politics, but their influence on aid policy might be too great (Roland [interview] 26.06.09).

When focusing on CSR, this could mean that problematic issues relating to Norfund's activities could possibly be used against the development model that includes investment in private companies by some actors in the Norwegian aid-industrial complex. There is no evidence that supports such a claim directly, but it is nevertheless useful to be aware of some of the inner lines of conflict in the development aid community.

6.7 Cooperation with Norwegian Industry

Norfund used to be bound to cooperating with Norwegian companies when doing direct investments. This regulation was removed in the revision of the Norfund law in 2002 and now explicitly states that:

The purpose of Norfund's work is to develop businesses in the south, to fight poverty, to create jobs and sustained economic growth, but it is not to promote Norwegian business. But in relation to this work, Norwegian businesses represent a resource that should be used (St.prop S1, 2009).

The process from being legally bound to Norwegian businesses, to being expected to work with them, can be characterised as a transition from official to unofficial bound cooperation. And the expectations do not only come from the MFA, but also the companies and the related organisations.

In the Norwegian reality there is an expectation that we should be there for Norwegian companies (Ersdal [interview] 26.06.2009).

There is an expectation from the Confederation of Norwegian Enterprise (NHO) that we should be active and present towards Norwegian industry, and be available for Norwegian

industry as a partner if one is considering projects in developing countries (Jacobsen [interview] 24.06.09).

The way I read Stortinget and our owner, they want us to mobilise Norwegian industry and Norwegian capital, but that is within our mandate. That we are untied (Roland [interview] 26.06.09).

When the European DFIs were set up, most of them had some tie to the domestic industry. This could be interpreted in the direction that DFIs were just a new form of colonialism, so the bound cooperation with domestic industry has been removed or altered (Bracking, 2009). But as CSR is rising as an important part of investment decisions, cooperating with domestic industry might be a safe strategy as there might be easier to keep a common understanding of the CSR standards that the DFIs are working under.

6.8 Measuring development

I feel that the environment is thirsting for the feel-good effects; they want to know how many poor people go to bed with a smile on their face (Vilsted, [interview] 22.06.2009).

Norfund has been under scrutiny from the Office of the Auditor General of Norway for not reporting their results in a satisfactory way. Norfund has both taken use of a set of indicators to measure the effect of their activity on development, and also reported on single projects. The quantitative way of showing developmental effects in single investments are to report on the number of people employed, the governments revenues in the host country, capital market development, human resources development, gender and social and environmental standards. The tool that Norfund uses apply dichotomous variables to most of these variables, which leaves the quantitative result less nuanced (Norfund, 2007). One should ask whether such reporting is a time consuming and less useful exercise or that can produce the wanted results, without measuring development in a wider perspective.

The tools applied to measuring these effects, for example by the DFIs in Germany and in France, are strategically chosen to please domestic politics. To gain a feel good effect, to justify the spending of tax-money (Vilsted [interview] 22.06.09)

It is a demanding debate, as we are set up to be commercial by creating sustainable profit, but we are pushed in the development direction, by a growing demand that we are measured on the development effects in addition to the commercial indicators (Vilsted [interview] 22.06.2009).

The debate on how to measure development impact can be traced back to the different dimensions on CSR where a social engagement measured in the profit made, or the number of jobs created could be aligned with an inactive approach, while a broader set of social

indicators in addition to the purely economic value can be argued to lie closer to an pro-active approach. There is a demand from the surroundings to measure the ODA on commercial grounds, while commercial and hybrid actors like Norfund (and to certain degree the state owned companies, such as Telenor and Statoil) are being measured on development performance.

Development effect is to build sustainable societies in a responsible way. Contribute to reduction in corruption, environment damages and so on. There is a strong correlation between development and CSR (Stigen [interview] 29.06.09).

It's a paradox that within ODA there seem to be a tendency to work more commercially, to demand commercial measurements and a commercial ways of working. While we [Norfund] is being pushed towards more evaluation (Vilsted [interview] 22.06.2009).

This could be a sign on an alignment between expectations towards actors using commercial means to create development and the conventional development organizations when it comes to reporting and measuring development. This could lead to that funds are put where the reported effects are shown and that you get an intensified fight between organisations (both public and private) over aid and development support from the government.

6.9 Summary

In this chapter some of the actors and issues that trigger and affect Norfund's acts on CSR has been analysed and discussed. The table show the actors and issues from the discussion, and they are compared, according to the constructed discourses on CSR. The purpose of such an exercise is to place Norfund's strategy towards some of the organisations in a comparable framework and to see beyond an issue focused approach to CSR.

Table 6.1 - Norfund's approach to carriers of values and ideas.

CSR approach taken→	Inactive	Reactive	Active	Proactive	Incorporated into CSR handling
Issues and factors↓					
The White paper on CSR		X			Increasingly
PR/media			X		Yes
International Guidelines	X				Yes
Relation to the MFA and Stortinget			X		Yes
New Issues and NGOs	X				No

The approach to the white paper on CSR can be characterised as reactive. Norfund states that the paper is hard to operationalise and the strategy taken is to cherry pick what to use from the White paper in their CSR policies. However, the paper does not offer a precise definition on how to understand CSR and can therefore be seen as less useful. In this setting, Norfund seem to take a strategy of avoiding to do things wrong, following the weak White paper. This strategy is in line with a passive and re-active approach to CSR.

Norfund has stepped up its public profile. By taking the agenda and communicating its role, Norfund can be seen to take an active approach to CSR issues in the public sphere.

Norfund adopts the international guidelines from the IFC without any further engagement. By importing a set of values from an international organisation without using their position to have a say can be interpreted as inactive. In addition, the Norwegian CSR regime is not taken into account and this places Norfund in a position that could be characterised as window-dressing. No active engagement is seen in how or what guidelines the organisation is following.

The communication with the MFA and the Storting is characterised by Norfund trying to gain an understanding of their role. The issues and problems that this role includes are communicated, and this can be seen as an active approach.

NGOs are hardly included in the CSR work, and the routines for handling new issues are not clear. Norfund can be seen to take a top-down approach on this as change in the CSR policy is not seen to come from external actors.

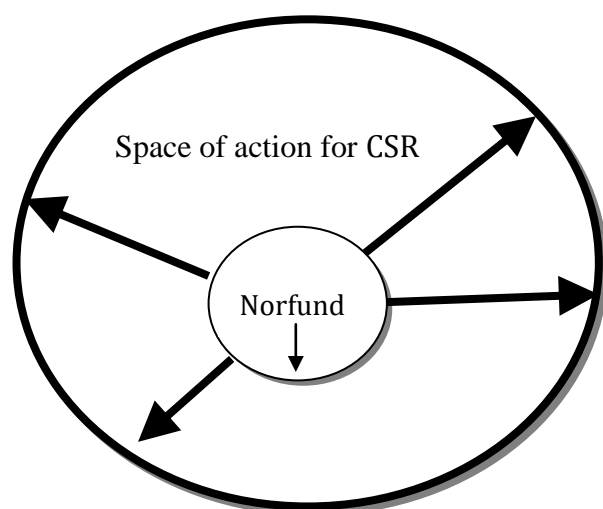
7. Analysing the scope and application of CSR in Norfund

This chapter seeks to map the operational approach to CSR taken by Norfund by focusing on the limitations, options and opportunities of exerting CSR. Some key issues are selected and presented here on the basis that they are critical for Norfund's attitude towards CSR and the ability to exert CSR. Statements from Norfund staff and material from relevant documents are analysed and discussed in light of the theoretical dimensions drawn out in earlier chapters.

This chapter seeks to answer research question three: *What are the scope and application of CSR for Norfund?* With the supporting questions: What are the limitations to CSR engagement? What options to exerting CSR does Norfund have under the various investment forms?

Figure 7.1 is a simple illustration of the focus of research question two, where the boundary of Norfund's influence when it comes to CSR is given particular attention. The large arrows symbolise the different investment tools and how they to various degrees offer a space of action when it comes to CSR. The smaller arrow symbolise the inner workings and that some aspects within the organisation might limit the reach of CSR. This is further elaborated on in this chapter.

Figure 7.1 - The space for action on CSR



7.1 Limited ownership, limited influence?

Norfund's opportunity to influence the management of companies in which it invests depends on the size of the investment and whether this is made directly or indirectly (Norfund, 2009b:10)

Norfund is limited by law not to hold a stake of over 50% in the projects that they finance. The rationale for this is that the capital invested should trigger other investors, preferably local capital, to join in and in that way stimulate additional investments (Ot. Prop. Nr.13, 1996). A key question is whether this restricts Norfund's operational control of the companies and the ability to handle HSE, social and environmental issues. If one looks at some of the Norwegian corporations investing abroad, it's an outspoken strategy to maintain an ownership share of over 50% to be able to control and instruct the operating company abroad when it comes to issues related to CSR. For example the partly state owned telecom Telenor group holds 56 % in its Ukrainian operating company Kyivstar, 65% of DTAC in Thailand and 62% of Grameenphone in Bangladesh (Telenor, 2009:4-7).

It's a paradox that Norfund is restricted by law to be an minority investor, meaning that we are restricted to hold more than 50% by law, and at the same time we have a strategy [...] of investing in the projects with high development effect but with a very high risk attached to them. It is a dilemma that the law prevents us from holding operational control (Vilsted [interview], 22.06.09).

SN Power, a company set up in collaboration with the Norwegian company Statkraft and Norfund, had an issue on HSE handling in their operations in India. Here 11 people have been killed and 81 people hospitalised in relation to the construction of the Allain Duhanan hydropower plant, India. As a result of this, SN Power has changed its policy ownership in that they now want to maintain a controlling share in investments made (Statkraft, 2009). As Norfund owns a 40% stake in SN Power, this does not affect the 50 % regulation for Norfund, but it is an interesting example of how operational control over direct investments is important for the ability to maintain high CSR standards.

It is a paradox that we are expected to have influence everywhere, but we are not allowed to hold more than 50%. That is a bit strange as we are limited on how influential we can be (Stigen [interview] 29.06.09).

For some investments it would make sense for Norfund to be able to be in with a larger share than 50% (Vilsted. [interview], 22.06.09)

Some technicalities are worth mentioning here, even if not directly related to the ability to exert CSR. The limitation of 50% ownership in companies might cause some problems if the companies get into trouble and need fresh capital to continue running, as described by the Head of department for direct investments:

If there is a crisis in the company and we have to inject capital, if the other investors does not have any fresh capital to offer; then it could be difficult. We can choose to hold more than 50% or to let the company go bankrupt (Ersdal [interview] 26.06.2009).

Such a situation shows how the limitation on ownership also limits Norfund's engagement in maintaining the economic sustainability of viable companies. The business model and the market conditions might be good, but the lack of fresh capital will bring the company down as Norfund is not authorised to inject more capital to become a majority owner. Such a problem might originate in the fundamental conditions that Norfund was set up to ease in the first place; the lack of risk willing capital. As such the ownership share can be seen as a double edged sword, when an institutional investor takes on a great deal of the risk by being a majority investor one can argue that there is a crowding out¹⁸ of private investors. To prevent this from happening, the restriction on holding the majority share seems to be a good idea as it

¹⁸ Defined as when public investments are in competition with private investors (Agosin & Machado, 2005).

supports viable investments and give private investors a place at the table. This argument could especially be emphasised when operating with public funds in a developing country as it could challenge how an investment fund is perceived in a north-south relationship as it does not signalise a complete takeover.

I think the 50% restriction is right. It could be some technicalities where we would want to hold a larger share over a shorter time, but we are not set to be majority shareholders and do not have the competency (Roland [interview] 26.06.09).

A question can be raised about Norfund's ability to use other instruments in corporate governance when the instrument of ownership is limited;

Usually there are no problems of exerting influence in a company because of the 50% limit; we can always make shareholder agreements to get influence on the issues that matter to us. And we usually invest together with people with the same attitudes as us, so it is not a problem" (Ersdal [interview] 26.06.2009).

An interesting point here is that the limitation to ownership is seen as less of a problem if the other investors in a project have the same attitudes as Norfund. The values and guidelines that other investors adhere to can be identified as a factor that Norfund relates to. The choice of projects on the basis of the other investors has implications for Norfund's ability to get their values and standards of CSR incorporated in the company. Partners that share the same CSR values can make the investment less complicated. Often the partner investors are other DFIs or national companies with a similar approach to CSR and this arguably reduces the risk of dealing with a local partner that potentially does not take CSR principles or guidelines into account. One could characterise the possible influence through this type of partner as informal as it is not part of the official ways of governing the corporations according to own rules, but relies on that other investors share some value framework of CSR or are in a willing position to adopt such frameworks. A more instrumental way of getting around the limitations to ownership is to enter partnerships and let the partner do the direct investment.

We are limited to 50% ownership, but in strategic partnerships we can hold more. That is in companies working as an instrument for further investments, such as SN Power or Aureos¹⁹ (Stigen, [interview] 29.06.09).

Such partnerships might put a new name on the investments as they are not made by Norfund as a direct owner, but through a third organisation. But the line of accountability when it

¹⁹ SN Power is set up in collaboration with the Norwegian company Statkraft. Aureos is an investment fund set up in collaboration with the CDC group, the UK DFI equivalent, (formerly known as the Commonwealth Development Cooperation) (Norfund, 2009b).

comes to the CSR issues that might rise is nevertheless directly linked to Norfund. An example of this is the attention that Norfund got in the attention that SN Power got in India (Statkraft, 2009; Aftenposten 31.10.2008).

7.2 Technical Assistance, making CSR easy?

The technical assistance (TA) scheme is independently granted Norfund from the MFA; it is not dependent on or related to transfers to the capital base of Norfund, but is used as direct project support. The purpose of the TA grants are “to cover costs related to ensuring sustainability and high development effect of the investments Norfund makes”(MFA, 2006). The funds are not intended to be investments like the conventional investments made by Norfund, but as a contribution to ensure that the investments are in accordance with the wider development policy, including HIV/Aids, gender equality, environment etc. Typical activities under the TA scheme are project evaluations, research, analysis, travel, training and consulting. The first transfers of such funds were made in 2000 and have been granted on a yearly basis from the MFA to Norfund, where the scheme is administered. In 2008, 15 million NOK was transferred, and 20 million has been granted for 2009 (MFA, 2006; MFA, 2008). TA is a common feature of international institutions²⁰ such as the IFC, the IMF and the WTO. The activities are important support-functions to and increase and ensure effectiveness of the core operations of the institutions (WTO, 2009). For the development finance institutions, the TA scheme enables the companies to engage in CSR activities such as improving social and environmental conditions.

The TA grants are approved by a committee consisting of two members from Norfund and one member from NORAD, this committee receives and processes applications from companies and funds in Norfund’s portfolio. The projects are considered on the basis of requirements set in the MFA in the guidelines for the use of the grants, “the TA grants should cover costs for measures that ensure sustainability and good development effect in the investments financed by Norfund” (Norfund, 2006).

The relative sizes of these grants are small compared to the size of the capital base of Norfund as a fund, but as they are not investments but transfers, they can be argued to be important when it comes to developmental effects of the investments made despite their relative size;

There has been a change in the way of thinking about the use of TA grants; how to use them and to become a better investor and to develop dimensions in relation to the projects that

²⁰ Defined widely to include public development agencies and international organizations.

extends what you would have seen a conventional investor do. We have higher ambitions and extended the role that we take in projects (Roland [interview] 26.06.09).

One can argue that the TA scheme is a golden opportunity to make investments closer to the social and environmental standards set. It could be a counterweight to the possible negative effects of market mechanisms that Norfund contribute to by investing.

If the companies say that such projects will improve the conditions around the company, then we have an instrument to use. You could say that all companies should set aside money themselves to do this, but it is not natural for a company to build a school. (Stigen [interview] 29.06.09).

But this can also be argued to be an inherent challenge, as the TA does not fit with the image and the role of Norfund as a professional investor. A debate within the organisation can be identified here;

Some people in the organisation see the TA as a bit problematic as they think it makes us less commercial. When you first lend someone some money, and then you give away some money; it can easily be seen as you do not have to re-pay the loan. If the borrower gets problems, it might be you that they first go to. But I am not worried about this; I think it makes us more constructive in that we can gain better results with the companies we are working with. (Vilsted [interview], 22.06.2009)

The use of TA should be commercially motivated and not aid motivated. That would be wrong. The grants have to be used in a way that can contribute to the companies directly, for example with a clinic that would improve the workers health (Jacobsen [interview] 24.06.09).

From this it is clear that the TA scheme is something that affects the organisation's role, at least on a level of self-perception. Different opinions within the organisation whether the TA scheme fits with the commercial role of Norfund have been identified. These differing opinions are interesting in light of the theory on how deep CSR is entrenched in the organisation. One could argue that the TA programme pushes the activities towards conventional aid, by running side projects without a profit orientation. Such an approach see the organisation as market based and arguably de-politicised. On the other side one could characterise the TA grants as part of the core activities themselves, as the companies has to provide something extra to local communities in less developed areas to be able to survive as a commercial actor. An aspect supporting the argument that the funds are part of the market structure is that the grants are not fully financing the projects, but sharing the costs with the operating companies.

We never pay everything, just some of the costs related to TA (Ersdal [interview] 26.06.2009)

We are not doing TA without the companies sharing the costs. Preferably 50%. So I think it is the wrong use of TA when it is used as aid. It is a good thing to do if it is commercially driven, then it also strengthens the company's reputation among employees and in the local community, and Norfund as a part of that (Jacobsen [interview] 24.06.09).

But the TA scheme undoubtedly makes Norfund capable of handling social and environmental issues through financing special projects in the companies. However, the grants are made outside of the core investment and this could reflect an attitude on the internalisation of CSR issues. If the building of a school or a health clinic was seen as important to the core functions of a company then it could be argued that the cost should be internalised and that TA support would have been redundant.

The probability that the company will succeed should increase with the use of TA. What you provide in aid doesn't have to affect the companies at all. That is the difference between aid and TA" (Jacobsen [interview] 24.06.09).

This approach could be taken as an argument for internalising the TA for the single companies, as the extra grant outside the core investment gives the company a competitive advantage. This could favour investments from Norfund to investments from local investors and reduce the credibility of Norfund as an additional investor by reducing local investment. But this again depends on the presence of local investors.

A professional investor would not have used the TA. It is another post in the budgets that enables us to do more than a normal investor would do. Strengthening and developing the projects that would otherwise have been hard to enrich commercially. Or to strengthen environment and labour conditions, HIV projects etc. That is something we can do because we are a DFI, we get this money in addition to what we are supposed to invest (Roland [interview] 26.06.09).

This statement can be interpreted as giving Norfund an extended role as the ability to use TA is seen as something different from being a professional investor. A line is drawn between investing and using TA to improve social and environmental issues.

.. it's soft money, there is some element of charity there. And we are discussing if this is good for Norfund. Should someone else have handled this, for example Norad? But I think it is very good to be able to push a company on issues like HSE, and that we can offer something, like hiring a consultant if that would show useful. We can use both stick and carrot to create great effects from small money (Ersdal [interview] 26.06.2009)

A distinction between soft and hard money is described where CSR issues are seen as external to the investments and the running of companies. Applying the different CSR approaches (inactive, reactive, active and proactive) to this debate might shed light on the underlying assumptions reflected in the attitudes towards the TA scheme. By seeing the grants as aid

money covering some aspects of the local community that the investment itself does not cover, an inactive approach can be recognised. Funding schools or hospitals in the local community is not the core competency of the company and should therefore not be done by the companies themselves. But if the building of schools is seen as a necessary act because of some pressure from the close stakeholders, then the approach can be said to be reactive. Thus, it makes sense for the running of the company to fund such projects. Taking an active approach would imply that the company should take care of social and environmental issues without any explicit pressure from the local environment, but on the basis of fundamental values entrenched in the company. The proactive approach could be identified if the company saw social and environmental issues as a part of its core operating activity, closely tied to other activities. The approach of the investor might be reflected in the willingness to fund expenditures extending the core activities, and Norfund can be said to be doing this by the application of the TA scheme. However, the TA practice is not internalised as part of the core investments in the operating companies but granted externally, and this could arguably reflect a role conflict. On one side, Norfund shall behave as a professional investor by investing in the core operations of the company. On the other side they have the ability to act as an aid organisation by making an extra effort in the local community. This dimension has been identified within the organisation through the different attitudes towards the TA scheme.

It is mostly assessments of different projects. It there are things that might exceed the financial side of an investment, such as environment issues with fisheries and how to improve the environmental standards in the company. It is things that go up and above the investment and we go further than a normal commercial company would do. It is a way of improving the developmental effect (Stigen [interview] 29.06.09).

To summarise; this debate on TA is not on the ability of the scheme to be positive in a developmental context, but about the role of Norfund. The scheme is part of the toolbox enabling Norfund to take a strong approach on CSR issues, but as this discussion has touched on, the scheme challenges the external perception and the internal role of development finance on the dimensions of state-market and aid-investments.

7.3 Tax havens for development?

18th of June 2009, the Government Commission on Capital Flight from Poor Countries delivered their report on Tax havens and development to the Minister of Environment and international development. The commission was set to examine the role of tax havens in relation to capital flight from developing countries and consider Norway's position on investments through such jurisdictions (NOU No. 19, 2009). Norfund was criticised in this

report for investing through tax havens and this sparked public attention towards the connection between a public development fund and tax havens (Ukeavisen Ledelse, 19.06.09; abcnyheter, 18.06.09; Ørjasæter, 18.06.09; Dagbladet.no, 18.06.09).

The definition of tax havens are not clear cut and a variety of definitions are used; professional finance centres, offshore finance centres (OFC) and secrecy jurisdiction (NOU No.19, 2009). Some common features can be found, as described by the OECD; no or low effective tax rates, 'ring fencing' of tax regimes²¹, lack of transparency and lack of effective exchange of information (OECD, 1998:26-28). The use of tax havens can be argued to be especially damaging to developing countries and Cobham (2005) estimates that the total cost to developing countries is 385 billion US dollar annually. According to the report from the Government Commission on capital flight, 29 of Norfund's 35 fund investments were based in states that could be characterised as tax havens (NOU, No.19, 2009).

If we are limited by law to use overseas financial centres (OFCs) it will affect our ability to be present in developing countries, resulting in less high risk projects in the poorest countries (Roland [interview] 26.06.09).

This is an issue in the CSR debate for several reasons. First, that tax avoidance have been characterised as socially irresponsible corporate behaviour (Christensen & Murphy, 2004). Secondly, because investment in developing countries without a well developed financial sector might be difficult, the tax havens have made such investments possible for actors like the DFIs to contribute to development. Third, foreign investors' attitude towards tax havens can be seen as an indicator on how they see their social responsibility in a wider societal context, and not just on a company specific level. Of these reasons, the issue of tax havens can be seen as a double edged sword in how international investors relate to CSR.

We need effective structures to move money in developing countries and that is not very easy to do without these financial centres. It is absurd if we are supposed to adapt to sub-optimal structures if you are not allowed to use tax-optimal structures. And that is impossible in a commercial reality; you have to invest where the largest profit is. (Ersdal [interview] 26.06.2009)

Norfund has full control with the capital flows and does not contribute in a negative way by using them [tax havens]. It is a way to avoid double taxation (Vilsted [interview], 22.06.09).

²¹ That the tax regime is insulated from the domestic markets of the country providing the tax regime (OECD, 1998:27)

Norfund meets the criticism with technical arguments; that the use of tax havens is a necessity in the work as a development investor. Much of the criticism against Norfund on this issue does not seem to sink in and the problem seems to be interpreted as technical and not ethical:

No one involved in international finance is surprised about this. But of course teachers and nurses that have never worked in international finance could think that it sounds terrible, especially when tax havens are set equal to financial drain from developing countries. I think that the despots would have managed to take money out of developing countries without the tax havens too; I think the causal mechanism here is artificial. (Ersdal [interview] 26.06.2009)

One could argue that the issue is technical in that it relies on some evidence that the use of tax havens is more negative for developing countries than the increase in investments developing countries might see because of the ease of using tax havens when investing. However, this discussion is not the core of the issue here, but the way that Norfund reacts to criticism and the way the organisation handles such issues are more interesting in a discussion on the attitude towards CSR. The arguments on how to change the practice is pointing to the international practices:

Our ability to do something here depends on the international cooperation on this. If everyone is under the same restrictions, then it is not a problem. For us it is difficult to be the only one with restrictions; then we cannot invest in collaboration with others. If we are under other restrictions than the IFC, the African Development Bank (ADB) and everyone else, this demand will be very difficult (Ersdal [interview] 26.06.2009)

We agree that some tax havens are operating in a way that may have large side effects and that it is important to do something about this internationally. But how to do this in a constructive way is something that we have to discuss with our owner. It depends on what happens internationally on this area, and there is signals that there is will to change international agreements on this. Within three years this is a non-issue (Roland [interview] 26.06.09).

This issue can be seen as an example that some of the stakeholders of Norfund such as the MFA and the media are demanding a stand and action on one specific issue. The arguments that the stakeholders are met with can be seen from two angles: first, technical explanations that the involvement is the best way of doing investments, and secondly, that the international community has to regulate this and that Norfund is not able to do something on its own. Both these arguments might be correct from an empirical point of view but signalise a stand or an approach to issues raised by the close stakeholders. Putting these arguments in the CSR framework, a *reactive* approach can be recognised and some of the arguments could be taken to be *inactive*. Unwillingness to take action without others joining in is characteristic for a *reactive* approach. The financial arguments that Norfund needs to act in a tax-optimal way could be interpreted as *inactive*, as the bottom-line seem to be the primary focus.

What does it mean that Norfund takes such an approach? The inherent conflict between political intentions and the financial technicalities of this issue can be argued to originate in problems of communication. The term ‘tax havens’ can be said to be contentious by being linked to corruption and money laundering and is therefore an issue within the Nordic CSR regime. Norfund is hit by the connotations with this concept and criticised for something they see as a technical question. Then one could argue that Norfund should have had a higher social conscience, by knowing the public problems by investing through tax havens. But when this issue is raised on the agenda, the public attention might lead to a deeper understanding of what Tax havens are and the role that they play in development finance, making the problematic role of Norfund more evident to the wider public.

We meet changes in CSR in the revised guidelines from IFC, and they are gradually made our own. The issue of tax havens is a bit special as it is a Norwegian issue where our owner [the MFA] gives us instructions. (Ersdal [interview] 26.06.2009).

7.4 Fund investments – fragmenting responsibility?

By the beginning of 2009, Norfund held NOK 1.7 billion in 35 funds, invested in over 200 companies. This is over one third of the total portfolio (NOK 4.8 billion). The funds are specially directed towards development of small and medium-sized enterprises in a local context. Fund managers with local knowledge and local presence are selected and these pass on and manage Norfund’s capital through close follow-up of the individual companies that the funds invest in (Norfund 2009e:14-16). Most of the funds have relatively short time horizon of 2 to 10 years, where the main goal is to invest in companies with the best profitability and a growth potential so that the fund managers can work with the company to improve operations and then reinvest into new companies (Norfund, 2009e).

Norfund must ensure that the funds display good corporate governance, avoid corruption and money laundering, and work to improve environmental and social conditions (Norfund, 2009e:15)

A critical aspect here is Norfund’s control over the investments and therefore the possibility to exert CSR. The investments are made indirectly through investment funds in developing countries and the funds then invest in local companies. Such an investment model can be characterised by the problem of corporate governance and the exert of CSR, as dispersed ownership could reduce the control that investors has over the on-ground investments (Becht, Bolton & Röell ,2005). The distance from the investor and the operating company becomes wide, both in formal and in geographical terms. A valid question is Norfund’s control and

ability to follow-up guidelines and expectations of good corporate conduct when the distance to the on-ground investments increases.

We consider the type of fund, geographical area and the risk that there are challenges when it comes to environment and social issues. Then we have to evaluate if we can be invested in such a fund with low exposure, with the challenges that might come in following up and ensuring that our standards are maintained (Vilsted,[interview] 22.06.2009).

Norfund is here only a provider of capital to an entity that does the actual investment decisions and this moves some of the authority to a third entity. The share of ownership in the different funds might also be a challenge, as Norfund owns 50% of the share in one fund and less than 33% in all the others (NOU nr.19, 2009:108) For direct investments Norfund has operational control with the companies that they invest in, often with a board member and direct flow of information back to the investor. Through the funds, the connection between the actual operating company and the investor can be said to be weaker, and this demands attention to the kind of funds invested in and the contracts and guidelines that the funds operate under. Two ways of influence can be identified when investing in funds; first, the selection of which funds to invest in, second, the strategies and guidelines set in the investment contract between Norfund and the funds.

For funds we work with the fund manager to set agreements that please us and we make sure that they follow up. When doing direct investments we normally have a seat in the board and have responsibility according to this. Funds and direct investments are two different instruments that we work with, that is demanding in different ways. It is two different instruments complementing each other (Roland [interview] 26.06.09).

When we invest in funds we take on the role as a capital supplier to a larger extent than when we are doing direct investments. We have our exclusion list and we have the IFC standards. But we do not have the same information as we do in direct investments, as all information on the investments made has to go through the fund management; that is a challenge [...] you do not have the same control as when you invest directly (Vilsted [interview] 22.06.09)

When a fund placement is made and a fund manager is assigned, other mechanisms to make sure that CSR standards are followed come into play:

You have two controlling mechanisms; first, we make the investment agreement according to the IFC's and ILO's guidelines. If they break with this agreement we can demand our money back. Secondly, these funds is always short term, they often need a cash injection again in four years and they know that if they do not act according to our expectations, they will not get an injection.[...] The DFIs are dominating capital equity in these countries, and this is driving companies to better corporate governance and environmental standards. (Ersdal [interview] 26.06.2009)

The two mechanisms mentioned here are interesting as they are both on economic terms where the fund managers are incentivised to follow the will of the investor according to some economic consequences. Incentives to create profits are considerable in the first place when looking at the financial organisation of the funds:

The incentives for the fund management to create profits are strong, as 20% goes directly back to them, in addition to a set 2-3 % yearly management fee. (Ersdal [interview] 26.06.2009)

The fund managers could arguably be authorities with considerable economic benefits from dealing with DFIs such as Norfund. At the same time they are carriers of the values of corporate behaviour that the DFIs try to transfer to local conditions. What kind of authority do the fund managers possess in order to transfer such values and what incentives do they have?

Of course the fund managers make a lot of money if they succeeded, and someone could think that this is unfair that we are contributing to create an upper class in society. But you need local heroes, someone that succeeded as businesspeople, to have role models for young people that are wondering if they should use their talent in the aid sector or in the private sector. (Ersdal [interview] 26.06.2009).

The long term cooperation with the funds contains such strong incentives for them to consider our demands that they tend to do so (Ersdal [interview] 26.06.2009).

The funds should be seen in the context of the other investment instruments available to Norfund. One could argue that the potential development effect is large compared to the higher administrative costs associated with for example direct investments.

Fund investments are a way for us to reach far, where small projects can be followed up locally, as we can only follow up a few projects directly, even if we have offices abroad there is a limit of how far out we can reach with direct investments. But the funds can reach out (Ersdal [interview] 26.06.2009)

Investing through funds can arguably be a potential challenge if any changes in CSR guidelines occur. If the MFA decides that some strict guidelines should be enforced, this could be problematic as the line of command and information can be argued to be weaker between Norfund and the single company when investing through funds.

We cannot put in the shareholders agreement that any political changes in Norway that would lead to different expectations towards the funds would be a reason to withdraw, such a situation would be unpredictable, and so it would be impossible (Vilsted, [interview] 22.06.2009).

But of course, we are running a reputational risk if someone went through our portfolio and found companies that are in conflict with Norwegian directives, plans or politics. But I believe in working with the funds to improve, rather than divesting. (Vilsted [interview] 22.06.2009).

The problematic aspects identified with CSR and Norfund attitudes towards these funds can be summarised on two aspects; first that Norfund makes local changes through close dialogue with the fund managers. A potential transfer of norms is going on, but with strong financial incentive mechanisms as a fundament. Norfund can be seen to use market instruments to transfer social and environmental standards to the local companies. Secondly, the limitations to CSR are considerable and limited by the information flow, the capacity or the will to monitor 200+ companies.

The approach towards fund investments and CSR could be seen in relation to the different CSR approaches. One could argue that Norfund is seen to take a reactive approach as the focus is to avoid making any mistakes and that measures are taken in creating agreements with fund managers on the standards that they have to maintain for the companies that Norfund is to invest in. But as this is an overwhelming task to monitor and follow up and Norfund seem reluctant to take an active approach towards the single companies. The main argument here could be interpreted as close to the *inactive* CSR approach as the main goal is to create development through the money invested and the focus on transferring values and practices on the CSR area is not prioritised when investing through funds. The emphasis is on providing capital and through this produce welfare, working with the companies to improve on standards is secondary.

7.5 Direct investments and corporate governance

Of the total investments, direct investments accounts for only 8 % or approximately NOK 380 million. Norfund invests in start-ups where other investors are reluctant to enter because of the risk, currently restricted to southern and eastern Africa. Such investments are always done with a partner, preferably a local investor, but often an institutional investor like other DFIs (Norfund, 2009e:30-31). In such projects the ability to transfer and manage CSR standards can be said to rely on the relationship between the companies' management and the investors. This is the classic discussion of corporate governance, where the investors are entitled to profit and influence over the corporation, while the management have the power to run the corporation according to their benefits and beliefs (Bainbridge, 2008). This formal power sharing might not be according to the standards an investor meets in financialised societies²² when investing in developing countries. Practices of corporate governance might be lacking

²² Defined as societies where the financial markets are entrenched in daily activities. (Glyn, 2006:50-63; Epstein, 2005:3-15). This is a broad debate, but will not be discussed further here.

the expected standards, and this could be limiting the ability to influence the actual operations of a company, and thus the CSR effort taken.

We are contributing to lift the projects on governance by pushing for the chairman of the board to be someone else than the managing director, that the board members are independent and that regularly board meeting are held (Ersdal [interview] 26.06.09).

A company has to be structured so that we can get decisions through. And we need partners that share our visions on where we want to go. Then everything will become easier and we can develop the company in a positive direction when it comes to CSR. That is the key (Stigen [interview] 29.06.09).

You need some legal instruments so that you can force things through. You have to be able to put some power behind this (Stigen [interview] 29.06.09).

Three aspects in Norfund's work on corporate governance and the ability to instruct the local company are 1) The improvement of management standards, 2) the partner investors, 3) the legal instruments in the country of operation. All these three aspects contribute to the ability to exert CSR pressure on the local company. Norfund can be said to take the measures that are available to ensure control, but one can argue that this is a potential problem when dealing with CSR issues.

7.6 Divest or change?

If a company are engaged in some activity that the investor or the surroundings find unacceptable, two options for action can be identified; active ownership by working within the company to change practices or to divest²³.

My clear stand is that it is much better to get involved and try to influence through participation with our standards and viewpoints, than not getting involved. How can we expect any improvement in for example HSE issues if we are not present? (Jacobsen [interview] 24.06.09).

We have good opportunities to influence and to create change especially when doing equity investments, as we set demands in contracts on central things that should be focused on. We have clear plans on how to gain results on the SEG areas, which are based on the IFC guidelines. (Jacobsen [interview] 24.06.09).

The two methods of reaction can be characterised as a negative or a positive strategy towards a company's attitude. In the first case, a positive attitude is taken by putting resources into the company to solve the issue. But this might be demanding resources and it might be hard to communicate to the wider stakeholder community. For example if one has invested in a company using child labour, this would probably be perceived in a negative way by NGOs

²³ Defined as a reduction in the ownership of an existing company.

and the wider public. By divesting, the investor show a firm stand against child labour, but this does probably not change the fundamental conditions in the company divested from. By engaging in the operations of the company and to set up programs that will reduce the use of child labour, the problem can be argued to be engaged with on a more fundamental level, but the investor risk some reputational damage for not taking an initial stand against the issues. Norfund can be argued to face the same dilemmas, but maybe less than private companies. The debate in Norway can be said to have changed on the question on active ownership vs. divesting. The practice of the Norwegian sovereign wealth fund²⁴ (SWF) – the Government Pension Fund – Global, have developed from actively excluding companies to a strategy on active ownership (Government Pension Fund- Global, 2009). This has arguably changed the understanding and perhaps the acceptance for such an approach in the Norwegian public. This has also changed the context that Norfund relates to and it is now more acceptable to argue that problematic companies should be incentivised through ownership structures rather than being removed from the portfolio.

7.7 Summary

In this chapter the operational approach taken by Norfund on some key issues, have been analysed. These issues offer an insight into how the people in the organisation perceive their role in relation to some critical cases. The issues focused on shows how Norfund’s space of action in relation to CSR is limited and on what areas there are opportunities. To summarise some of the discussion from this chapter, a table is set up.

Table 7.1 - Issues of implementation

Issue / Approach	Inactive	Reactive	Active	Pro-Active	Limiting or enabling increased CSR effort
Ownership			X		Limiting
Technical Assistance			X		Enabling
Tax Havens	X				-
Fund Investments		X			Enabling
Direct Investments			X		Enabling
Divest vs. Active ownership		X			Enabling

²⁴ Defined as a state owned investment fund composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets (the Sovereign Wealth Fund institute, 2009).

Table 7.1 show the different issues discussed in this chapter and how Norfund's approach to them could be placed according to the constructed CSR framework. Such a classification is less nuanced and relies on the subjective interpretation of the researcher but it nevertheless serves as a structured way of presenting some of the findings from the analysis and the discussion on Norfund's scope and application of CSR in the selected issues. The summarised arguments here should be seen in relation to the statements and discussions in the chapter as a whole.

The limitation on ownership that Norfund can hold in direct investments is 50%. This is seen as a limitation on how Norfund can influence the companies and thus a limiting factor in promoting CSR standards. To make sure that Norfund has some influence and that acceptable standards are followed, investments can be done through reliable partners such as other DFIs and domestic companies. However, this is no insurance against CSR related problems as the issues in India with the investments through SN Power has shown. In addition to this the strategic partnerships could reduce the level of local ownership and affiliation. Norfund's approach to ownership should be seen as active, in that suitable ownership structures are sought with the purpose of maintaining CSR standards.

Technical Assistance programs challenges the role as a professional investor, but makes Norfund capable of running projects that enhances the developmental effect and maintain the CSR demands in certain investments. The internal debate on this issue is interesting in that it challenges how the organisation should see itself and how normative issues are incorporated into the daily activities. The TA programs represent an active approach based on some higher goals and can be characterised as *active* in the CSR framework.

Norfund's reluctant approach to tax havens has been under scrutiny from the Capital flight commission. The criticism is met by technical arguments and the normative aspect in this issue does not seem to be present when this is discussed. Therefore, Norfund approach on this point should be characterised as *inactive*.

The category of 'Limiting or enabling increased CSR effort' is considered with the basis in that Norfund's attitude towards some issues make them more or less able to instruct, monitor and affect the activities on-ground. For example with the discussion on technical assistance, Norfund is seen to be overall positive to this, a function that arguably increases the CSR effort made. And then the stand taken enables Norfund to make the companies invested in be able to take stronger measures on CSR. In the table, each issue is considered from the approach taken

by Norfund and if it makes Norfund more or less able to engage in CSR issues in their investments. Most issues are seen as enabling Norfund to engage in CSR, except the limitation to ownership. The activity through tax havens is not tagged as this issue is seen to have two levels, the public debate in Norway on how Norfund should stop using them and the way that they enables Norfund to make investments in developing countries. The Tax havens are seen to limit Norfund in a Norwegian context, while they arguably enable Norfund to make investments. These two considerations should be further investigated before making a claim on the effect on CSR engagement.

8. Norfund's CSR approach.

The main purpose of this analysis is to investigate Norfund's approach to CSR. Chapter six focuses on how and from whom the values and norms flow into the organisation. Chapter seven focuses on different operational issues that might effect the implementation and application of the CSR values. Chapter eight analyse the overarching reasoning for CSR by critically analysing and discussing key statements from inside the organisation.

8.1 Why set guidelines for Norfund?

One of the key findings in the analysis of what norms and values Norfund take its CSR policy from, is the adoption of international guidelines. This approach should be further discussed as it can be seen as symptomatic of Norfund's overall approach to CSR.

The adoption of international CSR guidelines combined with a reluctance to be part of the international debate on such guidelines can be characterised as a passive strategy. If one sees this in light of a Norwegian CSR regime, which could be characterised as active, it does not align with what a state owned investor is expected to do. Norfund is taking measures to close the factual gaps, but are not taking any measures to close the normative, or value based gaps as they operate under guidelines not taking the Norwegian context into account. One could argue that Norfund is investing in developing countries and as such they are only obliged to follow international guidelines and pass such guidelines in the communities they are present. But as a carrier of Norwegian state money and doing projects representing Norway, were the operations are highly visible, it can be seen as a paradox that the general approach is without a value based guidance set in a Norwegian context.

One could compare this with how the Government pension fund - Global is restricted through the ethical guidelines. These guidelines are set by the Norwegian parliament and are widely

known and debated in the Norwegian public sphere. They also gain acknowledgement internationally and investors follow the advices given, creating an ‘ethical multiplier-effect’. This effect kicks in as other investors are acting upon the advices that are given to the GPF-G and so the effect spreads and the incentives for businesses to take action are much stronger.

The paradox is that the investments made by the Government pension fund -Global is invisible to people on ground in communities, in factories and so on. No one knows that the GPF-G have invested until the ethical inspectors knock on the door to check if there are children employed or not. The GPF-G is limited to hold 10% of the shares when investing and is thus not actively engaged in the daily running of the companies. Norfund however is restricted to 50% and is actively engaging in how the companies are set up and run. This is part of their mandate, “to create development on sustainable terms”. A mandate far exceeding what the GPF-G has to relate to: the profit maximation of day to day financial flows. Norfund is a visible representative of Norwegian policies and values to a far greater extent towards the people employed and the people running businesses or local investment funds. The potential to transfer such values that the Norwegian model is based on such as collective bargaining and state ownership of natural resources is much greater through Norfund than the GPF-G (of course not taken the size into account).

As such Norfund is a powerful political tool, but the lack of operational guidelines does not give the organisation a mandate to use their role as anything more than an investor acting nice. If the Norwegian CSR discourse, defined as the inter-subjective opinion on the ethical and political role of businesses, is in favour of using state organisations like Norfund to promote the Norwegian CSR, maybe Norfund should have a strict mandate based on this Norwegian CSR discourse.

8.2 What is Norfund’s approach to CSR?

In an international comparative perspective one can place Norfund and the DFIs as proponents of a model carved out by the Washington consensus. Such a claim can be supported by how Norfund is presented in public by the managing director:

Norfund does what the economists in the World Bank says is the way forward (Roland, [speech at conference] 11.06.09).

The advices given to developing countries under the Washington Consensus have led to a sensible macroeconomic regime (Roland [speech at conference] 11.06.09).

These statements should be seen as how the organisation is presented to an audience and not necessary representing the discussion within the organisation. When discussing the meaning of CSR with the employees, quite different opinions arise.

It is clear that to do our business according to what is environmentally right, a do no harm approach, is part of the social responsibility, but in addition to this we go further by doing things around the business, like building clinics and schools. In that way we create positive effects in the societies where we have large investments. But I define social responsibility as running our business in a good way (Ersdal [interview] 25.06.2009).

I like CSR best if it is commercially driven. If a company see the advantages of the activity in that it can improve the companies' reputation, then participation in certain CSR activities are commercially driven (Jacobsen [interview] 24.06.09).

The mandate of Norfund and the role of CSR can be intertwined, as doing business with a purpose of creating development could come hand in hand with standards of responsible business. This can be argued to be a political issue in the role that business are given in society, as discussed in the chapter on Norfund's context.

This is a social-democratic instrument where state money can contribute through the market [...] it is clear that you believe in the market and economic development through the market when you do investments and not aid (Ersdal [interview] 25.06.2009).

The differing opinions of what CSR should be for Norfund can be placed along the classic dimension of state vs. market. Issues from economics like externalities, the different growth models and development theories²⁵ offer structured explanations to business' role in economic development. But such models do not offer explanations on Norfund's political role as part of both the domestic and the foreign policy. The CSR perspectives carried by the organisation can arguably indicate some political and ideational affiliation.

Norway has a successful market based economy and it has been like this in 100 years and that is why we are not poor anymore. That is the core way of thinking about Norfund; the founding normative values. We are in the middle of the Norwegian political spectra and there is no party politics in this. All the parties at Stortinget are in favour of Norfund and even with equally strong support (Roland [interview] 26.06.09).

In developing countries there it is a screaming need for economic development and it probably has the same effect on the economy if you realise a mineral water plant or something else. I have met an attitude in conventional aid that some investments are better than others, like health, education or something like that. But that is a misunderstanding about how the economy really works. They have not understood this. I would not have invested in a Rolce

²⁵ For example the exogenous growth model, modernization theory, dependency theory and world systems theory (See Behrman & Srinivasan, 2007)

Royce dealer in Nairobi even if that could be defended from economics, but I would not do these extreme things (Stigen [interview] 29.06.09).

The CSR framework constructed in the literature review of this paper does not only offer an issue or actor based approach to CSR policy, as illustrated in chapter six and seven. But the ideas of CSR in this framework can be recognised in how Norfund approach CSR.

Our job is to create economic growth and our way of thinking about development and growth is not that different from how people in Norway thought about these things fifty to a hundred years ago. Its profitable companies that can survive in international competition and over time grow (Roland [interview] 26.06.09).

Equalling development and economic growth can be recognised as a utilitarian argument, where measurable production in society is used as an indicator. The economy is put forth as the engine that will benefit all by increasing the size of the pie to share. Inner mechanics of the economy should not be disturbed as this could reduce its ability to produce the potential benefit. This view is closely linked to an *inactive* approach to CSR, as actions that slow down the economic capacity, triggered by ethics and normative values are seen as problematic. But what if ethics and values are guiding in how development is defined? A pro-active approach to CSR means that economic activity is guided by some inter-subjective goals.

Provided that you invest in an ecological and responsible way, you have created development (Ersdal [interview] 26.06.2009).

If there is no development impact from a project, why should we do it? We could contribute to profitable jobs, but if that is the limit of the project focus, we are not that interested, but as an actor from private business I would be interested, if I have a controlled risk and good profitability (Jacobsen [interview] 24.06.09).

The statements on CSR in Norfund show that the opinions differ in how CSR should be incorporated into the activity. Some argue that CSR is something that only should be acted on when there is a commercial interest, while others argue that that CSR should be an addition to the investments made. This reflects the role that the organisation is set to have as an investor, but with a political mandate. Looking at how the norms and ideas constitute the room of action and how CSR is operationalised offer some insight to how Norfund can be considered to be placed in the debate.

The ideas and norms that decisions are based on are here found to align with an *inactive to reactive* CSR approach. The influence from the Norwegian civil society is low as NGOs are not seen to be seriously included in decisions. The political influence on CSR policy in Norfund is weak, mainly because of ambiguous plans communicated by the MFA. Guidelines

from international organisations are reluctantly adopted and there is no engagement in working to change or influence there internationally. These aspects argue in favour of characterising Norfund with an *inactive* to *reactive* approach to CSR. Turning to the hypotheses set, this means that H1 and H2 can be held true.

Focusing on the mechanisms that enable Norfund to focus on CSR, two issues have been recognised. The control and engagement to CSR shown when investing through funds, and the attitudes shown on the issue of tax havens. These two aspects are related as they both build a distance in how Norfund is able to exert CSR policy. Fund investments by spreading holdings out to a wide range of small companies through a local investment manager. Using tax havens should be seen as an example of a distance to the national public debate as Norfund does not acknowledge that this is a sensitive issue. If the national CSR regime was taken into account, Norfund should be seen to take action in critical issues.

Instead of working to implement the ethical and moral values that come up in the Norwegian debate, Norfund have taken a strategy of increasing the attention towards the problematic role a development investor has to deal with. This strategy has been both towards the MFA and to a wider public. It should be considered a success in that there is political support from all parties at Stortinget and the fund's capital base will be increased with aprox. 400 mill NOK in 2010 with a possible new 10 billion NOK fund to be initiated. But the communication strategy does not change Norfund's approach to CSR per se; it only brings issues to the surface. Norfund can still be characterised as taking an overall passive approach to CSR.

9. Conclusion

This paper presents a case analysis on Norfund, using assumptions from the constructivist ontology, that values, norms and language can tell us something about how different actors approach certain issues. Data was collected through in-depth, semi-structured interviews with employees and management at Norfund. The findings from these interviews have been presented following the logic that the norms and values that constitute CSR work should be investigated. The sources of norms and values have been guidelines, NGOs, policy from the MFA and civil society engagement. The application of the motivational factors has been found by analysing ownership structures, the technical assistance programme, tax havens and fund investments. Structuring this analysis from idea to application has made the research stringent and the findings are supported within a framework. Current academic debates on CSR have been structured through a literature review to form a useful framework applied in analysing the qualitative data from interviews. Four distinct approaches to CSR have been used as theoretical lenses to explain and interpret findings: Inactive, reactive, active and proactive. **Norfund is here found to take an inactive to reactive approach to CSR.** This claim is backed by the adoption of international guidelines without further engagement with the Norwegian CSR regime, the weak policy transfer from the MFA, the lack of including civil society, the issue of tax havens and the problems with fund investments.

The effects of taking an passive approach to CSR comes when Norfund is meeting criticism with economic and technical arguments, passively adopting guidelines, no effort to improve local regulations and random CSR engagement.

However, even if the approach to CSR is passive, Norfund is seen to take a active approach towards public relations by communicating the challenges that a development investor faces. This strategy could be beneficial in that Norfund will meet understanding in the public and media when the next sensitive CSR issue is uncovered. But it could also lead to an increasing attention to how Norfund perform in the area of CSR. It can therefore be a challenging strategy in the long term, and it might lead to a different approach to CSR.

In the organisation there is an inherent debate on the role of Norfund that is aligned with the dimensions in the CSR framework set. Fundamental issues like how development should be done and the role of conventional aid are discussed. These challenges are not surprising to find within an organisation that is set up to be part of a politically designed toolbox to create development and reduce poverty, working within the context of the financial market.

The study presented in this paper create a framework for future studies on DFIs. By applying the theoretical framework that is constructed, a comparative study of the European DFIs could be done. A wide comparative study on the economic aspects of European DFIs is currently being done at the University of Vienna. Complementing this research with qualitative data on the CSR approach of the DFIs could uncover some fruitful insights. An example could be to look at how the DFIs are tied to domestic industry and how this affects their engagement in CSR. On a more structural level, the research being done on business-society management at the Erasmus University in Rotterdam. The framework being developed here on development actors and CSR should be very useful for studies on DFIs.

Some research questions for future studies on political economy and development in a Norwegian context can be suggested: What limits the cooperation between the European DFIs? What role has Norway taken?, What is the public opinion towards the different forms of public development assistance?, How does media attention affect the approach taken to CSR?

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Interviews	Date	Time
Vilsted, Petter – Sustainability Advisor	22.06.2009	09:00-11:00
Stigen, Kjartan – Investment director	29.06.2009	10:00-11:00
Jacobsen, Per G. – Investment director	24.06.2009	09:00-10:30
Ersdal, Elin – Head of department, direct investments	25.06.2009	10:00-11:30
Roland, Kjell – Managing director, Norfund	26.06.2009	10:00-11:30

APPENDIX I – The Interview Guide

Intervjuguide

Dette intervjuet kommer til å dreie seg først generelt om Norfunds rolle, så mer spesifikt om samfunnsansvar og utvikling

1. Definisjon av Norfunds rolle og samfunnsansvar

- Kan du starte med å fortelle litt om din rolle?
- Hva er Norfunds hovedoppgaver, og hvem har gitt disse oppgavene?
- Hva er Norfunds samfunnsoppgave?
- Er det problematisk for Norfund å operere som en professionell investor når det ligger et politisk mandat med andre mål enn ren profittmaksimering?
- Det har vært et økende fokus på utvikling og bistand i samarbeid med privat sektor, hvilke utfordringer ser du ved dette?
- Hvordan kommuniserer Norfund med sin eier?
- Hvordan kommuniserer Norfund med politikere?
- Tror du åpenhet om Norfunds problemer og aktiviteter øker overføringene?
- Hvilke politiske forventninger ligger til Norfunds aktivitet, som ikke er formalisert i loven om Norfund?
- Hvordan ser du på Norfundloven?
- Samfunnsansvar beskrives ofte på en skala fra passiv til pro-aktiv, hvor vil si at Norfund plasserer seg på en slik skala?
- Hvem vil du karakterisere som Norfunds interessenter (stakeholders)?

2. Operasjonelt samfunnsansvar

- Hvilke retningslinjer når det gjelder samfunnsansvar ved investeringer bruker dere?
- Ligger det politiske føringer på politiske føringer på samfunnsansvar?
- Hvordan er ansvaret fordelt i organisasjonen? Hvem har ansvaret for å passe på at retningslinjer oppfylles, og hvem har ansvaret om det oppstår problemer?
- Vil du si at måten Norfund håndterer samfunnsansvar avhenger av kompetanse og interesse hos de ansatte i organisasjonen?
- Føler du at Norfund står fritt i valg av investeringer og investeringsform (f.eks fond vs. direkte)?
- Blir enkelte prosjekter valgt bort fordi de er for risikable i forhold til hva som er akseptert som etisk/morals forsvarlig i Norge? (f.eks fare for barnearbeid)
- Er det et problem for Norfund at den Norske opinionen forventer at investeringer i utviklingsland skal følge samme samfunnsansvarlige standarder som hjemme?
- Begrenser dette Norfunds muligheter for å skape utvikling?
- Hva gjør Norfund for å påvirke internasjonale retningslinjer? (f.eks gjennom IFC og FN)
- Brukes rapporteringssystemer for å kvantifisere utviklingseffekt?
- Hvordan har tidligere brudd/hendelser i forhold til det operasjonelle samfunnsansvaret påvirket rutiner? (f.eks dødsfall i India)

- Ved valg av investeringer, tas det hensyn til vertslandets styresett?
- Hvordan håndteres eventuelle politiske endringer i vertslandene?
- Hvor viktig er de institusjonelle kvalitetene i et land ved valg av investeringer?
- Hvilke muligheter har Norfund til å påvirke lokale myndigheter til å lage bedre regelverk?
- Er det en forskjell i påvirkningsmuligheter (forbedringer i csr) ved direkteinvesteringer i forhold til investeringer i fond?
- Hvordan kan Norfund bidra til utvikling utover den effekten som kommer gjennom selve pengeoverføringen (investeringen)?
- I Stortingsmeldingen om samfunnsansvar står det at Norge skal være pådriver for å stryke internasjonale retningslinjer, er dette noe Norfund arbeider med?
- Hva må til for at Norfund skal endre sine kriterier for hva som er etisk, sosialt forsvalig praksis? (f.eks. fremtidige reguleringer, ifht. Miljø)
- Hvilke endringer har skjedd i Norfund siden den forrige lederen sluttet?

3. Fond

- Hvor god kontroll har Norfund med investeringene som foretas gjennom fond?
- Hvilke tiltak gjør Norfund for å få igjennom retningslinjer for
- Hvorfor investerer Norfund en stor andel i fond og ikke direkte?
- Reduserer fondsinvesteringer risikoen for å få negative medieoppslag i Norge?

4. Utvikling og CSR

- Hvordan vil du beskrive forholdet mellom det å være samfunnsansvarlig og å investere for utvikling? Er det noen konflikt her?
- Vil du si at alle investeringer er utviklingsfremmende?
-

5. Samarbeid

- Er det noen gang at Norfunds aktiviteter har kommet i konflikt med Norad?
- Hvordan er samarbeidet med Norsk næringsliv?
- Ligger det en politisk forventning om at Norfund skal samarbeide med Norsk næringsliv?

Avslutning:

Hvilke utfordringer ser du ved en mulig opptrapping av Norfunds kapitaltilførsel?