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AND DEVELOPMENT

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The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD’s Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as “examiners”. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member’s development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Canada and the European Commission for the Peer Review on 21 October 2008.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.
**List of Acronyms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ALNAP</td>
<td>Active Learning Network for Accountability and Performance</td>
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<td>CAP</td>
<td>UN Consolidated Appeals Process</td>
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<td>CDI</td>
<td>Commitment to Development Index</td>
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<td>CERF</td>
<td>Central Emergency Response Fund</td>
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<td>CHAP</td>
<td>Common Humanitarian Action Plan</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DCD</td>
<td>Development Co-operation Directorate</td>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<td>EU</td>
<td>European Union</td>
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<td>GBS</td>
<td>General budget support</td>
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<td>GHD</td>
<td>Good humanitarian donorship</td>
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<td>GNI</td>
<td>Gross national income</td>
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<td>ICRC</td>
<td>International Committee of the Red Cross</td>
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<td>LDCs</td>
<td>Least developed countries</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MFA</td>
<td>Ministry of Foreign Affairs</td>
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<td>Multilateral Organisations’ Performance Assessment Network</td>
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<td>Norwegian Agency for Development Co-operation</td>
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<td>OCHA</td>
<td>UN Office for the Coordination of Humanitarian Affairs</td>
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<td>ODA</td>
<td>Official development assistance</td>
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<td>PCCB</td>
<td>Prevention and Combating of Corruption Bureau</td>
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<td>PCD</td>
<td>Policy coherence for development</td>
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<td>PFM</td>
<td>Public finance management</td>
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<td>PRT</td>
<td>Provincial Reconstruction Team</td>
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<td>Research Council of Norway</td>
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<td>SWAP</td>
<td>Sector wide approach</td>
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<td>UNHCR</td>
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<td>United Nations Industrial Development Organization</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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Signs used:

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<td>USD</td>
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( ) Secretariat estimate in whole or part
- (Nil)
0.0 Negligible
.. Not available
… Not available separately, but included in total
n.a. Not applicable

Slight discrepancies in totals are due to rounding.

Exchange rates (NOK per USD) were:

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Norway’s Aid at a Glance

Norway's Aid at a Glance

DAC PEER REVIEW OF NORWAY

Norway’s Aid at a Glance

Top Ten Recipients of Gross ODA (USD million)

1. Sudan 103
2. Palestinian Admin. Areas 81
3. Tanzania 68
4. Mozambique 66
5. Afghanistan 66
6. Zambia 50
7. Sri Lanka 52
8. Pakistan 51
9. Malawi 50
10. Uganda 48
TABLE OF CONTENTS

The DAC’S Main Findings and Recommendations .................................................. 10
Secretariat Report ........................................................................................................ 20

Chapter 1
Strategic Foundations and New Orientations
The foundations of Norwegian development co-operation ........................................... 20
Aims and objectives of development policy .................................................................. 20
Going beyond development assistance ..................................................................... 21
Current development priorities .................................................................................. 22
The difficulties arising from new priorities ................................................................. 22
Norway’s institutional framework ............................................................................. 23
Norway in the global development co-operation system and the Nordic Plus group ..... 24
Public awareness ....................................................................................................... 24
Status and trends in public support for aid ................................................................. 24
Strategy for building public awareness .................................................................... 25
Future considerations ............................................................................................... 25

Chapter 2
Policy Coherence for Development
Assessing progress ................................................................................................... 27
Solid political commitment to policy coherence for development ......................... 27
The Policy Coherence Commission .......................................................................... 27
Successful existing policy co-ordination mechanisms .............................................. 28
The need to strengthen monitoring, analysis and reporting .................................... 30
Monitoring ................................................................................................................ 30
Analysis ...................................................................................................................... 30
Reporting .................................................................................................................... 30
Future considerations ............................................................................................... 31

Chapter 3
Aid Volume, Channels and Allocations
ODA volumes ............................................................................................................ 32
Aid allocations ............................................................................................................ 33
Bilateral aid ................................................................................................................ 34
Lack of geographical concentration ......................................................................... 34
Priorities and sector concentration ......................................................................... 35
Multilateral aid .......................................................................................................... 36
Aid to Norwegian non-governmental organisations ................................................. 37
Cross-cutting issues .................................................................................................. 37
Women and gender equality ...................................................................................... 37
Climate change and environment ............................................................................. 40
Future considerations ............................................................................................... 42
Chapter 4
Organisation and Management

Organisational reform: clarifying roles and creating unique challenges ......................... 43
The positive impacts of reorganisation .............................................................................. 43
Some remaining challenges: clarifying roles ................................................................. 46
Tackling new management challenges ............................................................................ 47
Assessing partners’ performance in grant management .................................................. 47
Refining knowledge management ................................................................................... 48
Matching human resources to new challenges .................................................................. 50
Future considerations ....................................................................................................... 51

Chapter 5
Aid Effectiveness

The commitment to aid effectiveness ................................................................................. 53
Progress on decentralisation ............................................................................................ 54
Ownership and alignment ............................................................................................... 54
  Strong promotion of ownership .................................................................................... 54
  Leading on alignment but still short of the target ......................................................... 56
The commitment to harmonisation .................................................................................. 57
Managing for results and mutual accountability .............................................................. 58
Aid effectiveness of multilateral organisations, global funds and NGOs ......................... 59
Future considerations ..................................................................................................... 59

Chapter 6
Special Issues

Background to the special issues ....................................................................................... 60
Capacity development ....................................................................................................... 60
  Policies and approaches ............................................................................................... 60
Capacity development in practice .................................................................................... 60
Governance, accountability and anti-corruption .............................................................. 62
  Policy and strategic framework .................................................................................... 62
Official development assistance for governance and anti-corruption ............................. 63
Global approaches to combating corruption .................................................................... 63
Approach to the good governance of natural resources .................................................. 64
Staffing and organisation ............................................................................................... 65
Efforts to support country specific systems and capacities for good governance ............ 66
Future considerations ..................................................................................................... 67

Annex A  Progress since the 2004 DAC Peer Review Recommendations ......................... 69
Annex B  OECD/DAC Standard Suite of Tables .............................................................. 71
Annex C  Norway and the Good Humanitarian Donorship Initiative ................................. 78
Annex D  Tanzania Field Visit Report ............................................................................. 85
Description of Key Terms ............................................................................................... 91
Bibliography ..................................................................................................................... 93
List of Tables

Table 1. Norway's partner countries ................................................................. 35
Table 2. Norway’s aid to support gender equality and women’s empowerment, 2005 and 2006 ................................................................. 39
Table 3. Indicators on aid effectiveness for Norway ........................................ 55
Table B.1. Total financial flows ................................................................. 71
Table B.2. ODA by main categories ............................................................... 72
Table B.3. Bilateral ODA allocable by region and income group ......................... 73
Table B.4. Main recipients of bilateral ODA .................................................. 74
Table B.5. Bilateral ODA by major purposes ................................................... 75
Table B.6. Comparative aid performance ....................................................... 76
Table D.1. Norwegian co-operation in Tanzania, 2007 and 2008 ......................... 88

List of Figures

Figure 1. Overall system chart of Norway’s official development assistance (ODA) ..... 23
Figure 2. ODA net disbursements, 1992-2006 ................................................ 33
Figure 3. Organigram of the Ministry of Foreign Affairs .................................. 44
Figure 4. Norad’s organisational structure ...................................................... 45
Figure 5. Norwegian ODA to governance activities 2002-2006 (USD missions) ...... 63
Graph B.1. Net ODA from DAC countries in 2007 (preliminary) ....................... 77
Figure D.1. ODA assistance received by Tanzania ........................................... 86

List of Boxes

Box 1. Policy Coherence Commission: composition and mandate ................. 28
Box 2. Capacity development in Tanzania .................................................... 61
Box 3. Oil for Development ........................................................................ 65
Box 4. GBS in Tanzania ............................................................................ 66
THE DAC’S MAIN FINDINGS AND RECOMMENDATIONS

Overall framework and new orientations

Legal and political orientations

The foundations and aims of Norwegian policy: beyond development assistance

Norway has a long, proud history of more than 50 years involvement in development co-operation. It is a progressive donor, prepared to promote new and innovative ways of thinking. Its development aims and interventions are outlined in the government’s policy platform, in the government’s addresses to the Storting,¹ and in successive White Papers. Until a new White Paper is published in 2009, one of the most important documents remains White Paper Report No. 35 (2003-2004) to the Storting, Fighting Poverty Together: A Comprehensive Development Policy. This outlines Norway’s priorities which include: providing 1% of gross national income (GNI) as official development assistance (ODA), a firm commitment to a rights-based approach to development co-operation, and the pre-eminence of the Millennium Development Goals (MDGs). It also underlines the importance of “donor reform – more assistance and more effective assistance”, and stresses the centrality of increased country ownership and donor harmonisation.

More recent thinking on Norway’s strategy and policy for its development co-operation is presented in the Soria Moria Declaration (2005), International Development Minister Erik Solheim’s Statement to the Storting 16 May 2006 and the extract from the Ministry of Foreign Affairs’ budget proposal for 2008: Proposition No. 1 (2007-2008) to the Storting: Norwegian Development Assistance in 2008 – Priority Areas, June 2007. These documents continue to stress the MDGs, the 1% ODA/GNI target, aid effectiveness, governance reform, results and quality assurance. However, the rights-based approach has less prominence – hence clarification of what the rights-based approach to development co-operation means in practice and how it is implemented is needed. Also, a greater emphasis is given to fragile states, United Nations reform and aid to Africa.

The 2004 White Paper also emphasises the importance of “the global partnership for development”. This concept situates development policy in the context of wider foreign policy and security issues, as well as signalling the importance of policy coherence for development. These ideas have been taken further in Proposition No. 1 which positions development co-operation as one of a number of factors that play a role in lifting people out of poverty, along with peace and security, economic development, trade and environment. This recognition that development co-operation will be more successfully integrated as part of a holistic approach is positive, but further clarification is needed of what this vision means in practice, and how it will be implemented. Furthermore, Norway will need to ensure that its core focus on poverty reduction and the MDGs is not diluted.

¹ The Storting is the Norwegian Parliament.
An increasing number of priorities

Proposition No. 1 outlines the government’s main “five plus one” priorities. These are a broad mix of sectoral, thematic and cross-cutting issues: i) climate change, the environment and sustainable development; ii) peace building, human rights and humanitarian assistance; iii) women and gender equality; iv) oil and clean energy; v) good governance and the fight against corruption; and vi) supporting the health related MDGs. The government states that it will use increases in the development budget to focus on these six priorities, whilst maintaining support for its 11 other traditionally important priority areas.²

At present, with increasing oil revenues bolstering the development assistance budget, Norway is able both to maintain current development priorities and add new ones. But this creates tension between the desire to focus in line with aid effectiveness principles versus the pressure to expand. Embassies are under pressure to add new objectives to existing programmes which can lead to a lack of clarity in the objectives of country programmes. Moreover, it introduces concerns over the stability of Norway’s priorities over the long term. This could have implications for aid effectiveness – an area in which Norway is rightly seen as a leading player. Failure to make headway in concentrating activities geographically, sectorally and strategically could affect progress towards implementing harmonisation and division of labour principles.

A high level of public awareness but a strategy required

The reported level of Norwegian public support for ODA is on a par with other donors, with 90% of the population supporting it. Currently, two units are responsible for communicating and building public awareness: i) the Communications and Information Team in the Minister of International Development’s office, which targets local and international media; and ii) the Information Department in Norad, which targets the development community, students, journalists and key policy-makers. The two communication departments have developed separate two-year communication strategies guiding their efforts, but neither strategy mentions the existence of the other unit. Although there is informal co-operation between the two units, the formal and systematic co-ordination requirements are unclear.

Promoting policy coherence for development

Mechanisms for policy coherence for development

Norway is committed to policy coherence for development, with broad consensus among officials, parliament, researchers and civil society organisations that ODA is only one way of supporting progress in developing countries. A good example of coherent policy is in the area of environment where there has long been strong co-ordination between the Ministry of Foreign Affairs (MFA) and the Ministry of Environment. Norway’s Action Plan for Environment in Development Co-operation also aims to integrate environmental issues into development co-operation. In the area of labour migration an informal network of officials produced a report in 2006 on coherence in migration and development. Another good example is women’s rights and gender equality, where four ministries (MFA, Ministry of Defence, Ministry of Justice and Police and Ministry of Children and Equality) work together and are responsible for the Action Plan on UN Security Council Resolution 1325.

² The 11 other important priority areas are: public welfare services, children and young people, human trafficking, HIV/AIDS, universal access to medicines, public-private partnerships, microfinance, trade, new and innovative funding mechanism, debt cancellation and the Global Forum on Migration and Development.
Need to strengthen policy coherence for development strategy, monitoring, analysis and reporting

The previous peer review suggested that Norway should consider setting up a “whole of government” mechanism to strengthen inter-ministerial co-ordination, but this did not happen. Members of the Storting’s Foreign Affairs Committee believe that a more strategic approach is needed and that policy coherence for development should be more institutionalised than at present.

There are a number of formal and informal policy co-ordination arrangements between ministries. However, there is room for improvement. The lack of monitoring of inter-ministerial policy coherence is also a recognised weakness of the Norwegian system. The MFA does not appear to monitor other ministries’ initiatives systematically for their coherence with development policy. While Norway has strong capacity for development research, it lacks institutional capacity for long-term analysis and research into policy coherence issues. It may also need a robust method to trace policy coherence impacts. In addition, there is a lack of reporting on policy coherence for development.

To promote further thinking on policy coherence for development, in December 2006 the government established a Policy Coherence Commission made up of highly qualified people from a broad cross-section of the development assistance community. Its role was to consider ways to make Norwegian policy for development more coherent and effective and it produced a report in September 2008 which will feed into the forthcoming White Paper. In formulating its recommendations, the commission has therefore considered: how to strengthen the arrangements for resolving potential policy conflicts; how to increase the authority to demand information from other ministries; and how to promote positive examples of win-win situations. The DAC suggests that one option may be to enhance the responsibility for policy coherence in the Prime Minister’s office, which has a good overview of government policy. This could be complemented by a dedicated unit in the MFA as recommended by the Commission.

Recommendations

- The DAC commends Norway for its forward-looking vision in which development co-operation is seen as one element of a broader set of issues affecting a country’s development, and expects to see this further elaborated in the forthcoming White Paper. This broader vision of development encompasses some notable contributions to global public goods, including peace building, conflict prevention and climate change. In practice, this requires improving the linkages between ODA and non-ODA activities for the good of development. In doing this, Norway will need to ensure that its core focus on poverty reduction is not diluted.

- Norway needs to ensure that the process of identifying objectives is strategic and well managed, both centrally and at partner country level. The process must lead to a manageable number of clear and focused priorities. Norway will need to resist the temptation to add new ad hoc initiatives to an ever-expanding list of priorities.

- Norway needs to articulate its over-arching approach to communication in order for the two communication units to convey consistent and complementary development messages to the public.

- Norway should develop an overall approach to policy coherence for development and institutional mechanisms for analysis, monitoring and policy feedback to deliver on its broad vision. Consideration could be given to the location, mandate and authority of an institutional focal point responsible for analysing potential areas of policy conflict;
commissioning longer term studies; co-ordinating research; and analysing, monitoring and championing policy coherence for development among the ministries.

**Aid volume, channels and allocations**

In 2007, Norway’s net ODA amounted to USD 3 727 million, representing 0.95% of its GNI. This is the highest percentage of all DAC donors, and Norway is one of only five countries to exceed the UN target of 0.7%. Norway is commended for having surpassed the 0.7% figure continuously for more than 30 years, and for having set itself a higher target of 1% ODA/GNI. The DAC also commends Norway for budgeting to reach its 1% ODA/GNI target in 2009 in a climate of global financial crisis.

According to Norway, only 18% of total aid is programmed at the field level by the embassies. Other parts of the programme which sometimes count as bilateral aid, such as thematic, humanitarian, aid to non-governmental organisations and earmarked multi-bilateral aid, are planned and programmed by headquarters. Consequently, individual embassies may have limited knowledge of all the different channels through which Norwegian aid reaches the country in which they are located. This raises challenges for ensuring that the totality of Norway’s instruments, interventions and objectives in development not only work in synergy but also reinforce each other at country level. Making this clear to all development partners enhances predictability and accountability. With such a relatively small proportion of funds programmed at country level, Norway must clarify the kind of bilateral donor it wants to be.

Norway is a strong supporter of the multilateral system. The World Bank is the single largest recipient of Norwegian multilateral ODA, and Norway’s contribution to the UN is proportionately higher than in most other donors’ portfolios. In recent years Global Funds have seen the greatest increase in Norwegian multilateral assistance. Another trend has been the increase in earmarked multilateral contributions. In the past, much of the earmarked multilateral aid was country specific, but now it is more likely to be sector or theme specific. In general, Norway’s strong core support to multilateral organisations leads to Norway having considerable leverage and impact on the multilateral system. The challenges for Norway, with its large commitment and investment in the multilateral system, are to develop a performance-based allocation system, and to continue to be a leader in helping the multilateral organisations to increase their efficiency for better development outcomes.

**The challenges of greater geographical dispersal**

In the past eight years, development assistance has doubled in real terms, allowing Norway to increase the number of new partner countries in its portfolio. Whereas previously Norway had 7 “main partners” and 17 “other partners”, it now has 28 partners – 15 in Africa, 11 in Asia, and 2 in Latin America. Many DAC countries have concentrated their development assistance in fewer partner countries, and Norway has also increased its aid to some key countries. At the same time, because of new initiatives such as the Oil for Development programme and, no doubt soon the new forestry initiative, Norway has also added a number of new recipient countries to its programme. This geographic dispersal of aid causes some concern, notably within parliament, that resources will be spread too thinly and impact diluted.

**A high level of aid to Norwegian Non-Governmental Organisations**

Non-governmental organisations (NGOs) – and in particular Norwegian NGOs – play a prominent and important role in Norwegian development assistance, with over 30% of bilateral development assistance channelled directly through them. There is no overall policy on NGOs, but
Norad is currently revising guidelines. These will outline the aims and objectives of funding to NGOs, and will confront two other issues: i) increasing the focus on results; and ii) increasing the use of Southern NGOs. NGOs appreciate the open dialogue they have with government and generally welcome the flexibility of the system. However, as funding can come from both the MFA and Norad and from more than ten different budget lines often with different procedures, the system can be confusing and time-consuming for NGOs. Funding procedures and standards as well as reporting requirements for NGOs (development and humanitarian) need to be made clearer, streamlined and more coherent among mechanisms.

The challenges of managing cross-cutting issues

Norway has taken a number of measures to address women’s rights and gender equality such as: producing several action plans, appointing a Gender Equality Ambassador, multiplying funds for UNIFEM fourfold, conducting a significant amount of work with multilateral partners, and being an active participant in the DAC’s Gendernet. But, like other donors, while trying to “mainstream” women’s rights and gender equality, Norway had lost focus and spending had declined. It therefore reintroduced some targeted funding and used some of the measures listed above to try to rectify this situation. However, resources are still limited, with only a small team in the MFA and three staff in Norad dedicated to increasing the gender equality focus of activities. Furthermore, technical knowledge is spread thinly across the organisations and gender equality is still often considered as a postscript after the formulation of projects and programmes, rather than being factored in at the beginning. This was the case in Tanzania, where Norway’s attention on women’s rights and gender equality appeared to be an afterthought: there was little pro-active or specific focus on the issue, and local implementing partners had limited understanding of good gender practices.

Norway has ambitions to be a leader in the environment and development area, but needs to turn this ambition into action. It has an Action Plan for Environment in Development Co-operation, which makes clear that the environment is both a cross-cutting issue, stating that “environmental concerns must be taken into account in all development co-operation”, and a separate sector with development co-operation targeted specifically at sustainable management of natural resources and environmental protection. It is difficult to assess the extent to which environment is considered systematically in the absence of clear guidance such as impact assessment tools; current requirements leave impact assessments to the recipients. In addition, there are a limited number of environment or natural resource specialist staff positions in either the MFA or Norad, and even fewer in the field. It is, therefore, difficult to envisage how such an ambitious action plan could be fully implemented.

Recommendations

- As a mid-sized donor engaged in development peace building, state building, and humanitarian work, Norway could develop a strategy for allocating the growing ODA budget via different channels, instruments, sectors and countries. Norway should consider a more integrated, strategic and explicit approach at the country level to ensure synergy and to optimise impact.

- In line with the aid effectiveness principles, notably division of labour, Norway should manage carefully the increasing geographical dispersal of its aid. Norway should take care not to spread its resources too thinly as this could lessen its potential impact. Norway should also seek greater clarity on whether it wishes to pursue a sectoral or a country approach.

- The introduction of revised guidelines for Norad’s approach to NGOs in the development field is welcome and the focus on results and the increasing use of local NGOs is
encouraging. Norway should also ensure increased clarity, coherence and simplification of the funding and reporting systems and standards for NGOs by increasing co-ordination and amalgamating some of the many budget lines. The NGOs should be supported further to build capacity required to meet the legitimate demand by the MFA/Norad that they demonstrate results.

- Recognising that Norway treats cross-cutting issues as thematic priorities in their own right, Norway also needs to ensure that they are fully mainstreamed. Norway has put significant effort into developing policies on women’s rights and gender equality, and the environment, but it needs to ensure that its policy ambitions become reality. It should make certain that its cross-cutting priorities are institutionalised, have sufficient resources and are considered systematically at the early stages of and throughout its programmes and projects.

**Aid management and implementation**

*Reorganisation has been beneficial, but further clarification of roles is needed*

In 2004 Norway’s institutional set-up underwent significant reform. Development policy and foreign policy are now fully integrated within the Ministry of Foreign Affairs which has become the lynchpin of the whole system. The embassies’ role in managing bilateral aid to partner countries has been strengthened. Norad has become a technical directorate responsible to the MFA. Norfund, responsible for private sector development, has become independent of Norad.

Those involved feel that this reorganisation has generally been positive. The MFA, Norad and the embassies have become a well-integrated system able to respond to today’s development challenges whilst ensuring management flexibility. In the MFA, country teams can respond flexibly to requests from embassies whose authority has increased following decentralisation. Norad is an entry point for contracting Norwegian development expertise and provides quality assurance for this flexible system. Furthermore, reorganisation has enabled the MFA to respond to various political initiatives while alleviating the risks of political micro-management.

However, some challenges remain from the reorganisation. The roles of policy-making, implementation and knowledge provision have not yet been fully clarified within the system. For example, although decentralisation means the embassies deal with country level relations, headquarters has become more involved in some micro-level aspects of aid management. Furthermore, Norad is still defining its new core knowledge management and support role while retaining significant grant management activities.

*Knowledge management is still being developed*

The reorganisation put more emphasis on knowledge management in the development system. The government is keen that a culture of results-based management should be embedded across the system and key documents (e.g. the Development Co-operation Manual) set out the rationale and procedures for tracking results. This is to be commended, but Norway needs to address the lack of a universal system for management by results in its aid administration. Such a system would allow policy goals, thematic priority areas, partners and funding channels to be prioritised.

Since the 2004 peer review, the MFA has established the Policy Analysis Unit, with five staff, which has improved policy analysis in the ministry. Norad carries out necessary programme-related analytical work for the MFA in its role of providing advice and support. However, Norway could further develop structures that increase long-term analytical and research capacity.
Human resources management is striving to meet capacity challenges

The government has been increasing staff capacity in the MFA, embassies and Norad but could do more. Embassies still lack sufficient capacity, so significant management responsibility remains at headquarters. While the strong upward curve of the budget and the slower rise in staffing numbers may have resulted in increasing administrative efficiency on paper, it is challenging to maintain quality programmes under the pressure to spend and launch new initiatives. Furthermore the increase in funding to multilateral and global issues has not been reflected in departmental staffing numbers. In addition, there are a broad range of human resource challenges including attracting and retaining expertise including grant management competency, ensuring that a diplomatic career in development is valued, and providing appropriate training to maintain cutting-edge knowledge on key issues/sectors.

Recommendations

- Norway could consider how to clarify and better distinguish between the MFA and Norad’s different roles, notably in grant management. Norway needs to develop an approach to optimise synergies between instruments and sectoral and country strategies, notably by establishing clear over-arching objectives for its interventions at country level. Norad also needs to better articulate its role of creating a knowledge-based system to inform the decision-making process.

- Norway needs to address the staff recruitment and retention challenges arising from the reorganisation and shifting priorities. There are also particular staffing and management challenges to be addressed at the country level in order for Norway to remain an agile and flexible donor.

- Norway needs to develop a results-based management approach at the institutional, programme and project levels.

Practices for better impact

Commitment to aid effectiveness

Norway is one of the donors at the forefront of the global aid effectiveness debate and aid effectiveness is well-embedded in the Norwegian aid system. Although Norway does not have a single all-encompassing aid effectiveness action plan, position papers are distributed to embassies, and the MFA expects the aid effectiveness agenda to be mainstreamed and well-established in all its activities. Throughout the system, including at field level, staff appear to have a detailed understanding of the principles underpinning the aid effectiveness agenda and the challenges these pose. Furthermore, Norway plays a pro-active role among other donors, such as with like-minded donors in the Nordic Plus group.

In Tanzania, Norway has put the principles actively into practice. It supports the Joint Assistance Strategy, and Norway’s activities are factored into, and flow from, this strategy. Discussions with the Tanzanian government also confirmed that Norway’s activities dovetail with the government’s own priorities. However, questions were raised regarding the planning process and instruments. The embassy only has a rolling three-year plan for internal use. This, however, does not guide Norway’s interventions through all its available channels and instruments, and is not shared, or co-owned, with the Tanzanian government.
**Broadening the scope of aid effectiveness: multilateral organisations, global funds and NGOs**

Norway stresses that although it prioritises the aid effectiveness agenda, only 18% of its development assistance is programmed by the embassies at country level. It is acutely aware that the vast majority of its funding is distributed through other means; *i.e.* multilateral organisations, the global funds and Norwegian NGOs. Thus greater aid effectiveness will occur by improving how aid is disbursed via these other channels. Norway is making efforts to address this issue. In addition to involvement in the Multilateral Organisations Performance Assessment Network (MOPAN), Norway lobbies for multilateral partners to have a greater focus on ownership, to use national systems and ensure fewer parallel implementation units, and to engage in joint exercises such as the Joint Assistance Strategies and Public Expenditure and Financial Accountability. In the replenishment negotiations and in the Boards of the multilateral financial institutions, Norway has advocated that the Banks should contribute more to enhance national ownership.

**Providing more guidance for capacity development**

The importance of capacity development is emphasised in Norway’s memorandum and in the *Development Co-operation Manual*. Capacity development is not, however, included in the list of current priority areas for Norwegian development co-operation, and, as for most other donors, there are no overarching policies or guidelines to indicate how to design and implement capacity development or how to integrate capacity development into development programmes overall.

The Norwegian approach to capacity development appears to focus largely on mainstreaming such activities into sectoral and thematic development policies and programmes. However, although the *Development Co-operation Manual* states that capacity development should be at the core of any development activity and provides some suggestions on how to assess institutional capacity as part of the process of preparing development programmes, there is little specific guidance on how to integrate and address capacity development in specific sectors or how to monitor and measure the results of such interventions. Capacity development seems to be dealt with primarily through an emphasis on using national systems and priorities as a basis for delivering Norwegian development aid. Evidence from Tanzania suggests that Norway performs well in this respect, as it is a strong supporter of joined-up approaches to delivering development aid and is a champion of aid effectiveness.

The focus on linking development priorities with areas of Norwegian comparative advantage means that the country can be better targeted in its capacity development efforts, and can draw on a well-established pool of experts to fill technical assistance needs. Norway could usefully share its good practice from country-level capacity development experiences, and could, like other donors, also play a more active role in the DAC capacity development work.

Norway also earmarks resources to finance specific capacity development activities at the country-level, thus maintaining its ability to provide sector development activities with targeted technical assistance and training. Each embassy with a development co-operation budget has a consultancy fund for hiring local expertise and building capacity among trained professionals in-country, rather than bringing in consultants from Norway.

**Strong focus on governance, accountability and anti-corruption**

Governance and anti-corruption is one of five priority areas for the current government, and Norway’s approach is marked by a high level of innovation and a strong focus on behavioural change. Norway is among the world leaders in its efforts to make government officials accountable for corrupt behaviour, and has made strenuous efforts to establish global initiatives to this end. Examples include:
i) its push for the establishment of the Stolen Asset Recovery Initiative, which works actively to assist poor countries in repatriating public assets stolen by corrupt leaders; and ii) its continued support to the Corruption Hunter Network, which provides a meeting place for prosecutors, judges and heads of anti-corruption entities. Through activities such as these, Norway has been able to create and sustain global structures to establish incentives and capacities through which poor countries can tackle corrupt behaviour systematically and transparently.

In Tanzania, Norway is a key player in anti-corruption efforts. It is also playing an important role in reacting appropriately to a general budget support corruption scandal by maintaining its support to a multi-donor pooled funding initiative.

Norway has also been a key player in ensuring the enforcement of the UN Convention against Corruption, and participates actively in the work of the OECD Working Group on Bribery, e.g. in its monitoring mechanism for the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Furthermore, Norway currently hosts the Extractive Industries Transparency Initiative’s (EITI) international secretariat in Oslo and is the only developed country that has signed up to the implementation of the EITI Transparency Principles.

Recommendations

- Norway is commended for making considerable progress on aid effectiveness and for largely embedding the aid effectiveness agenda into its development system. Norway is encouraged to continue this work, and to develop specific aid effectiveness policy guidance.
- Norway should ensure that it has an effective set of instruments with clear objectives and intended results to guide its country interventions through all its available channels, respecting recipient government ownership. It also needs to ensure that its sectoral/thematic approach and its country approach fit well together.
- Norway needs to broaden its efforts to apply the aid effectiveness principles to funding channels beyond government-to-government.
- Given Norway’s approach to capacity development, further safeguards might be needed to ensure that capacity development mainstreaming is institutionalised. Such safeguards could include frequent sharing of lessons across the MFA and Norad on successful mainstreaming interventions.
- Norway could consider taking a leading role in facilitating common donor approaches to tackling corruption in-country. It could also look at ways to ensure that global initiatives (e.g. the UN Convention on Corruption, the Extractive Industries Transparency Initiative), are properly linked to, and anchored in, country-specific activities and responses.

Humanitarian action

Humanitarian action is a central pillar of Norwegian foreign policy – an intrinsic expression of Norwegian values and international solidarity – as well as a core priority area for the development co-operation system. Norway has endorsed the Principles and Good Practices of Humanitarian Donorship and has adopted a principled yet pragmatic approach to humanitarian action in line with its GHD commitments. These commitments are underpinned by disbursements that are well above the DAC average for humanitarian aid. Consequently, Norway has acquired considerable credibility and influence within the international humanitarian system. This reputation has been further strengthened through Norway’s strong and consistent support for the United Nations humanitarian system, its leadership in key fora (e.g. the UN Peacebuilding Commission, the Somalia Contact Group and the
recent Sudan donor conference) and initiatives such as the recent Oslo Policy Forum, Changing the Way We Develop: Dealing with disasters and climate change.

The national policy framework is evolving, with a new humanitarian action strategy launched in September 2008. This reaffirms the centrality of humanitarian action in development co-operation policy and expands the humanitarian agenda to new areas (e.g. addressing the humanitarian impacts of climate change). It builds on the recent Storting report, Norwegian Policy on Prevention of Humanitarian Crises, as the cornerstone in integrating conflict and disaster risk reduction perspectives across the development co-operation system. Nevertheless, like other donors, Norway is likely to encounter institutional obstacles and will have to adapt internal systems and processes if these objectives are to be translated into effective aid in partner countries.

In general, Norway is regarded by key partners as a good humanitarian donor. In 2007, nearly 23% (NOK 547 million) of Norwegian humanitarian assistance was provided completely un-earmarked and a further 26% (NOK 625 million) was earmarked to the country level only. A significant proportion went to under-funded UN and Red Cross Movement appeals, representing a serious commitment to providing flexible and needs-based assistance. Norway has, however, elected not to enter into multi-year agreements with implementing partners. This decision supposedly increases the government’s own flexibility in allocating assistance across financial years, but in effect reduces the year-on-year predictability of funding streams for implementing agencies. The MFA is aware of the consequences of this limitation and has entered into discussions with Norwegian NGOs about processes to improve the reliability of Norwegian Government support.

There are three distinct strands to learning and accountability practices within the Norwegian humanitarian system – internal thematic evaluations, external evaluations of individual activities, and external support to international accountability initiatives. The points of convergence between these evaluation processes are unclear, leaving the impression that corporate learning in the humanitarian sector is weak and rather unsystematic. Norway could develop a programme-wide results framework for its forthcoming humanitarian strategy that might bind these individual elements into a corporate learning and accountability framework for humanitarian action.

**Recommendations**

- The new humanitarian action strategy is welcome. Norway should develop an implementation plan – including measurable targets and indicators – for the strategy to translate commitments into practice, as well as ensure transparency.

- Norway should also review and, where necessary adjust, internal systems and processes to ensure the removal of institutional obstacles to the integration of humanitarian objectives within the development co-operation system. In particular, special attention should be paid to ensuring appropriate linkages between humanitarian and development assistance.

- Norway should review the scope for multi-year funding agreements in order to improve predictability – as well as reduce administrative costs – for key partner agencies (including NGOs). This is not withstanding the high level of flexibility given to humanitarian agencies to allocate resources according to need.

- Norway should increase efforts to systematise learning and accountability within the humanitarian domain and exploit opportunities to augment in-house evaluation capacity (e.g. through participation in shared and/or joint evaluation exercises). Norway should also seek to better embed quality benchmarks in humanitarian evaluations.
Chapter 1
Strategic Foundations and New Orientations

The foundations of Norwegian development co-operation

Norway has a long, proud history of more than 50 years involvement in development co-operation. During the latter half of the 20th century, Norway transformed itself from a relatively poor nation into one of the world’s wealthiest countries. This transformation, plus the country’s resources and belief in spreading her wealth, are all important factors in Norway’s commitment to development co-operation. Norway has also enjoyed strong and consistent cross-party political backing for development co-operation over the years. This firm support, which has endured through different government administrations, can still be relied upon today.

Aims and objectives of development policy

Norway’s development aims and interventions are not underpinned by any one specific piece of legislation, but are the result of a combination of the government’s policy platform, its addresses to the Storting,3 and previous White Papers.

Until a new White Paper is published in 2009, one of the most important development documents remains White Paper Report No. 35 (2003-2004) to the Storting: Fighting Poverty Together: A Comprehensive Development Policy (MFA, 2004). This is a substantial and comprehensive paper which, although overtaken to some extent by new events and initiatives, still provides a good starting point for understanding Norway’s objectives. The new thinking on Norway’s development co-operation strategy and policy is primarily outlined in the Soria Moria Declaration (Office of the Prime Minister, 2005) (forming the basis of the current government’s policy formulation), and operationalised in two recent papers: International Development Minister Erik Solheim’s Statement to the Storting 16 May 2006 and the Ministry of Foreign Affairs’ budget proposal for 2008, Proposition No. 1 (2007-2008) to the Storting: Norwegian Development Assistance in 2008 – Priority Areas, June 2007 (MFA, 2008a). The government also established a commission4 in December 2006 to focus on ensuring a coherent Norwegian policy for development and to consider ways to make development assistance more effective. This commission submitted its report on 9 September 2008 and a round of hearings is in progress.

3 The Storting is the Norwegian Parliament.
4 The commission is composed of 10-15 people representing a broad cross-section of the development co-operation community (Section 2, Box 1 for more detail). Generally the government consults regularly and widely with civil society organisations.
The 2004 White Paper states Norway’s commitment to providing 1% of gross national income as official development assistance; this target still stands. It also outlines Norway’s approach and priorities; foremost among these are a firm commitment to a rights-based approach to development co-operation, and the pre-eminence of the Millennium Development Goals (MDGs) in defining Norway’s development activities. The MDGs still have a principal position in current government thinking, but the government appears to give less prominence to its commitment to the rights-based approach. The White Paper made this a central tenet of policy; however, it rarely features in the more recent 2007 and 2008 policy papers.

The 2004 White Paper also highlights the importance of “donor reform – more assistance and more effective assistance”, and stresses the centrality of increased country ownership and donor harmonisation. These issues underlie the current Paris Declaration aid effectiveness agenda (Chapter 5). Aid effectiveness continues to feature heavily in current documents and remains a key priority for Norway. Also notable is a focus on governance reform, democracy and efficient administration, which continue to be important issues for Norway. Attention to results and quality assurance are highlighted in both old and new documents. In Proposition No. 1 (MFA, 2008a), Norway increases its emphasis on fragile states, United Nations reform and aid to Africa.

**Going beyond development assistance**

The 2004 White Paper also emphasises the importance of “the global partnership for development”. This is a concept which situates development policy in the context of wider foreign policy and security issues, as well as signalling the importance of policy coherence for development. These ideas have been progressed further in Proposition No.1, which positions development co-operation as one of a number of factors that play a role in lifting people out of poverty, along with peace and security, economic development, trade and environment. It also highlights the three components of a stable society – a well-functioning state, an active business sector, and a vibrant civil society – and states that “Norwegian development policy is intended to influence all of these factors…development assistance is one important tool that is used actively in implementing the policy” (MFA, 2008a).

This positioning of aid policy within a wider development framework is progressive and welcome. Recognising and taking practical steps to ensure that development co-operation will be more successfully integrated in a holistic approach is positive. But it is important that development goals become part of broader national policy aims, rather than development policy being used as a foreign policy tool to achieve purely national objectives. Norway, with its long history of development co-operation, support for peace processes and its perceived impartiality, is better placed than some donors for resolving this dilemma.

Furthermore, it is not entirely clear what this vision of development assistance as one component of a broad policy mix means in practice, nor how it will be implemented. When non-development areas and policies are considered in terms of how they can be pro-actively used to aid development, other objectives automatically come into contention, so Norway will need to ensure that its core focus on poverty reduction and the MDGs is not diluted. Moreover, there is limited information at present on how other policies and funding may be used to help development objectives, or about how Norway intends to address this gap. Although it is a laudable and progressive approach, Norway needs to turn the rhetoric into reality. It needs strategies and policies which clearly outline its aims beyond development assistance, break these aims down into achievable objectives, discuss the challenges it expects to face, and specify how it will tackle these challenges. This may include the need for structural and organisational change.
Current development priorities

Proposition No. 1 lays out the government’s main “five plus one” priorities as follows. They are in fact fairly broad categories, offering a mix of sectoral, thematic and cross-cutting issues:

i) Climate change, the environment and sustainable development – includes support for bilateral co-operation on climate change, climate-related research, technical co-operation, multilateral climate change and clean energy initiatives (including a new initiative on preventing deforestation of rainforests in developing countries, based in the Ministry of Environment but in close co-operation with the Ministry of Foreign Affairs; see Chapter 3).

ii) Peace-building, human rights and humanitarian assistance – covers support for the UN Peace Building Commission; implementation of UN Security Council Resolution 1325 on women, peace and security; and Resolution 1612 on children and armed conflict; efforts to strengthen the international humanitarian system, including support to the Central Emergency Response Fund; and delivery of Norwegian government humanitarian assistance (see Annex C).

iii) Women and gender equality – includes a new 2007 Action Plan for Women’s Rights and Gender Equality in Development Co-operation (MFA, 2007b), with four thematic priority areas: women’s political empowerment, women’s economic empowerment, sexual and reproductive health rights and violence against women (Chapter 3).

iv) Oil and clean energy – comprises the newly launched Oil for Development programme (Chapter 6), the clean energy for development initiative, and bilateral support.

v) Good governance and the fight against corruption – focuses especially on fragile states, and includes strengthening the public sector in selected partner countries by means of budget support; strengthening media and stepping up anti-corruption efforts; and strengthening watchdogs to hold governments to account for their actions (Chapter 6).

and

vi) Supporting the health-related MDGs – i.e. MDG 4 on reducing child mortality, MDG 5 on improving maternal health and MDG 6 on combating HIV/AIDS, malaria and other diseases.

The government states that it will use increases in the development budget to focus on these six priorities. But at the same time it will also maintain support for 11 other traditionally important priority areas: public welfare services, children and young people, human trafficking, HIV/AIDS, universal access to medicines, public-private partnerships, microfinance, trade, new and innovative funding mechanisms, debt cancellation and the Global Forum on Migration and Development.

The difficulties arising from new priorities

As increasing oil revenues bolster the development assistance budget in real terms, the Norwegian development co-operation system does not have the same constraints as many other donors, and is able both to maintain current activities and absorb new ones. But this creates tension between the desire to focus more deeply versus the pressure to expand the development assistance portfolio by taking on new initiatives. New proposals, such as those on climate change, forestry and oil for development, are innovative or are an attempt to address emerging needs. But on a number of occasions officials raised the issue of conflict between old and new priorities (see, for example, Annex D paragraphs 9 and 19); more thought is needed on precisely how Norway will add these new initiatives to existing portfolios.
Working on more issues also raises organisational challenges. Increasing fragmentation, with new initiatives and budget lines, can put pressure on embassies to add new objectives to existing and agreed country strategies. For example, in Tanzania we observed the introduction of a headquarters-driven health initiative in an already overcrowded sector (see Annex D). While we do not question the need for headquarters to drive global issues, it needs to be done appropriately.

This issue could have implications for aid effectiveness – an area in which Norway is rightly seen as a leading player. Failure to make headway in concentrating activities geographically and sectorally could affect progress towards harmonisation and the division of labour policies (see Chapter 3 for geographical and sectoral disbursement of aid and Chapter 5 for aid effectiveness in general).

**Norway’s institutional framework**

The main actors in Norway’s development assistance system are the Ministry of Foreign Affairs (MFA), the Norwegian Agency for Development Co-operation (Norad) and the embassies in Norway’s partner countries (Figure 1). In April 2004, before the previous peer review, Norway’s institutional set-up underwent significant reform; Norad was transformed into a technical directorate, with limited implementation responsibilities, under the authority of the MFA.

The new system has taken some time to settle down, and there remains a certain level of uncertainty about the exact division of labour between the MFA and Norad, including some imprecision about Norad’s role. Currently, the MFA is responsible for policy and implementation of Norway’s development co-operation programme; Norad is building a role in knowledge provision and quality assurance (Chapter 4).

**Figure 1. Overall system chart of Norway’s official development assistance (ODA)**
Within the MFA, the Minister of Environment and International Development – who is also in charge of the separate Ministry for the Environment – is principally responsible for development co-operation. There are two departments within the MFA mainly responsible for development co-operation: the Department for Regional Affairs and Development and the Department for the UN, Peace and Humanitarian Affairs. As Norway has quite a decentralised system, with much authority and decision-making for bilateral programmes devolved to the field level, the embassies are an important part of the system. Parliament also plays a strong role. As noted, reports and addresses to the Storting are the basis for Norway’s strategy and policy, and the Storting’s Foreign Affairs Committee closely monitors development co-operation policy and activity.

**Norway in the global development co-operation system and the Nordic Plus group**

Norway’s important role in the global development assistance system belies its small size. It takes a global and collaborative approach as demonstrated by its strong commitment to the United Nations system and agencies (it is the largest contributor to the United Nations Development Programme). It also makes a large contribution to the World Bank, and although Norway is not a member of the European Union, it has strong ties with European and other like-minded donors. As well as its OECD DAC membership, it is an active member of the Nordic Plus group (Denmark, Finland, Iceland, Norway, Sweden, Ireland, the Netherlands, and the United Kingdom) and uses this group to take forward new practices, especially in harmonisation and alignment. The Nordic Plus group has been particularly keen to develop ways of working together more closely and has developed a number of joint tools such as a *Practical Guide to Delegated Co-operation* and a *Practical Guide to Joint Financing Arrangements*.

**Public awareness**

**Status and trends in public support for aid**

The level of public support for official development assistance (ODA) is strong, according to a 2007 development co-operation public survey (Statistics Norway, 2007). Ninety per cent of the Norwegian population support Norwegian aid to Africa, Asia and Latin America. This is the highest level of support since the survey was first conducted in 1972 (72%), and has also increased from 88% when the last survey was conducted in 2001. The public support level is comparable to the 91% average level of support for development co-operation recorded generally by European Union member states (Special Eurobarometer 222, 2005).

While general public support for aid remains strong, almost one-third of the population (32%) think that the ODA level should be less than at present, while 47% feel that the current level should be maintained. The percentage of people who would like to see ODA reduced has increased by 8% since 2001. Furthermore, while 62% of the population believe that Norwegian humanitarian aid is efficient and effective, only about half the population feel that ODA delivers good results. An overwhelming majority (93%) is also in favour of conditionality on Norwegian ODA.

In terms of the most effective delivery channels for ODA, 44% are in favour of using NGOs, 30% favour the UN, while only 14% believe in public sector delivery. At the same time, 41% of the

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5 Other departments of MFA also play a role in Norway’s broad approach to development, notably the Department for European Affairs and Trade Policy, although they do not have direct responsibility for ODA.

6 These three geographical groupings represent the majority of Norwegian aid. There is another category: “Eastern Europe, former Soviet Republic and Russia”, for which support is 81%.
population favour the use of longer-term ODA, while only 22% are in favour of prioritising emergency aid.

Detailed awareness of Norwegian development co-operation is rather limited amongst the public, with seven out of ten people not knowing any specific countries which receive Norwegian development co-operation. More than a quarter (27%) responded that they do not know how Norwegian ODA is managed, while 28% responded that they do not know how Norwegian aid delivery is quality assured. There is, however, no widespread feeling that Norwegian aid is wasted, as 43% of the population responded negatively to this question. Only one-third has faith in the media’s ability to accurately communicate the truth about Norwegian aid.

**Strategy for building public awareness**

Currently, there are two units responsible for communicating and building public awareness. The Communications and Information Team in the Minister of Environment and International Development’s office is responsible for increasing awareness about Norwegian development co-operation, strategies and priorities. In particular, the team seems to be targeting local and international media to ensure that the minister is featured frequently and that Norwegian policy priorities are adequately communicated and understood by the public. The team also supports sectoral units within the ministry to increase awareness of the results of specific initiatives and projects.

The Information Department in Norad is also tasked with increasing public awareness about Norwegian development priorities and activities. For the period 2008-10, the main target groups are the development community, students, journalists and key policy-makers. The cornerstone of Norad’s communications strategy is to actively seek and foster public debate on key development co-operation issues and dilemmas. The organisation’s communications strategy outlines how these objectives will be achieved – through frequent and open dialogue with media contacts, use of the internet and public events, and through the establishment of a public information centre specifically targeting students. In addition, Norad’s information department is also tasked with improving information sharing internally, to ensure that all employees are aware of recent developments and are engaged in the continued development of the organisation.

The two communication departments have developed separate two-year communication strategies guiding their efforts, but neither strategy mentions the existence of the other unit. Although there is informal co-operation between the two units, the formal and systematic co-ordination requirements are unclear.

**Future considerations**

- Norway should be commended for its vision which encompasses a broad definition of development and looks at the impact of emerging global challenges on poverty reduction. The consequences of this thinking could be outlined in the forthcoming White Paper. This broader vision of development encompasses some notable contributions to global public goods including peace building, conflict prevention and climate change. In practice this requires improving the linkages between ODA and non-ODA activities for the good of development. In doing this, Norway will need to ensure that its core focus on poverty reduction is not diluted.

- The rights-based approach does not appear so strongly in recent thinking and documents. Greater clarity is needed on what has happened to this approach, particularly in relation to the poverty reduction objective, that was so prominent a part of *Fighting Poverty Together* (MFA, 2004). More information is needed on Norway’s current approach to the issue,
including the operational challenges of implementing the vision and lessons learned from the experience.

- Norway faces the challenge of ensuring that the process of identifying objectives is strategic and well-managed, both centrally and at partner country level, given the increasing volume of development assistance funds and an increasing number of political initiatives. The process must also lead to a manageable number of clear and focused priorities. Norway will need to resist the temptation to add new ad hoc initiatives to an ever-expanding list of priorities.

- Norway needs to articulate its over-arching approach to communication in order for the two communication teams to convey consistent and complementary development messages to the public.
Chapter 2

Policy Coherence for Development

Assessing progress

The 2004 DAC Peer Review found “a positive evolution of the grounds for more effective policy coherence for development”. This chapter will consider whether this positive evolution has been maintained, focusing on three areas: political commitment and policy statements; policy co-ordination mechanisms; monitoring, analysis and reporting. As Norway has been endeavouring to make specific improvements in policy coherence for development (PCD) since 2002-03, this chapter will assess the extent to which there has been visible and positive institutional change.7

Solid political commitment to policy coherence for development

The government’s recent statements on development reveal its belief that development co-operation alone is not enough for countries to address current global challenges. There is already broad consensus in parliament and among researchers and civil society organisations that ODA is only one way of supporting progress in developing countries. The impact of donor countries on climate change, or trade and investment, for example, is much more significant for development. This vision of ODA as just one strand of the development agenda provides a solid basis for building consensus on policy coherence for development. The forthcoming White Paper, due in early 2009, will build on the current main reference document, Fighting Poverty Together (MFA, 2004) and will more explicitly articulate Norway’s approach to policy coherence for development.

The Policy Coherence Commission

The Norwegian system of government has a tradition of using public consultations and independent commissions on specific themes. The production of the White Paper is in response to the demand from parliament’s Foreign Affairs Committee for public debate8 on development in relation to other policy areas. The White Paper will also take account of the work of an independent Policy Coherence Commission (PCC) (Box 1). In September 2008 the commission submitted its report to the Minister of Environment and International Development covering the most significant Norwegian policy areas for combating poverty in developing countries. It is hoped that the report will help to frame the public discourse on development co-operation policy and will provide a starting point for considering several emerging coherence issues where Norway has already made efforts to achieve policy consensus. These include investment (financial flows, tax havens, money laundering) and corporate social responsibility (in the trade area). The most challenging areas for the commission’s

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7 An OECD report (2008) used this assessment format to discuss institutional changes to promote policy coherence for development. The report suggested that DAC Peer Reviews should consider the outcomes (e.g. changes in behaviour) of institutional changes.

8 At the time of the visit to Oslo, this White Paper had not yet reached parliament.
deliberations have been fisheries and agriculture. Some government officials and civil society representatives noted that the report would have most impact if there is political consensus and that this could be achieved in specific policy areas. The report is currently subject to a three month hearing process with Ministries, civil society organisations, industry, trade unions and the general public all commenting.

**Box 1. Policy Coherence Commission: composition and mandate**

The commission was composed of highly-qualified members with a wide range of experience and representing a broad cross-section of stakeholders in development. The chair was Norwegian Church Aid, a major non-governmental organisation (NGO); Statistics Norway provided the secretariat. The commission recognised that Norwegian policy has little direct effect on development in isolation, but can have significant impact through partnership with others. The commission's mandate was to consider Norwegian policy as a whole, to improve knowledge of impacts on poor countries and to “analyse points of contact, conflicts of interest and freedom of action.” It did not consider Norway's aid and development policy specifically. The commission produced papers on a range of issues and held public meetings to discuss the implications. Topics included trade policy; business, competition and labour market policy; fiscal policy and efforts of international economic institutions; migration policy; environmental, energy and resource policy, including food security; peace and security policy; research and development policy; private sector activities, including corporate social responsibility and anti-corruption; marine and fisheries policy; and health policy, including recruitment of health workers. In addition to these policy areas, the commission also looked at institutional arrangements to promote policy coherence for development in Norway. Although the commission was appointed by the Ministry of Foreign Affairs, which also provided the budget for the secretariat's work, the commission remained independent in its views and reporting. Its report was released on 9 September 2008.

**Successful existing policy co-ordination mechanisms**

According to Stokke (1999), informal inter-ministerial co-ordination occurred throughout the 1990s. Norway’s Memorandum mentions a number of formal and informal policy co-ordination arrangements between ministries which promoted policy coherence. For example, in 2003, following DAC discussions about policy coherence for development, a network of officials in four ministries became involved in drafting the 2004 White Paper. More recently, informal networks of officials focusing on specific issues have strengthened these formal inter-ministerial arrangements.

However, inter-ministerial policy co-ordination mechanisms alone cannot guarantee more coherent policies. The following examples of environment, labour migration, trade and women’s rights and gender show some positive outcomes in terms of process, but rather more mixed results in terms of overall impact:

- **Environment.** There has been strong long-standing co-ordination between the MFA and the Ministry of the Environment on the issue of sustainability. This has had some visible impact; Norway’s Action Plan for Environment in Development Co-operation aims to integrate environmental issues into development co-operation (MFA, 2006a). The Memorandum notes that the Commitment to Development Index 2007 (CDI) ranks Norway first on environment.

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9 This opinion, held by the Chairman of the Policy Coherence Commission, was shared by several other respondents.

10 Memorandum of Norway Submitted to the DAC in View of the Peer Review of Norway (MFA, 2008b); referred to as “the Memorandum” in this report.

11 The Commitment to Development Index by the Centre for Global Development rates 21 donors on how much they help developing countries to build prosperity, good governance and security. Overall
Labour migration. An informal network of officials started looking at migration in 2003, influenced by EU discussions. These informal meetings led to a report in 2006 on coherence in migration and development. A project was subsequently established, and 15 proposals are currently being considered. The Ministry of Labour and Social Inclusion recently published a White Paper on labour migration, which takes account of “the needs of sending countries.” (Ministry press release, 2008). The CDI has ranked Norway around tenth place on migration for several years.

Trade. The MFA is responsible for both development and trade, which helps to promote policy co-ordination between the two issues. The ministry also meets with other stakeholders, such as business and NGOs. An inter-ministerial group on trade also meets irregularly and, following the WTO Ministerial Conference in Doha 2001, there have been ongoing discussions on, for example, trade and agriculture. Norway also produced an action plan Aid for Trade (MFA, 2007a). Nevertheless, the CDI ranked Norway in penultimate place for its policies on trade and development.


PCD is a two-way street, so each relevant ministry has something to gain. Seeking win-win situations is an effective way of achieving inter-ministerial policy coherence. Typically, successful inter-ministerial co-ordination involves circulating discussion notes on specific issues, meetings between officials and ministers, agreeing the way forward, and developing an action plan. The examples above suggest there are specific conditions under which inter-ministerial arrangements can be most effective. In the case of aid for trade, the requirement to enter into international negotiations and strong teamwork within the MFA were important in promoting policy coherence. In the case of labour migration, an informal network of officials committed to ensuring coherence between migration and development policies worked together to achieve a specific goal, rather than identifying potential conflicts at the policy level and then trying to resolve them. In the case of the environment, there is a strong political imperative for co-ordination. Currently, the Minister for International Development is also the Minister for Environment, which facilitates co-ordination between the two ministries.

The previous Peer Review suggested that Norway consider setting up a “whole of government” mechanism to strengthen the inter-ministerial co-ordination arrangements. This did not happen. The Foreign Affairs Committee believes that a more strategic approach is needed and that policy coherence for development should be more institutionalised than at present. While informal networks are essential, officials working in these networks are aware that working in isolation without clear strategic priorities could allow them to be driven by media headlines. The Policy Coherence Commission recognises in its report that Norway needs to consider the systemic requirements for improving policy coherence for development and has been looking at ways to strengthen policy co-ordination and exploring various institutional models in other countries. It has taken into account the OECD’s work in this area. Although there is consensus on the broad vision for ODA, some

Norway ranks third. The CDI also ranks Norway first on security and sixth on investment. Norway has shown great improvement since 2003.

12 Recent work by the OECD on policy coherence for development, including a chapter on the institutional aspects of migration and development, can be found in OECD (2008b).

13 See Stokke (1999), who also argues that the environment is such an important issue for Norway that national research was reorganised to give it more emphasis.
government advisors, academics and commission members argue that Norway’s current approach will always be constrained by the lack of a more strategic framework that takes account of development across the system. In formulating its recommendations, the commission has therefore considered: how to strengthen the arrangements for resolving potential policy conflicts; how to increase the authority to demand information from other ministries; and how to promote positive examples of win-win situations. In its report, the commission recommends that the MFA is given a mandate to co-ordinate policy coherence for development across ministries, and that a unit to do this is set up within the MFA.

The need to strengthen monitoring, analysis and reporting

**Monitoring**

The lack of monitoring of inter-ministerial policy coherence is a recognised weakness of the Norwegian system. The MFA does not currently appear to monitor other ministries’ initiatives systematically for PCD. No single ministry has designated responsibility for this and consequently there is a lack of capacity for monitoring of coherence. Nor does there seem to be sustained external pressure, as civil society does not appear to play a significant role in monitoring PCD either. The commission has recommended improvements in monitoring and feedback into policy and has proposed in its report that monitoring and evaluation be overseen by a permanent committee including with members from civil society and industry. It has also proposed that monitoring and evaluation be undertaken by independent researchers and research centres in developing countries. But it is not clear who will hold oversight responsibility for monitoring. The monitoring and oversight function needs to be in a neutral space so the party responsible does not have a vested interest. One option may be to enhance the responsibility for policy coherence in the Prime Minister’s office, which has a good overview of government policy. This could be complemented by a dedicated in the MFA as recommended by the Commission.

**Analysis**

The administration has some analytical capacity of PCD issues, but this requires some strengthening. Ministries can undertake the necessary work to inform Norway’s position in international negotiations in critical areas or to develop action plans. In general, Norway also has strong development research capacity. However, institutional capacity for long-term analysis and research into PCD issues appears to be lacking, and there may also be a need for a robust method to trace policy coherence impacts. 14

**Reporting**

Given the recognition that the current approach to development must be broader than aid, the General Audit Committee could follow up on policy coherence for development and the Foreign Affairs Committee in Parliament could press for an annual report on the topic. The focus of Norad’s results report in 2007 was on Norway’s contribution to global results (Norad, 2007d), but this only considered aid policy. Norad has no current mandate for broader policy coherence evaluations. However, as Norad is focusing clearly on results and working with the State Auditors, it may have to look beyond aid to respond to the government’s broad vision of development.

14 These views are also corroborated by an evaluation by the Research Council of Norway (2007) and (2008), see Chapter 4.
Future considerations

- Norway has worked to improve policy coherence for development in several areas, but has not yet developed an overall approach. There is a need for institutional mechanisms for analysis, monitoring and policy feedback to deliver its broad vision.

- The government could consider commissioning an independent annual report to focus attention on policy coherence for development. Norway should also consider including in Norad’s evaluation mandate the task of commissioning independent PCD evaluations.

- The government could consider the location, mandate and authority of an institutional focal point for PCD. This position could be responsible for planning, analysing potential areas of policy conflict, commissioning longer-term studies, co-ordinating research, analysing and monitoring and championing PCD among the ministries.

- To increase longer-term research on policy coherence for development, the Ministry of Foreign Affairs could consider collaborating with the Norwegian Research Council on how to engage with research institutions to address this need.
CHAPTER 3

AID VOLUME, CHANNELS AND ALLOCATIONS

ODA volumes

In 2007 Norway’s net official development assistance (ODA) amounted to USD 3 727 million, representing 0.95% of its gross national income (GNI). This is the highest percentage of all DAC donors, and Norway is one of only five countries to exceed the UN target of 0.7%.

Norway should be commended for having surpassed the 0.7% figure continuously for more than 30 years, and has in fact set itself a higher goal of 1% ODA/GNI. Although it fell just short of this aim in 2007, it did achieve an increase over its 2006 level of 0.89%. Moreover, these percentages are only part of the story. Since Norway is the world’s fifth largest oil exporter, and with oil prices and oil revenues helping to drive up Norwegian GNI, ODA has increased significantly – up substantially from USD 2 954 million in 2006 to USD 3 727 million in 2007 (Figure 2). The DAC also commends Norway for budgeting to reach its 1% ODA/GNI target in 2009 in a climate of global financial crisis.

Furthermore, Norway is in the enviable position of having broad political and public support for development assistance. There is almost full cross-party political support for the 1% target and, partly as a result of state oil revenues, Norway does not face quite the same level of pressure as many other donors to channel spending to other uses. For Norway, the challenge is not to assign sufficient resources to development assistance, but to use and manage these resources in the most efficient and effective way.

15 One percent ODA/GNI is unlikely to be achieved in the context of rising oil prices due to the mechanism for calculating the development budget ex ante and a lack of upward correction to the development budget in the current year to take account of rising GNI beyond the budget forecast.
Aid allocations

The MFA has no formal strategy or system for allocating funds to the different aid channels. Broadly, there tends to be three ways that funding choices are adjusted: (i) priorities defined in the political platform (Soria Moria); (ii) current spending, based upon historical precedent, is modified here or there, loosely based on need and opportunity; and (iii) political initiatives and priorities are introduced one by one (e.g. the new budget line for gender equality, the new Oil for Development programme, an increased focus on Afghanistan and the Palestinian territories).

Furthermore, the humanitarian assistance and global fund budget lines also alter the overall pattern of spending, and the choice of partner countries may change based on the political conditions and opportunities in-country. This flexibility in the Norwegian system and the ability to add new initiatives is promoted by the MFA as a very positive policy. With growing ODA, Norway is managing to maintain its current commitments while responding to emerging needs. However, with no overview of needs and priorities it is not easy to see if the best use has been made of different funding channels to achieve these objectives.

Overall, the share of funding to multilateral organisations has decreased slightly, the share of bilateral aid has fallen and earmarked multilateral aid has risen. According to Norway’s own figures (MFA, 2008b),16 in 2006 28% of funds went through the core multilateral channel, a figure that has remained steady for the last five years. Over the same period, bilateral aid fell slightly from 50% to 45%, and earmarked multilateral aid rose from 17% to 22%. While the importance of earmarked multilateral aid increased, the nature of this type of aid has altered. The provision of earmarked multilateral aid to specific countries, a popular approach 10 years ago, has largely been replaced by earmarked multilateral aid for themes or sectors.

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16 Used here because they also show multi-bilateral figures.
Bilateral aid

According to Norway, only 18% of its total aid is programmed at the field level by the embassies. Other parts of the programme which sometimes count as bilateral aid, such as thematic, humanitarian, aid to non-governmental organisations and multi-bilateral aid, are planned and programmed by headquarters. Consequently, individual embassies may have limited knowledge of all the different channels of Norwegian aid that goes to the country in which they are located. This raises challenges of predictability and accountability. Embassies are not able to give partner governments a consolidated view of all the funding they can expect, which makes partner planning more complex. Accountability is undermined because while the embassy is mainly responsible for the aid it delivers and for assisting the partner government to track and account for that aid, there is no consolidated accountability mechanism for the totality of Norwegian aid going to a given country.

Lack of geographical concentration

In 2002 Norway categorised its recipient countries as either “main partner countries” or “other partner countries”. For both categories, Norway envisaged long-term, predictable development co-operation, but for the latter category Norway had “lower ambitions as regards participation in the development co-operation dialogue”. Since the 2004 Peer Review, Norway has re-visited this categorisation and no longer differentiates between partners as the system was deemed inappropriate and inaccurate. In the past eight years, development assistance has increased tremendously in real terms so Norway has been able to add new partner countries to its portfolio without removing any. Fighting Poverty Together (MFA, 2004) lists the main factors that play a role in choice of country: least developed country status, poverty orientation, willingness to pursue policy orientated towards poverty reduction, relatively stable political situation and contribution to regional stability and development.

Whereas previously Norway had 7 “main partners” and 17 “other partners”, it now has 28 partners – 15 in Africa, 11 in Asia, and 2 in Latin America (Table 1). The rationale for this change is that the distinction between the different categories had gradually disappeared. From 1995-99 to 2005-06 the percentage of Norwegian bilateral ODA going to its top 20 recipient countries remained stable at 68%, while the DAC average during this period grew from 74% to 80%. Similarly, the percentage of bilateral ODA going to its top 10 recipient countries was 47% in 1995-9 and 48% in 2005-2006, while the DAC average grew from 53% to 62% (Annex B, Table B.4).

This geographic dispersal of aid causes some concern, notably within parliament, that resources will be spread too thinly and impact diluted. The flexibility of Norway’s ODA system explains the lack of concentration; budget lines and initiatives such as humanitarian assistance, the Oil for Development programme and, perhaps next, the new forestry initiative, bring pressures to work in new countries.

17 Memorandum (MFA, 2008), page 6.
18 However, decisions to scale-down in Bangladesh and Vietnam have been taken.
19 27 embassies, plus Mali as a delegated co-operation with Sweden.
Table 1. Norway’s partner countries

Numbers indicate the top ten recipients of Norway’s assistance

<table>
<thead>
<tr>
<th>AFRICA</th>
<th>ASIA</th>
<th>LATIN AMERICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>Afghanistan (5)</td>
<td>Guatemala</td>
</tr>
<tr>
<td>Burundi</td>
<td>Bangladesh</td>
<td>Nicaragua</td>
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<tr>
<td>Eritrea</td>
<td>China</td>
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<tr>
<td>Ethiopia</td>
<td>India</td>
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<tr>
<td>Kenya</td>
<td>Indonesia</td>
<td></td>
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<tr>
<td>Madagascar</td>
<td>Nepal</td>
<td></td>
</tr>
<tr>
<td>Malawi (9)</td>
<td>Pakistan (8)</td>
<td></td>
</tr>
<tr>
<td>Mali</td>
<td>Sri Lanka (7)</td>
<td></td>
</tr>
<tr>
<td>Mozambique (4)</td>
<td>Vietnam</td>
<td></td>
</tr>
<tr>
<td>Nigeria</td>
<td>East Timor</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>Palestinian Territories (2)</td>
<td></td>
</tr>
<tr>
<td>Sudan (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tanzania (3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uganda (10)</td>
<td></td>
<td></td>
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<tr>
<td>Zambia (6)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In terms of the regional distribution of assistance, in 2006 Norway disbursed 52% of its bilateral ODA to Africa, 23% to Asia, 6% to Latin America, 10% to the Middle East and 8% to Europe. Although Norway’s aid to Africa is above the DAC average of 47%, following the G8 lead, Norway pledged to double aid to Africa from 2005 to 2010. However, there has been no discernible change in real amounts – gross disbursements to Africa were USD 774 million in 2005 and USD 777 million in 2006\(^2\) (Annex B, Table B.3); therefore Norway has plenty of work to do in the next two years to meet this objective.

Norway has increased its focus on low income countries. In 2006, 60% of Norway’s bilateral ODA went to the least developed countries (LDCs), up from the 53% recorded in 2005 and more than double the DAC average of 26%. If other low income countries are included, Norway disbursed 69% to these two categories in 2006, well above the DAC average of 56%.

Priorities and sector concentration

As described in Chapter 1, the government has defined Norway’s “five plus one” development assistance priorities and eleven other traditionally important priority areas. These are broad priorities and include a mix of sector, thematic and cross-cutting issues. There are no statistics to verify if Norway’s funding disbursements reflect these priorities.

DAC statistics which focus on bilateral aid to sectors cannot break down total Norwegian spending to show the level of concentration on the six priorities. The data (Annex B, Table B.5) demonstrate that Norway puts a strong emphasis on social infrastructure and services. The percentage of gross bilateral disbursements to this sector rose from 35% in 1995-99 to 48% in 2000-04. In 2005-06 it was 45%, well above the DAC average of 33%. The percentage spent on government and civil society rose between 1995 and 2004, but has remained static ever since. In 2005-06, the rest of Norway’s gross bilateral disbursements included: 8% to economic infrastructure and services, 6% to production sectors, 10% to multi-sectors, and 16% to humanitarian aid. The latter figure is particularly high – double the DAC average of 8% – and reflects Norway’s emphasis on humanitarian aid. Also

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\(^2\) At constant 2006 prices and exchange rates.
notable is Norway’s very low figure of 1% for action relating to debt, compared to a DAC average of 25%. This is because Norway advocates that bilateral debt relief should be additional to ODA and thus does not report bilateral debt cancellation to the DAC. The only part of actions related to debt which is reported is support to multilateral debt cancellation initiatives. In general, since the last peer review in 2004 (the statistics show 2000-04) there has been little shift in the share of gross bilateral disbursements that the different sectors have received.

**Multilateral aid**

Norway is a strong supporter of the multilateral system. In 2006, 27.8% of its gross ODA was disbursed as core contributions to multilateral agencies, a slightly higher proportion than the DAC average of 24% and a share that has been fairly steady for the last 15 years. The World Bank is the largest recipient of Norwegian multilateral ODA, and Norway currently sits on the Bank’s board on behalf of the Nordic-Baltic countries.

However, it is Norway’s contribution to the UN that is proportionately higher than in most other donors’ portfolios – Norway is the fifth largest donor to the UN and 16% of its gross ODA goes to the UN system, compared to a DAC average of 4%. Norway’s high level of support demonstrates its backing for the UN and what it stands for, and is not solely a way of achieving development objectives. More than half of the UN contributions are disbursed through two agencies, the United Nations Children’s Fund (30%) and the United Nations Development Programme (27%), while the remainder is disbursed through the United Nations Population Fund, the World Health Organisation, the World Food Programme, the United Nations High Commission for Refugees and others (Annex B, Table B.2).

In recent years, the Global Funds have seen the greatest increase in Norwegian multilateral assistance with the largest recipients in 2006 being the Global Alliance for Vaccines and Immunisation (NOK 499 million), the Global Fund to Fight Aids, Tuberculosis and Malaria (NOK 217 million) and the Education for All Fast Track Initiative (NOK 200 million). Another trend has been the increase in earmarked multilateral contributions. Norway gives both core and earmarked contributions to multilateral organisations, and although the core has remained steady and substantial, increased funding has often been earmarked. In the past, much of the earmarked multilateral aid provided by the MFA was country specific, but now it is more likely to be sector or theme specific, such as for girls’ education, gender equality or environment. Embassies, however, continue to provide support to country specific interventions. According to Norway’s own statistics, earmarked multilateral assistance rose from NOK 2 440 million (16.9% of total ODA) in 2003 to NOK 4 141 million (21.9%) in 2006.22

Norway has no overall strategy for engaging with multilateral organisations, preferring to remain flexible, although it does discuss its methods and aims for its interactions with multilateral organisations in its annual reports. The challenges for Norway, given its large commitment to and investment in the multilateral system, are to develop a performance-based allocation system, and to help the multilateral organisations increase their efficiency and effectiveness, and therefore contribute to better development outcomes. To this end, Norway is one of the donors at the forefront of efforts to improve individual UN organisations, and also to bring about greater harmonisation and rationalisation within the system. Notably, it is one of ten donors who participate in the Multilateral Organisations Performance Assessment Network (MOPAN) which delivers an annual assessment of

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21 Norway’s own figures (MFA, 2008b, page 18).
the country-level operations of selected multilateral organisations. Also, with Prime Minister Stoltenberg as a member of the UN High Level Panel on System Wide Coherence, Norway is a prominent supporter of the UN Delivering as One reform agenda. This tackles fragmentation of the UN and runs pilot initiatives involving “one programme, one budget and one leader” for the UN in eight countries. As Norwegian ODA continues to grow at a fast pace, and as increased use of multilateral aid channels can be expected, Norway’s emphasis on reform is well-judged.

Aid to Norwegian non-governmental organisations

Non-governmental organisations (NGOs) – and in particular Norwegian NGOs – play a prominent and important role in Norwegian development assistance, and are also a way of maintaining public support. According to Norway’s own statistics, over 30% of bilateral development assistance is channelled directly through NGOs (33% if research institutions are included). The majority of this funding is humanitarian assistance provided by the MFA. This is a high figure compared to other donors. The bulk of this funding, 24.5%, goes to Norwegian NGOs, with another 2.9% going to international NGOs, and 2.7% to local NGOs in developing countries. Furthermore, the aid is concentrated in the hands of a few main NGO partners. The top five – Norwegian Church Aid, Norwegian Refugee Council, Norwegian People’s Aid, the Norwegian Red Cross and Save the Children Norway – together receive 56% of Norway’s NGO assistance.

The MFA and Norad have close relationships with their NGO partners. Despite some Norwegian NGOs receiving over 90% of their funding from the government, the generally progressive and open nature of debate in Norway ensures that NGOs enjoy a healthy level of independence and room to critique the government. NGOs like the open and frank dialogue they have with government and they also generally welcome the high degree of flexibility of the system enabling them to receive multi-year core and thematic funding as well as project funds. For example, funding may be given for expenditure on human rights, the environment, or gender equality, but there is plenty of flexibility over how to use those funds within the broad categorisation. On the other hand, as funding can come from both the MFA (e.g. humanitarian, transition, peace and reconstruction) and Norad (responsible for the long-term core and thematic funding) and from more than ten different budget lines often with different procedures, the system can be confusing and time-consuming for NGOs.

Furthermore, although some guidelines on government engagement with NGOs are set out in the annual budget, there is no overall policy. The government is tackling this and Norad is currently drawing up strategic challenges and revising NGO guidelines for its long-term development support to build civil society, which will be presented to representatives of civil society (both Norwegian and Southern) for comment before being finalised. In addition to outlining the aims and objectives of funding to NGOs, these are likely to confront two other issues: i) increasing the focus on results; and ii) increasing the use of more local NGOs. NGOs are aware that funding needs to be linked more closely to results, but are also demanding more assistance in developing the tools to help them do this. Along with a greater strategic approach to NGO interaction, the focus on results and enhanced engagement with local NGOs is laudable.

Cross-cutting issues

Women and gender equality

Norway has a long history as a defender of women’s rights and active advocate of gender equality. There is full political support for this stance, and Norway considers itself a “fearless champion” of the issue. The commitment to women’s rights and gender equality in development co-operation features heavily in Fighting Poverty Together (MFA, 2004), and is one of the five
priority areas explicitly listed in the MFA’s budget proposal for 2008. In this document, Norway outlines its intention to be a bold champion of women’s rights and gender equality and refers to a new action plan that sets out four thematic priority areas (see below). There is no doubt that Norway gives this issue high priority. It makes efforts to improve the inclusion and implementation of women’s rights and gender equality in its development co-operation activities, and it lobbies and advises others, including multilateral organisations and other donors, to do likewise. Despite this, during the Peer Review field mission to Tanzania there was little mention of women’s rights and gender equality issues and scant evidence of any real attention given to this issue (see Annex D).

There are four action plans relating to women and gender equality:

4. Action Plan on Female Genital Mutilation (MFA, 2003), which will be continued until 2010.

The 2007-09 Action Plan has four main priorities: women’s political empowerment, women’s economic empowerment, sexual and reproductive health and rights, and tackling violence against women. In response to the criticisms that mainstreaming gender equality has failed to be implemented systematically and has failed to deliver, the action plan outlines: i) targeted efforts, including a new women and gender equality budget line; ii) the allocation of sufficient resources and an increase in the percentage of funding with women’s rights and gender equality as the primary or a subsidiary objective; and iii) a clearer, more explicit mainstreaming strategy. The Action Plan on UN Security Council Resolution 1325 is the responsibility of four ministries (MFA, Ministry of Defence, Ministry of Justice and Police, Ministry of Children and Equality) with Norad co-ordinating, and outlines a range of activities in terms of national measures and efforts to influence NGOs and multilateral organisations to ensure progress on the objectives of the resolution.

Norway has also taken a number of other initiatives. It has appointed a Gender Equality Ambassador, has increased funds for UNIFEM fourfold, is active in the DAC’s GenderNet and has been doing a significant amount of work with multilateral organisations. Norway was a key backer and major funder of the World Bank’s Gender Action Plan – Gender Equality as Smart Economics (World Bank, 2005). It has led international efforts to implement a call from the High-Level Panel on System-Wide Coherence for more coherent and better funded UN action on gender equality. Also, as co-chair of the Doha meeting on financing for development, Norway is committed to take gender equality forward as a funding priority for the Doha discussions and outcome document. Norway has also increased its gender equality focused aid, as reported using the OECD/DAC gender equality policy marker (Table 2).  

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23 The gender equality policy marker system is a useful indicator, but it only measures inputs, not outputs or results. Also it does not measure the extent to which gender equality issues are integrated into programmes and projects.
Table 2. Norway’s aid to support gender equality and women’s empowerment, 2005 and 2006

<table>
<thead>
<tr>
<th>USD million, current prices</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal objective</td>
<td>55</td>
<td>79</td>
</tr>
<tr>
<td>Significant objective</td>
<td>253</td>
<td>363</td>
</tr>
<tr>
<td>Not targeted</td>
<td>1 085</td>
<td>1 260</td>
</tr>
<tr>
<td>Not screened</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total sector allocable aid</td>
<td>1 393</td>
<td>1 702</td>
</tr>
<tr>
<td>Gender equality focused aid</td>
<td>22%</td>
<td>26%</td>
</tr>
<tr>
<td>Total non-sector allocable aid</td>
<td>555</td>
<td>951</td>
</tr>
<tr>
<td>Aid to women’s equality</td>
<td>23</td>
<td>19</td>
</tr>
</tbody>
</table>

However, there remains room for improvement. The 2004 Peer Review acknowledged the priority given to the issue and the efforts made, but also highlighted some weaknesses in the system. These weaknesses were echoed in Evaluation of the Strategy for Women and Gender Equality in Development Co-operation (1997-2005) (Norad, 2005a). This report suggested that Norway was receptive to gender mainstreaming in policy goals and mentioning gender equality as a cross-cutting issue in important country and programme documents, but that the balance between mainstreaming and targeting had not been systematically addressed. It said that political commitment needs to be translated into making gender equality an active and visible part of country dialogue, programming and reporting. It also recommended setting up a fund for analytical and catalytic work on gender equality, more training and more reporting on the issue, and undertaking specific work to address gender equality in new aid modalities. Furthermore, it stated that not enough human resources had been committed to pursuing gender equality, and proposed the creation of a dedicated Women and Gender Equality Unit with a full-time gender equality advocate position. It also recommended the creation of a thematic network, and a gender focal point in embassies.

Partly in response to the Peer Review and the evaluation critiques, Norway has re-assessed its policy and practice and recently produced Report No.11 (2007-2008) to the Storting - On Equal Terms: Women’s rights and gender equality in development policy (MFA, 2008c). Claiming it to be the only donor White Paper on women’s rights and gender equality, Norway acknowledges that although it traditionally has a strong focus on the issue, it has failed to deliver fully. The White Paper sets out Norway’s determination to push forward women’s rights and gender equality in a culturally sensitive and careful manner. It underlines that progress must be made on this issue to achieve the MDGs (particularly MDG 3 gender equality, MDG 4 reducing child mortality and MDG 5 improving maternal health). The paper states that gender equality must be considered in all aspects of Norwegian development policy and that there should be an increase in the percentage of development funding for gender equality activities. It also declares that Norway will work closely with multilateral organisations to increase their emphasis and outputs on gender equality. In the White Paper Norway admits that implementation has not been systematic enough and it undertakes to set up a coherent framework for following-up action plans.

24 Percentage of sector allocable aid. Activities not screened against the gender equality policy marker have been excluded.

25 Since 2005, the “Women in development” sector has been replaced by “Support to women’s equality organisations and institutions” within the “Other social infrastructure” category.
Clearly, at the policy level Norway is one of the leading donors in efforts to address women’s rights and gender equality. It is striving hard to improve its own efforts as well as pushing forward the international debate and lobbying others. Norway prioritises women’s and gender equality and has taken pro-active steps to respond to criticisms and recommendations by making changes and launching new initiatives. The challenge now is to implement these effectively and get results. In addition to efforts to improve mainstreaming it has introduced a targeted women and gender equality fund, and this mix of approaches should help prevent the gender equality focus from disappearing. However, there is still plenty of room for improvement. With only a small team in the MFA and three staff in Norad dedicated to increasing the gender equality focus of activities, resources remain limited. Technical knowledge is spread thinly across the organisations and gender equality is still often considered as a postscript after the formulation of projects and programmes, rather than being factored in at the beginning. This was the case in Tanzania, where Norway’s attention to women’s rights and gender equality appeared to be an afterthought and there was little pro-active or specific focus on this issue. Furthermore, there needs to be more thinking on how the policy is institutionalised and how reporting and accountability are delivered. Also the action plans have increased demand from the embassies for expertise on gender equality, but the capacity to deliver this remains weak.

Climate change and environment

Norway’s policy on environment in a development context is outlined in the *Fighting Poverty Together* report to parliament. This states clearly that “the sustainable management of environmental and natural resources is a crucial prerequisite for development”. It draws a clear link to a more equitable distribution of the consumption of natural resources and improving living standards in poor countries, and recalls the international commitments to the environment set in Agenda 21, the Rio Conventions and the Johannesburg and Millennium Summits. The broad policy is translated into an action plan for environment in development co-operation, approved in June 2006 covering the period up to 2015 which points to four thematic priority areas for Norway’s work:

- sustainable management of biological diversity and natural resources
- water resources management, water and sanitation
- climate change and access to clean energy, and
- hazardous substances.

The main effort will, according to the action plan, be directed towards the first priority, biodiversity and natural resources. Furthermore, the action plan makes clear that the environment is both a cross-cutting issue, stating that “environmental concerns must be taken into account in all development co-operation”, and a separate sector covering development co-operation that has sustainable management of natural resources and environmental protection as its main goal.

The country reports in the 2006 annual report provide some evidence that the environment is included as a sector in country programmes, such as support to: the National Forest Authority in Uganda, Mali’s efforts to decentralise natural resource management in the inner delta region and forest management in Tanzania. Environment is also taken into account in other sector programmes such as the agriculture programme in Malawi.

Many other programmes, however, do not mention environment specifically, and it is also difficult to assess the extent to which environment is considered systematically in the absence of clear guidance such as impact assessment tools. While the policy states that all activities should be subject

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26 There is a requirement in the Development Co-operation Manual for assessment of sustainability, including the environment.
to impact assessment, it states that this is the responsibility of the recipient. While it would be prudent to apply national impact assessment legislation or regulations where they exist, it seems insufficient to leave such assessments to recipients who may not have adequate regulation on the books or indeed enforcement capacity. The policy also states that Norway places importance on governance issues and will support building capacity for impact assessments – however, it is not clear how and where this is being done.

In addition, there is a limited number of environment or natural resource specialist staff positions in both the Ministry and Norad, and even fewer in the field, and it is, therefore, difficult to envisage how such an ambitious action plan could be fully implemented. It is a major challenge for Norad to provide adequate support to field staff. The government is deploying six specialists27 to five African countries which will go some way to supporting the environment objectives. It was not clear to the team what would be the impact of the minister being also the minister of environment. However, without sufficient expertise, Norway runs the risk of having ambitions to be a leader in the environment and development area, but ending up with more rhetoric than action. It is, therefore, positive that Norway intends to conduct a mid-term review to assess necessary adjustments to the action plan and that a full evaluation is planned soon after 2015. Norway could usefully share the outcome of both exercises with the DAC.

With additional resources available to development co-operation in 2008, the government announced new initiatives in climate change, reducing deforestation and forest degradation. Thus, climate change replaced biodiversity and natural resources management as the top political priority. Norway will work on three main issues: i) increased bilateral co-operation on clean energy in Africa, Central America, the Amazon, and Asia (to help developing countries reduce emissions and increase their ability to join in future emission schemes after 2012, the end of Kyoto Protocol commitments); ii) support for climate related research, technical co-operation and the private sector, and iii) support to multilateral initiatives. While the emphasis has shifted, the climate change objectives were outlined in the policy documents as well as the action plan. One concern is how such shifts can be absorbed at country level, though much of the funding is likely to pass through multilateral institutions. Norway’s prime minister also announced, in 2007, an increase in annual funding of USD 500 million for the prevention of deforestation of rainforests. The programme will be based at the Norwegian Ministry of Environment with funding going through multilateral organisations and global initiatives. This initiative is still in the early stages and there is yet no clear strategy for how the funds will be programmed or implemented. It is positive that Norway seems to be reaching out to other donors with similar initiatives to join forces and co-ordinate activities.

It is positive to note that Norway pays attention to policy coherence in the area of environment and natural resource management. For example, it is the government’s view that Norway’s national regulations for timber sales should be based on international, inter-governmental arrangements that are founded on multilateral agreements or conventions so as to not unintentionally affect poor countries that are engaged in sustainable forest management and whose income derives from timber exports.28 Other examples are implementing patent directives to benefit developing countries, and the budget proposition for 2008 spells out the coherence that needs to be achieved between the government’s climate policy and its sustainable development ambitions.

27 Four are energy specialists with a mandate to follow up the new clean energy initiative launched in April 2007.
28 See the Fighting Poverty Together (MFA, 2004), section 3.6.
Future considerations

- As a mid-sized donor engaged in development, peace building, state building and humanitarian work Norway could develop a strategy for allocating the extra ODA volumes (in terms of channels, sectors and countries). With a significant proportion of the extra resources flowing through various bilateral channels into partner countries, Norway should consider a more integrated, strategic and explicit approach at the country level to ensure synergy and optimum impact.

- Norway should manage carefully the increasing geographical spread of its aid. Norway should take care not to spread its resources too thinly as this could lessen its potential impact.

- Norway is commended for being a strong supporter of multilateral organisations, as well as being at the forefront of efforts to reform and increase the efficiency and effectiveness of the UN. Norway could consider developing an overall strategy to guide multilateral spending.

- The introduction of a revised strategy to guide Norad’s approach to NGOs in the development field is welcome. The intended focus on results and the increasing use of local NGOs is to be encouraged. The approach should also ensure increased clarity and simplification of the funding systems for NGOs by amalgamating, or at least increasing co-ordination of, the many budget lines. The NGOs should be supported further to build capacity required to meet the legitimate demand by MFA/Norad that they demonstrate.

- Norway should be commended for its robust stance on women’s rights and gender equality, but needs to continue to ensure that its rhetoric becomes reality. While recognising that Norway treats cross-cutting issues as thematic priorities in their own right, it should make certain that its gender equality policy is institutionalised, has sufficient resources and ensure gender equality is considered systematically at the early stages of, and throughout, its programmes and projects.

- To implement its ambitious environment action plan, Norway needs to assess its current specialist staff resources to bring them in line with the objectives outlined in the plan. Norway could usefully make more explicit how impact assessments are to be done and validated, especially since the implementation rests with the recipient.
Organisational reform: clarifying roles and creating unique challenges

The positive impacts of reorganisation

The 2004 reorganisation of the Norwegian aid system was part of a larger project to modernise the civil service led by the Ministry of Government Administration and Reform. Its aims were to make public administration more effective and to improve policy coherence between institutions. Within the aid system, several organisations were involved. Development policy and foreign policy are now fully integrated within the Ministry of Foreign Affairs, which has become the lynchpin of the whole system. The embassies’ role in managing bilateral aid to partner countries has been strengthened. Norad has been made a technical directorate²⁹ responsible to the MFA. Norfund, responsible for private sector development, has become totally independent of Norad.³⁰

A key element³¹ of the reform has been to streamline the MFA, whose new organisational structure is shown in Figure 3. The main development departments are the Department for UN, Peace and Humanitarian Affairs and the Department of Regional Affairs and Development. However, given Norway’s broad development vision, the Department for European Affairs and Trade Policy and the Department for Security Policy and the High North also consider the development implications of trade and security respectively. The reorganisation has reduced the number of deputy secretary-generals and departments, put more emphasis on political aspects of aid management by appointing a Political Director,³² and created a Policy Analysis Unit.

The current development agenda requires a high degree of flexibility, at both country level to respond to the needs of partners and at central level to implement an expanding government agenda for the development co-operation programme. To introduce flexible working across formal departmental boundaries, the MFA and Norad have established teams or networks to take on specific tasks and initiatives. For example, the Policy Analysis Unit leads the team drafting the forthcoming White Paper. There is also a network for promoting gender equality across the institutions with focal points in the MFA and Norad, as well as inter-departmental country teams in Norad. There are other examples of the MFA or Norad setting-up steering committees to manage separate “projects”, which can also help promote policy coherence for development across ministries.

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²⁹ Norad’s status has changed several times over the years. Originally established as a separate implementing agency, Norad was then integrated into the MFA, then separated out again.

³⁰ In addition, the Norwegian Peace Corps (Fredskorpset) became constitutionally responsible to the Minister of the Environment and International Development and reports annually to the MFA. The Foreign Service Institute, responsible for staff capacity-building, was taken out of Norad and integrated into the MFA.

³¹ This had been noted by the 2004 Peer Review, which also saw the reorganisation helping the MFA “to improve its delegation procedures and the division of labour between the embassies and headquarters.”

³² The 2004 Peer Review also suggested greater attention to the political aspects of development.
Figure 3. Organigram of the Ministry of Foreign Affairs

Ministry of Foreign Affairs
- Political Director
- Deputy Secretary General

Ministry of International Development
- Secretary General
- Deputy Secretary General

Department for European Affairs and Trade Policy
- WTO/OECD Section
- Section for European Regional and Economic Affairs
- EEA/EFTA Section (inc. EEA Secretariat)
- European Policy Section
- Section for Central Europe and the EEA Financial Mechanisms
- Western Balkans Section

Department for Security Policy and the High North
- Section for Security Policy and North America
- Section for the High North, Resources and Russia
- Section for Disarmament and Non-proliferation
- Section for Global Security Issues and CIS Countries

Department for Regional Affairs and Development
- Section for Southern and West Africa
- Section for East and Central Africa
- Section for East Asia and Oceania
- Section for South Asia
- Middle East Section
- Latin America Section
- Section for International Development Policy
- Sec. for Mgmt of Sub-sidiary Agencies and Development Funds

Department for UN Peace and Humanitarian Affairs
- Section for the Environment and Sustainable Development
- UN Section
- Section for Human Rights and Democracy
- Section for Humanitarian Affairs
- Multilateral Bank and Finance Section
- Section for Peace and Reconciliation
- Section for Global Initiatives and Gender Equality

Legal Affairs Department
- Section for Humanitarian and Criminal Law
- Section for Treaty Law, Environmental Law and the Law of the Sea
- Section for EEA and Trade Law

Department for Culture, Public Diplomacy and Protocol
- Section for Economic and Commercial Affairs
- Section for Diplomatic Relations
- Section for Official Visits
- Section for Global Cultural Cooperation
- Section for Public Diplomacy and Web Information

Human and Financial Resources Department
- Personnel Section
- Recruitment Section
- Section for Human Resources and Organisational Development
- Foreign Service Institute
- Finance Section

Services Department
- Section for Property Management and General Services
- ICT Section
- Section for Document and Record Management
- Section for Translation Services
- Section for Consular Services and Security
Figure 4. Norad’s organisational structure

Source: Ministry of Foreign Affairs, 2007
Good corporate governance has involved maintaining the independence of certain functions while simplifying organisational arrangements. For example, the Oil for Development initiative (Chapter 6, Box 3) has separate steering arrangements and is hosted by Norad since it is concerned with advice and support rather than direct investment. The reorganisation has also clarified responsibilities for promoting private sector activities in developing countries. Norad is responsible for managing grant support for feasibility studies and institutional collaboration on private sector development. Norfund, which is a development fund owned by the MFA, is responsible for managing the grants, loans, guarantees and other hybrid instruments for private sector development.

Overall, those within the system perceive many positive outcomes from this reorganisation. The MFA, Norad and the embassies have become a well-integrated system able to respond to today’s development challenges and ensuring management flexibility. In the MFA, country teams can respond flexibly to embassy demands, whose authority has increased following decentralisation and whose role is to support the country-level partners. Norad is the an entry point for contracting Norwegian development expertise and provides quality assurance for this flexible system. Furthermore, reorganisation has enabled the MFA to respond to various political initiatives whilst avoiding political micro-management. It would be useful for Norway to share its experience of the benefits and challenges of the aid reorganisation with other donors.

Some remaining challenges: clarifying roles

The MFA has not yet fully reviewed its reorganisation, but the Memorandum (MFA, 2008b) is candid about some of the challenges which remain. The roles of policy-making, implementation and knowledge provision have not yet been fully clarified in the Norwegian development system. For example, although decentralisation means the embassies deal with country-level relations, the headquarters has become more involved in some micro-level aspects of aid management. Furthermore, the need to spend increasing volumes of ODA has undermined some reform aims. For example, Norad still has significant grant management activities even though its role has shifted to core knowledge management and support (Figure 4). This is because the increase in global and multilateral activities has put pressure on the MFA’s capacity for grant management, leaving Norad to fill the gaps in capacity. Responsibility for managing NGO grants is shared between the MFA (humanitarian action) and Norad (development). Also, Norad is responsible for *commissioning* development research but often appears to act as if it were responsible for *undertaking* development research, thus competing with research institutes and universities for funds. Norad’s knowledge management role therefore needs to be clarified and should be to bridge the gap between development researchers and the MFA.

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33 In addition, the Norwegian Guarantee Institute for Export Credits (GIEK) has been operating for over 70 years and has its own board, management team and audit committee.

34 Hagen and Sitter (2006) provide an interesting insight into Nordic public sector reforms, highlighting Norway’s slow and consensual approach through incremental reform.
Tackling new management challenges

The ever-increasing size of the aid programme raises challenges for good management and quality assurance of ODA grants to different partners. This section considers these management challenges, looking specifically at grants, knowledge and human resources.

Assessing partners’ performance in grant management

The MFA, embassies, Norad and Norfund share responsibility for managing grants to partners. The MFA is responsible for policy and budget allocations to partner countries and the embassies manage the grants that the partner countries implement. The MFA is currently examining management procedures so as to harmonise and simplify procedures. To this end it has commissioned Norad to prepare a series of practical guides on managing different aspects of aid. The most significant of these guides is the Development Co-operation Manual (Norad, 2005b), which sets out the procedures, delegated authorities and documentation for the programme cycle. Different procedures are used for programmes of less than NOK 15 million, up to NOK 50 million, and above that sum. The manual also clarifies partners’ responsibilities, such as various progress reports, financial reports and audits of the whole programme (not just Norwegian aid). These very clear guidelines will help ensure that Norway maintains the quality of its bilateral aid programme with partner countries.

Quality assurance: a key role for Norad

As the Norwegian system continues to decentralise and aim for increased flexibility, it has also increased its emphasis on quality assurance. The Development Co-operation Manual states that “quality assurance encompasses any activity that is concerned with assessing and improving the merit of the worth of a programme or its compliance with given standards.” Formal quality assurance activities include appraisals, results-based management, reviews and evaluations. The embassy appraises programmes of below NOK 15 million; Norad assesses those worth over NOK 15 million. Norad can also carry out performance reviews and organisational assessments to support the management of the aid programme. It conducts about 10 performance assessments of Norwegian embassies annually; for the last two years it has been increasing the number of reviews of partner organisations, and is planning to conduct 16 organisational reviews by the end of 2008. This approach is linked to efforts to move towards more strategic support to civil society organisations, as the outcome of any given review is used as a basis for the formulation of a new framework agreement with the partner organisation that is subject to the review. Norad’s quality assurance mandate was expanded in 2004 and Norad therefore aims to be a centre of expertise in quality assurance. This does not mean it will do everything itself, but that it will increasingly become the entry point for commissioning expertise. However, there could be a potential conflict of interest between the roles of giving technical advice and support on the one hand, and providing quality assurance on the other. Therefore a separation of the two roles could ensure the objectivity of quality assurance processes.

The 2004 Peer Review also noted that the reorganisation raised new challenges for results-management and ensuring an adequate skills mix both in the MFA and NORAD.

**Moving towards a framework agreement with non-governmental organisations**

Throughout the system there is a trend towards managing relationships with partners (developing countries, multilateral agencies, NGOs, and the business community) and assessing their performance as partners, rather than focusing on individual project or programme grants. While the MFA continues to manage NGO project funding for humanitarian action, Norad has been moving increasingly towards long-term framework agreements for development work with the larger Norwegian NGOs, assessing their management capacity and monitoring arrangements, rather than attempting to monitor individual programmes. In Tanzania, development NGOs felt that this provided predictable funding, allowing programme managers the flexibility to respond to partners’ needs and adapt to changing situations. There are also benefits at the central level. For example, Norwegian Church Aid only made one large application for funds to Norad,37 which covered many activities in the approved programme. This trend promotes ownership by partners, accommodates greater flexibility and makes the Norwegian system more efficient. Where practicable, this trend in NGO funding could be replicated in other areas (e.g. for NGO humanitarian action), but will require careful management if the Norwegian system is to retain the capacity to respond to unforeseen crises.

In general, there are good relationships between the MFA, Norad and the NGOs. The framework approach for larger NGOs, a focus on results and enhanced engagement with southern NGOs is welcome. However, the current grant arrangements do raise several challenges:

i) In channelling much of the bilateral funding for humanitarian action through NGOs, the new decentralised role of the embassies may be undermined, leading to inconsistency with development objectives.

ii) NGOs that receive funds for both humanitarian and developmental activities may face different systems of quality assurance.

iii) Strategic priorities for government engagement with NGOs are set out in the annual budget but there is no overall policy on NGOs. Norad is currently drafting new NGO guidelines for long-term support to civil society that will outline the aims and objectives of funding and enhance the focus on results.

iv) At present, Norway’s auditing arrangements make it difficult to fund Southern NGOs directly. Furthermore, the focus on larger Norwegian NGOs could squeeze smaller NGOs out of the framework and reduce innovative programmes with Southern NGOs. The forthcoming NGO guidelines also aim to increase the engagement of local and Southern NGOs in the Norwegian development co-operation system.

**Refining knowledge management**

The reorganisation put much more emphasis on knowledge management38 in the development system. Norway aims to promote a results-based culture and gather evidence about performance through analysis, research and evaluation. It is developing an innovative model of knowledge management. This section will focus on three aspects of knowledge management within the

37 In contrast to over 100 project applications to the MFA.

38 Knowledge management ranges from short-term project-related monitoring and programme reviews through to impact evaluation and longer-term research on broad development issues that go beyond ODA. It also includes feedback into decision-making and general dissemination.
Norwegian system: increasing policy focus on results, capacity for analysis and research, and evaluation policy.

**Increasing the results focus in Norwegian aid**

In the Norad 2007 report *Norwegian aid works – but not well enough*, Norway makes a concerted and commendable effort to measure results. But it also has a realistic understanding of the complexity and limitations of measuring its impact on development co-operation, acknowledging that “it is impossible to talk about the Norwegian results of development co-operation” partly due to attribution reasons (see section 5.5).

The government is keen to embed a culture of results-based management across the development co-operation system. Key documents set out the rationale and procedures for tracking results within the MFA. The *Development Co-operation Manual* (Norad, 2005b) recognises the need to track interim results at different stages of a programme and to assess risks, and an annex to the manual usefully sets out the hierarchy of goals and results chain. The communication of results is also important for transparency. However, a context of aid partnerships raises particular challenges, for example in sector programmes and in framework agreements with NGOs. Other challenges for increasing the focus on results include:

- Determining the results Norway is trying to achieve while balancing partners’ ownership and active political control.
- A focus on results might lead to a cautious risk-avoiding approach, whereas in inherently risky countries where Norway is involved in peace and development activities the MFA may need to take a bolder approach.
- The lack of a universal system for management by results within the Norwegian aid administration. Such a system would allow for the prioritisation of policy goals, thematic priority areas, partners and funding channels.

**Improving capacity for analysis and research**

The Norwegian government has some capacity for analysis and research on development related topics. Since the 2004 Peer Review, the MFA has established the Policy Analysis Unit with five staff, which has improved policy analysis in the ministry. Norad carries out necessary programme-related analytical work for the MFA in its role of providing advice and support. According to the Research Council of Norway (RCN), the country has strong development research capacity, especially in those areas where Norway focuses its aid efforts, such as peace and conflict resolution.

The RCN highlighted the main analytical challenges to be long-term and critical research. Long-term research is important in several emerging development fields, such as climate change or the effects of globalisation. While research institutions undertake short-term studies, often commissioned by ministries, the universities engage in more fundamental longer-term research, often funded by the RCN. The council’s evaluation also highlighted the need to provide support for critical research.

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40 In the field of Oil for Development, the oil companies themselves invest in long-term research.
Norway could take account of the RCN’s conclusions to develop structures to promote analytical and research capacity.

**Evaluation**

Norad has gained a new evaluation mandate and in 2006 it set out an evaluation policy which is working well.\(^{41}\) The evaluation department advocates DAC quality standards in all evaluations and the government has addressed several key issues, such as securing a level of independence for the evaluation function at the strategic level, which is supported by the current minister. While departments and embassies commission routine project and programme reviews, Norad focuses on strategic reviews and evaluations with ten evaluation staff and an annual budget of NOK 22 million. Evaluation covers all areas of development co-operation over a three-year cycle. While funding and the head of the department come from the Ministry, Norad’s evaluation department recruits the evaluators (often from outside the government system), selects the topics for evaluation (the MFA can propose topics for evaluation), defines the terms of reference and reports directly to the Secretary General of the MFA through Norad’s Director-General (who may annex comments to the department’s findings and recommendations).

There are particular challenges for evaluating multilateral aid; Norad only has a clear role in evaluation when Norwegian support is earmarked. Norad has therefore engaged in peer reviews (*e.g.* UNICEF’s evaluation function) and joint evaluations (*e.g.* a study of Women’s World Banking), which adhere to recognised quality standards.

Norad’s evaluation department perceives that its evaluation function is vulnerable to change because, ultimately, the organisation has an advisory role. Thus the evaluations need to feed back into policy and practice to show they are useful. The new policy has tried to ensure feedback of evaluation lessons into policy and practice, an issue raised in the 2004 Peer Review. While Norad’s evaluation department selects the topics for evaluation, it discusses with the MFA proposals for following-up the study. The MFA, through the Secretary General, has to prepare an evaluation action plan which is announced to partner countries, and the ministry reports back to the Secretary General after a year. The aim is to improve quality assurance and the results focus of the system. Follow-up action relies on disclosure and transparency, as the reports go to the Auditor-General, parliament, and into the public domain. The Norad report 2007 (Norad, 2007d) communicated the results of Norway’s aid to the public, bringing together information from evaluations and other sources. According to this report, this system is working well and there are some indications of progress (*e.g.* the evaluation of gender integration led to a new approach, see MFA, 2007b), although it is too early to assess the effects on the system generally.

**Matching human resources to new challenges**

Although the government has been increasing staff capacity in the MFA, embassies and Norad, it still needs to do more. An overall staffing increase between 2004 and 2008 of 16%\(^{42}\) masks significant variations. In 2004, MFA staff totalled 649, rising by 19% to 774 in 2008. The rise in Norad over the same period was 205 to 228 (11%). The increase in the numbers of staff working on development has been greater than in diplomatic, trade and other aspects of foreign affairs. However, some Norad

\(^{41}\) For the mandate and a full list of evaluations see Norad, 2006a. For the evaluation policy, see Norad, 2006c.

\(^{42}\) Figures in this paragraph were provided by the MFA to the peer review team following the visit to Oslo.
expertise has moved across to the MFA and embassies and then into non-development roles, which complicates the overall picture. In the embassies, the number of staff recruited in Norway has increased from 548 to 632 (15%) since 2004, but there were also 899 locally recruited staff in 2007. Despite the move towards decentralisation and increases in staff at the embassies, some embassies still need strengthening. Several officials expressed the view that the embassies still lack sufficient capacity, and so responsibility remains in the headquarters.

There is ongoing recruitment to fill the gaps, although finding the right expertise for some emerging roles is difficult. For example, to help with the rainforest initiative, the embassy in Brazil will recruit at least one more person. But in fragile countries where the embassy co-ordinates diplomacy and development, it is difficult to recruit staff with the right skills without an attractive incentive structure to compensate for the challenging nature of postings in conflict areas, where peace building has been a distinctive Norwegian contribution to development. Here gaps have been filled through short-term recruitments, roaming staff, consultants and by training existing staff. However, the result is “new faces all the time”, according to some NGOs, with implications for the continuity of relationships, institutional memory and career management.

The increase of funding to multilateral and global issues has not been reflected in departmental staffing numbers. While the strong upward curve of the budget and the slower rise in staffing numbers may have resulted in increasing administrative efficiency on paper, it is challenging to maintain quality programmes when under pressure to spend and launch new initiatives, such as climate change. Norad has identified the following priorities for sustaining its development competence and staff skills: natural resource management, with an emphasis on governance and sustainability; equality, inclusion and economic rights; and conflict-sensitive development co-operation and peace-building. Training will also be important; the Foreign Service Institute undertakes formal staff training while the MFA and Norad take care of on-the-job training for embassies. Norad also works with the Foreign Service Institute to share good development management practice with other Norwegian development actors.

Future considerations

- Norway could consider how to further distinguish between the MFA and Norad’s different roles, especially in grant management. Norad needs to better articulate its role of creating a knowledge-based system to inform decision-making.
- To improve the focus on results further: the MFA might consider how to link the programme budget to results, how to make allowances for innovation and risk-taking, and how to assess the performance of multilateral partners.
- Norway could increase the effectiveness of the already active and open dialogue with NGOs by supporting a more systematic and strategic approach which should be outlined in the Norad’s new strategic approach and guidelines for support to civil society. The legitimate demand of MFA/Norad on NGOs to demonstrate results should be adequately supported through specific actions to increase NGO capacity in this area.
- The MFA could review the administrative efficiencies of different approaches and initiatives to address some of the capacity constraints in the system.

43 Calculations of staffing costs are complicated by the greater cost of staff posted to embassies, estimated to be two to three times higher.
44 This competence draws on the experience of the Oil for Development initiative.
Norad could reflect on ways to maintain an institutional separation of knowledge management from quality assurance and to introduce into evaluation a mechanism for reviewing results while maintaining a balance between independence and relevance.

Norway faces a series of staffing and recruitment challenges arising from the reorganisation and shifting priorities. The integrated system raises challenges in recruiting and keeping people with specific development skills, such as environment and climate change. There are also particular staffing and management challenges at the country level in order for Norway to remain an agile and flexible donor, ready to respond to partners’ needs and fill gaps left by other donors.
Chapter 5
Aid Effectiveness

The commitment to aid effectiveness

Norway is committed to the aid effectiveness agenda. It is one of the donors at the forefront of the global debate, and since the 1990s has been pursuing improved aid delivery within the Norwegian development co-operation programme through increased ownership, alignment and harmonisation. Chapter 5 of Fighting Poverty Together (MFA, 2004) is called “More targeted and more effective assistance” and is devoted to explaining Norway’s efforts to provide more effective support to partner countries. It includes comprehensive sub-sections – “Development assistance must enforce national strategies”, “Donor co-operation and new forms of co-operation”, “Joint support to national programmes”, “Use of stakeholders and channels”, and “Distribution of development assistance between countries” – which describe Norway’s thoughts and practices. Partly as a result of this clear guidance aid effectiveness is well-embedded in the Norwegian aid system.

With the onset of the Paris Declaration, Norway has continued to be at the forefront of the aid effectiveness agenda, while further defining and refining its own efforts. For a number of years there has been consistent political support and limited pressure to seek visibility through traditional project-based aid. This allows Norway to be flexible and use innovative tools such as programmatic channels.

Although Norway does not have a single all-encompassing aid effectiveness action plan, position papers are distributed to embassies, and the MFA expects the aid effectiveness agenda to be mainstreamed and well-established in all its activities. Throughout the organisation, including at the field level, there appears to be a detailed understanding among staff of the principles underpinning the aid effectiveness agenda and the challenges these pose. Furthermore, Norway is pro-active among other donors, particularly like-minded donors in the Nordic Plus group, which focuses on effectiveness and harmonisation and has produced a number of useful practical guides (Section 5.3).


The remainder of this chapter looks at decentralisation and considers Norway’s performance against the five Paris Declaration objectives: ownership, alignment, harmonisation, managing for results and mutual accountability. It also considers the aid effectiveness of other funding channels, since as the MFA rightfully points out, only 18% of Norwegian development assistance is government to government, and the vast majority is through other channels such as multilateral organisations, global funds and NGOs.
Progress on decentralisation

In the Paris Declaration donors pledge to tackle “insufficient delegation of authority to donor’s field staff” in order to support ownership and alignment. Norway began its decentralisation process in 2004, one year prior to the Paris Declaration, with a formal written commitment and plan in place for the process. It now considers the decentralisation process to be completed. Norway is generally considered one of the more decentralised donors, with the field offices having significant control and responsibility for decision-making and implementing bilateral assistance.\(^\text{45}\)

The DAC *Survey on the Level of Decentralisation to the Field in DAC Member States’ Development Co-operation Systems* (OECD, 2008d) shows that Norway is also one of the more decentralised members in terms of delegating financial authority – embassies can commit and disburse any level of funds within the budget. Regarding staff levels, the survey shows that Norway is in the top half of members with high percentages of staff in the field – 28% of Norwegian national staff are based in the field. If local staff are included, Norway has a 50/50 split of staff between headquarters and the field (see also Chapter 4).

Ownership and alignment

*Strong promotion of ownership*

Norway is clear about the importance it gives to national country ownership. In fact Norway believes that country ownership should become *the* priority principle of the aid effectiveness agenda. In its Memorandum to DAC, Norway “calls for a reiteration of ownership as the fundamental principle to which the other four must be hinged” (MFA, 2008b). For many years Norway has viewed poverty reduction strategic plans and national ownership as prerequisites for ensuring that development policy in a partner country is coherent and systemic.

In Tanzania it appeared that Norway had pro-actively put the ownership principle into practice. Norway is a supporter of the Tanzania Joint Assistance Strategy and all Norway’s activities are factored into, and flow from, this strategy (see Section 5.4 and Annex D). Discussions with the Tanzanian government also confirmed that Norway’s activities dovetail with the government’s own priorities. However there are some questions regarding the planning process and instruments in the Norwegian system. Although Norway and Tanzania have signed a broad Memorandum of Understanding, the embassy only has a rolling three-year plan for internal use. The embassy’s objectives and activities are laid out in this simple plan which lists broad themes, sectors and activities. These give the embassy scope to be flexible, but do not provide a rigorous basis for analysing why Norway is doing what it is doing and what it is trying to achieve. Also, since the annual plan is only available in Norwegian it is unlikely that it has been shared with the Tanzanian government. It is more likely that due to the long and respectful relationship between the embassy and the Tanzanian government, most of this information is shared through other means. Indeed the Tanzanian government appeared content with Norway’s priorities. However, there may still be room for more formal systems (in addition to the use of the Medium-Term Expenditure Framework) in order to better facilitate information-sharing with governments and other donors.

\(^{45}\) Multilateral, humanitarian and NGO aid are not decentralised and remain the responsibility of headquarters for policy and implementation.
Table 3. Indicators on aid effectiveness for Norway

<table>
<thead>
<tr>
<th>Indicators (3-8 alignment, 9-10 harmonisation)</th>
<th>Definitions</th>
<th>Indicator values&lt;sup&gt;46&lt;/sup&gt;</th>
<th>Illustrative 2010 targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>33 countries</td>
<td>33 countries</td>
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<tr>
<td>3</td>
<td>Aid flows are aligned with national priorities</td>
<td>Aid for government sector in budget</td>
<td>57%&lt;sup&gt;47&lt;/sup&gt;</td>
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<tr>
<td></td>
<td>Aid disbursed for government sector</td>
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<tr>
<td>4</td>
<td>Capacity strengthened by co-ordinated support</td>
<td>Coordinated technical co-operation</td>
<td>75%</td>
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<td></td>
<td>Technical co-operation</td>
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<tr>
<td>5a</td>
<td>Use of country public financial management systems</td>
<td>Use of PFM systems</td>
<td>60%</td>
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<td></td>
<td>Aid disbursed for government sector</td>
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<td></td>
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<tr>
<td>5b</td>
<td>Use of country procurement systems</td>
<td>Use of procurement systems</td>
<td>68%</td>
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<td>Aid disbursed for government sector</td>
<td></td>
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<tr>
<td>6</td>
<td>Avoidance of parallel implementation structures</td>
<td>Number of parallel PIUs</td>
<td>3 PIUs</td>
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<td></td>
<td>Number of countries</td>
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<tr>
<td>7</td>
<td>More predictable aid</td>
<td>Aid recorded as disbursed</td>
<td>55%</td>
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<tr>
<td></td>
<td>Aid scheduled for disbursement</td>
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<tr>
<td>8</td>
<td>Untied aid</td>
<td>Untied aid</td>
<td>99%</td>
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<td></td>
<td>Total bilateral aid</td>
<td></td>
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<tr>
<td>9</td>
<td>Use of common arrangement or procedures</td>
<td>Programme based approaches</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>Total aid disbursed</td>
<td></td>
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<tr>
<td>10a</td>
<td>Joint missions</td>
<td>Number of joint missions</td>
<td>56%</td>
</tr>
<tr>
<td></td>
<td>Total number of missions</td>
<td></td>
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</tr>
<tr>
<td>10b</td>
<td>Joint country analytical work</td>
<td>Number of joint analyses</td>
<td>77%</td>
</tr>
<tr>
<td></td>
<td>Total number of country analyses</td>
<td></td>
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</table>

Note: In the 2006 survey, the information in the table above covers data reported in 13 countries out of 34 and reflects 40% of country programmed aid in 2005.
In the 2008 survey, the information in the table covers data reported in 19 countries out of 54 and reflects 47% of country programmed aid in 2007.


<sup>46</sup> The indicator value is a weighted average, based on the donor’s profile in the surveyed countries.

<sup>47</sup> For reasons related to the design of indicators 3 and 7, the indicator value is based on the average country ratio rather than a global weighted average.
Leading on alignment but still short of the target

Norway scores well on alignment indicators in the 2006 and 2008 monitoring surveys (OECD, 2006 and 2008a) and the Booth Report (Booth, 2007), but still needs to do more. For example, Indicator 3 measures whether aid flows are aligned to national priorities by comparing disbursed funds with the budget estimates. Norway scored a relatively good 56% in the 2006 monitoring survey and 66% in the 2008 monitoring survey (see Table 3). The Booth report for the same indicator shows Norway performing above other DAC donors, with 60%, compared to 50% for other Nordic Plus countries and 43% for other donors. However, there are large differences in Norway’s scores in the different partner countries, ranging from 96% in Vietnam to 4% in Zambia, but this range generally corresponds with that recorded for other donors (although Norway’s alignment to national priorities is higher in Afghanistan, Bangladesh and Vietnam than other donors). However, Norway, like all DAC members, still needs to make a great deal of progress to achieve the 85% target.

Indicator 4 measures the co-ordination of technical assistance; in 2006 Norway scored a high 75%, but this fell to 57% in 2008 for those same partner countries. However, it still remains above the 50% target. Partner countries where Norway records high co-ordinated technical assistance levels are those where it is involved in programmatic support. In Ethiopia, where Norway is not involved in programme-based aid, the figure is zero.

Norway also scores well in the percentage of aid flows going through public financial management systems (Indicator 5a) and the percentage of aid flows using partner country procurement systems (Indicator 5b). For these indicators, Norway is again ahead of the field, scoring better than other Nordic Plus members who are themselves ahead of other donors. However, there is room for some improvement, with the Booth report finding that Norway scored zero on the use of country public financial management systems in Ethiopia, whereas other Nordic Plus members do use the country’s system. Norway’s use of country public financial management systems in Mozambique and Tanzania is also less than other Nordic Plus donors.

Predictability

Norway has a fairly good record on the predictability of its aid. For most partner countries, Norwegian funding is officially programmed on an annual basis, but in reality informal medium-term commitments are also given at programme and project level and are rolled-over from year to year. The 27 Norwegian embassies based in partner countries have the authority to manage funds and are given allocation letters based on a three-year strategic plan which includes indicative figures and also annual plans for each country. Other funds, such as MFA thematic, special or humanitarian budget lines, are largely outside the planning parameters of the embassy, as are the Norad-managed funds for Norwegian and international NGOs, which are usually medium-term. However, in Tanzania other donors expressed some concern that Norwegian aid was becoming less predictable due to the introduction of new initiatives and a shift in priorities.

Indicator 7 measures scheduled aid compared with aid recorded as disbursed in government accounts, and Norway achieved 55% in 2006 and 56% in 2008. This is a respectable score, and the Booth report demonstrates that Norway remains ahead of all other donors on this indicator. However, it is still some way off the 75% target for 2010. The Booth report assesses another version of the predictability indicator – comparing scheduled and disbursed aid using donor-supplied information for

48 Direct support to local civil society organisations and support under some budget lines (e.g. the special allocations for women and culture) are within the planning parameters of the embassies.
both – and finds that Norway does less well than other Nordic Plus donors on this measure, mainly due to weaker than average results for Afghanistan, Bangladesh and Kenya.

Untying aid: leading the field

Norway has been a leading advocate of and actor in untying aid. It adheres to, and goes beyond, the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (OECD, 2001) by untying its aid to all developing countries, not just LDCs (reflected in Indicator 8 in the monitoring surveys, see Table 3). Its free-standing technical assistance is also largely untied, and in 2007 all food aid was untied.

Programmatic support

Consistent with the Paris Declaration, Norway is a keen supporter of programme aid modalities. The government has the clear backing of the Storting and is making increasing use of general budget support (GBS), sector wide approaches (SWAps) and basket funding. Budget support is delivered directly, or through the World Bank and multi-donor trust funds, and rose considerably between 2005 and 2007 (up 65% according to Norway’s figures). An estimated 25% of support at the embassy level is in the form of budget support, although in Tanzania it is around 40%. Tanzania is a good example: here Norway is working hard in co-ordination with 13 other donors in a general budget support group mechanism and using an aid modality that is appropriate for a stable partner government. However, it also demonstrates some potential difficulties as the group is dealing with significant corruption in the Central Bank of Tanzania (see Annex D and Box 4, Chapter 6).

Despite the increasing use of programmatic aid, in 2006 Norway scored only 36% for Indicator 9, which measures the use of common arrangements or procedures (OECD, 2006). This rose significantly to 49% in 2008 in the same partner countries, but still remains some way off the 66% target. In the Booth report Norway scores well below other Nordic Plus members (34% compared to the Nordic Plus average of 55%), although the report rightly points out that the definition of programme forms of aid is open to interpretation and may have been interpreted differently by some donors (Booth, 2007). Evidently Norway still has room for improvement in this area.

The commitment to harmonisation

Norway prioritised harmonisation in Fighting Poverty Together (MFA, 2004), and continues to make efforts to work more closely with other donors. Norway has been particularly active in Nordic Plus group efforts to establish useful guidance and procedures to assist co-ordination among the group. A number of operational tools have been developed, including:

- A guide to joint financing arrangements (February 2004, includes Canada).
- A joint procurement policy and guide (November 2004, includes Canada and Germany).
- Complementarity principles (November 2005) guiding the division of labour in Joint Assistance Strategy Processes.
- A practical guide to delegated co-operation (October 2006) (see also Chapter 4).

There is no evidence to suggest that GBS is more susceptible to corruption than other aid modalities, but there is often greater pressure concerning this issue due to the size and nature of the funds.
Norway fared well in the 2006 monitoring survey on the percentage of joint field missions it conducted, with Indicator 10a showing 56% (Table 3). However, this had fallen worryingly to 49% by the 2008 monitoring survey. Norway scored highly on joint country analytic work (Indicator 10b was 77% in 2006 and 87% in 2008). For example, harmonisation is essential in Tanzania, where there is a high number of donors present. Norway’s activities are factored into, and flow from, the Tanzania Joint Assistance Strategy, and Norway is an active participant in many of the donor sector groups and the general budget support group. However, with so many donors in so many sectors there is clearly a need to improve the division of labour. Norway supports these proposals, and as yet does not seem to be spread too thinly across sectors in Tanzania. Nevertheless, more generally, with ODA levels increasing and the leadership’s desire to be more active, there is a risk of going against the prevailing wisdom on division of labour and increasing the number of countries and sectors. Norway will have to manage these competing tendencies and may have to resist the temptation to spread into new sectors (see Chapter 3 for data on these issues).

It is also evident that Norway has a good understanding of the aid effectiveness and harmonisation agenda including its inherent difficulties as well as benefits. In its Memorandum (MFA, 2008b) Norway outlines its concerns about transaction costs, stating that there is a “tendency towards working groups and meetings with an inadequate focus on results” to the extent that “the added value of harmonisation cannot always be asserted”. Norway’s stance, as a constructive critical supporter of aid effectiveness and harmonisation with a focus on improving ways of working, is welcome. Norway has also taken an active role in the lead-up to the Third High-Level Forum on Aid Effectiveness, as a member of the advisory group consisting of donor and civil society representatives from both donor and recipient countries.

Managing for results and mutual accountability

The MFA and Norad are well aware of the benefits of results-based management, but also highlight the difficulties of applying a results-based approach to some of the new aid modalities where direct attribution is not possible. Officials point out that since it is not possible to identify a direct link between Norwegian efforts and impacts on the MDGs, there is a natural tendency to focus on funding and activities rather than results – a dilemma faced by all donors. They rightly aim to prioritise country-level results, but believe that it is not possible to link project results directly to country level results. This is because a number of factors external to a project will have an effect, and it can also take many years to achieve actual impact. This also applies to programmatic forms of support such as budget support, where it is difficult to attribute the Norwegian contribution to outcomes, and also difficult to attribute budget support inputs to country results. Hence, Norwegian officials believe that the donor community has to be less ambitious and more realistic about what can and cannot be achieved.

The situation is perceived to be equally difficult for multilateral aid. Officials cite MOPAN (Multilateral Organisations’ Performance Assessment Network) as an attempt to increase the effectiveness of UN agencies, and MOPAN results figure prominently in the dialogue with multilateral organisations. However, officials acknowledge that the MOPAN results do not really influence Norway’s allocations to the UN agencies, which are primarily based on historical precedence and political choice.

Regarding accountability, Norwegian officials see the need for domestic accountability on both sides and mutual accountability to each other. One way they have identified to help reinforce accountability is to “publish what you pay” – i.e. the embassies need to be transparent about their funding to governments so that the public in partner countries know the extent and nature of the financial support. Norwegian guidelines suggest that embassies should make this information public,
and at present some embassies do follow this practice, although others do not. Increasing support to civil society organisations to play a “watchdog” role could be another effective step.

**Aid effectiveness of multilateral organisations, global funds and NGOs**

Norway points out that although it prioritises the aid effectiveness agenda in its bilateral aid, only 18% of its development assistance is programmed by the embassies at country level. It is acutely aware that the vast majority of its funding is distributed through other means; thus the bigger gains on aid effectiveness will occur by improving how aid is disbursed via the other channels – *i.e.* multilateral organisations, the global funds and Norwegian NGOs.

Norway makes efforts to address this issue. In addition to its involvement in MOPAN, Norway lobbies for multilateral organisations to have a greater focus on ownership, to use national systems and ensure fewer parallel implementation units, and to engage in joint exercises such as the Joint Assistance Strategies and Public Expenditure and Financial Accountability. Norway has lobbied for the replenishment boards of the international banks and the global funds it supports (in particular the Global Fund to fight Aids, Tuberculosis and Malaria) to apply the Paris Declaration principles: *i.e.* follow country ownership, be largely united and predictable, and use national reporting systems.

The third category to receive a substantial proportion of Norway’s development assistance in grants is the Norwegian NGO sector. Although NGOs have not signed up to the Paris Declaration, civil society representatives participated actively in the formulation of the Accra Agenda for Action during the Third High Level Form on Aid Effectiveness in September 2008. NGOs operate at the project level, although efforts are underway, notably in Norad’s new approach towards, to move towards more strategic funding arrangements. In keeping with this, Norad is currently discussing a new strategic approach for its support to civil society, North and South, with a particular emphasis on results. However, although the NGOs are aware of the need to ensure results, there is some resistance as they do not want to be held to what they think may be unrealistic or unhelpful measures.

**Future considerations**

- Although Norway does not have a specific aid effectiveness action plan, it is commended for making considerable progress on this subject and for largely embedding the aid effectiveness agenda into its development system. It is encouraged to continue this work. Furthermore, Norway has a constructively critical approach to the subject and should continue to be a keen but thoughtful advocate of measures to make aid more effective.

- Norway highlights its ability to be flexible, but will need to ensure that it strikes the right balance between flexibility of aid and being clear and transparent, through the use of appropriate tools.

- Norway needs to broaden its efforts to apply the aid effectiveness principles to funding channels beyond government-to-government. The aid effectiveness agenda would benefit from progressive donors such as Norway continuing to highlight and champion this issue.

- Norad are encouraged to conclude discussions with Norwegian NGOs, as well as civil society representatives in the South, on the new civil society strategic approach and to ensure that it will serve not only to increase the transparency and accountability of this significant part of the Norwegian development co-operation system, but also enhance the effectiveness of NGO activities.
Chapter 6

Special Issues

Background to the special issues

For the 2007-08 biennium, the DAC has decided that all peer reviews should cover two special topics. The first, capacity development, is obligatory for all peer reviews. The second can be one of two options, and Norway has chosen governance, accountability and anti-corruption as the focus for this peer review.

Capacity development

Policies and approaches

Norway’s Memorandum (MFA, 2008b) emphasises that capacity development is a key pillar of Norwegian development policy and of efforts to achieve sustainable poverty reduction in partner countries. This focus is also clearly evident in the Development Co-operation Manual, a planning tool for long-term development co-operation, which states that Norwegian development co-operation shall “contribute to strengthening of partner capacity to plan, implement and monitor programmes and to report on results” (Norad, 2005b). Capacity development is not, however, included in the list of current priority areas for Norwegian development co-operation, and, as for most other donors, there is no overarching policy or guidelines in place for how to design and implement capacity development and how to integrate capacity development into development programmes overall.

The Norwegian approach to capacity development seems to focus largely on mainstreaming such activities into sectoral and thematic development policies and programmes. Partly as a result of this focus, the concept receives little explicit attention in strategic and policy documents and guidance notes. The current White Paper guiding Norwegian development co-operation, Fighting Poverty Together (MFA, 2004), emphasises that national priorities and systems should be used as a basis for delivering Norwegian aid, but does not tackle the practicalities of capacity development in greater detail. This lack of a clear operational policy suggests a need to define exactly how capacity development fits in Norwegian development co-operation overall, which in turn could lead to the issue being more systematically addressed in development efforts across the Norwegian aid administration.

Capacity development in practice

As mentioned above, capacity development seems to be dealt with primarily through an emphasis on using national systems and priorities as a delivery basis for Norwegian development assistance. Norway performs well in this respect, as it is a strong supporter of joined-up approaches to delivering development aid and a champion of aid effectiveness and the implementation of the Paris Declaration. In Tanzania, the gradual scaling-up of budget support and strong support to the government’s own development priorities are defining principles of Norwegian aid in that country.

Actual Norwegian financial support to capacity development is, however, difficult to estimate. DAC statistics use the broader definition of “technical co-operation”, which includes a whole set of related expenditures, such as technical assistance, education grants, training and school fees. In 2006, Norway’s technical co-operation was reported to be almost USD 450 million, or about 16% of aggregate ODA.
As with many other DAC donors, Norway aims to mainstream capacity development efforts into sector programmes and projects and has made progress in this regard. It places particular emphasis on establishing local capacity to perform key government functions. For example, it is strongly committed to complementing the increased use of general budget support with specific efforts to ensure good financial management of these allocations (Box 2) as an important aspect of ensuring longer-term sustainability of aid programmes. Furthermore, the focus on linking development priorities with areas of Norwegian comparative advantage means that the country can be more targeted in its capacity development efforts, and draw on a well-established pool of experts to fill technical assistance needs. One good example is in the area of natural resource management for the petroleum sector, where Norway has provided targeted advice to more than 20 countries on how to establish structures and institutions capable of sustainable and equitable management of national wealth (Box 3).

Although the Development Co-operation Manual states that capacity development should be at the core of any development activity and provides some suggestions on how to assess institutional capacity as part of the process of preparing development programmes, there is little specific guidance on how to integrate and address capacity development in specific sectors or on how to monitor and measure the results of such interventions (Norad, 2005b). Sustainability is listed as a key criterion when measuring progress and results, but the manual does not indicate specifically how this can be measured, and also remains quiet on what is needed upfront during the programme development process to ensure that sustainability can be achieved. There are also no tools available to identify the fundamental causes of capacity deficiencies, and more work could usefully be done to deepen capacity development analysis as part of development co-operation.

The above clearly indicates that Norway, as with most other DAC members, still has some way to go in terms of systematically addressing capacity development within the broader realm of its development co-operation policy. It also shows that Norway needs to provide clear guidance on best practices for integrating such activities more regularly into programmes across the Norwegian aid administration. Yet evidence from Tanzania suggests that Norway has found a practical approach to mainstreaming capacity development in that country; thus a lack of specific guidance and infrequent mention of capacity development in that country; thus a lack of specific guidance and infrequent mention of capacity development in that country; thus a lack of specific guidance and infrequent mention of capacity development in that country; thus a lack of specific guidance and infrequent mention of capacity development in that country. Nevertheless, Norway could seek collaborative frameworks with other donors to support national capacity development efforts, and ensure co-ordination between different activities and alignment with nationally identified needs.

**Box 2. Capacity development in Tanzania**

In Tanzania, Norway's commitment to programme aid (general budget support is 40% of total bilateral aid) indicates a commitment to strengthening national systems and priority setting, although levels are still well below those of other key donors (the UK provides about 80% of its bilateral aid through budget support). Norway has also shown adaptability, flexibility and boldness by engaging in specific activities in Zanzibar, despite the challenging political situation. It is currently developing capacity by improving financial management structures and skills to improve the implementation and effectiveness of budget support over the longer term. The example of the electricity support programme in Zanzibar, where capacity development is mainstreamed into a specific sector programme, clearly shows that Norway has been able to create sustainable structures capable of delivering continued results without relying on international experts for continued technical assistance. This is due partly to the great flexibility in the use of Norwegian funds, meaning that project staff have considerable freedom to get involved in setting and changing project priorities.

Norway also earmarks specific resources to finance capacity development at the country-level, thus maintaining the ability to provide sector development activities with targeted technical assistance and training efforts. Each embassy with a development co-operation budget has a local consultancy fund for hiring local expertise and building capacity among local trained professionals, rather than
bringing in consultants from Norway. In addition, Norway supports the development of local research capacity through exchange programmes for masters’ students and researchers, and through providing core funding for partner country universities. The Norwegian government also makes extensive use of this expertise when commissioning research, often at the expense of its own research institutes and universities.

Support through the multilateral system

Norway strongly supports the use of the multilateral system to strengthen capacity development in partner countries. It participates actively in international networks and organisations, including the OECD DAC, that work to improve policies for and approaches to capacity development. Furthermore, Norway is one of the major partners of UNDP, whose mandate includes supporting national capacity building in partner countries. Norway funded the organisation with almost NOK 1.3 billion in 2006. While this support is welcomed and in line with the Paris Declaration principles, Norway could still play a more active role in forging international consensus on key definitions and in efforts to streamline multi-partner engagement in capacity development at both global and local levels.

Support through non-governmental organisations

Active use of NGOs is at the core of Norwegian development policy, and these organisations are also guided by the same principles and policies as bilateral co-operation. As such, NGOs form an important part of the Norwegian capacity development strategy. There is, however, limited data on how NGOs actually go about developing local capacity, which to a large extent will depend on the organisation’s own expertise and commitment to capacity development and the priorities and resources allocated for this particular activity. An improved understanding of these dynamics might facilitate better delivery of capacity development activities.

While the above suggests that Norway might have found a practical approach to capacity development in some countries, indications are that this could still be improved through a more structured approach. At the moment, mainstreaming seems to be largely left to individual programme managers, and is thus subject to their specific preferences and vulnerable to staffing changes. Lessons could usefully be shared across the MFA and Norad on specific programmes and interventions where mainstreaming seems to have worked particularly well. Capacity development should still be integrated into the project cycle in a much more coherent way through the development and use of an improved tool to identify specific capacity needs as part of the programme development phase.

During the peer review, some officials voiced concerns about the longer-term impact of the current push to reach an ODA level of 1% of GNI. With increasing aid levels there is a higher demand on programme managers to disburse, and thus a natural propensity for larger items and sectoral programmes rather than less costly but more labour-intensive capacity development activities. As Norway continues to scale-up its development co-operation, particular attention should be given to ensure that important cross-cutting issues like capacity development are not left behind.

Governance, accountability and anti-corruption

Policy and strategic framework

Norway has a strong policy foundation for addressing governance and corruption at the global level. It is one of five priority areas for the current government. In particular, the budget for 2008 points out that Norway should be at the forefront in the international fight against corruption. The policy foundation for achieving this goal seems to be anchored in a well-established understanding of Norway’s comparative advantages when it comes to sector involvement, which has led Norway to
focus its governance agenda primarily on efforts to promote anti-corruption and good and accountable governance of natural resources.

The strategic foundation for the Norwegian governance approach is outlined in Fighting Poverty Together (MFA, 2004). This spells out the emphasis on anti-corruption further, and sets this within a broader context of governance reform and the establishment of democratic processes and effective governance functions. The strategy is pragmatic in that it recognises the political economy aspects of governance reform. It highlights that efforts to promote good governance will challenge existing power structures, and thus that governance functions can only be improved so long as there is political will to do so. To overcome these political challenges, Norway emphasises the need for whole-of-government approaches in its governance work, and in particular the need to link in-country development co-operation with continued policy dialogue and diplomatic efforts. Discussions in Tanzania suggest that this combination is working well, and other development partners indicated that they often look to Norway when particular issues need discussion with the government.

**Official development assistance for governance and anti-corruption**

According to the DAC reporting codes for governance, Norwegian support to governance amounted to USD 266 million in 2006, up from USD 207 million in 2002 (Figure 5). However, Norwegian support to governance as a percentage of total ODA almost halved between 2002 and 2006, from about 19% to 10% of official aid. Exact figures for support to anti-corruption are not available from the DAC statistical database since these activities are subsumed under more general codes, primarily “public sector financial management.”

**Global approaches to combating corruption**

Overall, Norway is a strong supporter of global approaches to good governance for anti-corruption, and as such encourages a strong role for the multilateral system. The country has been a key player in ensuring enforcement of the UN Convention against Corruption, and participates
actively in the work of the OECD Working Group on Bribery, e.g. in its monitoring mechanism for the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Furthermore, Norway has supported the implementation of the Extractive Industry Transparency Initiative (EITI) and is currently hosting the EITI international secretariat in Oslo. Norway is also the only western developed country that has signed up to the implementation of the EITI Transparency Principles.

Norway’s approach to governance and anti-corruption is in many ways unconventional, and is marked by a high level of innovation and a strong focus on behavioural change. Such an approach has been possible due to a solid commitment at high political levels to the anti-corruption agenda. This has enabled development co-operation to remain pragmatic and flexible in its work and to focus simultaneously on combating both demand for, and supply of, corruption.

When it comes to reducing the demand for corruption, Norway is among the world leaders in its efforts to make government officials accountable for corrupt behaviour, and has made a tremendous effort to establish global initiatives to this end. Examples include: (i) its push for the establishment of the Stolen Asset Recovery Initiative, which works actively to assist poor countries in repatriating public assets stolen by corrupt leaders; and (ii) the continued support to the Corruption Hunter Network, which provides a meeting place for prosecutors, judges and heads of anti-corruption entities. Through activities such as these, Norway has been able to create and sustain effective global structures to establish incentives and capacities through which poor countries can tackle corrupt behaviour systematically and transparently.

In terms of reducing the supply of corruption, Norway’s active engagement in international bodies and forums where anti-corruption is being discussed indicates its commitment to improving transparency in the international aid system. In addition, the Norwegian approach stresses that efforts to minimise the supply of corruption need to start at home; thus the MFA is supporting Norwegian businesses operating in the global market to ensure that they adhere to international regulations governing anti-corruption when they engage in poor countries. The government’s approach is outlined in *Say no to corruption – it pays* (MFA, 2008d), which in turn builds on the 2003 penal code outlining strict rules against corruption.

Norway also has a policy of zero tolerance of corruption among its own staff. The MFA has recently taken a series of measures to strengthen the administration of Norwegian development funds, including better systems for dealing with the suspected misuse of funds. Among other things, a code of conduct has been introduced for dealing with corruption, which primarily aims to support field staff in responding to, and dealing with, financial irregularities. In addition, a new internal control unit has been established to support the implementation of this code of conduct and to ensure that systems and routines for financial management are adequate and followed.

**Approach to the good governance of natural resources**

Good governance in the petroleum sector is one of the five key priorities of Norwegian development co-operation. The Oil for Development programme was established in 2005 to export Norwegian expertise and experience in the petroleum sector, and to enable developing countries to manage their own petroleum resources in a way that contributes to lasting poverty reduction. The programme focuses primarily on providing targeted support to partner countries to establish proper governance and management structures for the petroleum sector, and a small pool of technical expertise is available to countries upon demand. So far, the programme has provided long-term support to 10 countries, while another 20 have received more limited assistance. Box 3 outlines the programme in greater detail.
Box 3. Oil for Development

Norway has provided help to the oil sector for 30 years, but the current Oil for Development initiative started in 2005 and has since been rapidly scaled up. The aim of the programme is to establish an oil regime in developing countries that delivers development benefits by addressing the management of oil resources, revenues and the environment. The approach aims to give developing countries the same kind of policy space that Norway achieved when oil exploitation transformed it from a relatively poor to a rich country. Currently, there are 10 core countries and 20 others receiving more limited co-operation. The initiative is more structured and co-ordinated than previous programmes. Managed by the MFA, with a secretariat in Norad, there is a Steering Committee involving the Ministries of Petroleum and Energy, Finance, and Environment. Moreover, embassies play an important role in channelling requests for assistance and provide a development perspective in the country. Norway’s oil industry provides expertise to the programme and key implementing agencies are the Norwegian Petroleum Directorate, Petrad (International Programme for Petroleum Management and Administration), the Pollution Control Authority and the Directorate for Nature Management. Co-operation with a range of stakeholders – multilateral institutions, other donor countries, the oil industry and civil society organisations – is also fundamental to achieving Oil for Development’s main objectives.

In Timor Leste, the Oil for Development initiative advised the government on the setting up of a petroleum fund based on the Norwegian model, and assisted in the first licensing round off the Timorese coast. In Tanzania, the Oil for Development programme is currently advising the government on the use of gas reserves and has undertaken a training needs assessment within the petroleum sector in Zanzibar.

The Oil for Development programme is a good example of an innovative approach to development co-operation. The MFA and Norad are making use of skills and experience from other parts of government and working in a non-traditional development sector which could have a significant impact on growth and development in the partner countries. However, some Norwegian commentators caution against the programme growing too quickly, suggesting setting an overall cap on the number of main partner countries to enable more in-depth engagement and a focus on countries where Norwegian engagement can make a real difference. Also, the programme focuses primarily on technical and administrative processes and reforming the petroleum sector. However, given the strong linkages between sound natural resource management and democratisation processes, in particular in conflict countries, the link to democratic decision-making and broad-based participation should also be brought into the mix in a consistent way. The programme should also be measured by the same criteria as other development co-operation – i.e. poverty reduction, anti-corruption, ownership etc. – to reduce the risk that an exaggerated focus on one sector will lose touch with broader development goals.

**Staffing and organisation**

To match the importance given to the governance and anti-corruption agenda at the political level, Norway has increased its institutional and human resources capacity. A specialised anti-corruption unit has been established within Norad which is managing the Hunter Network and providing targeted advice to embassies and programme managers on how to tackle specific anti-corruption issues. Furthermore, a separate unit was created for the Oil for Development programme, which is also managed by Norad.

While in general the staffing and institutional set-up seems to work well and is able to effectively meet the needs of new programme activities, there are some questions about the quality assurance of the system, in particular the 2004 decentralisation of programme activities to the embassies. While this decentralisation is in line with DAC recommendations, it puts a large burden on embassy staff, who are also responsible for discovering and reporting corruption allegations. It is unclear whether the development co-operation system can provide the necessary back-up to embassies in deciding on and evaluating programme activities, in particular given the increased focus on programme aid and the general move away from small-scale projects.
**Efforts to support country specific systems and capacities for good governance**

Norway should be commended for adopting a pragmatic approach to good governance and anti-corruption at the country level. As already mentioned, a core aspect of the Norwegian approach is to work with and improve national systems and institutions to ensure transparency in national budgets and decision-making. This is largely achieved through a focus on public financial management and capacity development and through more specific support to statistical offices and anti-corruption bureaux. For example, Norway has recently supported the establishment and operationalisation of anti-corruption commissions in countries such as Madagascar and Zambia.

General budget support is an integral part of Norwegian development co-operation, and aims to promote a policy dialogue anchored in national budget guidelines and to provide unearmarked funds to support national priorities. Over recent years, Norway has provided GBS to nine countries – Afghanistan, Malawi, Mozambique, Nicaragua, the Palestinian Territory, Tanzania, Timor Leste, Uganda and Zambia. This amounted to NOK 780 million in 2006.

Recognising that there are risks involved in providing GBS (Box 4), Norway is also working to strengthen civil society organisations and the media to enable these to hold their governments accountable. In 2006 an estimated one-third of Norwegian NGO assistance (about NOK 500 million) had governance related objectives, particularly aimed at increasing people’s opportunities to organise and participate in public debates. Nonetheless, as mentioned above, the strong reliance on, and use of, NGOs in capacity development efforts means that results will ultimately depend on these organisations’ own capacities and commitment to anti-corruption and accountability. It is unclear to what extent Norad, which manages the NGO portfolio, is able to ensure a continued strong anti-corruption focus in Norwegian support to civil society.

**Box 4. GBS in Tanzania**

Findings from Tanzania suggest that Norway is pragmatic in its approach to GBS. A recently completed corruption risk assessment stated that “Tanzania’s public sector has continued being detrimentally affected by corruption at all levels and within most sectors.” Yet, despite this assessment, Norway continues to provide GBS to the Tanzanian government, suggesting a readiness to accept inherent risks associated with this mode of delivering aid as long as progress can be tracked over the years. The recent corruption revelations – USD 100 million remains unaccounted for from the Central Bank account – also support this impression, and suggests that Norway retains a strong understanding and acceptance of the fact that changing corrupt behaviour takes time, and that predictability in aid flows is an important precondition for longer-term improvements.

In Tanzania, Norway is a strong partner in the anti-corruption work, and has established itself as a trusted development partner. The country has been actively involved in the policy debate around GBS and provides relevant support to improve the public financial management system and transparency in the use of public funds. It has also recently started working with the Prevention and Combating of Corruption Bureau (PCCB) to improve its capacity to investigate and track down corrupt officials. Furthermore, Norway should be commended for including a strong anti-corruption focus in its recent involvement in the forestry sector; it effectively combined involvement in a new sector with a continued focus on strengthening the PCCB through targeted technical co-operation.

However, discussions in Tanzania suggest that there is still work to be done in translating policies into country-specific strategies that encourage co-ordinated and consistent efforts to build national systems and capacities. In particular, there seems to be limited awareness among partners and stakeholders of the global initiatives outlined above, which calls into question how the global policy agenda is linked to local efforts. Furthermore, while Norway is commended for its pragmatic approach, including working with the PCCB and the forestry sector, the lack of information shared with donors about these initiatives could jeopardise efforts to establish and maintain a common donor
response to corruption. The latter has become particularly apparent in the wake of the recent Tanzanian corruption revelations. Partners indicated that they are less certain about the Norwegian position on the corruption issue now than they were a few years ago, although Norway insists it has been very consistent in its message when dealing with corruption in the context of GBS.

At present, there is thus a worry among some partners that Norway is rather impatiently pushing for rapid results and quick gains. The concern is that in the longer-term this could undermine donor efforts to agree and stick to a common response to corruption and to jointly promote national systems and capacities to fight corruption. However, given Norway’s strong political support for, and innovative approaches to, anti-corruption work at home, the country is well-placed to take a leading role in the anti-corruption work in-country, and to serve as a facilitator for moving the policy dialogue forward on specific response mechanisms.

Future considerations

Capacity development

- Norway could develop further safeguards to ensure that capacity development is institutionalised and not subject to programme managers’ individual perspectives. Such safeguards could include more frequent sharing across the MFA and Norad of specific programmes and interventions where mainstreaming seems to have worked particularly well.

- Norway could usefully share its good practice from country-level capacity development experiences within the donor community. This will help to forge a collaborative framework with other donors to support national capacity development efforts. The guidance could also include an evaluation of experience in using NGOs for capacity development.

- Norway could play a more active role in forging international consensus on key definitions and in streamlining multi-partner engagement in capacity development at both global and local levels, in the context of the DAC capacity development work.

Governance and anti-corruption

- Norway should consider improving country-specific communication strategies to ensure that policy and strategic decisions are properly understood by partners, avoid misunderstandings about Norway’s commitment to a multilateral agenda for governance and anti-corruption, and link key bilateral activities properly to joint donor response mechanisms. This especially applies to sensitive situations where donors are struggling to maintain common positions.

- Norway could consider taking more of a lead role in facilitating joint donor governance responses in-country, and in moving the policy dialogue on specific response mechanisms forward. In these efforts, Norway could also look at ways of ensuring that global governance initiatives are properly linked to, and anchored in, country-specific activities and responses.

- Norway needs to ensure that sufficient support is provided to front-line embassy staff to detect and deal with corruption effectively early on. This is particularly important given the decentralisation of key functions to the embassies, the increased focus on programme aid and a general move from smaller-scale projects to larger programmes.

- Norway could consider establishing clear guidance for NGOs to engage in anti-corruption work and a framework for identifying their specific capacities and commitment to such
work. This will be necessary for establishing demand-side mechanisms for anti-corruption and given the importance of NGOs in the delivery of development co-operation.
## Annex A

### Progress since the 2004 DAC Peer Review Recommendations

<table>
<thead>
<tr>
<th>Key issues</th>
<th>Recommendations 2004</th>
<th>Achievements since 2004</th>
</tr>
</thead>
</table>
| **Strategic foundations and new orientations** | • Reflect on how the rights-based approach affects Norway’s policy dialogue.  
• Reorganisation of the aid administration could be shared with other donors.  
• Continue to focus on results, especially in light of programmatic support.  
• Ensure focus on gender equality is not dissipated as a result of mainstreaming. | • The rights-based approach has reduced in prominence in Norway’s statements, and applying this approach remains a challenge.  
• No formal experience of the reorganisation shared yet, but findings from forthcoming reviews will be made available to the public (may need to be translated).  
• There is a focus on results, but Norway also highlights the difficulties of ascribing impact to own interventions.  
• Much progress and many actions taken including specific and mainstreaming (e.g. action plan, gender equality ambassador, specific fund). But still need to embed gender equality fully into all actions. |
| **ODA volume, channels and allocations for poverty reduction** | • Assess the possibility of multi-year funding commitments to increase predictability.  
• Increase the proportion of assistance to partner countries.  
• An explicit strategy for the government’s relationship with NGOs could be elaborated, and more clarity on the allocation of resources to NGOs. | • Officially aid programmed on an annual basis, but informal medium-term commitments given. Scores relatively well on Paris Declaration predictability indicator.  
• Partner country categorisation abolished. Now more partners, and unlike other donors, no discernible geographic concentration.  
• Norad is developing a new strategic approach to civil society. |
| **Policy coherence** | • Should report regularly on actions to improve PCD, and integrate MDGs into other policy areas. Could set up a ‘whole-of-government’ mechanism.  
• Norad could be mandated to conduct evaluations on PCD. | • As yet, no ‘whole-of-government’ mechanism. PCD issues are mainly addressed in bilateral discussions.  
• Norad is host to the development evaluation, but no specific PCD evaluations commissioned so far. |
<table>
<thead>
<tr>
<th>Aid management and implementation</th>
<th>Should review the high levels of protection that still applies to all but the LDCs.</th>
<th>The government has reviewed its General System of Preferences and made changes since January 2008, including duty and quota free market access for all goods from 14 low-income countries, in addition to the LDCs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarify how embassies will implement the rights-based approach.</td>
<td>As stated, the rights-based approach has less prominence including at the embassy level.</td>
<td>Norad released a results report (Norwegian Aid Works) in 2007. Various other initiatives, but not clear there is a knowledge strategy.</td>
</tr>
<tr>
<td>Ensure continued sharing of information between MFA and Norad and knowledge management throughout the institutions.</td>
<td>There has been some adjustment of staff, but as policy changes continue, the staff skills mix will continue to be an issue.</td>
<td>Resources appear to be appropriate, but should be monitored. It has taken time, and will continue to take time, for the MFA and Norad to adjust to the new roles.</td>
</tr>
<tr>
<td>Ensure has the right mix of people and sufficient resources to provide effective advice and support.</td>
<td>Staff training has been used to adapt to new policy priorities.</td>
<td>Staff training has been used to adapt to new policy priorities.</td>
</tr>
<tr>
<td>Allocate appropriate resources to allow Norad to fulfill its new functions.</td>
<td>Human resources management should evolve to reflect strategic requirements such as GBS and sector support and the rights-based approach.</td>
<td>There is some joint capacity development work financed through pooled funding mechanisms and multi-partner participation.</td>
</tr>
<tr>
<td>Human resources management should evolve to reflect strategic requirements such as GBS and sector support and the rights-based approach.</td>
<td>Could engage all donors to support capacity development and assist governments in monitoring harmonisation and alignment.</td>
<td>Could engage all donors to support capacity development and assist governments in monitoring harmonisation and alignment.</td>
</tr>
<tr>
<td>Could engage in initiatives to improve accuracy and timeliness in donor reporting on humanitarian action.</td>
<td>A humanitarian strategy paper is under preparation and will be launched in 2008.</td>
<td>A humanitarian strategy paper is under preparation and will be launched in 2008.</td>
</tr>
<tr>
<td>Humanitarian aid</td>
<td>Must ensure intra and inter ministerial co-operation to optimise humanitarian response and decision-making.</td>
<td>Intra- and inter-ministerial processes have been strengthened but some inconsistencies persist between emergency, transition and development decision-making.</td>
</tr>
<tr>
<td>Could strengthen procedures to ensure the 1994 ‘Oslo Guidelines’ and 2003 follow-up guidelines are respected. Norway could take an active role to address these questions in international fora.</td>
<td>Norwegian military and development assistance in Afghanistan complies with civil-military guidelines and represents a PRT model that provides adequate safeguards to maintain the integrity of humanitarian action. Norway played an active role in updating and disseminating the guidelines.</td>
<td>Norwegian military and development assistance in Afghanistan complies with civil-military guidelines and represents a PRT model that provides adequate safeguards to maintain the integrity of humanitarian action. Norway played an active role in updating and disseminating the guidelines.</td>
</tr>
<tr>
<td>Could engage in initiatives to improve accuracy and timeliness in donor reporting on humanitarian action.</td>
<td>Norway supported revisions to DAC sector coding which aim to improve financial tracking in the humanitarian sector.</td>
<td>Norway supported revisions to DAC sector coding which aim to improve financial tracking in the humanitarian sector.</td>
</tr>
</tbody>
</table>
## Annex B

### OECD/DAC Standard Suite of Tables

#### Table B.1 Total financial flows

USD million at current prices and exchange rates

<table>
<thead>
<tr>
<th></th>
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<tr>
<td><strong>Annex B</strong></td>
<td><strong>OECD/DAC Standard Suite of Tables</strong></td>
<td><strong>Table B.1 Total financial flows</strong></td>
<td><strong>USD million at current prices and exchange rates</strong></td>
<td></td>
<td></td>
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</table>

<table>
<thead>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total official flows</strong></td>
<td>1 196</td>
<td>1 321</td>
<td>1 696</td>
<td>2 042</td>
<td>2 189</td>
<td>2 791</td>
<td>2 959</td>
</tr>
<tr>
<td><strong>Official development assistance</strong></td>
<td>1 196</td>
<td>1 321</td>
<td>1 696</td>
<td>2 042</td>
<td>2 189</td>
<td>2 791</td>
<td>2 959</td>
</tr>
<tr>
<td><strong>Bilateral</strong></td>
<td>830</td>
<td>949</td>
<td>1 145</td>
<td>1 482</td>
<td>1 558</td>
<td>2 033</td>
<td>2 198</td>
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<tr>
<td><strong>Multilateral</strong></td>
<td>366</td>
<td>372</td>
<td>551</td>
<td>560</td>
<td>662</td>
<td>724</td>
<td>766</td>
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<tr>
<td><strong>Other official flows</strong></td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Bilateral</strong></td>
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<td>0</td>
<td>0</td>
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<td><strong>Multilateral</strong></td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Net Private Grants</strong></td>
<td>112</td>
<td>161</td>
<td>452</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Private flows at market terms</strong></td>
<td>187</td>
<td>240</td>
<td>131</td>
<td>1 364</td>
<td>586</td>
<td>1 859</td>
<td>1 345</td>
</tr>
<tr>
<td><strong>Bilateral</strong></td>
<td>187</td>
<td>240</td>
<td>131</td>
<td>1 364</td>
<td>586</td>
<td>1 859</td>
<td>1 345</td>
</tr>
<tr>
<td><strong>Multilateral</strong></td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Direct investment</strong></td>
<td>147</td>
<td>156</td>
<td>23</td>
<td>1 190</td>
<td>635</td>
<td>1 847</td>
<td>1 331</td>
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<tr>
<td><strong>Export credits</strong></td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Multilateral</strong></td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total flows</strong></td>
<td>1 485</td>
<td>1 722</td>
<td>2 279</td>
<td>3 306</td>
<td>2 785</td>
<td>4 630</td>
<td>4 304</td>
</tr>
</tbody>
</table>

*for reference:*
- ODA at constant 2006 prices and exchange rates
- ODA as a % of GNI
- Total flows as a % of GNI (a)
- ODA to and channelled through NGOs
  - In USD million
  - In percentage of total net ODA
  - Median DAC percentage of total net ODA

*a. To meet the definition for ODA.

b. The low numbers are due to missing data on ODA channelled through NGOs.*

### ODA net disbursements

At constant 2006 prices and exchange rates and as a share of GNI
### Table B.2. ODA by main categories

<table>
<thead>
<tr>
<th>Norway</th>
<th>Constant 2006 USD million</th>
<th>Per cent share of gross disbursements</th>
<th>Total DAC 2006%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Bilateral ODA</td>
<td>1,915</td>
<td>1,996</td>
<td>1,994</td>
</tr>
<tr>
<td>Grants</td>
<td>1,894</td>
<td>1,977</td>
<td>1,877</td>
</tr>
<tr>
<td>Project and programme aid</td>
<td>934</td>
<td>935</td>
<td>960</td>
</tr>
<tr>
<td>Technical co-operation</td>
<td>281</td>
<td>320</td>
<td>353</td>
</tr>
<tr>
<td>Developmental food aid</td>
<td>-</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Humanitarian aid</td>
<td>202</td>
<td>236</td>
<td>184</td>
</tr>
<tr>
<td>Action relating to debt</td>
<td>21</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>129</td>
<td>135</td>
<td>143</td>
</tr>
<tr>
<td>Other grants</td>
<td>237</td>
<td>315</td>
<td>181</td>
</tr>
<tr>
<td>Non-grant bilateral ODA</td>
<td>11</td>
<td>18</td>
<td>57</td>
</tr>
<tr>
<td>New development lending</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt rescheduling</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of equity and other</td>
<td>11</td>
<td>18</td>
<td>57</td>
</tr>
<tr>
<td>Gross Multilateral ODA</td>
<td>870</td>
<td>788</td>
<td>814</td>
</tr>
<tr>
<td>UN agencies</td>
<td>478</td>
<td>490</td>
<td>539</td>
</tr>
<tr>
<td>EC</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>World Bank group</td>
<td>177</td>
<td>167</td>
<td>145</td>
</tr>
<tr>
<td>Regional development banks (a)</td>
<td>98</td>
<td>97</td>
<td>91</td>
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<tr>
<td>Other multilateral</td>
<td>177</td>
<td>174</td>
<td>176</td>
</tr>
<tr>
<td>Total gross ODA</td>
<td>2,685</td>
<td>2,784</td>
<td>2,768</td>
</tr>
<tr>
<td>Repayments and debt cancellation</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total net ODA</td>
<td>2,677</td>
<td>2,775</td>
<td>2,768</td>
</tr>
</tbody>
</table>

**Note:** ODA grants and loans in associated financing packages.

---

### Diagrams

1. **ODA flows to multilateral agencies, 2006**
   - Norway
   - DAC

2. **Contributions to UN Agencies (2005-06 Average)**
   - UNHCR: 11%
   - UNICEF: 40%
   - UNDP: 27%
   - UNFPA: 9%
   - WFP: 8%
   - WHO: 9%
   - Other UN: 6%

3. **Contributions to Regional Development Banks (2005-06 Average)**
   - IDB Group: 10%
   - Other: 92%
### Table B.3. Bilateral ODA allocable by region and income group

<table>
<thead>
<tr>
<th>Norway</th>
<th>Constant 2006 USD million</th>
<th>Gross disbursements</th>
<th>Per cent share</th>
<th>Total DAC 2006%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Africa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>713</td>
<td>789</td>
<td>770</td>
<td>774</td>
</tr>
<tr>
<td>North Africa</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Asia</td>
<td>246</td>
<td>245</td>
<td>243</td>
<td>242</td>
</tr>
<tr>
<td>South and Central Asia</td>
<td>82</td>
<td>71</td>
<td>74</td>
<td>120</td>
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<tr>
<td><strong>Europe</strong></td>
<td>95</td>
<td>102</td>
<td>111</td>
<td>98</td>
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<tr>
<td>Middle East</td>
<td>131</td>
<td>181</td>
<td>115</td>
<td>126</td>
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<tr>
<td>Oceania</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total bilateral allocable by region</strong></td>
<td>1,513</td>
<td>1,605</td>
<td>1,496</td>
<td>1,680</td>
</tr>
<tr>
<td>Least developed</td>
<td>713</td>
<td>785</td>
<td>758</td>
<td>771</td>
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<tr>
<td>Other low-income</td>
<td>109</td>
<td>113</td>
<td>110</td>
<td>190</td>
</tr>
<tr>
<td>Lower middle-income</td>
<td>444</td>
<td>465</td>
<td>362</td>
<td>438</td>
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<tr>
<td>Upper middle-income</td>
<td>72</td>
<td>64</td>
<td>62</td>
<td>52</td>
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<tr>
<td>More advanced developing countries</td>
<td>0</td>
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<td>-</td>
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<tr>
<td><strong>Total bilateral allocable by income</strong></td>
<td>1,338</td>
<td>1,427</td>
<td>1,202</td>
<td>1,481</td>
</tr>
</tbody>
</table>

For references:

- Total bilateral allocable: 1,815 1,996 1,504 2,199 2,198 100 100 100 100 100 100
- Of which: Unallocated by region: 363 391 398 518 708 15 26 21 24 32 15
- Of which: Unallocated by income: 477 563 692 748 879 26 28 32 34 40 21

1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.
Table B.4. Main recipients of bilateral ODA

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Current USD million</td>
<td>Constant 2006 USD million</td>
<td>Per cent share</td>
</tr>
<tr>
<td>Djibouti</td>
<td>239</td>
<td>88</td>
<td>7</td>
</tr>
<tr>
<td>Madagascar</td>
<td>46</td>
<td>64</td>
<td>5</td>
</tr>
<tr>
<td>Malawi</td>
<td>49</td>
<td>64</td>
<td>5</td>
</tr>
<tr>
<td>Mozambique</td>
<td>156</td>
<td>63</td>
<td>3</td>
</tr>
<tr>
<td>Namibia</td>
<td>32</td>
<td>60</td>
<td>2</td>
</tr>
<tr>
<td>Top 10 recipients</td>
<td>241</td>
<td>299</td>
<td>29</td>
</tr>
<tr>
<td>Botswana</td>
<td>33</td>
<td>56</td>
<td>5</td>
</tr>
<tr>
<td>Cameroon</td>
<td>85</td>
<td>44</td>
<td>4</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>26</td>
<td>61</td>
<td>2</td>
</tr>
<tr>
<td>Angola</td>
<td>28</td>
<td>61</td>
<td>2</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>25</td>
<td>60</td>
<td>3</td>
</tr>
<tr>
<td>Top 15 recipients</td>
<td>304</td>
<td>310</td>
<td>47</td>
</tr>
<tr>
<td>Iraq</td>
<td>7</td>
<td>30</td>
<td>3</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>11</td>
<td>35</td>
<td>3</td>
</tr>
<tr>
<td>Singapore</td>
<td>18</td>
<td>37</td>
<td>2</td>
</tr>
<tr>
<td>Top 15 recipients</td>
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<td>Guatemala</td>
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<td>Senegal</td>
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</tr>
<tr>
<td>Côte d’Ivoire</td>
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<td>2</td>
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<tr>
<td>Burundi</td>
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</tr>
<tr>
<td>Angola</td>
<td>12</td>
<td>22</td>
<td>2</td>
</tr>
<tr>
<td>Top 15 recipients</td>
<td>450</td>
<td>823</td>
<td>68</td>
</tr>
<tr>
<td>Total (25 recipients)</td>
<td>777</td>
<td>1,233</td>
<td>100</td>
</tr>
<tr>
<td>Total bilateral gross</td>
<td>949</td>
<td>1,428</td>
<td>Total bilateral gross</td>
</tr>
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</table>
### Table B.5. Bilateral ODA by major purposes

At current prices and exchange rates

**Gross disbursements - Two-year averages**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD million</td>
<td>Per cent</td>
<td>USD million</td>
<td>Per cent</td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social infrastructure &amp; services</td>
<td>294</td>
<td>35</td>
<td>551</td>
<td>48</td>
</tr>
<tr>
<td>of which: basic education</td>
<td>30</td>
<td>4</td>
<td>47</td>
<td>4</td>
</tr>
<tr>
<td>Health</td>
<td>38</td>
<td>4</td>
<td>77</td>
<td>7</td>
</tr>
<tr>
<td>of which: basic health</td>
<td>20</td>
<td>2</td>
<td>33</td>
<td>3</td>
</tr>
<tr>
<td>Population &amp; reproductive health</td>
<td>18</td>
<td>2</td>
<td>34</td>
<td>3</td>
</tr>
<tr>
<td>Water supply &amp; sanitation</td>
<td>34</td>
<td>3</td>
<td>28</td>
<td>2</td>
</tr>
<tr>
<td>Government &amp; civil society</td>
<td>92</td>
<td>10</td>
<td>222</td>
<td>19</td>
</tr>
<tr>
<td>of which: Conflict, peace &amp; security</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other social infrastructure &amp; services</td>
<td>74</td>
<td>9</td>
<td>22</td>
<td>7</td>
</tr>
<tr>
<td>Economic infrastructure &amp; services</td>
<td>112</td>
<td>13</td>
<td>110</td>
<td>10</td>
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<tr>
<td>Transport &amp; storage</td>
<td>17</td>
<td>2</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Communications</td>
<td>9</td>
<td>1</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Energy</td>
<td>74</td>
<td>9</td>
<td>57</td>
<td>5</td>
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<td>Banking &amp; financial services</td>
<td>9</td>
<td>1</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Business &amp; other services</td>
<td>4</td>
<td>1</td>
<td>22</td>
<td>2</td>
</tr>
<tr>
<td>Production sectors</td>
<td>58</td>
<td>7</td>
<td>74</td>
<td>6</td>
</tr>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>39</td>
<td>5</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Industry, mining &amp; construction</td>
<td>13</td>
<td>2</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Trade &amp; tourism</td>
<td>1</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Multisector</td>
<td>76</td>
<td>9</td>
<td>88</td>
<td>8</td>
</tr>
<tr>
<td>Commodity and programme aid</td>
<td>7</td>
<td>1</td>
<td>48</td>
<td>4</td>
</tr>
<tr>
<td>Action relating to debt</td>
<td>26</td>
<td>3</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Humanitarian aid</td>
<td>189</td>
<td>22</td>
<td>135</td>
<td>12</td>
</tr>
<tr>
<td>Administrative costs of donors</td>
<td>56</td>
<td>7</td>
<td>61</td>
<td>5</td>
</tr>
<tr>
<td>Aid to NGOs (core support)</td>
<td>2</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Refugees in donor countries</td>
<td>24</td>
<td>3</td>
<td>80</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total bilateral allocable</strong></td>
<td>845</td>
<td>100</td>
<td>1 158</td>
<td>100</td>
</tr>
</tbody>
</table>

**For reference:**

- Total bilateral: 845 70
- of which: Unallocated: 20 2
- Total multilateral: 165 30
- Total ODA: 1 220 100

---

**Allocable bilateral ODA by major purposes, 2005-06**

- Social infrastructure & services: 45%
- Economic infrastructure & services: 11%
- Production sectors: 6%
- Multisector: 10%
- Commodity and programme aid: 4%
- Action relating to debt: 1%
- Humanitarian aid: 16%
- Other: 10%
### Table B.6. Comparative aid performance

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2006-01 to 05-06</th>
<th>2006</th>
<th>Share of multilateral aid</th>
<th>ODA to LDCs Bilateral and through multilateral agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD million</td>
<td>% of GNI</td>
<td>Ave. annual % change in real terms</td>
<td>% of ODA (commitments)</td>
<td>% of GNI (a)</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>2.123</td>
<td>0.30</td>
<td>4.3</td>
<td>99.8</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>1.498</td>
<td>0.47</td>
<td>13.9</td>
<td>100.0</td>
<td>27.1</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>1.973</td>
<td>0.50</td>
<td>9.0</td>
<td>99.4</td>
<td>31.4</td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>3.014</td>
<td>0.29</td>
<td>9.3</td>
<td>100.0</td>
<td>31.3</td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>2.238</td>
<td>0.80</td>
<td>-3.1</td>
<td>100.0</td>
<td>34.5</td>
</tr>
<tr>
<td><strong>Finland</strong></td>
<td>834</td>
<td>0.40</td>
<td>9.8</td>
<td>100.0</td>
<td>45.5</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>10.601</td>
<td>0.47</td>
<td>10.4</td>
<td>94.7</td>
<td>25.3</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>10.435</td>
<td>0.36</td>
<td>7.2</td>
<td>95.6</td>
<td>32.6</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>424</td>
<td>0.17</td>
<td>3.2</td>
<td>100.0</td>
<td>55.4</td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
<td>1.022</td>
<td>0.54</td>
<td>15.5</td>
<td>100.0</td>
<td>38.1</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>3.641</td>
<td>0.20</td>
<td>13.1</td>
<td>100.0</td>
<td>45.0</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>11.187</td>
<td>0.25</td>
<td>2.1</td>
<td>89.6</td>
<td>34.6</td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td>291</td>
<td>0.89</td>
<td>5.0</td>
<td>100.0</td>
<td>29.5</td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
<td>5.452</td>
<td>0.81</td>
<td>1.7</td>
<td>100.0</td>
<td>21.3</td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>259</td>
<td>0.27</td>
<td>6.3</td>
<td>100.0</td>
<td>21.6</td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>2.554</td>
<td>0.89</td>
<td>5.6</td>
<td>100.0</td>
<td>25.6</td>
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<tr>
<td><strong>Portugal</strong></td>
<td>396</td>
<td>0.21</td>
<td>-2.1</td>
<td>100.0</td>
<td>46.7</td>
</tr>
<tr>
<td><strong>Spain</strong></td>
<td>3.814</td>
<td>0.32</td>
<td>6.7</td>
<td>94.5</td>
<td>45.1</td>
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<td><strong>Sweden</strong></td>
<td>3.955</td>
<td>1.02</td>
<td>8.4</td>
<td>100.0</td>
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<td><strong>Switzerland</strong></td>
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<td>0.39</td>
<td>6.2</td>
<td>100.0</td>
<td>23.8</td>
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<tr>
<td><strong>United Kingdom</strong></td>
<td>12.459</td>
<td>0.51</td>
<td>12.6</td>
<td>100.0</td>
<td>30.0</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td>23.32</td>
<td>0.18</td>
<td>16.4</td>
<td>100.0</td>
<td>10.1</td>
</tr>
<tr>
<td><strong>Total DAC</strong></td>
<td>104.421</td>
<td>0.31</td>
<td>8.8</td>
<td>97.5</td>
<td>26.3</td>
</tr>
</tbody>
</table>

**Notes:**
- Excluding debt reorganisation.
- Including EC.
- Excluding EC.
- Data not available.
Graph B.1. Net ODA from DAC countries in 2007 (preliminary)

Percent of GNI

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent of GNI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>0.95</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.93</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.77</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.81</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.81</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.81</td>
</tr>
<tr>
<td>Austria</td>
<td>0.64</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.49</td>
</tr>
<tr>
<td>Spain</td>
<td>0.41</td>
</tr>
<tr>
<td>Finland</td>
<td>0.38</td>
</tr>
<tr>
<td>France</td>
<td>0.36</td>
</tr>
<tr>
<td>Germany</td>
<td>0.37</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.37</td>
</tr>
<tr>
<td>Australia</td>
<td>0.36</td>
</tr>
<tr>
<td>Canada</td>
<td>0.28</td>
</tr>
<tr>
<td>New Zealand</td>
<td>0.27</td>
</tr>
<tr>
<td>Italy</td>
<td>0.19</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.19</td>
</tr>
<tr>
<td>Japan</td>
<td>0.17</td>
</tr>
<tr>
<td>Greece</td>
<td>0.16</td>
</tr>
<tr>
<td>United States</td>
<td>0.15</td>
</tr>
<tr>
<td>Total DAC</td>
<td>0.28</td>
</tr>
</tbody>
</table>

Average country effort 0.64%

USD billion

<table>
<thead>
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<th>Country</th>
<th>USD billion</th>
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</thead>
<tbody>
<tr>
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<td>21.75</td>
</tr>
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<tr>
<td>France</td>
<td>9.94</td>
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<td>United Kingdom</td>
<td>9.92</td>
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<td>Japan</td>
<td>7.69</td>
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<td>Netherlands</td>
<td>6.22</td>
</tr>
<tr>
<td>Spain</td>
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<tr>
<td>Sweden</td>
<td>4.33</td>
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<tr>
<td>Italy</td>
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<td>Canada</td>
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<td>Norway</td>
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<td>Belgium</td>
<td>1.65</td>
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<tr>
<td>Austria</td>
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<td>Switzerland</td>
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<td>Ireland</td>
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<tr>
<td>Finland</td>
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<td>Greece</td>
<td>0.58</td>
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<tr>
<td>Portugal</td>
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<td>Luxembourg</td>
<td>0.35</td>
</tr>
<tr>
<td>New Zealand</td>
<td>0.32</td>
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<tr>
<td>Total DAC</td>
<td>103.58</td>
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</table>
Annex C

Norway and the Good Humanitarian Donorship Initiative

Norway endorsed the Principles and Good Practices of Humanitarian Donorship (GHD) at the inaugural conference in Stockholm in June 2003, but has not published a national GHD implementation plan. Norway has continued to play a prominent role in the GHD Initiative in succeeding years and, in particular, has been very active in the work on disaster risk reduction.

The 2008 Peer Review is the second time that Norway has been assessed against commitments made in Stockholm. The first assessment in 2004 made four specific recommendations regarding Norwegian humanitarian action. Norway has made progress against the 2004 recommendations (see Annex A) and the peer review team encourages Norway to continue to pursue these, as well as to consider the new recommendations arising from this review. These are particularly aimed at strengthening humanitarian-development linkages in the context of an expanding humanitarian agenda, and further embedding learning and accountability within the official development co-operation system.

The review has been conducted in accordance with the approved DAC humanitarian assessment framework. The report is structured in line with the four thematic clusters of the GHD principles and good practices, i.e. (i) policy framework for humanitarian action; (ii) funding flows; (iii) promoting standards and enhancing implementation; and (iv) learning and accountability. It then discusses organisation and management issues and concludes by identifying issues for further consideration by the Norwegian development co-operation system. The report primarily draws on a series of meetings held in May 2008 between key government officials, partners of the humanitarian aid programme and the examiners. Assessing Norwegian humanitarian action was not an objective of the field visit to Tanzania.

Policy framework for humanitarian action

Humanitarian action is a central pillar of Norwegian foreign policy, an intrinsic expression of Norwegian values and international solidarity, as well as a core priority area for the development co-operation system (see Chapter 1). Norway has been able to manage the inherent tensions within this policy environment through a principled approach to humanitarian action. In particular, a discrete separation of humanitarian and political objectives has been maintained in order to uphold humanitarian principles of neutrality, impartiality and independence while simultaneously backing diplomatic measures that facilitate humanitarian access, reinforce protection of crisis-affected populations and reinforce the safety of aid workers. This principled – yet pragmatic – approach gives Norway considerable credibility within the international community and bolsters its reputation as an influential actor within the international humanitarian system.

50 At the 2004 GHD meeting in Ottawa, donors agreed “to develop a domestic framework/action plan or ensure that existing domestic mechanisms account for GHD”.

51 Norway is the first country to be reviewed against the GHD commitments for a second time.
Norway is a keen supporter of the United Nations’ humanitarian system at the global level and an enthusiastic advocate for the One UN model at country level, including humanitarian programmes. Norway is an important member of several informal and formal humanitarian donor groupings (e.g. the UN Office for the Co-ordination of Humanitarian Affairs (OCHA) and the International Committee of the Red Cross (ICRC) Donor Support Groups) and was elected Deputy Chair of the UN Peacebuilding Commission in 2005 where it currently chairs the Working Group on Burundi. Norway’s humanitarian credentials were amply demonstrated in the months preceding the peer review when it hosted the Sudan Donor Conference (May 2008) and the meeting of the Somalia Contact Group (April 2008).

The national policy framework for humanitarian action is evolving. Policy orientations and strategic directions are currently derived from the 2003-2004 White Paper (MFA, 2004) as well as global commitments (such as provisions of international humanitarian and refugee law, GHD principles and good practices, UN SCR1612 on Children and Armed Conflict etc). Norwegian Government’s Action Plan for Implementation of UN SCR1325 (MFA, 2006c) provides additional guidance for the protection of the rights of women and girls during crises. Significantly, it also places Norway’s commitments on an inter-departmental footing that provides for the systematic integration of gender considerations into both aid decision-making and peace support processes. Collectively, these documents provide the foundation for an approach to crises that blends humanitarian assistance and peace support under the generic label “humanitarian affairs”.

A humanitarian action strategy that promotes a holistic approach to humanitarian affairs was launched on 15 September published in late 2008. This re-affirms that humanitarian action remains central to Norway’s foreign policy. Its approach includes a package of enabling measures (including mine action and cluster munitions removal) that help to establish an environment conducive for achieving the principal objective of the Norwegian development co-operation system i.e. poverty reduction, as well as foreign policy objectives. It will also incorporate guidance on addressing the humanitarian impacts of climate change and will provide the cornerstone for integrating conflict and disaster risk reduction approaches within broader foreign policy strategies. In particular, it is expected to draw on the recent report to the Storting, Norwegian Policy on Prevention of Humanitarian Crises (MFA, 2007c), as well as the outcomes of the recent Oslo Policy Forum, Changing the Way we Develop: Dealing with disasters and climate change (Oslo Policy Forum, 2008).

Funding flows

Management

Norway’s humanitarian action is primarily funded through (i) the Natural Disasters appropriation within the Minister of Environment and International Development’s budget portfolio; and (ii) the General Humanitarian appropriation within the Foreign Minister’s budget portfolio. Post-crisis transition funding is allocated through a separate budget appropriation administered by the Department for Regional Affairs and Development. Some “seed funding” is available through the Natural Disasters budget for preventive action, but over the long term the aim is to encourage agreement with bilateral partners on commitments under the Hyogo Platform for Action (ISDR, 2005) to allocate development assistance funding for prevention and mitigation measures in crisis-prone countries. Institutional strengthening initiatives with civil society organisations (some of whom may have humanitarian capacity) are supported through a further fund administered by Norad.
**Geographic priorities**

A recent foreign policy statement to the Storting noted that “*the greatest challenges of our time cannot be geographically isolated. They know no borders*” (MFA, 2008a). Consistent with these observations, the primary driver for Norwegian funding is humanitarian need. This prioritisation is appropriately reflected in the allocations of Norwegian support for international humanitarian action. In 2006, for example, the primary recipients of Norwegian emergency relief, humanitarian and transitional assistance were Sudan, the Palestinian Territories and Afghanistan. It is also reflected in consistently high levels of Norwegian support to the Central Emergency Response Fund (CERF), which represents an important international mechanism to ensure more timely and reliable assistance to those affected by natural disasters and armed conflicts (see Paragraph No. 13). Nevertheless, as with all donors, financial resources are finite and Norway also aims to allocate financial resources in ways that complement support from the rest of the international community. Accordingly, Norway has adopted an approach to disbursement of humanitarian assistance that takes advantage of existing networks in countries where well-established aid, or other links, and/or diplomatic representation already exist and therefore, the impact of Norwegian assistance can be maximised. Beyond these countries, relief assistance may be allocated according to humanitarian needs. In principle, no recipient area/country for Norwegian humanitarian assistance is automatically eligible for Norwegian recovery or development assistance. Rather Norway tends to look to the broader international donor community (including United Nations agencies), in addition to possible Norwegian assistance, to provide transitional assistance. Norway cites its significant contributions to the UN Peacebuilding Commission, UNDP, UNICEF and others as further evidence of ongoing Norwegian support to countries emerging from crises. However, it is not clear to the DAC how Norway ensures that short-term life-saving assistance complies with the GHD commitment to “*provide humanitarian assistance in ways that are supportive of recovery and long-term development*” (per GHD Principle 9).

**Volume**

Norway’s gross disbursements for DAC-reportable humanitarian aid rose markedly from USD 149 million at the time of the 2004 peer review to USD 309 million in 2006. At 10% of gross ODA (16% of gross bilateral ODA), these disbursements are well above the 6% DAC average percentage of gross ODA (8% of gross bilateral ODA). However, these funding flows do not include core funding provided to a number of multilateral agencies that may also be partly attributed to humanitarian assistance. Nor do they include humanitarian action (primarily disaster risk reduction) financed from development funding envelopes. In summary, the level of Norway’s contributions reflects a solid commitment to financing the international humanitarian system at a time of burgeoning need. Furthermore, as with many other donors, Norway has budgetary processes to access supplementary funding allocations in the event of extraordinary crises. This budgetary provision has been invoked, for example, to respond to the Indian Ocean tsunami, the Kashmir earthquake and the Southern African drought in 2005. By insulating the regular humanitarian budget from these extraordinary events, Norway is able, at least partially, to avoid significant disruption to commitments for existing crises.

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52 Humanitarian commitments (including assistance for refugees in Norway) in 2007 reached NOK 2.386 billion and they are projected to be NOK 2.635 billion (approx. USD 508 million) in 2008. The 2008 allocation is divided between the Natural Disasters budget (NOK 335 million) and General Humanitarian budget (NOK 2.3 billion).

53 The two-year average for gross bilateral aid reported to DAC over the period 2005-2006 was USD326 million (Annex B).
Channels

Norway backs up its commitment to multilateral action by channelling a significant proportion of humanitarian assistance to UN agencies and the International Red Cross and Red Crescent Movement. For example, in 2006 Norway was the second largest donor to OCHA, at USD 20.7 million (OCHA, 2006). It was sixth largest overall donor (or second on a per capita basis) to the United Nations High Commission for Refugees (UNHCR) at USD 55.2 million (UNHCR, 2006), and seventh largest donor to ICRC at CHF 40.1 million (ICRC, 2006). The MFA also channels humanitarian support through a cluster of mainly larger Norwegian NGOs selected on the basis of their competence to operate in difficult humanitarian contexts. An outcome of the diffuse funding streams within the MFA and Norad is that securing continuity of support through the various phases of crises is often problematic for NGOs since it involves separate applications and careful field management to avoid breaks in the pipeline. Given the re-invigorated policy emphasis on prevention and disaster risk reduction, alignment between NGO funding streams will need to be improved to ensure continuity of support throughout the crisis cycle. Norwegian NGOs also act as intermediaries for channelling support to civil society groups in crisis-affected communities. Although support to local NGOs is sometimes feasible through embassies, by and large current regulations are not conducive to direct funding of these organisations from headquarters.

Quality

In general, Norway is regarded by key partners as a good humanitarian donor. In 2007, nearly 23% (NOK 547 million) of Norwegian humanitarian assistance was provided completely unearmarked and a further 26% (NOK 625 million) was earmarked to the country level only (a significant proportion to under-funded UN and Red Cross Movement appeals). These characteristics of Norwegian humanitarian funding reflect a significant commitment to providing flexible and needs-based assistance. Norway has, however, chosen not to enter into multi-year agreements with implementing partners, a decision that supposedly increases the government’s own flexibility in allocating assistance across financial years but, in effect, reduces the year-on-year predictability of funding streams for implementing agencies. The MFA is aware of the consequences of this limitation and has entered into discussions with Norwegian NGOs about processes to improve the reliability of Norwegian government support.

Approximately 70% of the total humanitarian budget is allocated in the first quarter of the calendar year, providing for a high degree of timeliness in Norwegian humanitarian action. The balance is withheld pending allocation to emergencies during the course of the year or allocation to under-funded appeals later in the year. Needs-based allocation of resources is also promoted through the provision of funding support to pooled funding mechanisms and cluster appeals that delegate responsibility for allocation to UN processes. Norway is consistently among the top four donors to the Central Emergency Response Fund (CERF) with cumulative contributions amounting to NOK 850 million since it was established in 2006.54 Norway also contributes to country-specific pooled funds (e.g. Sudan and the Democratic Republic of Congo) as well as to global appeals of individual UN agencies, 55 the ICRC and the International Federation of the Red Cross Disaster Relief Emergency Fund.

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54 Norway is currently represented on the CERF Advisory Board by the Deputy Head of the International Department of the Norwegian Refugee Council.

55 For example, 27% of Norway’s USD 55 million contribution to UNHCR in 2006 was completely unrestricted (UNHCR Global Report, 2006).
Implementation

The success of the forthcoming humanitarian action strategy will hinge on adaptations to the way business is conducted in both development and humanitarian sectors within the Norwegian aid system. The compartmentalisation of development and humanitarian components of the aid system is an acknowledged weakness as well as a source of frustration for some NGO partners. To embed a more dynamic relationship that better reflects the synergies between the two forms of assistance, awareness must be raised of the opportunities for closer alignment as well as the risks associated with their stark separation in crisis-prone communities. For example, food insecurity in parts of Tanzania is a recurrent problem (Annex D) that must be addressed through a blend of humanitarian and development assistance rather than solely through the lens of emergency response. Implementing the strategy will also involve deeper dialogue and strengthened partnerships with a range of new actors on the fringes of the humanitarian sector, e.g. the Intergovernmental Panel on Climate Change and the Commission on Sustainable Development (CSD).

Norway has a demonstrated commitment to improving the professionalism and implementation capacity of major partners – particularly within the UN system. Thematic funding has been provided for the Cluster Appeal for Improving Humanitarian Response Capacity (the Cluster Appeal) (OCHA, 2007), including contributions to the GenCap and ProCap mechanisms. Norway has also been a strong supporter of the Early Recovery Cluster and advocated for its inclusion in the UN Consolidated Inter-Agency Appeals Process (CAPs). These initiatives have been reinforced by substantive measures to ensure that they are embedded in the institutional practice of partner agencies. However, while Norway is a keen supporter of the CAP process, Norwegian participation in formulating the Common Humanitarian Action Plans (CHAPs) that underpin them is ad hoc, dependent on available human resources and/or in-country representation. This may be interpreted as a vote of confidence in UN capacity to accurately diagnose humanitarian vulnerabilities. Nevertheless, Norway’s strong track record on humanitarian affairs means the MFA brings valuable donor perspectives to CHAP dialogues. Norway could therefore consider aiming to participate, along with other leading doors, in a small number of CHAPs each year.

Norway has been a keen supporter within the UN of the integrated mission approach while simultaneously upholding the primacy of civilian authority over humanitarian action and the core humanitarian principles of impartiality, independence and neutrality. Indeed, the Guidelines On The Use of Foreign Military and Civil Defence Assets In Disaster Relief (OCHA, 1994) were drafted at the instigation of Norway and subsequently came to be known colloquially as “the Oslo Guidelines”. Norway has given practical expression to these commitments in the model of the Provincial Reconstruction Team (PRT) established in Afghanistan. Military elements of the Meymaneh PRT contribute to security and stabilisation but do not implement development projects, which is the responsibility of the Norwegian embassy in Kabul and implemented through the World Bank, United Nations agencies, ICRC and NGOs.

Learning and accountability

There are three distinct strands to learning and accountability practices within the Norwegian humanitarian system: (i) internal thematic evaluations; (ii) external evaluations of individual activities commissioned by NGOs as part of the conditions of grants; and (iii) external support to international accountability initiatives (e.g. Active Learning Network for Accountability and Practice in

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56 For example, the MFA sponsored an international conference and training for Norwegian NGOs in Oslo, on Humanitarian Assistance and Gender (May 2008).
Humanitarian Action, ALNAP, and Sphere). The points of convergence between these evaluation processes are unclear, leaving the impression that corporate learning in the humanitarian sector is weak and rather unsystematic. The time appears ripe to develop a further strand, a programme-wide results framework for the forthcoming humanitarian strategy to bind these individual elements into a corporate learning and accountability framework for humanitarian action. The recent Norad report, *Norwegian Aid Works – But Not Well Enough*, suggests a deepening commitment to impact assessment across the Norwegian development co-operation system (Norad, 2007d). Humanitarian assistance is an integral part of this system and, therefore, should also be subject to the re-invigorated focus on results. However, this will require: (i) a clearly defined implementation plan, including measureable targets, for the forthcoming humanitarian action strategy; and (ii) more systematic impact assessment and evaluation processes that capture both the successes of and lessons from Norwegian humanitarian action.

As with the rest of the development co-operation programme, Norad is responsible for commissioning external evaluations of Norwegian-funded humanitarian action. The selection of humanitarian activities or themes to be included in the annual schedule of evaluations can be negotiated with the section for Humanitarian Affairs, which is responsible for follow-up actions arising from evaluation recommendations. Initiatives for evaluations also come from the section for Humanitarian Affairs. Although evaluative subjects are selected on the basis of policy relevance, it is not clear that the most strategic issues are currently being targeted. Furthermore, there is limited expertise on humanitarian issues within the Norad Evaluation Department. Given the limited in-house capacity, Norway might benefit from a more strategic vision of benefits to be derived from its support to international accountability initiatives. Like many donors, Norwegian support to international accountability initiatives is primarily input-based without an obvious strategy to embed outputs into corporate practices. Norway could take better advantage of its full membership of ALNAP to augment in-house capacities (*e.g.* through participation in joint evaluation exercises) and to provide quality benchmarks for humanitarian evaluations (*e.g.* through applying the DAC Evaluation Quality Standards and/or ALNAP Quality Proforma).

**Organisation and management**

Responsibility for the Norwegian Government’s humanitarian action lies with the Department of UN, Peace and Humanitarian Affairs within the portfolio of the MFA. Within this line department, the section for Humanitarian Affairs (currently comprising 15 staff) is co-located with, *inter alia*, the sections for Peace and Reconciliation (separated from the Humanitarian Affairs Section in 2006); Human Rights and Democracy; Environment and Sustainable Development, Global Initiatives and Gender Equality; Multilateral Banks and Finance; and United Nations (see Figure 3). This creates powerful synergies for addressing the complex humanitarian challenges of crisis environments in flux. The section is, however, functionally separated from the Department for Regional Affairs and Development, as well as Norad, which complicates the ability to ensure coherence and appropriate programming linkages between humanitarian and development assistance.

The role of embassies in this set-up is primarily to report and advise headquarters on crisis-related issues and to monitor Norwegian humanitarian assistance disbursed through implementing partners. Embassies make demarches in support of humanitarian action but little humanitarian funding is currently allocated to embassies for direct disbursement. It is acknowledged, however, that a critical step in pursuing the broadened humanitarian agenda will be raising Hyogo Declaration commitments in bilateral consultations. This will involve deeper awareness of disaster risk reduction (DRR) approaches among embassy staff. It might also involve devolving greater responsibility to embassies for DRR programming.
The peer review team was impressed by the high level of consensus between the government, NGOs and research institutions on the general orientation and strategic priorities for official humanitarian action. This is widely attributed to consultative processes – known as “the Norwegian model” – which have stimulated productive dialogues on key humanitarian issues. Several NGOs specifically referred to the MFA as being accessible and efficient. But they also mentioned differences in institutional cultures between the MFA and Norad that were obstacles to coherent programming across the humanitarian-development divide. These respondents called for further maturity in government-NGO communications and improved transparency of decision-making, especially over grant funding criteria. These are reasonable requests and the MFA and Norad should therefore consider them in order to consolidate the positive working relationship between government and non-government (including research) sectors.

Future considerations

- The forthcoming humanitarian strategy is welcome. Norway should develop an implementation plan – including measurable targets and indicators – for the strategy to translate commitments into practice, as well as ensure transparency. Norway could, for example, liaise with other leading donors to ensure that they are involved in formulating a certain number of CHAPs each year.

- Norway’s leadership on prevention and mitigation aspects of the humanitarian agenda is also welcome. Translating these orientations into practice within the Norwegian development co-operation system will mean adjusting the way business is conducted in both the humanitarian and development domains. In particular, internal systems and processes will require adjustment, and alignment between NGO funding streams will need to be improved in order to ensure continuity of support throughout the crisis cycle.

- Norway should review the scope for multi-year funding agreements in order to improve predictability – as well as reduce administrative costs – for key partner agencies (including NGOs). This is notwithstanding the high level of flexibility given to humanitarian agencies to allocate resources according to need.

- Norway should increase efforts to systematise learning and accountability within the humanitarian domain and exploit opportunities to augment in-house evaluation capacity (e.g. through participation in shared and/or joint evaluation exercises). It should also seek to better embed quality benchmarks for humanitarian evaluations (e.g. through application of the DAC Evaluation Quality Standards and/or ALNAP Quality Proforma).
Annex D

Tanzania Field Visit Report

As part of the review of Norway’s aid programme, a DAC team made up of examiners from Canada, the European Commission, and the OECD Secretariat visited Tanzania from 15-20 June 2008. The group met with Norwegian Ministry officials posted in Dar es Salaam, representatives of the Government of Tanzania, local government officials in Zanzibar, officials from bilateral and multilateral organisations, international NGOs and local associations. Discussions were held in Dar es Salaam and during a field visit to Zanzibar.

Introduction to Tanzania

a) Country profile

Tanzania is a sizeable (945 087 km²) low-income country in East Africa. It is bordered by eight countries: Burundi, the Democratic Republic of Congo, Kenya, Malawi, Mozambique, Rwanda, Uganda, and Zambia. The country is one of the poorest in the world, with an average annual per capita income of about USD 350 in 2006. The economy is heavily dependent on agriculture, which accounts for more than 25% of GDP, provides 15% of exports, and employs a large proportion of the workforce. Tanzania has experienced a period of high economic growth (real GDP growth of 7.1% in 2007) and macroeconomic stability, thanks to continued donor assistance and solid macroeconomic policies.

In terms of human development, Tanzania ranks 159th out of 177 countries on the United Nations Human Development Index (UNDP, 2006). The country has a population of about 40 million, which is growing at around 2% per year. Life expectancy at birth is only 51 years and almost one in three adults are illiterate. However, the country has a firm commitment to poverty reduction, and has made significant progress towards the MDGs; the net enrolment rate for primary schools increased from 51% in 2000 to 98% in 2006; and infant mortality dropped from 141 per 1000 in 2000 to 112 in 2004.

Following independence from Britain in the early 1960s, Tanganyika and Zanzibar merged to form the nation of Tanzania in 1964. The union was ruled as a socialist state by Julius Nyerere until 1985, and one-party rule came to an end in 1995 with the first democratic elections held in the country since the 1970s. The unity model is fairly unique, with two governments ruling the Union and Zanzibar respectively (a two tier model). The two countries in the Union remain separate on most accounts, but are joined by common monetary, defence and foreign policy. The Union remains fragile, as exemplified by serious violence in Zanzibar since the 1990s following a number of contested multi-party elections.

b) The government’s development strategy

Tanzania’s overall development efforts are guided by two poverty reduction strategies: i) the National Strategy for Growth and Reduction of Poverty (MKUKUTA) for the five-year period 2005/6 to 2009/10; and ii) the Zanzibar Strategy of Growth and Reduction of Poverty (MKUZA). These
strategies are in line with the aspirations of the Tanzania Development Vision (Vision 2025) and the Zanzibar Development Vision (Vision 2020).

Building on the priorities outlined in the Mkukuta and Mkuza, Norway and 18 other bilateral and multilateral donors developed a Joint Assistance Strategy for Tanzania in December 2006. This document provides the overall framework for international co-operation and alignment of external assistance to Tanzania. Along with 13 other donors, Norway is also providing significant levels of general budget support (GBS) to Tanzania to support the priorities outlined in the Mkukuta. GBS is guided by the Partnership Framework Memorandum signed in January 2005, and amounts to about 20% of the National Budget. In line with agreements between the Unity Government and the Government of Zanzibar, 4.5% of total external grants received by Tanzania are transferred to Zanzibar and spent on poverty reduction efforts there.

Official development assistance received by Tanzania

Tanzania is highly dependent on official development assistance, with net ODA accounting for 14.5% of gross national income. Norway is the ninth largest donor in Tanzania (Figure D.1).

**Figure D.1. ODA assistance received by Tanzania**

<table>
<thead>
<tr>
<th>Tanzania</th>
<th>Top Ten Donors of gross ODA (2006-08 average) (USD m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
</tr>
<tr>
<td>Net ODA (USD million)</td>
<td>1 751</td>
</tr>
<tr>
<td>Bilateral share (gross ODA)</td>
<td>58%</td>
</tr>
<tr>
<td>Net ODA / GNI</td>
<td>15.7%</td>
</tr>
<tr>
<td>Net Private flows (USD million)</td>
<td>164</td>
</tr>
<tr>
<td><strong>Population (million)</strong></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>37.5</td>
</tr>
<tr>
<td>GNI per capita (Atlas basis USD)</td>
<td>320</td>
</tr>
</tbody>
</table>

**Bilateral ODA by Sector (2005-06), commitments**

- Education
- Health and population
- Other social sectors
- Economic Infrastructure & Services
- Production
- Multisector

*Source:* OECD, World Bank.

**Norwegian support to Tanzania**

Norway has been a trusted development partner in Tanzania for more than 40 years, and its long-term commitment to key sectors is well recognised by the government and other partners alike. For example, Norway has been actively engaged for more than 30 years in the roads sector. In particular, observers and stakeholders highlighted that Norway is viewed as a thoughtful, sensitive and careful donor, whose respected neutrality is well recognised and appreciated, in particular when working in the very difficult political environment of Zanzibar.
a) Strategy and programming

Norwegian development assistance with Tanzania is governed by a memorandum of understanding covering the period 2007-2011, which is based in turn on the Joint Assistance Strategy for Tanzania. The Norwegian Embassy’s own strategy and engagement is outlined in a three-year rolling plan which is revised annually. The content of the strategy, but not the document itself, has been discussed with the Tanzanian authorities, but it is not a joint document between the two countries and only exists in Norwegian.\(^5\)

While Norway’s involvement is based on the Joint Assistance Strategy for Tanzania, the process through which Norway establishes strategic priorities and objectives for its development programme in Tanzania is not entirely clear. At present the Norwegian country programme and Tanzanian priorities appear to mesh, but it seems that the programme objectives are more influenced by Norwegian headquarters than Tanzanian Government policies and priorities. This could raise tensions if the two parties’ objectives were to diverge. It is also unclear to what extent Norway’s priorities are shared with other donors to encourage harmonisation and improved co-ordination.

b) Aid volumes, channels and allocations

Tanzania is the third largest recipient of Norwegian bilateral assistance, and received NOK 483 million in 2006. Furthermore, Tanzania was the single largest recipient of aid under the appropriation for long-term Norwegian bilateral assistance. Norwegian aid to Tanzania has remained stable over the years, but the current three-year plan estimates that aid will increase significantly to about NOK 743 million by 2011, in line with general increases in the ODA budget (see Chapter 3).

Table D.1 shows that in 2007 about 40% of total bilateral ODA to Tanzania was allocated as programme aid through general budget support, while another 40% was allocated to advance co-operation and development in key priority areas such as good governance, energy and health. The remaining 20% was allocated to civil society and media strengthening. This share has remained stable for several years. Over the coming years, the Norwegian Embassy plans a gradual scaling down of earmarked funds in favour of increased levels of GBS. An example of this trend is the discontinuation of direct support to the roads and education sectors in 2008.

The earmarked aid allocations are spread across several sectors, which have been determined by Norwegian policy priorities and set out in the three-year rolling strategic plan. Along with a gradual increase in GBS, Norway is significantly stepping up its support to energy, natural resource management, and health (to achieve MDG target 4 to reduce child mortality and target 5, to improve maternal health). The focus on these areas reflects the shift in political priorities in Norway. Furthermore, Norway plans to get involved in the forestry sector as part of the new global rainforest initiative. Thus, while these figures show that Norway remains an active donor in several sectors, they also indicate that headquarters is setting and changing priorities, resulting in the realignment of resources in-country (see below for further discussion).

\(^5\) Strategisk plan for utviklingssamarbeidet 2009-11.
Table D.1. Norwegian co-operation in Tanzania, 2007 and 2008

<table>
<thead>
<tr>
<th>Sector</th>
<th>Actual 2007</th>
<th>Plan 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBS (including PFM support)</td>
<td>230</td>
<td>280</td>
</tr>
<tr>
<td>Governance</td>
<td>102.5</td>
<td>101.5</td>
</tr>
<tr>
<td>Energy</td>
<td>25.5</td>
<td>20</td>
</tr>
<tr>
<td>Environment and natural resources</td>
<td>11.5</td>
<td>30</td>
</tr>
<tr>
<td>MDG 4/5</td>
<td>43.7</td>
<td>50</td>
</tr>
<tr>
<td>Forestry/climate</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>UN reform</td>
<td>25.5</td>
<td>30</td>
</tr>
<tr>
<td>Other sectors</td>
<td>120.7</td>
<td>119</td>
</tr>
<tr>
<td><strong>Total main sectors</strong></td>
<td><strong>560</strong></td>
<td><strong>630</strong></td>
</tr>
<tr>
<td>Culture</td>
<td>4.7</td>
<td>6.6</td>
</tr>
<tr>
<td>Regional initiatives</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Consultants</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total bilateral</strong></td>
<td><strong>568</strong></td>
<td><strong>642</strong></td>
</tr>
</tbody>
</table>

The active use of NGOs to deliver Norwegian aid is well-established and appears to be working well in Tanzania. Under a new funding arrangement, local NGOs are funded by Norwegian money channelled through Norwegian NGOs. This new approach is welcomed and appreciated by the local NGOs as it gives them greater day-to-day communication with the funding manager and quicker access to funding. Norway is encouraged to continue its policy of supporting NGO capacity-building, and could consider clarifying reporting and results requirements over the coming period.

c) The Norwegian Embassy

Norway has a medium-sized embassy in Dar es Salaam which manages bilateral relations and aid to Tanzania. The decentralisation of responsibility from headquarters to the embassy appears to work well in Tanzania, as does the integration of programmes and co-ordination with government, donors and other stakeholders. The embassy also seems to be able to effectively influence policy set by headquarters. For example, the embassy was able to broaden the forestry initiative programme to include woodland other than rainforest.

The staffing levels and skill mix at the embassy seem to be appropriate, and there are plans to bring in new staff to work on the new priority sectors. However, if headquarters continues to change priorities, skills and positions at the embassy might become mismatched, which would undermine Norway’s ability to deliver these priorities effectively. This is of greater concern following the 2004 reorganisation of Norad, which has reduced the number of staff with technical skills and field experience, and shifted the emphasis to staff who are “generalists”.

Implementation and aid effectiveness

In many ways, Tanzania is a pilot country for progress on the aid effectiveness agenda. Increased harmonisation and alignment have reduced the Tanzanian government’s transaction costs associated with aid and development co-operation. At the same time, however, it is clear that transaction costs for donors have increased as the number of co-ordination bodies have flourished.

At the strategic and planning level, Norway’s co-operation seems aligned with Tanzanian development priorities and strategies. Norway is also re-organising its aid delivery instruments to better integrate the aid effectiveness principles, and GBS has become a cornerstone of its programming. Norway’s strategy appears well thought-through, and is based on a commitment to a co-ordinated donor approach. Norway is also working to reduce the risks associated with GBS by
becoming involved in anti-corruption initiatives and providing support to public financial management (including in Zanzibar).

In general, bilateral and multilateral development partners in Tanzania express satisfaction with Norwegian development co-operation. Norway is considered to be a knowledgeable, committed and pro-active donor in Tanzania, and was praised by partners for its clear long-term commitment to providing development assistance and to improving donor co-ordination and the division of labour in-country. However, as Norway continues to align its aid policy with Tanzanian priorities, it needs to take care that when exiting from a sector that it has been involved in for many years (e.g. roads), any gaps in sectoral coverage and technical expertise are picked up and continued by others. In addition, the rationale for pulling out should be communicated to partners to avoid any misunderstandings about Norway’s commitment.

While Norway’s broad sectoral involvement is in general welcomed by other partners, there is a question of whether the increase in headquarters-set priorities means that Norway is spreading its aid across too many sectors, thereby constraining donor co-ordination and contradicting agreements on the division of labour. For example, in deciding to support MDGs 4 and 5, Norway has entered an overcrowded health sector and provided financing through the health basket fund. This is one example of headquarters imposing a priority and issuing detailed instructions which do not necessarily fit with the realities of the situation in the country.

Tanzania is one of the pilot countries for the One UN initiative, and the UN plays an important role in donor co-ordination. Norway is a strong supporter of the UN and has provided consistent political and financial support. Its backing, both politically and with early up-front funding, for the One UN project and its resistance to pressure to dilute this focus and spread funds among UN agencies is very positive and well-regarded.

Norway has made some progress in mainstreaming cross-cutting issues into its programming. Capacity development efforts are integral to the electricity and public financial management activities in Zanzibar, and seem to be succeeding in developing sustainable capacity to manage these projects locally. However, despite being a key priority at headquarters, gender equality did not feature in the embassy’s three-year plan, nor did it seem to be systematically considered in projects and programmes. It is still unclear whether this is indeed a programming priority for Norwegian development co-operation in Tanzania.

**Anti-corruption**

Norway has a strong basis for addressing corruption at the global level, including innovative mechanisms like the Corruption Hunter Network and the Illicit Money Flows Initiative. However, discussions in Tanzania suggest that there are still challenges in translating these initiatives into country-specific strategies that encourage co-ordinated and consistent efforts to build national systems and capacities. In particular, there is limited awareness of these global initiatives among partners and stakeholders in Tanzania.

Norway is commended for its pragmatic approach in Tanzania, such as working with the Prevention and Combating of Corruption Bureau (PCCB). The embassy recently provided short-term assistance to the PCCB while starting the assessment needed for longer-term institutional strengthening jointly with the UK. However, at present some partners fear that a push for rapid results could undermine longer-term donor efforts to jointly promote national systems and capacities to fight corruption. But, given the strong political support for, and innovative approaches to, anti-corruption
work in Norway, the country is well-placed to take more of a leading role in the anti-corruption work in-country.

**Humanitarian assistance**

Humanitarian assistance is managed and funded from headquarters and therefore the embassy has little day to day input into humanitarian decision-making. However the embassy plays an important observing, advocating and supporting role for humanitarian action in Tanzania.

One of the most pressing humanitarian issues in Tanzania is the presence of significant numbers of Burundian refugees, both long-term and short-term, in the west of the country. Norway has provided funds for Norwegian People’s Aid and the UN High Commissioner for Refugees (UNHCR) for refugee camps. UNHCR was keen to emphasise that Norway is a strong and valuable supporter, and that the embassy has a good understanding of the humanitarian issues and is an important ally of the agency. For example, when faced with an opportunity to regularise the situation for long-term Burundian refugees, the Norwegian Embassy and the Ambassador were at the forefront of donor support and were quick to offer their assistance both verbally and in financial terms. In general, UNHCR were very content with their relationship and interaction with Norway at both headquarters and the field level. They felt there was good co-ordination between headquarters and field and that Norway’s position was always clear.

Tanzania remains a food-deficit country, subject to periodic droughts and occasional flooding. Given the policy emphasis on crisis prevention and preparedness (see Annex C), greater attention on food security may be required in the future. The embassy also acknowledged that more could be done to link relief, rehabilitation and development in Tanzania. Norway has introduced a new transitional grant budget line which could help, but like all donors, Norway is still struggling to fully resolve the transition from humanitarian to development activities.

**Debriefing**

At the end of the visit the peer review team made a short presentation and had a useful discussion with the embassy about a number of initial impressions and important issues to investigate further. These included the setting of Norwegian priorities; aid allocations and sectoral involvement; implications of GBS; anti-corruption; and the mainstreaming of cross-cutting issues.
Description of Key Terms

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.58

ASSOCIATED FINANCING: The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

AVERAGE COUNTRY EFFORT: The unweighted average ODA/GNI ratio of DAC members, i.e. the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of this volume.

DAC LIST OF ODA RECIPIENTS: The DAC uses a List of ODA Recipients which it revises every three years. From 1 January 2005, the List is presented in the following categories (the word “countries” includes territories):

LDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

Other LICs: Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, i.e. with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, i.e. with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

DEBT REORGANISATION (ALSO RESTRUCTURING): Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

DIRECT INVESTMENT: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded gross (the total amount disbursed over a given accounting period) or net (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

58. For a full description of these terms, see the Development Co-operation Report 2007, Volume 9, No. 1.
**EXPORT CREDITS:** Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

**GRANTS:** Transfers made in cash, goods or services for which no repayment is required.

**GRANT ELEMENT:** Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

**LOANS:** Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies active that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

**ODA/GNI RATIO:** To compare members’ ODA efforts, it is useful to show them as a share of gross national income (GNI). “Total DAC” ODA/GNI is the sum of members’ ODA divided by the sum of the GNI, *i.e.* the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

**OTHER OFFICIAL FLOWS (OOF):** Developmentally relevant transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance.

**TECHNICAL CO-OPERATION:** Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

**TIED AID:** Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

**VOLUME (real terms):** The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor’s currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.
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