

DEPUTY DIRECTOR

DEVELOPMENT CO-OPERATION DIRECTORATE

Director's office

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To: DAC Delegates and Observers

Norway Mid-term Review, 20-21 October 2022, Oslo

Dear Colleagues,

On 20-21 October 2022, I conducted the mid-term review of Norway, together with Anita King of the Development Co-operation Directorate (DCD). I would like to thank Director General Aslak Brun, Department for Sustainable Development, and officials at the Ministry for Foreign Affairs (MFA), as well as Director General Bård Vegar Solhjell and officials at the Norwegian Agency for Development Cooperation (Norad) with whom we held very constructive meetings. In addition, we had excellent discussions with senior officials from Norfund and representatives from Norwegian civil society and their platform organisations. We thank them for taking the time to exchange with us. I would like to also thank Marit Fikke, Senior Advisor, and Tina Elise Lia Wilcox, Advisor, for their close co-operation in the lead up to and during the review.

The mid-term review focused on the DAC's [2019 peer review](#) recommendations and the significant developments that have taken place since. A new government was elected in 2021 and Norway's official development assistance (ODA) is focusing more on food security and climate adaptation. Increased climate finance is being delivered in part through a new Climate Investment Fund, managed by Norfund. The 2019 reform of the division of labour between the MFA and Norad has been finalised, and in 2021 Norad launched a new agency strategy, [Norad's Strategy Towards 2030](#), with a clearer link to the Sustainable Development Goals (SDGs). Overall, we were pleased to see that Norway has taken steps to address 11 of the 12 recommendations from the last review.

I was also happy to note that public and political support for development co-operation remains high. Nevertheless, I expressed concern that, with the current budget proposal, Norway's ODA/GNI ratio is anticipated to fall from an expected 1.01% in 2022 to 0.75% in 2023, the lowest level since 1976. This comes as Norway's economy benefits from sustained growth linked to higher fossil fuel export prices and the global energy crisis. We discussed that this significant departure from their own generous 1% ODA/GNI target carries a reputational risk and sends a negative signal to other ODA providers and, importantly, to partner countries as compounding crises set back progress on poverty reduction and drive need. The budget proposal for 2023 reflects a decrease of ODA volume in real terms (NOK 43.8 billion for 2023) when compared to the current revision of the 2022 budget (NOK 47.3 billion). We discussed constraints regarding budgetary processes and possible mechanisms that may better enable Norway to keep meeting its target, also raised by civil society. I encouraged Norway to determine how it will return to 1% ODA/GNI in 2024 and beyond. Investing in development education is also important; now is a good time to think through how Norway does this as it will be important to protect public support in coming years. Finally, I welcomed the ongoing reflections in Norad and the MFA on the balance between financing Global Public Goods and ODA, including a recently established Expert Group, and encouraged Norway to continue its leadership on this within the Development Assistance Committee (DAC).

As noted above, the current government is placing a stronger focus on food security and climate in Norway's development assistance, while longer-term priorities such as education and health are also retained. Norway's most recent overarching development strategy ([Common Responsibility for Common Future](#), published in 2017) is also referenced in the 2021 national [Action Plan for Achieving the Sustainable Development Goals by 2030](#). We discussed that an updated development strategy might be useful in helping to prioritise future efforts, ensuring they are in line with evolving priorities and needs worldwide and make effective use of available resources.

Key institutional reforms have been finalised and are now being embedded

Following several years of reform to clarify the respective roles and responsibilities of the MFA and Norad, a new structure has been in place since February 2020. The reform gave more responsibility to Norad for managing grants, with half of ODA now managed by the agency, and all policy formulation now sits within the ministry. In the MFA, a new Deputy Secretary General position was established in June 2019 and a new Unit for Agency Governance was established in 2020 to facilitate greater strategic oversight of the development programme. Subsequently, in 2021, Norad went through an internal reorganisation to adapt to its changed mission and strategy. Key changes included the creation of a Knowledge Department and the mainstreaming of quality assurance across three new thematic departments, reflecting also the shift towards a thematic portfolio approach to managing ODA. We heard that these changes have brought further clarity of purpose to Norad and are contributing to more efficient and effective management of the ODA budget. Nevertheless, some challenges persist, including the need for greater clarity around decision making particularly when money needs to be allocated quickly, which entity represents Norway on multilateral boards, and how to ensure that dialogue between Norad and the MFA is both well-co-ordinated and efficient. The MFA recently launched a review of the major 2019 reforms, in which attention will also be given to the relationship between Norad and Norway's embassies, including Norad's advisory role to embassies. Norad is participating in the review. The review is expected to be finalised in March 2023.

Staff indicated that the reforms have been accompanied by a considered change management approach, including communication. Nevertheless, we also heard that managing the reforms and embedding culture-shifts remains a work in progress. Planned measures include the development of an internal communication strategy in the MFA and a Norad leadership development programme, to be launched in 2023 with a focus on strategic change management. Grappling with the fast-changing global context requires flexibility, learning and adaptation, and we were impressed that these features are very much part of the organisational culture in both Norad and the MFA. We encouraged management in Norad and the MFA to continue focusing on clear communications and finding the right balance between adapting to change while limiting periods of sustained uncertainty for staff and partners.

Human resources is a challenging area for all DAC members and ensuring both Norad and the MFA have the capacities necessary to deliver on their mandates remains a concern, particularly as staff numbers have remained relatively stable across both Norad and the MFA over several years. For new initiatives to be embedded and to ensure advice and knowledge can influence and inform decision making, adequate staff resources and capacity also need to be in place. Several efforts to support strategic workforce planning are underway. This includes a new competence mapping system in Norad to help prioritise future recruitments. A new human resources system for the Norwegian central administration is under development. This will apply to the MFA and is expected to include competence mapping. These efforts are taking place in a context of increased budget pressure across the Norwegian public service. To deal with squeezed administrative costs, Norad is using a higher share of administrative costs on personnel and has reduced spending on evaluation and development education. We encouraged Norway to continue weighing and assessing the trade-offs associated with such changes. We noted interest in comparative analysis by the Secretariat on administrative costs, with [work underway](#) in the DAC Working Party on Development Finance Statistics (WP-STAT) to strengthen data comparability across DAC members, and look forward to engaging further on this.

Policy coherence discussions have moved to a new Executive Forum, with less frequent reporting

We were interested to hear about the [responsible business conduct regulations](#) adopted by Norway's Parliament in 2021 as a positive example of how the government is addressing dilemmas and spillover effects of domestic policy. Nevertheless, Norway has not yet developed action plans on specific policy coherence for development (PCD) challenges such as those identified in the 2018 [evaluation](#), including fossil fuel extraction. Since the peer review, the institutional setting for discussing PCD has changed, with the former Policy Coherence Forum replaced by a new Executive Forum on the SDGs in 2021, led by the Minister of Local Government and Regional Development. We also noted that as of 2022, the regularity of reporting on policy coherence has decreased. Norway will need to ensure this does not limit opportunities and scope for public debate on policy dilemmas. Whilst the new Forum's mandate is still being defined, meetings are expected to take place two-to-three times per year with participation at minister-level and with selected leaders from the private sector, civil society, academia and labour and business organisations. Norway has an opportunity to use this shift in ministry responsibility from the MFA to a domestic ministry to get international incoherence issues on the domestic agenda. As set out in the 2019 peer review recommendation, we encouraged Norway to ensure the Forum or other relevant

body has the mandate to support both robust, public debate and also follow-up action on challenging dilemmas. The next peer review will be an important opportunity to check Norway's progress with this.

Work is ongoing to ensure Norway's multilateral financing contributes to an effective multilateral system

Norway champions multilateralism and continues to channel a growing share of ODA multilaterally, with core and earmarked funding reaching 58.6% of Norway's total gross ODA in 2020. Norway is undertaking several measures to ensure its multilateral financing contributes to an effective multilateral system. This includes a planned review of its use of global funds, and we look forward to learning about the review's findings once it is complete. In recent years, Norway's earmarked funding has increased from 22% of total ODA in 2016 to over 33% of ODA in 2020. As a result, core funding has declined as a share of total ODA channelled through the multilateral system, from 49% in 2016 to 43% in 2020 (while increasing slightly as a share of total ODA, to 25% in 2020). The 2019 white paper [Norway's Role and Interests in Multilateral Cooperation](#) recognised the importance of core funding and limiting the use of tightly earmarked funding, as it can lead to fragmentation and higher administrative costs for organisations. Norway is making a concerted effort to encourage staff to use softer earmarking and preliminary data for 2020-21 show a small decline in the use of tight earmarking when compared to 2016-19. The next peer review will be a chance to further explore progress. We also look forward to Norway's continued contributions to shaping the debate on this in the OECD DAC.

Guidance is being updated to better support staff in allocating funding, managing risks and integrating cross-cutting issues

Following the peer review, Norway prepared comprehensive country strategies for all 17 priority partner countries, capturing both bilateral and multilateral efforts. The strategies, which run through to 2023, were drafted by the MFA with input from Norad and other parts of the system such as Norfund but are not consulted at country level. We heard that the strategies have provided discipline for funding decisions and are broadly seen as functioning well as comprehensive frameworks to guide Norwegian development co-operation across the MFA and other government ministries. The MFA is now considering how to further adapt and improve the next round of strategies, including how they will link up with Norad's thematic approach to planning and results. We also encouraged Norway to consider anchoring country strategies more in country priorities and to further explore their use by staff in embassies and at country level.

Norway is taking action on the peer review recommendation to take a more pragmatic and proportionate approach to implementing the zero tolerance principle in relation to corruption risks. Since 2018, in certain cases where corruption is uncovered and under certain conditions, partners may repay funds to the project itself, instead of to the MFA or Norad. This change has been positively received by partners. In 2021, an internal Norad and MFA working group reviewed Norway's zero tolerance practice and made several recommendations, including the need for a more pragmatic, risk-oriented approach and a shift of emphasis towards prevention rather than reaction. A stronger focus on preventing sexual exploitation, abuse, and harassment (SEAH) has been incorporated into grant agreement templates. Norad, in co-operation with the MFA, is improving guidance for staff on implementing the zero tolerance principle as it pertains to risk assessments for SEAH and ethical guidelines.

Norway applies a "do-no-harm" approach to all cross-cutting issues, of which anti-corruption is one alongside gender equality, human rights, and climate and environment. Since the peer review, Norad and the MFA have developed training courses to strengthen staff understanding of the "do-no-harm" approach, as well as how they can go beyond doing-no-harm to ensure projects also pursue positive development outcomes. Based on reporting to the DAC, Norway's mainstreaming of gender equality and women's empowerment has improved since 2019 (with 47% of screened bilateral allocable ODA committed to gender equality and women's empowerment in 2020), while the mainstreaming of climate and environment remains stable (21% of bilateral allocable ODA in 2020). The next review will be a chance to explore in more detail the impact of Norway's clarified approach to cross-cutting issues, and whether it is contributing to transformational change particularly in those areas that are also priorities.

Since the peer review, Norad in co-operation with the MFA has drafted guidelines for staff in the MFA, Norad and embassies on conflict sensitivity in projects and programmes. Once finalised and approved by the MFA, the guidance will be included in the Grants Management Assistant. During our discussions, Norway highlighted that a lack of capacity and human resources is a challenge in strengthening conflict sensitivity. We welcomed the emphasis on co-operation with other donors in carrying out joint conflict analysis and assessments as one way of dealing with this.

Ongoing investments in results and knowledge management are impressive

We welcomed the progress Norway is making on both results-based management and knowledge management, challenging areas for all DAC members, and encouraged Norway to continue sharing these experiences through the DAC networks and communities of practice. Since the peer review, to strengthen Norway's approach to results-based management, high level portfolio goals linked to the SDGs are now included in the annual budget document prepared by the MFA and approved by the Parliament. Based on these overall portfolio goals, Norad is also developing theories of change and monitoring, evaluation and learning plans for thematic portfolios. In 2023, this work will extend beyond the eight portfolios targeted so far. Norad's new approach to portfolio management is expected to include more active co-ordination throughout implementation, monitoring and evaluation of the portfolios' performance. Implementation of these changes is being supported by a central team providing guidance and training.

The strong focus on knowledge and knowledge management at the time of the peer review has also led to several concrete actions. In addition to the Knowledge Department which includes a Section for Knowledge Management, an online portal – [Norwegian Development Aid–Statistics and Results](#) – launched in December 2020 provides information on where and how Norwegian ODA is used and on its results. While presently just over 200 projects (of over 4000 projects) in the portal have results information, work is ongoing to increase this number, with a focus on higher value investments. We look forward to seeing how the portal evolves and, in particular, to seeing how the evidence and knowledge that are being generated through these initiatives are feeding into improved decision making. Norad is currently in the process of defining a strategy that sets out how new knowledge initiatives will feed into broader processes, and how they will also support all development actors in Norway beyond Norad.

We also discussed the January 2022 revisions to the [mandate](#) and [strategy](#) for evaluation. In particular, the new strategy states that in response to evaluations, the MFA “assesses whether there is a need for decisions and/or follow-up plans as well as possible publication of these.” MFA staff clarified that while a management response continues to be required for all evaluations, the format is more flexible with a view towards maximising opportunities for learning. We encouraged Norway to continue ensuring incentives are in place for management to systematically act on and learn from evaluation findings and recommendations, and to ensure transparency around management responses. We recalled that public management responses are a standard practice across the DAC and a well-established quality standard for credible evaluation systems.

Conclusion

I was encouraged by the progress made to address the DAC's 2019 recommendations and the positive way in which the MFA, Norad and Norfund have engaged with the review process and recommendations. The next few years will be critical for embedding the 2019 reforms and ensuring the effective implementation of key initiatives. The next peer review will also be an opportunity to check how Norway is implementing recent changes, and to explore how learning, results and knowledge efforts are leading to strengthened policies and practices. I look forward to hearing more about how Norway is continuing to lead on important development issues at this critical juncture, including its important thinking on global public goods.

Yours sincerely,



Mayumi Endoh

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