

OECD Development Co-operation Peer Review

NORWAY 2013

Organisation for Economic Co-operation and Development

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Conducting the peer review

The OECD's Development Assistance Committee (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 develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

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. During the field visit, the team meets with representatives of the partner country's administration, parliamentarians, civil society and other development partners.

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 Finland and Italy for the Peer Review of Norway on 6 November 2013.

Table of contents

Abbreviations and acronyms	7
Norway's aid at a glance	11
Context of Norway's Peer Review	13
The DAC's main findings and recommendations	15
Report	23
Chapter 1: Towards a comprehensive Norwegian development effort	25
Global development issues	25
Policy coherence for development	26
Engaging in partner countries: co-ordinated government approach at partner country level	28
Financing for development	30
Chapter 2: Norway's vision and policies for development co-operation	35
Policies, strategies and commitments	35
Decision-making	36
Policy focus	38
Chapter 3: Allocating Norway's official development assistance	47
Overall ODA volume	47
Bilateral ODA allocations	49
Multilateral ODA channels	53
Chapter 4: Managing Norway's development co-operation	57
Institutional system operation	57
Innovation and behaviour change	59
Human resources	62
Chapter 5: Norway's development co-operation delivery and partnerships	67
Budgeting and programming processes	67
Partnerships	70
Fragile states	74
Chapter 6: Results and accountability of Norway's development co-operation	79
Results-based management system	79
Evaluation system	81
Institutional learning	83
Communication, accountability, and development awareness	85
Chapter 7: Norway's humanitarian assistance	89
Strategic framework	89
Effective programme design	91
Effective delivery, partnerships and instruments	92
Organisation fit for purpose	93
Results, learning and accountability	94

Annex A: Progress since the 2008 DAC peer review recommendations	99
Annex B: OECD statistics on official development assistance	105
Annex C: Field visit to Guatemala	113
Annex D: Organisational structure	123

Tables

Table 3.1. Percent share of bilateral ODA to top recipients over time	50
Table 5.1. Sector concentration in Norway's 2011 top recipients	71
Table B.1. Total financial flows	105
Table B.2. ODA by main categories	106
Table B.3. Bilateral ODA allocable by region and income group	107
Table B.4. Main recipients of bilateral ODA	108
Table B.5. Bilateral ODA by major purposes	109
Table B.6. Comparative aid performance	110
Table C.1. Key indicators for Guatemala	114
Table C.2. Aid flows to Guatemala	116

Figures

Figure 3.1. Norway's net bilateral ODA, multilateral ODA, and net ODA as a percentage of GNI in 2003-12	47
Figure 3.2. Norway's bilateral ODA to sub-Saharan Africa, South America, and LDCs in 2008 and 2011	50
Figure 3.3. Norway's aid sector allocations in 2007 and 2011	51
Figure 3.4. Norway's ODA commitments targeted at the objectives of the Rio Conventions, 2007-11	52
Figure 3.5. Norway's ODA commitments targeted at the gender markers, 2002-11	53
Figure 3.6. Norway's core and non-core allocations to multilateral organisations, 2011	55
Figure A.1. Norway – Implementation of 2008 peer review recommendations	104
Figure B.1. Net ODA from DAC countries in 2011	111
Figure C.1. Net ODA to Guatemala, 2005-11	117
Figure C.2. Norway's ODA to Guatemala by sector, 2011	118
Figure D.1. Norwegian Agency for Development Co-operation (Norad)	123
Figure D.2. Norway's Ministry of Foreign Affairs	124

Boxes

Box 1.1 Oil for Development: Whole-of-Government approach to capacity development	29
Box 4.1 Tax for Development	61

Abbreviations and acronyms

CERF	Central Emergency Response Fund
CICG	International Commission against Impunity in Guatemala
CPA	Country programmable aid
CSO	Civil society organisation
DAC	Development Assistance Committee
DFI	Development finance institution
EVALNET	DAC Network on Development Evaluation
FAO	Food and Agriculture Organisation of the United Nations
FK	Fredskorpset – Norwegian Peace Corps
FSI	Foreign Service Institute
GAVI	Global Alliance for Vaccines and Immunisation
GDP	Gross domestic product
GIEK	Garanti-instituttet for eksportkreditt – Norwegian Export Credit Agency
GNI	Gross national income
GoN	Government of Norway
CRS	Creditor Reporting System
IATI	International Aid Transparency Initiative
ICRC	International Committee of the Red Cross
IDP	Internally displaced person
IFAD	International Fund for Agricultural Development
IFI	International development financial institution
ILO	International Labour Organisation
IMF	International Monetary Fund

INCAF	International Network on Conflict and Fragility
LDC	Least developed country
LMIC	Lower middle-income country
MDGs	Millennium Development Goals
MFA	Norwegian Ministry of Foreign Affairs
MOPAN	Multilateral Organisation Performance Assessment Network
NGO	Non-governmental organisation
Norad	Norwegian Agency for Development Co-operation
NOREPS	Norwegian Emergency Preparedness System
Norfund	Norwegian Investment Fund for Developing Countries
NPD	Norwegian Petroleum Directorate
OAG	Office of the Auditor General of Norway
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OfD	Oil for Development
OHCHR	Office of the High Commissioner for Human Rights
OOF	Other official flows
PEFA	Public Expenditure and Financial Accountability Programme
PFM	Public financial management
PPP	Purchasing power parity
REDD+	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries

UMIC	Upper middle-income country
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNITAR	United Nations Institute for Training and Research
UNOCHA	United Nations Office for the Co-ordination of Humanitarian Affairs
UNOPS	United Nations Office for Project Services

WHO **World Health Organisation**

Signs used:

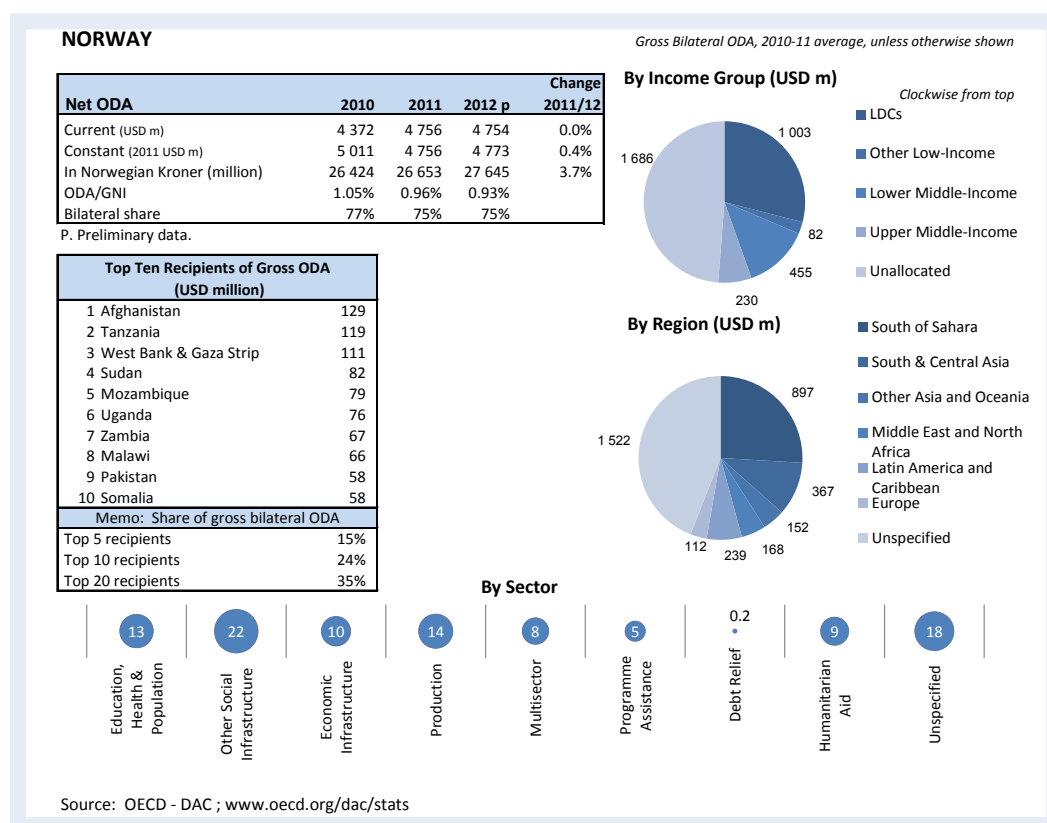
NOK	Norwegian Kroner
USD	United States dollars
()	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
...	Not available separately, but included in total
n.a.	Not applicable
/	Indicates fiscal year
-	Indicates period of two years or more

Slight discrepancies in totals are due to rounding.

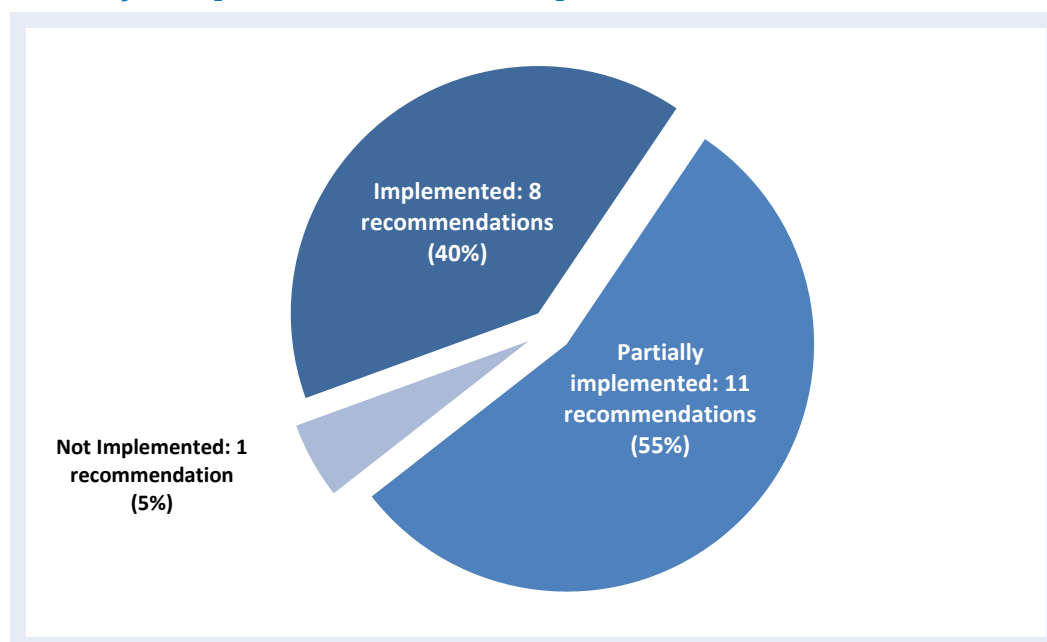
Annual average exchange rate: 1USD = NOK

2007	2008	2009	2010	2011	2012
5.8584	5.7073	6.2784	6.0445	5.6046	5.8149

Norway's aid at a glance



Norway's implementation of 2008 peer review recommendations



Context of Norway's Peer Review

Norway, a constitutional monarchy with a population of 5.07 million, benefits from a prosperous economy due to its vibrant private sector, large state sector, and extensive social safety programmes. Although its economy slowed in 2008, and contracted in 2009, it returned to positive growth in 2010-12 when it reached gross domestic product (GDP) per capita of USD 61,870 (2011), the second highest in the OECD region and well above the OECD average figure of USD 33,971. Unemployment stood at only 3.3%. The employment rate of women was 73.4%, slightly below that of men, and well above the OECD figure of 56.7%. The latest OECD Economic Outlook sees a positive medium-term outlook for the Norwegian economy and forecasts strong growth for 2013 and 2014.

Since 2005 Norway has been governed by a “red-green coalition”, made up of the Labour Party, the Socialist Left Party, and the Centre Party. However, the September 2013 general election put an end to eight-years of centre-left rule. A new centre-right government is expected to take over in October. The extent to which this change will mean in Norway's policy, including in development co-operation, will largely depend on the final make-up of the next government.

Meanwhile, with its strong economy, less affected by the global economic crisis thanks to its well-managed oil and gas wealth and sound macroeconomic policies, Norway has consistently maintained a level of development assistance as well as its position as one of the world's top donors in relative terms. Since 2009 Norway has spent about 1% of gross national income (GNI) on official development assistance (ODA) every year, making it among the most generous Development Assistance Committee (DAC) donors. In 2012, Norway delivered USD 4.8 billion in ODA, equivalent to 0.93% of its national income. Growing GNI, fuelled by high oil prices, allows Norway to pursue its highly focused and long-term development co-operation initiatives. And Norway continues on course, announcing in the most recent DAC forward-spending survey that it is committed to providing 1% of GNI as ODA for the coming years.

Since its 2008 DAC peer review, the Norwegian government has been trying to focus its support on fewer countries and thematic areas. This has been accompanied by restructuring the Ministry of Foreign Affairs and the Norwegian Agency for Development Co-operation (Norad). Norway views development co-operation as an important aspect of foreign policy to minimise the negative results of globalisation. However, there is also general agreement that developing countries need more than aid to meet current global challenges. Other, more significant forms of development finance, such as from trade, remittances, foreign investment, and private finance, have a greater impact on economic growth and will facilitate longer-term development. As such, Norway places strong emphasis on aid as a strategic investment in, and a catalyst for, long-term development and creation of global public goods to ensure the most positive, measurable impact for the poor. This peer review looks at Norway's efforts since 2008 to increase the impact of its aid and the efficiency of its distribution. This review also takes place at an important juncture as Norway's leadership undergoes a political transition.

The DAC's main findings and recommendations

1

Towards a comprehensive Norwegian development effort



Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

Main Findings

At the heart of Norway's foreign policy lies its commitment to democracy, the rule of law, and individual human rights, combined with its dedication to open, tolerant societies. As such, Norway is among the more progressive voices in the international development landscape, contributing strategically to global issues that are important for the country and for the international role it plays, such as facilitating peace processes in Colombia and Sudan, tackling global climate challenges by sponsoring innovative solutions, and advocating for gender equality and women's rights internationally, as well as for stronger protection of religious and sexual minorities. Its commitment to leading in these critical and challenging global development issues is commendable. Moreover, Norway's strategy is to focus on a few themes within which it can make an impact, and then expand on these globally. This concentrated effort enables Norway to punch above its weight on the global stage.

Norway is committed to, and has made progress in, implementing development-friendly and coherent policies with clearly stated links to poverty reduction and the Millennium Development Goals (MDGs). The Ministry of Foreign Affairs acts as the main conduit for inter-ministerial co-ordination on coherence between development policy and other policies. It takes the lead in analysing potential areas of policy conflicts and working with other ministries on resolving coherence issues. Efforts are largely ad-hoc, focusing on specific issues as they arise and when there is a need for cross-governmental thinking towards achieving a specific goal. Norway could make further progress by focusing its efforts on a few key issues of potential (or real) incoherence through an appropriate mechanism.

Since the last peer review, Norway has submitted to Parliament several stock-taking reports on the Government's effort to address incoherence. While this is a positive start, the reports – co-ordinated by the Ministry of Foreign Affairs – are subject to agreement among all ministries, which may result in more critical issues not being addressed. For instance, the reports have been criticised by the Norwegian civil society for being self-congratulatory. To help overcome this problem, the Ministry could commission long-term studies to analyse potential areas of policy conflict in order to have solid evidence to underpin discussion with other ministries.

Norway has adopted a whole-of-government approach in key areas of its development co-operation, such as climate change, peace-building, gender equality, and global health. It deals with country-specific issues and manages trade-offs between competing priorities through holding formal or informal inter-ministerial discussions in Oslo. However, as the peer review team observed in Guatemala, existing synergies in Oslo do not always automatically translate into whole-of-government action at the operational level in partner countries.

Norway sees the importance of using other public and private resources, including innovative financing, in its whole-of-government approach to meet the many global development challenges. It has a range of aid-funded support programmes for the business sector, including equity investments in renewable energy, finance and agribusiness via the Norwegian Investment Fund for Development. Norway's small business start-up support programme is another example of how it uses ODA as a catalyst for stimulating private investment in partner countries. However, not enough evidence was collected on Norway's effort to creating a beneficial climate for investment and business in partner countries, an important condition for achieving greater development impact. Norway could also take a closer look at the potentially positive impact of investment in developing countries by the Norwegian Government Pension Fund, the world's largest sovereign wealth fund.

Recommendations

1.1 Norway punches above its weight in taking global initiatives and seeks partnerships to take these forward. Norway should aim to scale-up such partnerships with like-minded donors to help attract more resources and secure long-term sustainability of its global initiatives.

1.1 To further improve co-ordination, monitoring and reporting, Norway should develop a specific, time-bound coherence agenda on a select number of key issues of incoherence with cross-governmental objectives and a detailed implementation plan.

2

Norway's vision and policies for development co-operation



Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

Main Findings

Since the 2008 peer review, the Government has mapped policy directions for its development co-operation in various new white papers on foreign policy, development assistance, and humanitarian aid, and has worked to integrate further these policy sectors. These white papers and their respective recommendations from the Storting form the basis of the Government's aid policy framework and commitments, with clearly stated links to poverty reduction and the MDGs.

Norway's development policy remains focused on its objectives of reducing poverty and achieving social justice and sustainable development. The 2009 white paper, *Climate, Conflict and Capital*, is a key reference for the Government's development policy objectives. It considers climate change, violent conflicts, and lack of capital to be the most important challenges in the fight against poverty. The Government elaborates its policy further in three individual white papers, each covering a thematic priority: environment and climate change; global health; and fair distribution and growth. These white papers provide a list of stated intentions. However, they fall short of establishing expected results and do not provide clearer guidance to translate policy into operational activities.

Norway no longer identifies "priority" partner countries. It is increasingly directing its development co-operation towards assistance based on thematic initiatives. However, Norway reserves a sub-set of developing countries as long-term and more substantial partners. It also takes a flexible approach when it comes to allocating bilateral aid, choosing channels, instruments, sectors, and partners based on appropriateness and efficiency, while also weighing possible risks.

Norway continues to offer a number of innovative initiatives – a "niche" donor as described in the previous peer review. These initiatives draw on Norway's specific comparative advantage, such as the Oil for Development, the Tax for Development and the Energy+ initiatives. With these initiatives, Norway appears to be addressing a market demand for such products, having grown over the recent years.

Norway views the multilateral system as complementary to its bilateral efforts, particularly in sectors where there are many donors and where it believes multilateral channels are more effective, such as health and education. Norway's new policy and strategy for co-operation with the United Nations system, in addition to its multilateral performance assessments, should provide the prioritisation it needs to manage multilateral aid allocations in the future..

Norway's priorities to combat poverty and focus on fragile states are reflected in its policies and strategies, and aligned with DAC guidance. Norway has demonstrated through its support to gender equality and the environment that it is capable of mainstreaming cross-cutting issues across its aid programmes. Norway should also strengthen the links between development and humanitarian assistance

Recommendations

2.1 Norway's white papers set out policy directions for its aid programme. Setting out expected results and providing guidance on translating policy into operational approaches could help implement policy priorities more effectively.

2.2 Developing a clear and evidence-based strategy to guide its bilateral aid decisions could help Norway bring poverty reduction closer to the operations and avoid getting involved in situations in which it has no clear comparative advantage or understanding of the context, as well as ensure the sustainability of its development co-operation.

3 Allocating Norway's official development assistance

Indicator: The member's international and national commitments drive aid volume and allocations



Main Findings

Norway has a long track record of setting generous aid targets, and this continues to be true today. It has committed to keep ODA at 1% of gross national income (GNI). In 2012, Norway was the tenth largest donor by volume as well as the third most generous, allocating 0.93% (or USD 4.8 billion) of its GNI in ODA. The Government, which took office in October 2013, has confirmed its commitment to a high level of ODA. Norway is able to maintain such high ODA levels thanks to solid public and political support for development co-operation and a strong economy. Norway is commended for its consistent commitment to development. As its ODA budgets are determined by a percentage of GNI, Norway's steadily growing economy is likely to result in higher aid volumes in future years. That said, while its overall ODA volume has been fairly predictable, allocations to target channels and countries have been less so. This is due to the fact that Norway does not have a formal strategy for allocating funds to the different aid channels, nor does it have quantitative aid targets for specific regions or country income groups (with the exception of Afghanistan).

Since the last peer review, there has been a shift both in the geographic and the income-level distribution of Norway's aid, with larger shares going to South America and global initiatives as well as to upper middle-income countries. This has been the result of an increased focus on thematic initiatives to support the provision or preservation of global public goods, and the importance that Norway now attaches to some new strategic partnerships, such as with Brazil, to tackle specific global challenges in climate change mitigation efforts. Despite a slight fall in the shares of Norway's contributions to the least-developed countries and to sub-Saharan Africa, these remain a significant part of its programme, accounting for 59% and 45%, respectively, of total ODA in 2011.

Norway's bilateral ODA shares to top recipients have declined over the years, making its aid less concentrated. In 2010-11, just over one-third of its bilateral aid went to the top 20 recipients, compared to an average of 46% in the early 2000s. This illustrates how Norway's aid continues to be spread thinly across a wide range of partner countries. Support to the "environment and energy" sector accounted for the largest share (22%) of Norwegian bilateral aid in 2011, followed by aid to "economic development and trade" (22%) and "good governance" (20%). As mentioned earlier, Norway's aid priorities are increasingly pursued through thematic initiatives, many of which

are global in nature, even if not necessarily in scale. However, its flagship initiative on climate and forest has faced disbursement challenges in all major partner countries. This may, in part, be due to programmes being launched before analyses of how to ensure feasibility and sustainability were conducted. There are also issues of absorptive capacity in the partner countries. This has resulted in nearly half of its total funds allocated since its inception remaining unspent.

Regarding allocations to multilateral channels, Norway intends to provide more support to the UN development agencies in the form of core contributions. Currently only 54% of its total funding to and through multilateral organisations are disbursed in this form. Norway does not have guidelines on the proportions of core and non-core contributions. It needs to take a strategic approach to following through on this intention stated in its 2012 white paper. Moreover, the potential synergies between multilateral and bilateral assistance are not systematically factored into the decision-making processes.

Norway has also taken steps to make the multilateral system more effective and transparent, some jointly with other donors. However, when it comes to reporting on its earmarked (multi-bi) funding Norway still demands accountability from its multilateral partners through several bilateral channels, including reviews and requests to strengthen their internal evaluations processes. Interviews with multilateral agencies conducted for this peer review suggest that Norway may be too demanding in its requests for accountability, extending beyond their partners' expectations of a member state.

Recommendations

3.1 Norway would benefit from strategic yearly planning at both central and country levels that builds on ex-ante assessments and analyses of the expected development results.

3.2 Norway should ensure that its need for accountability does not undermine or duplicate the accountability structures of its multilateral partners. It should increasingly rely on, and participate in, joint assessment processes in order to keep transaction costs as low as possible for the multilateral partners

4

Managing Norway's development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose



Main Findings

Since the last peer review, the Ministry of Foreign Affairs and the Norwegian Agency for Development Co-operation (Norad) have reformed the management of Norwegian aid. Norad also aligned its working structure with the Ministry's new thematic priorities. Dialogue between the two institutions remains effective, both formally and informally.

Both the Ministry of Foreign Affairs and Norad have outlined strategies and reformed measures to respond better to challenges in a more innovative and flexible way at both country level and central level. As illustrated by its Tax-for-Development programme, Norway's willingness to try out new ideas and approaches to development co-operation is positive. However it is unable to expand its engagement beyond current level due to the limited capacity of expert ministries and agencies involved (e.g. Ministry of Finance, Norwegian Tax Administration). To secure more resources and strengthen long-term sustainability of its initiatives, Norway could do more to involve and establish partnerships with other development partners at the headquarters and country levels.

Norway's bilateral aid management is largely decentralised, in line with both its own goals and the Busan commitment, with the flexibility needed to respond to evolving country needs. While Oslo is responsible for the overall policy and budget allocation to partner countries, once funds are allocated through an appropriation letter (prioritising policy areas), the embassies have financial and programming authority, including staffing, instruments, and even partners/channels to some extent.

Despite these improvements, the extent to which Norad should act as grant manager is reflected in on-going discussions between the Ministry and Norad. More specifically, although Norad's role is one of quality assurance and knowledge manager, it is also mandated to administer grant aid. This responsibility has increased in recent years.

Moreover, the short distance between policy and implementation, and sometimes overlapping functions, within the Ministry may result in speed over quality in programme design. The programme needs to be able to respond flexibly to policy objectives. At the same time, it must ensure that the implementation is carried out on a sound basis of analysis and respects internationally agreed principles of effective aid. Clearer division between policy and implementation responsibilities could improve the efficiency of the overall development co-operation programme. The Ministry is encouraged to study these aspects as it begins work on a follow-up institutional strategy leading up to 2017.

Norway manages human resources effectively to respond to field imperatives and new ways of working. It has also addressed the staff recruitment and retention challenges identified by the 2008 peer review to a large extent. While Norway is investing in staff development, more could be done to support the capacity development of its locally recruited staff. Furthermore, Norad staff serve as an important source of expertise for the Norwegian aid programme. In order to keep their knowledge current and relevant, they need regular rotation to the field. This helps build and maintain a solid knowledge base.

Recommendations

4.1 Norway should continue to improve the clarity between the respective roles of the Ministry of Foreign Affairs and Norad.

4.2 To foster Norad's ability to provide solid country- and evidence-based advice to the Ministry of Foreign Affairs and the embassies, Norad staff should be encouraged to apply, and continue to be considered, for positions abroad in line with the Ministry's policy on staff rotation.

5 Norway's development co-operation delivery and partnerships



Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support, as defined in Busan

Main Findings

Norway's aid budgeting and programming processes allow for great flexibility, well-tailored country programmes, and a certain degree of predictable funding. In addition, Norway's bilateral aid is fully untied. While its funds to international development financial institutions are highly predictable, Norway should continue to improve predictability for its key UN development funds and programmes, and to the multilateral channel overall. Norway could make its aid to partner countries more predictable by providing comprehensive projections on future funding over the medium term.

Statistics show that Norway used country systems for 82% of its aid to those partner countries that participated in the Survey on Monitoring the Paris Declaration. Norway's alignment with its partners' national strategies and use of country systems and joint procedures vary largely depending on country context. Norway prefers to work and channel aid through multilateral and civil society organisations (CSOs) in countries with regimes marked by oppression and discrimination.

Norway's strong emphasis on risk reduction is captured through its specific policy document and guidance. However, the extent to which risk reduction is integrated into programming seems to rely heavily on the staff's personal initiatives. For example, in Guatemala local staff's high levels of competence and experience have ensured the integration of risk reduction in projects. Nevertheless, a more systematic integration of risk reduction in planning and programming is desirable.

Norway has established an effective in-country division of labour with other donors and concentrates on sectors in which it has long-standing focus and recognised expertise. Norway's sector concentration is high in its main recipient countries, where three or four sectors cumulatively account for 70% or more of its total bilateral ODA. Norway's co-operation is also increasingly marked by bilateral initiatives, accompanied by a slight fall in its use of programme-based approaches as a result of shifting thematic priorities. While Norway already invests greatly to support its partner countries' domestic accountability, more effort could be made to strengthen mutual accountability. For its country programme delivery, Norway collaborates strategically and effectively with a broad range of partners assisted by its fairly decentralised system. As part of its support to the

private sector, Norway has successfully mobilised Norwegian enterprises in developing countries, but could also engage in promoting a more conducive environment for the local private sector.

Norway has a clear policy to engage with civil society which translates into strong partnerships with CSOs, both domestic and international, as well as in partner countries. Synergies between the CSO projects approved in Oslo and those approved in the field could be strengthened to ensure a coherent approach to CSO support at the country level. Domestically, Norwegian CSOs play an important role in development education and as watchdogs that view Norway's aid programme with a critical eye.

Norway's approach to fragile states is clearly context specific, with co-ordination structures, overall approaches and tools decided on a case-by-case basis. While this provides a great deal of flexibility, the approach could benefit from increased rigour, for example in determining clear whole-of-government priorities for working together in fragile contexts, setting realistic joint goals and taking into account the trade-offs between risk and opportunities, and long-versus short-term gains.

Finally, risk remains a complicated issue – the current state of play is zero tolerance for corruption, alongside an extremely high tolerance of risky programmes. Programmatic risks are not systematically analysed or monitored.

Recommendations

5.1 To make its aid more predictable, Norway should provide more comprehensive medium-term projections to its partner countries.

5.2 When working in fragile contexts, Norway should set out clear whole-of-government priorities that are co-ordinated with other donors, realistic about what can be achieved in a given timeframe, and that account for the trade-offs between risks and opportunities, and short and long-term effects.

5.3 Norway should seek to clarify, together with partners, what risk will be tolerated, and how the risk will be managed.

6 Results and accountability of Norway's development co-operation

Indicator: The member plans and manages for results, learning, transparency and accountability



Main Findings

Norway has continued its efforts to build a stronger culture for managing results. It has, for example, standardised the procedures for managing all funds administered by the Ministry of Foreign Affairs, embassies, and Norad in a new Grant Management Manual, integrating operational guidelines for results and risk management, as well as financial management. Norway is also striving to manage for results by implementing output-based aid in a number of prioritised sectors, namely forestry, energy, and health, whereby the disbursement of aid is conditional on delivering a measurable action or achieving a performance target.

The overarching objectives of Norway's ODA policies and programmes are set annually in the national budget, with resources allocated to various budget lines. However, the annual budget bill remains a compilation of programmes and their allocations; budget lines are not explicitly tied to outcome and output indicators of performance. The Ministry of Foreign Affairs is encouraged to incorporate measurable objectives and projected results in its annual appropriation letters to the embassies and agencies for better results-based reporting, and to improve the link between budgets, objectives, and results.

At the country level, where it participates in sector-wide approaches, Norway uses partners' or joint monitoring frameworks as the starting point for results management, although increasingly its aid programmes, reflecting their progressive nature, cut across sectors defined by its partner governments (e.g. environment and energy). In cases of CSO support, responsible programme units and embassies that manage CSO grants assess the results based on implementing partners' reports. However, the variance in quality of these reports has been highlighted by Norad as a challenge. As the responsibilities for measuring results of these grants largely rest with its partners in the field, Norad could give higher priority to supporting its partners' capacity to integrate effective results management.

Development aid is a well evaluated sector within the Norwegian public sector system. Norad's Evaluation Department works according to its mandate to maintain its independence, and the evaluations are conducted by competitively selected external consultants and researchers. The evaluation topics are selected on the basis of their significance, uniqueness and risk, and the Department has developed good

capacity to conduct strategic and programme evaluations that meet DAC quality standards. Better quality control over decentralised evaluations could also help improve the evidence base of the Norwegian aid programme. Norway could also collaborate more closely with other partners to perform joint evaluations and help build evaluation capacity in its partner countries.

Although well-developed, Norway's system of learning should be better integrated within its aid system. Evidence is not systematically used within the programming cycle. It is also unclear whether lessons from its results monitoring influence its decisions on bilateral aid. Greater impact might be achieved by creating a system-wide evaluation culture, implementing the formal management response system, and capturing and disseminating findings more systematically.

Since the last peer review, Norway has taken steps to increase transparency in its development co-operation, including by making the entire Norwegian aid data from 1960 to the present accessible on Norad's website, and working towards implementing its Busan commitment on transparency. The Government communicates its development results in a transparent and open manner, but it should develop a formal communication agenda to ensure a more targeted approach to distributing its results through the most optimal channels to reach the target audience.

Recommendations

6.1 Norway should further improve its system of learning by implementing the formal management response system including making clear reporting lines and follow-up responsibilities on evaluation recommendations.

6.2 Norway should ensure consistent quality across all evaluations, including decentralised ones, to improve its aid programme's evidence base.

7 Norway's humanitarian assistance



Indicator: The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings

Main Findings

Norway remains a significant humanitarian donor, and enjoys wide public and political support for its humanitarian efforts. It has wide-ranging policy ambitions on the global humanitarian stage, aiming to work through both humanitarian funding and diplomacy to advance humanitarian issues, improve the quality of the international response effort, and increase focus on crisis prevention.

Norway has also worked to increase the flexibility and predictability of its humanitarian funding, introducing multi-annual partnership agreements with major partners, including non-governmental organisations (NGOs), which also help to make these partnerships more strategic. Partners appreciate their close, frank and open relationship with Norway's humanitarian team. Norway is also actively reaching out to new donors.

Rapid response mechanisms are effective, with smaller crises covered by Norway's significant contributions to the global Central Emergency Response Fund (CERF) rapid response mechanism, supplemented by a funding reserve, goods and standby personnel for responses to major crises. In other areas, Norway remains a very principled donor in terms of civil-military co-ordination, and has a solid approach to training its staff in humanitarian issues.

Results of the humanitarian programme are communicated to Parliament and an annual report is then published, demonstrating accountability.

There has also been good progress in a number of other areas, which now needs to be consolidated. Firstly, Norway would benefit from demonstrating how the array of humanitarian interest areas outlined in the humanitarian policy have been translated into actual grant decisions each year. This would help avoid any potential misperceptions over the principled nature of Norway's funding decisions. As with other donors, Norway could also review how its early warning information could be systematically translated into early response, building on recent experience in the Sahel.

Secondly, Norway takes a pragmatic and sensible approach to supporting recovery from crises, through flexible, longer-term humanitarian funding that allows programmes to adapt as the context evolves. Good efforts have also been made to link the climate change and humanitarian approaches; the two teams provide joint support to national adaptation plans and partner initiatives. However, the humanitarian team has mostly separate reporting lines from their development colleagues; this creates structural challenges for a coherent approach to crises; crisis prevention is the main casualty. The move away from partner country strategies has not helped, as there is now reduced space for Norway to analyse disaster and crisis risks at the country level, and thus to ensure that development programmes include appropriate risk reduction measures.

Finally, without measurable expected results for Norway's humanitarian donorship and humanitarian diplomacy, it is difficult to measure progress objectively. Partner efforts are monitored unequally – with NGO partners subject to greater scrutiny than their UN counterparts, and lessons from partner evaluations are not actively disseminated.

Recommendations

7.1 Norway should promote greater synergies between humanitarian and development programmes, especially in the areas of crisis prevention and risk reduction.

7.2 Norway should set clear expected results for its humanitarian funding and humanitarian diplomacy.

Report

Chapter 1: Towards a comprehensive Norwegian development effort

Global development issues

Norway focuses on and contributes strategically to global issues that are important for the country and for the international role it plays, such as peace and conflict resolution, global health, and climate change. Its strategy is to focus on a few themes within which it can make an impact, and then expand on these globally. This concentrated effort enables Norway to punch above its weight on the global stage. Its commitment to leading in critical and challenging global development issues is commendable.

Norway offers a strategic and growing contribution to global development

Norway recognises that globalisation and geopolitical changes present new opportunities as well as challenges for development (MFA, 2009b). It is in Norway's national interest as a small, open economy to promote strong international norms, institutions, and rules (or global public goods) as well as help build a better organised world.¹ At the heart of its foreign policy lies its commitment to democracy, the rule of law and individual human rights, combined with its dedication to open, tolerant societies. Preventing conflicts and promoting peace also rank high on its list of priorities. As such, it is among the more progressive voices in the global development landscape, committed to critical and challenging development issues. For example, Norway:

- > plays an important mediator and facilitator role with Cuba in the Colombian peace process, having helped launch peace negotiations between the Colombian government and the Revolutionary Armed Forces of Colombia in 2012;
- > supports peace and development efforts in the Middle East, chairs the Ad Hoc Liaison Committee for Assistance to the Palestinians, and is one of the main contributors to the humanitarian efforts in Syria;
- > plays an active role in the international negotiations under the UN Framework Convention on Climate Change and is tackling global climate challenges by sponsoring innovative solutions, such as its International Climate and Forest Initiative, and by co-operating with other countries in such forums as the Barents Euro-Arctic Council;
- > works to strengthen the protection of minorities by raising their issues at the political level, including hosting major international conferences on discrimination and violence against religious and sexual minorities; and
- > plays a leading role in promoting gender equality and women's rights internationally and in following up on the UN Security Council Resolution 1325 on women, peace and security.

In its white paper on foreign policy, *Interests, Responsibilities and Opportunities* (MFA, 2009b), the Government states that in an increasingly global society its foreign policy interests "can no longer be limited to narrow self-interest." An international

legal order and multilateral regimes are vital for safeguarding such interests. In particular, it focuses on foreign policy areas that are important for Norway and the international role it plays. Norway's strategy is to focus on a few themes within which it can make an impact, and then expand on these globally. This concentrated effort enables Norway to punch above its weight on the global stage

Policy coherence for development

Indicator: Domestic policies support or do not harm developing countries

Norway adheres to the DAC's 2008 recommendation to develop an overall approach to policy coherence for development. Policy co-ordination appears to be a natural part of the Norwegian Government's decision-making processes which tend to involve making decisions through inter-ministerial co-ordination. Although submitting several stock-taking reports on policy coherence for development to its parliament has been a positive start, Norway needs to define a clear agenda on a few select incoherence issues that could serve to stimulate broader discussion, and rally political support to address difficult issues and foster lasting policy change.

Norway has a process in place to promote policy coherence for development

Norway is committed to, and advanced in; implementing development-friendly and coherent policies² with clear links made to poverty reduction and internationally-agreed development goals, particularly the Millennium Development Goals (MDGs). The *Soria Moria Declaration* (Office of the Prime Minister, 2005) forms the basis of the current government's policy, and outlines its commitment to coherent foreign, security, economic, and environmental policies. Later in 2008, the importance of establishing coherent policies for development was discussed by the government-appointed Policy Coherence Commission in *Coherent for Development?* (GoN, 2008), which identified the aspects of Norwegian policy that have direct effects on poor countries. The white paper, *Climate, Conflict and Capital* (MFA, 2009a), followed in 2009, in which the Government details its approach to policy coherence for development in accordance with recommendations of the Commission. The white paper places development policy within the context of wider foreign policy and security issues, and provides a stronger framework for ensuring coherence between domestic and development policy for reducing poverty in developing countries.

Norway is managing conflicts of interest between its development policy and its other policies

Norway's efforts towards addressing policy incoherence include formal and informal mechanisms for inter-ministerial co-ordination and policy arbitration involving all relevant ministries. Coherence issues are regularly discussed at the Cabinet level, with the Prime Minister's Office playing a facilitator role in ensuring general policy coherence in government (MFA, 2013a). In terms of the co-ordination of policy coherence for development within the Government offices, the Norwegian Ministry of Foreign Affairs (MFA) acts as the main conduit for inter-ministerial co-ordination and manages conflicts of interest between its development policy and its other policies. It takes the lead in analysing potential areas of policy conflicts

and working with other ministries on resolving issues of incoherence. Efforts are largely ad-hoc, focusing on specific issues (e.g. environment, international trade and migration) as they arise, and there is a need for cross-government thinking towards achieving a specific goal.

Norway needs to implement adequate systems for monitoring, analysis, and policy feedback to deliver on its broad vision and demonstrate results

Since the last peer review, the Ministry of Foreign Affairs has established annual routines for evaluating and reporting on the coherence of Norwegian policy as part of its budget proposals to the Storting.³ In its first report on policy coherence for development in 2011, the Ministry analysed the effect of Norwegian policies on, and the benefits of, coherence in six global challenges identified as affecting the development potential of developing countries (MFA, 2012b).⁴ The second annual report for 2012, *Energy and Development*, is narrower, but deeper and more concrete in focus, and studies coherence between Norway's business and development policies, particularly as regards investments in the energy sector (MFA, 2013b).⁵ While the annual policy coherence reports are a positive start, they respond only partially to the 2008 peer review recommendation. Aside from the political debate they generate when they are presented to the Storting, there is no clear evidence that the reports have inspired actual changes in policies. They remain stock-taking reports based on self-reporting and without measurable indicators to track progress, or address impact. The Government considers preparing the annual report as an important objective as well as a means to encourage further debate among decision-makers and the public more generally. Nevertheless, the reports, co-ordinated by the Ministry of Foreign Affairs, are subject to agreement among all ministries, which may result in more critical issues not being addressed. The reports have been criticised by the Norwegian civil society for being "too self-congratulatory and not critical enough."⁶

To help overcome this problem, the Ministry of Foreign Affairs could commission longer-term studies to analyse potential areas of policy conflict in order to have solid evidence to underpin discussion with other ministries. This was suggested in the last peer review, but was apparently not done. Norway would also benefit from developing a specific, time-bound coherence agenda that would enable it to target its analysis to a select number of important issues of potential (or real) incoherence. This coherence agenda should establish cross-governmental objectives that are agreed to and owned by all ministries, as well as a plan for achieving them. Norway could incorporate the recommendations of the OECD Council on monitoring policy coherence for development (OECD, 2010), as well as draw on the expertise of civil society and independent research institutes. Developing such an agenda could stimulate broad-based discussion on policy coherence and garner political support to address difficult issues.

Norway is tackling incoherence

Norway is tackling instances of incoherence in specific areas of its policy. Since 2009, the Norwegian Government Pension Fund–Global has taken an increasingly activist role with its ethical guidelines barring it from making investments that may contribute to, among other things, human rights violations, corruption, or environmental damage. Nevertheless, the environmental and natural-resource implications of the production and supply chain of the companies in which the Fund invests had not been the key focus of selection criteria – until recently.⁷ In September 2012, the Government implemented a new policy to correct this incoherence by requiring companies to disclose their impact reports on tropical forests to be compliant with the broad Norwegian policy to reduce global deforestation, a key pillar of its policy on climate change and sustainable development (OECD, 2013a).

Engaging in partner countries: Co-ordinated government approach at country level

Indicator: Strategic framework, institutional structures and mechanisms facilitate coherent action

Norway has a sound strategic framework for ensuring co-ordinated and cohesive development co-operation in key areas, such as climate change, peace-building, gender equality, and global health. However, the lack of whole-of-government strategies hinders co-ordination of its approach at the operational level in partner countries.

Norway is taking a more co-ordinated approach in partner countries

Norway has adopted a whole-of-government approach in some areas of its development co-operation, namely in the Oil for Development, renewable energy and climate change initiatives (Box 1.1.), and in its support to fragile states, particularly Afghanistan. Here humanitarian and development aid had followed Norwegian forces, although, according to MFA officials, this occurred without a coherent whole-of-government strategy (see also de Coning et al., 2009).

Norway no longer develops multi-year aid strategies for its partner countries. Instead, aid activities are defined and outlined by the embassies in their annual work plans according to the priorities set in their appropriation letters. Nevertheless, as the peer review team observed in Guatemala, a co-ordinated approach at the partner country level is difficult without a whole-of-government approach. For example in Guatemala, the embassy's annual work plan only covers activities that it directly administers, keeping the rest of Norwegian programmes in the country outside of its radar screen.

Norway also sees the importance of using other public and private resources, including innovative financing, in its whole-of-government approach to meet the many global development challenges. In *Business Creates Development* (MFA, 2012c) Norway presents its foreign policy framework as well as many other instruments and channels for co-operating with the private sector. Its new emphasis on sustainable economic growth and the private sector, particularly stimulating private investment in renewable energy production in developing countries, is

aligned with the Busan Outcomes regarding public-private co-operation. This shift is also marked by an emphasis on aid as an impetus to expand Norwegian business and investment in the poorest developing countries.

Box 1.1 Oil for Development: Whole-of-government approach to capacity development

Norway, through its Oil for Development programme, assists developing countries in establishing a legal framework and credible institutions to manage their petroleum resources in a way that helps reduce poverty and preserve the environment in the long term. The Oil for Development is led and steered by four ministries (Foreign Affairs, Petroleum and Energy, Finance, and Environment), underscoring its political importance. The majority of its activities are focused on enhancing the capacity of government and civil society staff. Because no support is given to commercial stakeholders, it is able to maintain impartiality and avoid potential commercial conflicts of interest. For instance, the Norwegian oil company, Statoil, is active in countries (Angola, Nigeria, and Tanzania) where the Oil for Development programme operates. The Oil for Development's annual funding has increased almost five-fold from NOK 70 million in 2006 (the first full year of operations) to NOK 340 million in 2012.

In 2011, the Oil for Development programme was active in 22 countries, including 11 fragile states (as listed in OECD, 2013b), with many ranking in the lower-third of the Corruption Perception Index (Transparency International, 2012). Given the centrality of corruption in oil-rich developing countries, the Oil for Development emphasises incorporating good governance within the core activities of its programme. However, a recent evaluation has revealed that good governance has not been given enough focus, with too few targeted activities (Norad, 2013a). The programme takes a relatively narrow anti-corruption approach, only addressing project-specific risks, rather than corruption problems more generally (Kolstad et al., 2009). Moreover, its focus on staff capacity development in itself may not automatically induce institutional change. The Norwegian Agency for Development Co-operation (Norad) is aware of the need to invest more in understanding the political economy of recipient countries, and is taking action.

Norway could strengthen its whole-of-government co-ordination and manage trade-offs between competitive priorities more transparently

Norway deals with country-specific issues and manages trade-offs between competing priorities through holding formal or informal inter-ministerial discussions. However, for example, strategies for fragile countries do not always outline clear whole-of-government priorities, another critical issue cited in an independent assessment of Norway's whole-of-government approach to Afghanistan (de Coning et al., 2009). These are often consensus documents that outline the different interventions, but not the synergies between them.

Establishing a formal institutional mechanism for inter-ministerial co-ordination for development could make relationships between the Ministry of Foreign Affairs

and other ministries, between aid actors (the Ministry, Norad, Norfund, and FK Norway) and, more broadly, the workings of whole-of-Norway in the context of Busan Partnership's financing for development more efficient. In addition, Norway is currently updating its state- and peace-building policy with a more holistic focus on improved internal co-ordination among participating ministries, ensuring that common, or at least complementary, priorities are defined in its approach to fragile states in the future.

Financing for development

Indicator: The member engages in development finance in addition to ODA

Norway promotes ODA as a catalyst for private investment in development efforts in partner countries, particularly in the natural resource and energy sectors. Using aid in this way is increasingly important for Norway due to the strong focus on private sector development outlined in recent policy statements, as well as the middle-income status of several of its major partner countries. Moving forward, it must ensure that development objectives and partner country ownership are the focus of the activities and programmes it supports. Norway could achieve greater development impact by focusing on creating a beneficial climate for investment and business in partner countries.

Norway promotes ODA as a catalyst for increasing private flows

In *Climate, Conflict and Capital*, the Government states that it would increase partnership with the private sector and encourage the use of aid as a catalyst for increasing private contribution and stimulating greater commercial investment in developing countries (MFA, 2009a). Norway has a range of aid-funded support programmes for this purpose.⁸ Its development finance institution, the Norwegian Investment Fund for Developing Countries (Norfund), for example, uses equity capital, loans, and guarantees to help “establish sustainable, profitable businesses that would otherwise not be established due to a high risk” (MFA, 2013a), particularly in the three priority sectors: renewable energy, finance, and agribusiness.⁹ Equity investments account for 80% of Norfund’s invested capital, and around half of its capital is invested in renewable energy (ibid). Norfund committed NOK 1.2 billion (USD 212 million) in new investments in 2012 on top of NOK 8.3 billion (USD 1.4 billion) already committed for that year (Norfund, 2012). Norfund activities are complemented by Norad’s small business start-up support programme that mainly consists of grants for feasibility studies, training of local employees, infrastructure investments for establishment of the business, measures to strengthen environment, health and safety standards, and corporate social responsibility. Norad’s focus on the Norwegian business sector with programmes

such as Business MatchMaking is appreciated by Norwegian companies.¹⁰ However, Norway could achieve greater development impact by focusing more directly on creating a beneficial climate for investment and business in partner countries.

ODA accounts for the majority of Norway's official development finance to partner countries

ODA generally accounts for almost all of Norway's official development finance. Norway's other official flows (OOFs), mainly investment activities in developing countries (equities and other bilateral assets), were USD 0.7 million in 2010, accounting for a mere 0.01% of its total official flows to developing countries. After a steep fall in 2008, Norway's net private flows to developing countries substantially increased in 2009 (USD 895 million) and 2010 (USD 1.5 billion), although 2010 was still below the pre-crisis level of USD 2.6 billion in 2007. Missing from these figures are the vast investments made overseas, including developing and emerging economies, by the Norwegian Government Pension Fund–Global – the world's largest sovereign wealth fund valued at more than USD 730 billion.¹¹

Norway reported all Norfund's operations as ODA equities, which peaked in 2007 (USD 265 million) and then declined the following year.¹² These figures rose again in 2010 and 2011, reaching USD 286 million. A recent DAC review of development finance portfolios and reporting in statistics revealed that Norfund's outflows consisted of both loans and equity investments. Norway should distinguish between equity and loans in DAC reporting, particularly with regard to ODA, because the grant element for each individual loan must be calculated.

Norway is increasing its efforts to combat illicit capital flows

Norway recognises the importance of better regulation of international financial flows and capital in development, particularly, addressing corruption as central in helping resource-rich developing countries escape the "resource curse." Illicit capital flight has become a priority because it falls within the resource and financial management expertise that Norway has developed in its four decades' experience of managing vast oil reserves (Box 4.1.). A new white paper, *Sharing for Prosperity*, addresses the issues of equitable distribution of resources and opportunities (MFA, 2013c) and details increased efforts to stop illicit capital flight out of poor countries (through anti-corruption and money laundering programmes). Norway also actively supports international initiatives, such as the Extractive Industries Transparency Initiative (by hosting its secretariat), the Leading Group on Innovative Financing for Development, and the OECD's Oslo Dialogue on fighting tax crimes and other illicit financial flows. Finally, it has for many years also contributed towards multilateral efforts to implement international standards by supporting the Global Forum on Transparency and Exchange of Information for Tax Purposes hosted by the OECD.¹³

Notes

1. Foreign policy address by the Minister (www.regjeringen.no/en/dep/ud/whats-new/Speeches-and-articles/e_speeches/2013/address_february.html?id=714380, accessed on 18 May 2013).
2. Norway was ranked second overall in 2012 Commitment to Development Index (CGD, 2013).
3. MFA's annual PCD reports are prepared on the basis of contributions from relevant ministries, and are consensus documents that outline the benefits of coherence for different policies.
4. These are: access to knowledge and technology; economic growth and social development; climate change and sustainable development; peace and security; global health; and human rights and gender equality (MFA, 2012b).
5. In particular, it reports how the government is ensuring that Norwegian companies working in poor countries exercise good social, environmental, and governance standards, in line with its Corporate Social Responsibility in a Global Economy (MFA, 2009c).
6. As quoted in Norway's memorandum (MFA, 2013a). In response to the MFA report, the Norwegian Church Aid published a "shadow report" on the same issue, with the aim of presenting a more "independent" evaluation on coherence as an advocacy tool to foster change in government policies to make them more supportive of developing countries' goals for development (Norwegian Church Aid, 2011).
7. Several campaigners targeted the Fund for continuing to invest in companies associated with deforestation, especially timber, palm oil, mineral, and wood pulp production (Rainforest Foundation Norway and Friends of the Earth Norway, 2012).
8. In terms of non-ODA support, the Norwegian export credit agency, GIEK, offers (political risk) guarantees to Norwegian companies for investments in and exports to developing countries under its Developing Countries Scheme (www.giek.no/resources/rapporter/Annual_report_2012.pdf, accessed on 22 May 2013).
9. Norfund obtains its capital from both the aid budget as well as the dividends and sales of assets in former investments (MFA, 2013a). Norfund's loans are also issued on commercial terms.
10. The majority of the recipients of Norad's programmes are small- and medium-sized Norwegian companies. In 2011, Norad spent NOK 45 million (approximately USD 8 million) to support business activities in developing countries.
11. Source: SWF Institute (www.swfinstitute.org/fund-rankings/, accessed on 13 June 2013).
12. The fall could be partly explained by the partial sale of Norfund's shares in SN Power in 2009 which had been registered as a negative investment.
13. In its 2011 review by the Global Forum, Norway has been commended as having "a very high standard" with a comprehensive legal and regulatory framework for transparency and exchange of information (OECD, 2011).

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Chapter 2: Norway's vision and policies for development co-operation

Policies, strategies and commitments

Indicator: Clear policy vision and solid strategies guide the programme

The 2008 peer review praised Norway's progressive vision on development co-operation. Since then, Norway has mapped policy directions for its development co-operation in several new white papers on foreign policy, development assistance, and humanitarian aid, and has worked to integrate further these sectors. These white papers and their Parliamentary recommendations form the basis of Norway's aid policy framework and commitments, with clear links to the Millennium Development Goals. While Norway has maintained poverty reduction as its main objective, a growing number of additional priorities, each with its own policies and strategies, has added additional layers of complexity.

Norway's policies and strategies are in line with international commitments and guidance

Norway frames its aid both according to its own societal values as well as its role in the world. This ensures public support of a relatively large, and expanding, amount of aid. Since the 2008 peer review, the Government has mapped policy directions for its development co-operation in several new white papers on foreign policy, development assistance, and humanitarian aid, and has worked further to integrate these policy sectors, particularly in environmental protection, with poverty reduction as its overall goal. As described in *Interests, Responsibilities and Opportunities*, development imperatives are the heart of Norwegian foreign policy (MFA, 2009b). It aligns its foreign policy with development initiatives dedicated to the rule of law and human rights, believing that these are the fundamental values that foster peace and sustainable development.

The comprehensive white paper, *Climate, Conflict and Capital* (MFA, 2009a) covers a range of sectoral, thematic, and cross-cutting issues. It is a key reference for the Government's development policy objectives, an update of the 2003 version that reflects current changes in the global landscape. As its title indicates, Norway considers climate change, violent conflicts, and lack of capital to be the most important challenges in the fight against poverty. It elaborates its policy further in three individual white papers, each covering a thematic priority: *Towards Greener Development* (MFA, 2011a); *Global Health in Foreign and Development Policy* (MFA, 2012a), and *Sharing for Prosperity* (MFA, 2013b). Additionally, Norway details its policies and strategies on humanitarian assistance in the white paper, *Norway's Humanitarian Policy* (MFA, 2009c). These white papers and their respective recommendations from the Storting form the basis of the Government's aid policy framework and commitments, with clear links to the MDGs.

Norway could implement its policy priorities more effectively by setting clear expected results

Norway's development policy remains focused on its objectives of achieving poverty reduction, social justice, and sustainable development, as set out in the *Soria Moria Declaration* (Prime Minister's Office, 2005), and its development co-operation policy and strategy are formalised in the MFA's annual budget plan. In 2013 the budget proposal of NOK 30.2 billion, or approximately USD 5.2 billion, is allocated across eight strategic areas of focus with several priorities directed by the Norwegian aid programme.¹ However, as was recommended by the DAC in 2008, setting out expected results and providing guidance on translating its different thematic policies in its budget plan and white papers could help Norway implement policy priorities more effectively.

Decision-making

Indicator: The rationale for allocating aid and other resources is clear and evidence-based

Norway no longer identifies a set of partner countries to which it prioritises its ODA allocations. It is increasingly directing its development co-operation towards assistance based on thematic initiatives. Without clear funding criteria, its strategy for allocating bilateral aid is not always apparent so the evidence basis of its decisions is not easily seen. Such interventions could lead to sub-optimal results, thus risk undermining Norway's international credibility and could have long-term consequences. However, Norway's new policy and strategy for co-operation with the UN system, in addition to its multilateral performance assessments, should provide the prioritisation it needs to manage multilateral aid allocations in the future.

Norway should develop a clear and evidence-based strategy for allocating its growing ODA budget

Norway takes a flexible approach when it comes to allocating aid and other resources, choosing channels, instruments, sectors and partners based on appropriateness and efficiency, though also considering possible risks. Because of this flexibility, however, Norway's policies and strategies do not always provide a sufficient rationale for where, when, and how it invests its resources. For certain priority sectors or programmes, such as its Climate and Forest Initiative, the decisions on where to focus its bilateral aid have been essentially political, and in some cases, without proper analyses to ensure feasibility, sustainability, and the ability to achieve intended results. As the previous peer review recommended, establishing clear criteria and evidence-based strategy to guide its resource allocation decisions could help Norway avoid getting involved in situations where it has no clear comparative advantage or understanding of the context.

Norway is strengthening its approach to multilateral ODA

Norway views the multilateral system as complementary to its bilateral efforts, particularly in sectors where there are many donors and where it believes it is more effective to use multilateral channels, such as health and education. Aligned with a UN-led world order (MFA, 2009a), Norway continues to prioritise the UN system in its multilateral allocations, with humanitarian assistance comprising a large and important share. Through taking an active role on the executive boards of the multilateral organisations it supports, Norway works hard to influence the aid policies, strategies, and programmes of these organisations², and promotes the

UN reform to, among other things, strengthen results management practices.³ It is also working through the Multilateral Organisation Performance Assessment Network (MOPAN) to incorporate better results-based management and increase effectiveness.

The 2008 peer review recommended that Norway develop an overall strategy for engaging with multilateral organisations, and this has been done, at least for the UN system. The new white paper, *Norway and the United Nations*, describes its overall policy and strategy for this co-operation (MFA, 2012b). It also lists criteria that can be used to assess relevance and effectiveness to inform budget priorities.⁴ As Norway moves forward it should ensure its evaluations of agency performance complement those by MOPAN and other joint efforts. Also, given the increased importance of earmarked (multi-bi) support due to its thematic focus, the Government should endeavour to strike an appropriate balance between core and non-core funding.

Norway's approach to bilateral ODA has a clear sector focus

Norway no longer identifies "priority" partner countries. It is increasingly directing its development co-operation toward targeted assistance based on thematic initiatives, where it can make the greatest and most strategic contributions, including politically. However, Norway reserves a sub-set of developing countries as long-term and more substantial partners. The Norwegian memorandum lists 15 countries (12 LDCs and 3 LMICs), and all but two (Sri Lanka and Timor-Leste) were featured in its top 20 aid recipients in 2010-11.⁵ In addition, Brazil, Guyana and Indonesia have emerged as Norway's new substantial partners due to launching the International Climate and Forest Initiative in these countries.

Priorities and focus areas for each of these partner countries are detailed in their embassies' annual budget letters, and integrated into their work plans. For its main fragile-state partners (e.g. Afghanistan and Sudan), the Ministry of Foreign Affairs has established country teams to ensure an integrated approach to its development co-operation. Norway also provides differentiated development co-operation to fast-growing economies like India, Vietnam, Bangladesh, and Angola, by concentrating on institutional capacity building and knowledge transfer, as well as using aid to attract private finance to stimulate investments.

Policy focus

Indicator: Fighting poverty, especially in LDCs and fragile states, is prioritised

Norway's priorities to combat poverty and focus on fragile states are reflected in its policies and strategies, and aligned with DAC guidance. To strengthen this focus, it should clarify the criteria for identifying partner countries. Norway has incorporated gender equality and women's empowerment across its programmes. While it has also made progress with integrating environment and climate change, it needs to do more in terms of its other cross-cutting issues, particularly anti-corruption. Norway should continue to maintain the cross-cutting nature of these issues in its aid programme as well as strengthen the links between development and humanitarian assistance. Though limited now, defining a strategy and mechanisms to strengthen these links for countries emerging from crisis would support its goals.

Norway's focus on poverty reduction could be made clearer

Norway has traditionally prioritised poverty reduction as the central tenet of its development policy, specifically linking this to the achievement of the MDGs (MFA, 2009a). The Norwegian government takes rights-based approaches to poverty eradication, promoting them in both foreign and development policy. In particular, as described in the white papers, *On Equal Terms* (MFA, 2008); *Climate, Conflict and Capital* (MFA, 2009a); and more recently, *Sharing for Prosperity* (MFA, 2013b), poverty reduction is balanced with addressing "the unequal distribution of power within and between countries, as well as the conditions that underpin injustice, oppression and discrimination" (MFA, 2009a). In Guatemala, for example, Norway mainly supports the indigenous population in their fight against inequalities and discrimination through working with CSOs and multilateral organisations and not directly with the national government, although it does consult with the government during the programming process (see Annex C).

To solidify gains in poverty reduction, Norway addresses its root causes. For instance, any progress made in poverty reduction can be thwarted by environmental degradation and results of climate change. Norway aims to fully integrate sustainability into the development agenda of its partner countries by promoting responsible management of their natural resources and renewable energy sources. However, its selection of partner countries and resource allocation criteria do not appear to prioritise the poorest countries or the poorest people within countries in all cases. Norway should aim to make a clearer connection to poverty reduction across all of its integrated programmes.

Norway should continue to prioritise integrating cross-cutting issues

Norway has taken actions to ensure that cross-cutting priorities (i.e. gender equality, environment and climate change, and anti-corruption) are considered throughout its programmes. While it has incorporated gender equality and women's rights well due to a special effort, and made progress with integrating environment and climate change, it needs to do more in regards to anti-corruption. The peer review team found that, as the responsibilities of incorporating these issues are left to programme managers, the process is not always followed up systematically. Other than generic procedural guidelines, there are no mandatory requirements as to the way these issues should be integrated. Without quality assurance, success relies on the available resources and the uneven competencies of the individual programme managers. Norway should give higher priority to Norad's quality assurance for cross-cutting issues as outlined in its *Strategy Toward 2015*. It could introduce a system for incorporating cross-cutting parameters into decision-making and policy formulation processes before launching new initiatives. Furthermore, Norad could consider conducting reviews, similar to its Gender Reviews, to assess the progress of incorporating anti-corruption and environmental measures. These reviews should examine: i) whether focal points have sufficient authority and support; and ii) the ways in which incorporating these issues into larger global initiatives in oil, energy, and forestry are being addressed. For example, adding governance and environment-related activities to all project budgets might be considered.

A solid framework for supporting gender equality and women's empowerment

Gender equality and women's empowerment remain overarching priorities of the aid programme, promoted at the very highest political level, including Prime Minister Jens Stoltenberg's role as co-chair of the UN Commission on Life-Saving Commodities for Women and Children.⁶ Norway has institutionalised and has allocated sufficient resources, under a team of four advisers on gender in the Ministry and another six in Norad, to provide an additional boost to ensuring that gender equality is incorporated across its programmes. It has also emphasised stronger gender objectives in the multilateral agencies it supports. Norad's advisers support and provide guidance on gender mainstreaming in all key sectoral efforts. According to Norad, although progress has been slow in some sectors, such as gender sensitivity in energy, it is addressing these directly through targeted programmes ("gender in energy").⁷

Following the 2008 peer review, Norway introduced targeted funding for gender equality, establishing a solid management structure for goals and measuring against the *Action Plan for Women's Rights and Gender Equality* through to 2013. The Government is currently revising this Action Plan to integrate an improved structure for results management and reporting. MFA has also supported its embassies in conducting Gender Reviews, which are systematic analyses by Norad on ways in which gender can be better integrated at all levels within their development co-operation portfolios (Norad, 2011c). These reviews have cited management commitment as the most important tool for enabling a systematic approach to incorporating gender measures.

With gender-specific goals and reporting firmly in place, the Government reports that its bilateral aid to gender equality has considerably increased in recent years. According to a recent DAC Network on Gender Equality survey on donor approaches, Norway has designated six of its embassies as pilots for measuring and reporting results in policy and programmes on gender equality (Norad, 2013), expecting to generate tools for working and reporting that can be used by all embassies.

Environmental issues are being integrated more systematically

Norway has significantly expanded its bilateral aid to the environment and climate change since the last peer review. As shown in Chapter 3, the Government has singled out this sector as its priority for increased funding. On the basis of policy directions set out in its white papers, *Climate, Conflict and Capital* and *Towards Greener Development*, Norway is investing in reducing greenhouse gas emissions from deforestation and forest degradation in, among others, Indonesia, Brazil, and Guyana through its International Climate and Forest Initiative – a REDD+ partnership initiative. Aligned with its long tradition of engagement in the energy sector, it is promoting large-scale production of renewable energy (e.g. hydropower), including the expansion of electricity transmission and distribution grids, through its Clean Energy for Development Initiative. Norway's new International Energy and Climate Initiative (Energy+), modelled after REDD+, provides results-based aid to its partner countries to increase access to renewable energy and reduce greenhouse gas emissions.⁸

Since 2008 MFA has strengthened its field capacity by assigning additional staff (including specialists from the Ministry of the Environment) to work on environment and climate change issues as well as providing thematic training for staff at embassies. Its *Practical Guide on Assessment of Sustainability Elements/Key Risk Factors* was updated in 2010 to address climate change risk management, or climate proofing, when identifying, assessing and documenting the effects and risks of an aid programme for environmental and social sustainability. The Ministry of Foreign Affairs developed a strong inter-ministerial collaboration with the Ministry of the Environment to make its climate policy more development friendly and vice versa.

Aspects relating to good governance and anti-corruption still need to be better integrated

Supporting good governance is one of Norway's key priorities. Its *Sharing for Prosperity* establishes fundamental principles, and outlines the Government's position on what it terms the "Capital Agenda" issues within its development co-operation: equitable distribution of resources; anti-corruption; and illicit financial flows. There appears to be good inter-ministerial co-ordination between MFA, the Ministry of Justice and Public Security, the Ministry of Finance, and the Norwegian Tax Administration. At the international level, Norway actively promotes the UN Convention Against Corruption, and supports other initiatives, such as

the Corruption Hunter Network, and the World Bank's International Corruption Hunters Alliance. It also implements capacity development programmes for auditor-general's offices and tax administrations in partner countries which have anti-corruption components, and partners with outside experts and institutions, such as the U4 Anti-Corruption Resource Centre.

Norway has developed measures to uncover and handle corruption within development assistance contexts (see MFA, 2012c). In 2010, MFA opened a "whistle-blowing" channel within its Foreign Service Control Unit to solicit anonymous reporting of illegal conduct. And in 2011 Norad established a small unit⁹ within its Department of Quality Assurance to follow-up on reports of financial irregularities in aid. Additionally, Norway is one of the few DAC donors that publishes detailed annual reports on corruption cases involving ODA funds, and should be recognised for this proactive effort toward transparency. However, when faced with reports of corruption, Norway takes swift action to recover its money but seems less proactive when it comes to reducing the overall climate of corruption. It recognises the limitations, risks, and ethical dilemmas related to its zero-tolerance policy¹⁰, and has commissioned a study¹¹ to examine its pitfalls.

Nor does it have a strategy or policy framework to guide its involvement in highly fragile situations in which governance is especially weak unrelated to conflict or post-conflict situations. A different approach is required where governance is especially poor compared with where governance is managed by a willing and capable partner.¹² Norway recognises that more work remains to be done on integrating anti-corruption into its programmes.

Limited links between development and humanitarian aid

Despite policy documents that commit different areas of Norway's aid programme to improve support to risk reduction and transition programming, there seem to be limited incentives for co-ordination across the Norwegian government on these key areas. However, useful work is being undertaken to link climate change adaptation work with humanitarian programming, both on the global stage, and through joint support to national adaptation plans and to partner initiatives. Norway could study this model to strengthen links between humanitarian, stabilisation, and development teams.

Norway's policy for fragile states is sound

Norway's focus on fragile states is one of its thematic priorities for development co-operation. Its policy for engaging in fragile contexts (MFA, 2009a) focuses on conflict resolution and peace-building, with an emphasis on human security. The Government recognises the importance of the conflict and stabilisation agenda given that many of its long-term partner countries are fragile states, either in conflict or post-conflict transition such as Afghanistan, Sudan, Pakistan, Somalia, Haiti, South Sudan, and Liberia. Norway continues to update the state- and peace-building policy with a more holistic approach, including improved internal co-ordination. As a signatory to the *New Deal for Engagement in Fragile States*, despite some practical challenges at the country level, Norway has been actively promoting

the DAC Principles for Good International Engagement in Fragile States and Situations in its bilateral assistance and through its participation in the INCAF. According to its budget proposal for 2013, the largest proportion of its aid to fragile states will continue to be allocated to traditional areas, including humanitarian assistance, civil society, health and education, in addition to the security sector.

Notes

1. These are: more equitable distribution and democracy; climate change and the environment; energy for everyone; women's rights and gender equality; fragile states, conflicts and development; global health; education; and UN, humanitarian assistance and human rights.
2. Norway sits on the boards of WHO (until May 2013), UNITAID, GAVI Alliance (alternate), and since January 2013, is also vice president of the board of the UN development organisations (UNDP, UNFPA and UNOPS) on behalf of the Western European and Others Group.
3. Norway is a member of the Informal Working Group on the Results of UN Agencies that aims to strengthen results management by the UN development organisations (UNDP, UNFPA, and UNOPS). The other members include Canada, Germany, Sweden, the UK and the US.
4. Norway carried out its own assessments of multilateral organisations and global funds based on these criteria to inform budget priorities – most recently, it reviewed 29 multilateral organisations and global funds that received its support in 2011.
5. Norway's 15 long-term partner countries include: Afghanistan, Timor-Leste, Ethiopia, Liberia, Malawi, Mozambique, Nepal, Pakistan, Palestinian Territory, Sri Lanka, Sudan, South Sudan, Tanzania, Uganda, and Zambia (MFA, 2013a).
6. Norway's aid to gender equality is guided by its white paper, On Equal Terms, and the Action Plan for Women's Rights and Gender Equality in Development Co-operation. These are also supplemented by the whole-of-government Action Plan for the Implementation of UN Security Council Resolution 1325, and Women, Peace, Security: Norway's Strategic Plan 2011, 2013. Finally, Norway's Global Health in Foreign and Development Policy draws upon the UN Secretary-General's initiative, Every Woman Every Child, and emphasises a rights-based approach to promoting the health of women and children.
7. In 2010, Norad entered into a framework agreement with ENERGIA, a leading international network on gender and sustainable energy, to assist in this work (Norad, 2011b).
8. The Energy+ was launched as part of Norway's contribution to the UN Secretary-General's Sustainable Energy for All initiative in 2011.
9. The unit is comprised of one full-time manager supported by staff from the Department of Quality Assurance as needed.
10. A recent investigation by Norway's Auditor General's Office found MFA's anti-corruption measures inadequate and its follow-up of anti-corruption work in the UN funds and programme limited (OAG, 2011).
11. The study has been commissioned to the U4 Anti-Corruption Resource Centre of the Chr. Michelsen Institute (CMI) in Norway.
12. Studies have shown that donor anti-corruption efforts have been ineffective largely due to the unwillingness of corrupt governments to wholeheartedly implement reform (Kolstad et al., 2009). For example, the evaluators of the Oil for Development programme advised that Norway concentrate on countries "where the potential for good governance and pro-poor policies are greater" rather than those where rent-seeking interests are already embedded, and develop an explicit exit strategy. If a country does not follow-up on benchmarks that have been agreed upon, Norway should pull out (Norad, 2013).

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Chapter 3: Allocating Norway's official development assistance

Overall ODA volume

Indicator: The member makes every effort to meet ODA domestic and international targets

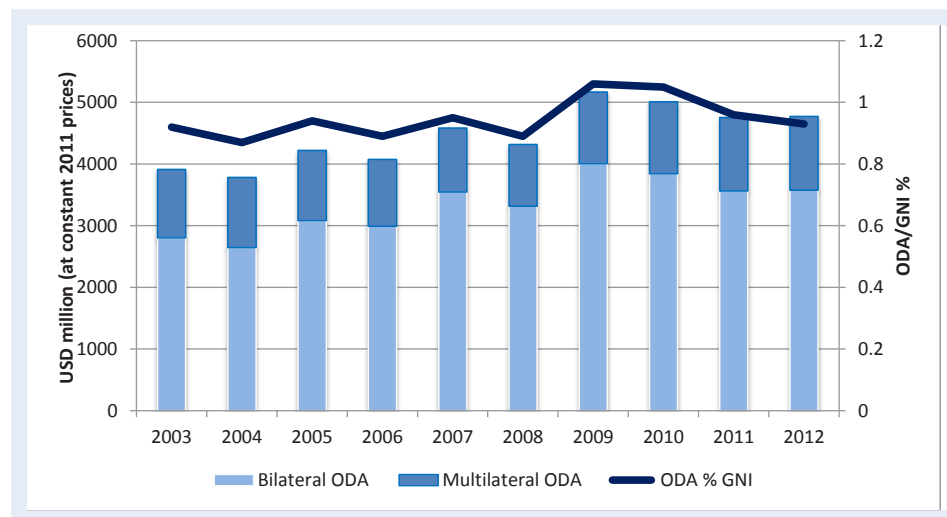
Norway has a long track record of setting generous aid targets. In 2012, Norway was the tenth largest donor by volume as well as the third most generous, allocating 0.93% (or USD 4.8 billion) of its GNI as ODA. Norway has managed to nearly hit its aid targets every year thanks to solid public and political support for development co-operation and a strong economy. As its ODA budgets are determined by a percentage of GNI, Norway's steadily growing economy is likely to result in higher levels of aid in future years. Yet while its overall ODA volume has been fairly predictable, allocations to target channels and countries have been less so, mainly as a result of a lack of strategic yearly planning at both central and at country levels.

Norway is commended for committing to keep ODA at 1% of gross national income

Norway has a long track record of setting generous aid targets, having exceeded the UN target of providing 0.7% of its GNI as ODA since the 1990s. Allocating 1% of its GNI as ODA has been a firm commitment of Jens Stoltenberg's centre-left government, one enshrined in the *Soria Moria Declaration* (2005), and which Norway has been able to meet thanks to a prosperous economy and strong, broad-based public and political support for development co-operation.

The September 2013 election resulted in a change of government. How this change will affect Norway's development policy and its aid volume will partly depend on the make-up of a new centre-right government. However, there appears to be consensus among political parties that at a minimum Norway's ODA target should not be set below 0.7% of GNI.

Figure 3.1. Norway's net bilateral ODA, multilateral ODA, and net ODA as a percentage of GNI in 2003-12



Sources: DAC statistics

Norway's ODA track record is in line with targets

In 2012, Norway was the tenth largest bilateral donor by volume as well as the third most generous, allocating 0.93% (or USD 4.8 billion) of its GNI as ODA. Every year Norway reserves one percent of its forecast GNI to fund its ODA target, ensuring both stability and predictability. Because its ODA budgets are determined as a percentage of GNI, Norway's growing economy is likely to result in greater aid in future years. Slight fluctuations that have occurred, as in 2011 and 2012, are typically due to a higher-than-projected GNI at the end of the year. For Norway, the challenge is not to meet its targets for development co-operation, but to allocate and manage these resources in the most effective way, despite the pressure to disburse funds.

Fairly transparent ODA reporting but a lack of systematic forward-looking information on future spending

While Norway's overall ODA volume has been fairly predictable, allocation by channel and country has been less so. As discussed in Chapter 2, Norway does not have a formal strategy for allocating funds to the different aid channels, nor does it have quantitative ODA targets for specific regions, country income groups, sectors or themes (with the exception of NOK 750 million pledged to Afghanistan until 2017). Funding decisions are made when the annual budget is developed, based on the policy priorities outlined in relevant white papers and on discussions with embassies regarding needs and opportunities. Further, the strong integration of development in foreign policy tends to influence allocation towards political *ad hoc* initiatives. A certain degree of predictability of Norwegian aid derives from the consistency over time of the Government's thematic priorities (such as the strong focus on human rights, democracy, and sustainable development), its long-term development partnerships with certain countries, and the shares of bilateral and multilateral allocations made on the basis of historical precedent.

Norway complies with the DAC recommendations on aid and the DAC rules for statistical reporting of ODA flows, and is taking steps to further improve its transparency. In June 2013, for example, it launched a new website to publish and maintain detailed monthly project information in line with International Aid Transparency Initiative (IATI) reporting. However, Norway does not have a tool to develop multi-year strategic planning and does not provide forward-looking information on future spending through the OECD Forward Spending Survey (OECD, 2011), as set out in the Busan commitment. Additionally, Norway should improve transparency of its reporting on development finance beyond ODA.

Bilateral ODA allocations

Indicator: Aid is allocated according to the statement of intent and international commitments

Since the last peer review, there has been a shift both in the geographic and income-level distribution of Norway's aid, with larger shares going to South America and global initiatives as well as to upper middle-income countries. Nonetheless, Norway's contributions to the least-developed countries and to Africa remain above the DAC average. In terms of geographic dispersion, Norway's ODA shares to top recipients have remained stable since the last peer review though slightly below the DAC averages. The environment and energy sector received the largest share of Norwegian bilateral aid in 2011, followed by the economic development and trade and the good governance sectors. Norway would benefit from developing a clearer timeline and invest more in identifying ways to make optimal use of the resources pledged for development activities in the context of its International Climate and Forest Initiative, where the aid disbursement rate has been low.

A shift in the geographic and income-level distribution of aid since the last peer review

Most of Norway's top aid recipients have been its partners for a long time. However, Norwegian development co-operation does not have a defined geographic focus (MFA, 2013b) and Norway has recently moved away from the concept of "priority country." Since the last peer review, there have been two main developments in Norway's aid allocations by region and income group (Figure 3.2):

- > aid shares to South America increased, accompanied by a slight fall in the share of aid to sub-Saharan Africa;
- > aid shares to LDCs fell, along with a considerable rise in aid to UMICs.

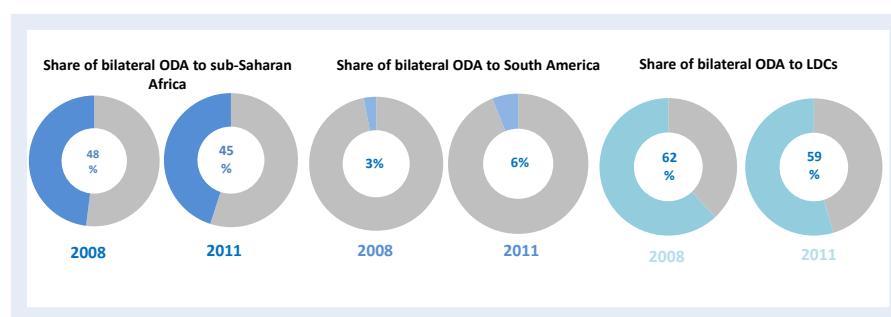
These two developments are mainly the result of an increased focus on thematic initiatives to support the provision or preservation of global public goods, and the importance that Norway now attaches to some new strategic partnerships, like Brazil, to tackle specific global challenges in climate change mitigation efforts. Although Norway has only disbursed a small part of its commitments to the International Climate and Forest Initiative, this trend in aid allocation by region and income group becomes even more apparent when aid commitments, targeted primarily to middle-income countries and in regions other than Africa, are taken into consideration.

Norway's contributions to LDCs and to Africa remain above the DAC average. In 2011 Norway disbursed 59% of its total bilateral aid allocable by country to LDCs, compared to a DAC average of 44%, and provided 45% of its bilateral aid allocable by region to sub-Saharan Africa, above the DAC average of 39% (Figure 3.2).

In terms of aid concentration, Norway's shares of bilateral ODA to top recipients have declined slightly, after being fairly stable since the 2000s (Table 3.1). These values are also just below the DAC averages of, respectively, 26% (top 5), 39% (top 10), and 52% (top 20) (Table B.4 in Annex B).

Norway's share of ODA provided as country programmable aid is fairly low, only 37% of its gross bilateral aid, mainly due to the large share (25%) reported as unallocated. In 2011, Norway provided country programmable aid to 85 countries, 45% of which were "significant" relations, meaning that Norway provided those countries with more than its global share of country programmable aid and/or is among the largest donors that cumulatively provide 90% of country programmable aid to those countries. This represents a slight improvement over 2007, when only 40% of Norway's relations were "significant."

Figure 3.2 Norway's bilateral ODA to sub-Saharan Africa, South America, and LDCs in 2008 and 2011



Source: DAC statistics

Table 3.1 Percent share of bilateral ODA to top recipients over time

	2000-04 average	2005-09 average	2010-11 average
TOP 5 RECIPIENTS	19%	18%	15%
TOP 10 RECIPIENTS	31%	28%	24%
TOP 20 RECIPIENTS	46%	39%	35%

Source: DAC statistics

In line with policy priorities, the environment and energy sector is the largest one, but contribution to other priorities is harder to track

Increasingly, Norway's development co-operation priorities are pursued through thematic initiatives, many of which are global in nature, even if not necessarily in scale: the International Climate and Forest Initiative, the International Energy and Climate Initiative, the Oil for Development, and the Tax for Development.

According to the MFA's statistical data, the environment and energy sector received roughly USD 768 million in 2011, making it the largest sector (22%) in Norwegian bilateral assistance that year. The economic development and trade sector received USD 714 million (20.5%), and the good governance sector followed closely with USD 703 million (20.2%) (see Figure 3.3).

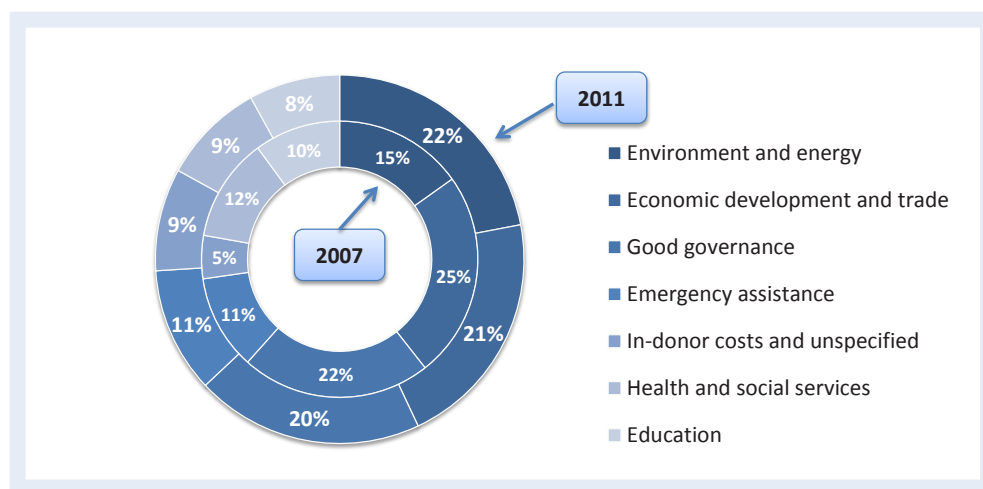
Since 2009 environment and energy has grown from the third largest sector in 2007 (15%) to the largest in 2010 and 2011. Larger ODA allocations reflect the growing attention that Norway places on environment and energy, long-standing priorities in Norway's development co-operation that were reaffirmed in its white paper, *Towards Greener Development* (MFA, 2011a), and through initiatives such as the Clean Energy for Development Initiative launched in 2007, the International Forestry and Climate Initiative launched in 2008, and the International Energy and Climate Initiative, or Energy+, launched in 2011.

For the Clean Energy for Development Initiative Norway disbursed approximately USD 273 million in 2011. While a small portion (USD 39 million, or 14%) was disbursed through multilateral organisations, the majority (USD 234 million) was allocated bilaterally, including USD 121 million through Norfund, the state-owned company that is mandated to contribute to the development of sustainable business activity in developing countries.

For the International Climate and Forest Initiative Norway pledged up to NOK 3 billion annually, approximately USD 517 million (Climate Funds Updates), but disbursement rates have fallen short (only USD 283 million).

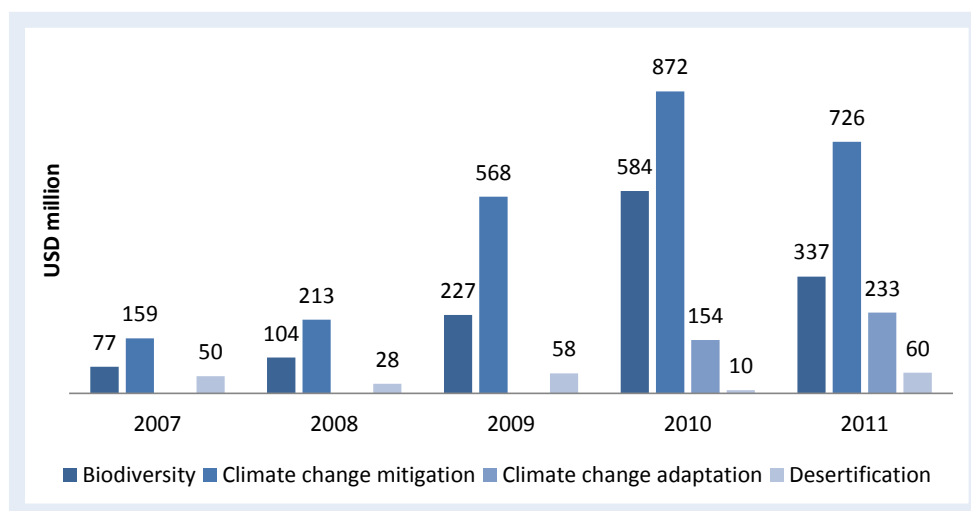
Norway's commitments to aid in support of the environment and climate change-related activities have been on the rise since 2007 (Figure 3.4).

Figure 3.3 Norway's aid sector allocations in 2007 and 2011



Source: MFA (2013a)

Figure 3.4 Norway's ODA commitments targeted at the objectives of the Rio Conventions, 2007-11

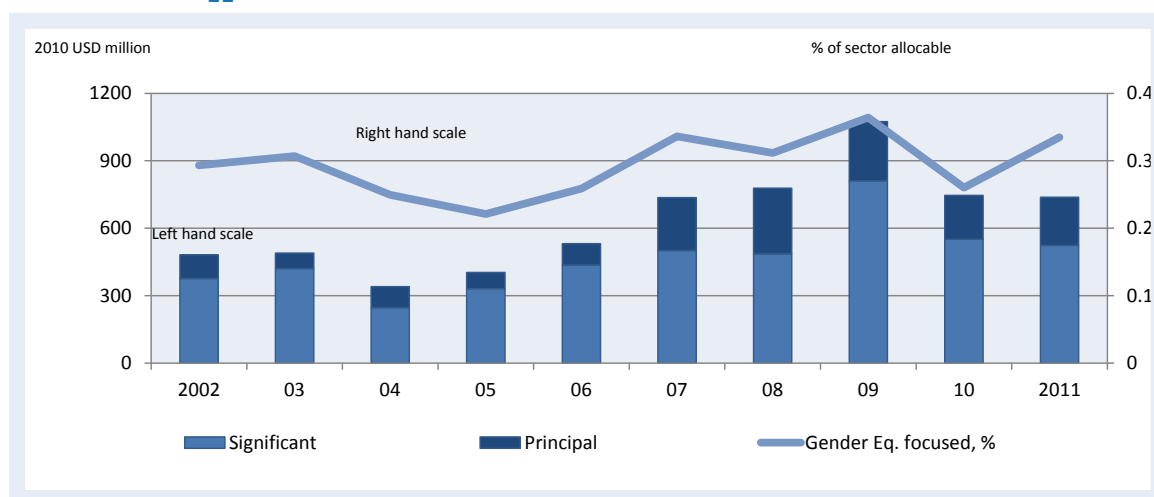


Source: DAC Statistics

Norway prioritises gender, climate and environment, and anti-corruption as cross-cutting issues that it aims to mainstream across its development programmes. As discussed in Chapter 2, the MFA recognises that while good progress has been made to mainstream gender and improvements were noted in integrating the environment, much remains to be done to mainstream anti-corruption.

Gender is a long-standing focus in Norway's development programme, both a thematic priority and a cross-cutting issue to be mainstreamed throughout. Since the last peer review, Norway extended the 2007 *Action Plan for Women's Rights and Gender Equality in Development Co-operation* (MFA, 2007) through 2013. To address the weaknesses highlighted in the evaluation of the previous strategy, the Action Plan had set to allocate sufficient resources to gender equality and women's empowerment and increase the percentage of targeted funding. Norway successfully accomplished this, as shown by the OECD gender marker data. Despite some fluctuations, overall aid allocations for activities with a primary or subsidiary focus on gender increased from USD 531 million in 2006 to USD 738 billion in 2011 (or 39% between 2006-11) (both figures in 2010 constant prices) (Figure 3.5).

Figure 3.5 Norway's ODA commitments targeted at the gender markers, 2002-11



Source: DAC Statistics

Multilateral ODA allocations

Indicator: Member uses bilateral and multilateral channels effectively

Norway lacks a strategy for the multilateral channel as a whole, but has recently outlined its policy with the United Nations in a new white paper. Occasional synergies between multilateral and bilateral assistance are noted, but they are not strategically factored into the decision-making process. Norway intends to provide more support to the UN organisations in the form of core contributions, but currently these are only 54% of the total funding to and through multilaterals. It does not have a formal policy on the proportions of core and non-core contributions. Although it has taken steps to strengthen the efficiency and transparency of its multilateral system, Norway should work more closely with other donors to ensure support is more co-ordinated and can achieve greater impact. The common guidelines that donors are currently developing to participate in UN's governing bodies are a good example of donor joint efforts to improve effectiveness of the multilateral system on which Norway can build.

There are occasional synergies between multilateral and bilateral assistance, but potential synergies are not systematically factored in the decision-making process

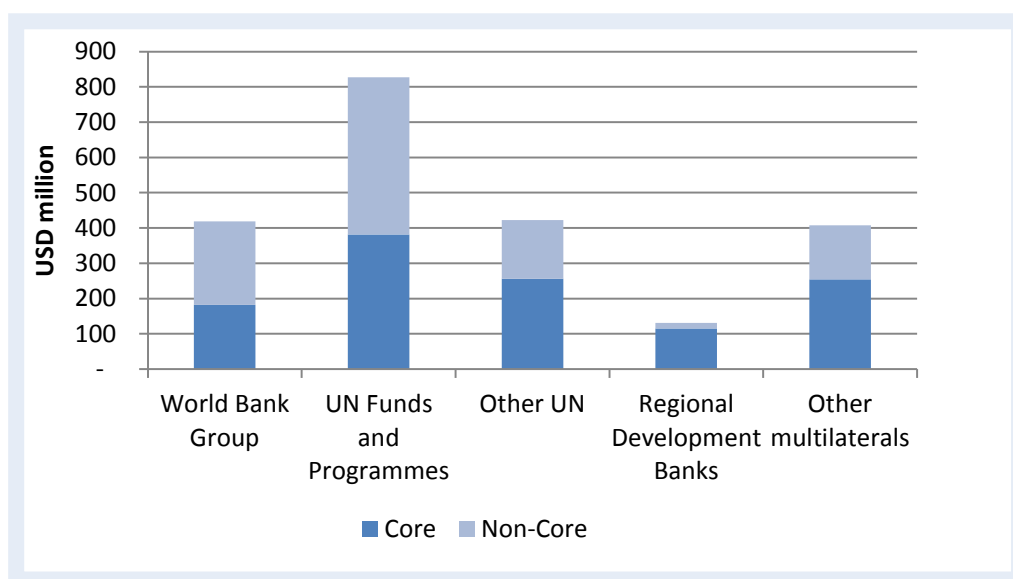
Norway lacks a strategy for the multilateral channel as a whole, but has recently outlined its policy with the UN in the white paper, *Norway and the United Nations: Common Future, Common Solutions* (MFA, 2012b). As a champion of multilateralism, working through and with the UN is especially high on its international agenda as a means to contribute to a well-functioning international legal order and to address international challenges that one donor alone cannot aspire to resolve. The MFA recognises that there are complementarities between the Norwegian bilateral programme and the work of multilateral organisations. This means mainly two things. First, Norway has shifted its bilateral focus away from certain sectors

(e.g. education) that it now mainly funds multilaterally. Second, Norway believes that multilateral organisations have a crucial role to play in some of its thematic initiatives, including Global Health, and Climate and Forest. Yet it lacks an overall strategic approach to factor in and develop potential synergies between the two channels in the decision-making process.

In 2011, Norway allocated USD 1.2 billion (or 25% of its net ODA) to the core budgets of multilateral organisations. When including the bilateral funding to multilateral organisations in the form of non-core contributions (multi-bi) in the same year, this figure almost doubles to USD 2.2 billion. Preliminary 2012 data suggest that core contributions to multilateral organisations match those of 2011 (USD 1.2 billion), while Norway's 2013 aid budget proposal shows a slight increase. Norway allocates over half of its core contributions, or USD 642 million (54%) to the UN system; USD 182 million (15%) to the World Bank group; and USD 115 million (10%) to regional development banks. In 2012, Norway's contribution to the UN accounted for 0.871% of its total budget (MFA, 2012). In the same year, Norway was the largest donor to UNDP and one of the largest to UNFPA in terms of core contributions.

Despite Norway's intention to provide more of its support to multilateral organisations through core contributions (MFA, 2012b), it has no formal or substantial policy on the proportions of core and non-core contributions. In 2011, core contributions represented only 54% of the total multilateral funding, with proportions between core and non-core varying according to the organisation (see Figure 3.6).

Figure 3.6 Norway's core and non-core allocations to multilateral organisations, 2011



Source: DAC Statistics

More joint efforts are needed to improve the effectiveness of the multilateral system

Norway has taken steps to make the multilateral system more effective and transparent, but should work more closely with other donors so that support to the multilateral system is co-ordinated and can achieve greater impact. Norway is a leading player on the governing boards of multilateral agencies, where it champions the need to mainstream a focus on gender and to achieve better development results. It has supported the UN in implementing its “One-UN” reform, as well as contributed to the joint budget reform of UNDP, UNFPA, UNICEF, and UN Women that seeks to grant greater member states’ insight into expenditures. Further, Norway has contributed to the board decisions on improved transparency by making the internal audit reports of UNDP, UNFPA, and UNICEF public.

Norway is a member of MOPAN, and is also currently developing with other donors common guidelines to participate in UN governing bodies (MFA, 2012b). Despite these joint efforts, Norway still demands accountability from its main multilateral partners through several bilateral channels, including reviews and requests to strengthen their internal evaluations processes. Interviews with multilateral agencies conducted for this peer review, including during the field visit to Guatemala, suggest that Norway may be too demanding in its requests for accountability, extending beyond their partners’ expectations of a member state. Moving forward, Norway should work more collectively with other donors to find common ways to promote transparency and effectiveness most successfully within the multilateral system.

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Chapter 4: Managing Norway's development co-operation

Institutional system operation

Indicator: The institutional structure is conducive to consistent, quality development co-operation

Since 2008, the Ministry of Foreign Affairs and Norad have reformed the management of Norwegian aid. Norad, for example, aligned its working structure with the Government's new thematic priorities. Although Norad is distinct from the Ministry as a technical directorate, the division of responsibilities between the two institutions is not always clear cut, which was also an issue of concern in the last peer review. Norad continues to administer a sizable amount of Norway's grant aid, even though its principal role should be one of quality assurance and knowledge manager. The embassies are fully decentralised, with the flexibility needed to respond to evolving country needs. A strategic, medium-term plan encompassing all activities could further enhance the transparency and accountability of Norway's aid programme at the country level.

Norway's aid system is able to deliver on its policy priorities and commitments

The majority of Norwegian development co-operation is administered through the Ministry of Foreign Affairs (MFA) and its embassies. The Ministry is responsible for decisions on policy, for setting the strategic direction for Norway's development co-operation, and for overseeing its management and implementation. As discussed in Chapters 1 and 2, Norway's foreign policy and development policy are closely intertwined, and considered a joint policy area (MFA, 2010). The Ministry's two ministers – the Minister of Foreign Affairs and the Minister of International Development – share management of ODA, although the Development Minister is responsible for the majority (around 70%) of its aid portfolio (MFA, 2013a).¹ However, all policy issues are managed and co-ordinated through whole-of-Ministry mechanisms involving all relevant department officials, enabling the Government to work under a unified vision and deliver an effective aid programme. This integration of development co-operation policy within the Ministry structure reflects and reinforces the centrality of development co-operation within Norway's foreign policy. The Ministry oversees three agencies that also administer Norwegian ODA: Norad, the Norwegian Peace Corps (Fredskorpset or FK Norway) and Norfund, a wholly state-owned development finance institution. In terms of multilateral ODA, both policy and implementation are handled largely within the Ministry itself by the Department for UN, Peace and Humanitarian Affairs.

Continuous effort is needed towards distinguishing between MFA's and Norad's different roles

The 2008 peer review recommended that Norway clarify and better distinguish the different roles played by the Ministry of Foreign Affairs and its technical directorate, Norad. Since then, the two institutions have reformed the management of aid. Dialogue between them remains effective, both formally and informally, and shared understanding among the staff accounts for the division of responsibilities between the two institutions.

Despite these improvements, the extent to which Norad should act as grant manager is reflected in on-going discussions between the Ministry and Norad. More specifically, although Norad's role is one of quality assurance and knowledge

manager, it is also mandated to administer grant aid (NOK 3.5 billion in 2011). This responsibility has increased in recent years. For example, Norad has taken on the responsibility of managing additional NGO grant schemes as a result of the reform.²

Moreover, the short distance between policy and implementation within the Ministry of Foreign Affairs, and sometimes overlap in functions, may result in speed over quality in programme design. Separating policy from implementation responsibilities could improve the efficiency and effectiveness of the overall development co-operation programme. The Ministry is encouraged to study these aspects as it begins work on a follow-up strategy leading up to 2017. In a departure from its *Strategy 2013* it should also consider setting a timeline to implement the new strategy, and monitoring its progress to ensure transparency and accountability.

Norway's aid structure and systems are highly flexible and decentralised

Norway has the structure and systems in place to manage efficiently. In order to make aid more predictable and enable both its country teams and partners to plan with more certainty, Norway should consider implementing strategies that use a medium-term spending plan across all development co-operation, and sharing these formally with its partners. This will also enhance the transparency and accountability of Norway's aid programme at the country level.

Norway's bilateral aid management is largely decentralised, in line with both its own goals and the Busan commitment. While the Government is responsible for the overall policy and budget allocation to partner countries, once funds are allocated through an appropriation letter (communicating the Government's yearly priorities and requirements to each embassy), the embassies have financial and programming authority, including staffing, channels, instruments, as well as partners to some extent.³ This gives them the flexibility they need to respond to evolving needs. These appropriation letters are written based on close dialogue between the embassy and Government, providing a solid foundation for annual programming. In the past these allocation letters were based on a three-year strategic plan that included indicative figures and annual plans for each country, but this system was discontinued in 2012. As a result, in Guatemala for example, the embassy was unable to develop a strategic, whole-of-government approach to improve synergies and coherence among all of its development efforts.⁴

Innovation and behaviour change

Indicator: The system supports innovation

Norway has managed its reform well. Since the last peer review, both the Ministry of Foreign Affairs and Norad have outlined strategies and reformed measures to respond better to challenges in a more innovative and flexible way. Likewise Norway is willing to test and use innovative approaches to development co-operation. While leadership and the internal system encourage innovation to a certain extent as illustrated by its Tax for Development Initiative, Norway should consider ways to address its capacity constraint by, for example, establishing partnerships with other development actors.

Norway has reformed its system to respond better to emerging challenges

Norway has managed the reform of its aid system well and, while not without a challenge, it has improved synergies and coherence as a result. Development co-operation remains flexible at both country level and at central level to implement its expanding aid programme. For its part, the Ministry has updated its 2010 organisational structure based on its *Strategy 2013* targets and actions. It also initiated that year a process to strengthen capacity and competency over financial controls, including a new Foreign Service Control Unit that reports directly to the Secretary-General, for risk management and preventing the misuse of ODA funds to support its “zero tolerance” policy. A Grant Management Unit was also created within the Ministry’s finance department to better co-ordinate and ensure proper management of grants by the Ministry, Norad, and embassies in compliance with requirements of the new *Grant Management Manual*.⁵ The Ministry of Foreign Affairs has adopted a more flexible working structure for increased focus on global issues that transcend sectors and borders, led by teams specifically formed for tasks or initiatives, and bringing together staff from different departments/sections within the Ministry or other line ministries (e.g. oil, health, environment, trade, and gender) to ensure a whole-of-government approach.

Norad launched its *Strategy Towards 2015*, setting a number of targets and actions to implement to respond better to the changing needs of development co-operation. It followed this with reform to implement the Strategy and realign its working structure with the Government’s new thematic priorities. Norad’s key objectives were to be fit for purpose, better able to manage for results, and to provide expert advice to the Ministry and the embassies. While the number of departments was streamlined from 11 to 8 to provide better management, a two-tier structure was also introduced, adding 15 new deputy-director posts. Where the Ministry of Foreign Affairs is organised along geographical and thematic lines, Norad is set up according to themes (see Annex D). The reorganisation featured recruitment of additional expert staff to strengthen Norad’s technical capacity for quality assurance and creation of a knowledge-based system to inform decision-making.

As part of the *Strategy 2013*, the Ministry was also required to review the tasks

assigned to the FK Norway. The FK programme is based on an innovative model involving mutual learning and exchange across institutions and local communities in Norway and developing countries, particularly Africa. In Guatemala, for example, the FK programmes are in line with Norway's priorities in the country and seem to produce good results. Norway could do more to link FK programmes to its key policy priorities, and to build partnerships between Norwegian and developing country institutions that will help create more synergies. Given its expanded focus on communication as discussed above, Norad could also do more with FK Norway to explore ways to better integrate the FK programmes in its communication and development education efforts.

Norway is willing to test new ideas and be innovative

Since the last peer review, Norway's development policy has taken a new direction as presented in its *Climate, Conflict and Capital*, toward the idea that developing countries should control their own revenues and economic resources through sound taxation and economic policies. According to *Sharing for Prosperity*, Norway is now focusing on fair distribution of resources and opportunities in developing countries by using innovative methods and instruments to target democracy, human rights, and transparency, while reducing inequality. Norway views the fight against corruption, tax havens and illicit financial flows out of developing countries as crucial in this context. To this end Norway is sharing its experience and knowledge in managing revenues from non-renewable resources with developing countries through its Tax for Development programme, a new flagship initiative that builds on the model originally developed by its embassy in Zambia (Box 4.1). Norway's willingness to try out new ideas and use innovative approaches to development co-operation is positive. Its main constraint however appears to be capacity. For instance, the Ministry of Finance, the main Norwegian actor for revenue management in the Oil for Development and the Tax for Development programmes, is unable to expand its involvement beyond the current level. Norway could address its capacity constraint by, for example, collaborating with other bilateral and multilateral agencies.

Box 4.1 Tax for Development

Norway, through its Tax for Development programme, is supporting partner countries in increasing their tax revenues to better finance their own development and reduce poverty. While the Oil for Development looks at petroleum taxation in the context of integrated resource management, Tax for Development considers the taxation of non-renewable resources as an important element in the overall taxation policy and administration. While the perspectives and approaches are different, the main principles are the same so the two programmes complement one another (MFA, 2013b). The programme also reflected “a political wish to give higher priority to this area, as well as to see the tax-related work at country level in the context of Norway’s global efforts” (Norad, 2012). The MFA has overall responsibility over the programme, and the secretariat is located at Norad, serving as focal point for co-ordination, programme development, and quality control.

Since its formal launch in 2011, the programme has established co-operation agreements with revenue authorities in three African countries: Mozambique, Tanzania, and Zambia. The programme has four interconnected objectives: i) support to partner countries’ tax authorities (capacity building); ii) participation in international co-operation efforts related to taxation and capital flight; iii) knowledge generation and dissemination (research); and iv) support to civil society. While it is still early to gauge results, in Zambia where the original “tax model” was established, in 2008 the Tax for Development programme has helped the government establish a new strategy for mining taxation, including replacing individual, secret development agreements with a general tax system for mining. The changes introduced since then have helped Zambia increase its tax revenues by “several hundred million US dollars” in 2011 (Norad, 2012).

Human resources

Indicator: The member manages its human resources effectively to respond to field imperatives

Norway manages human resources effectively to respond to field imperatives and new ways of working. It has also addressed the staff recruitment and retention challenges identified by the 2008 peer review to a large extent. Norway is investing in staff development. As development co-operation issues only become more complex, it would benefit from a thorough assessment of whether it has the right mix of staff and appropriate skills to fulfill its ambitions.

Norway manages its human resources effectively

The Ministry of Foreign Affairs has made progress in staff retention with development expertise in the programme identified by the last peer review. Staffing levels at headquarters and in the field have increased since 2008. According to its memorandum, the Ministry employs around 2,400 staff, with 800 based in Oslo, 650 posted abroad, and 950 local country staff (MFA, 2013a). Of the 88 embassies, 30 currently manage bilateral development programmes.⁶ In the recent DAC survey on decentralisation, the Ministry reported it had 544 full-time and 11 part-time staff working on development co-operation. Of the 544 full-time staff, 291 were based at headquarters and 253 were stationed in the field (excluding locally-recruited staff). Norad's staff totalled 228 (MFA, 2013a). FK Norway and Norfund employ around 35 and 55 staff, respectively.⁷

In delivering the Government's commitment to its 1% ODA/GNI target, there seems to be increasing pressure on staff both in the field and at headquarters to manage growing amounts of aid in more complex ways. Norway could investigate ways to further streamline its procedures, narrow its contributions to fewer countries, and invest more in joint donor work. In addition, Norad staff serve as an important source of expertise for the Norwegian aid programme. In order to keep their knowledge current and relevant, Norad staff need regular rotation to the field. This helps build and maintain a solid knowledge base. According to the figures provided by the Ministry of Foreign Affairs, a total of 44 Norad staff (20% of its total) have been, or will be posted to Norwegian missions abroad in 2013, including three at the level of Ambassador/Head of Mission in Malawi, Tanzania, and Zambia.⁸ However, these figures vary from year to year. To foster Norad's ability to provide solid country- and evidence-based advice to the Ministry of Foreign Affairs and the embassies, Norad staff should be encouraged to apply, and continue to be considered, for positions abroad in line with the Ministry's policy on staff rotation.

Increasingly engaged in fragile and conflict-affected states, Norway has worked to provide the appropriate incentives to recruit and retain skilled staff for embassies in these states. With new economic incentives, and other benefits such as shorter-term postings⁹ and more regular rest and recuperation leave, working in

a fragile state is now considered a positive step for career advancement and more prestigious postings. Although the Ministry continues to face the same challenges in recruiting staff with the right skills, it is continuously trying to improve the terms and conditions for these assignments to make them more attractive to staff.

Norway is investing in staff development but could do more for locally-recruited staff

Since the last peer review, the Ministry of Foreign Affairs has invested additional resources and training to build its own capacity. It has training plans in place for developing its staff and adequate resources for delivering them. The Norwegian Foreign Service Institute is responsible for training and competence building for both the Ministry and Norad staff, especially for the staff departing for missions abroad and those returning from posts abroad. Its training focuses on the individual staff's needs to fulfil his/her functions. The Ministry's generalist staff posted to embassies that manage bilateral development programmes are systematically enrolled in a course on development administration. Depending on their assignments and functions, staff are also trained in other relevant areas directly related to development co-operation, including grant management schemes and financial management, as well as development policy. On-the-job training involving short-term assignments, such as from the Ministry and Norad to embassies, is also available and considered effective in expanding workforce capacity.

Norway's development co-operation also depends heavily on locally-engaged personnel who are crucial for providing contextual and sector expertise in its country programmes, as was the case in Guatemala.¹⁰ According to the Ministry, qualified local staff are increasingly recruited by the embassies, both as programme officers and for support roles. The ratio of local to Norwegian staff is estimated to be around 60:40 (in some countries, as high as 70:30). Locally-recruited professional staff are also provided with regional training opportunities, as well as at the Institute in Oslo because an increasing number of them are taking on greater management responsibilities, such as disbursement and reporting of ODA funds. As observed in Guatemala, the local staff do appreciate the training opportunities and access to professional learning networks that are available to them. However, to enable these staff to strengthen their expertise and further develop their careers, Norway could offer greater support to their capacity development to keep them aligned with most current thinking and practices in their specific areas of competency.

Notes

1. According to Norway's memorandum, "the Minister of Foreign Affairs is in charge of co-operation in the Middle East, Afghanistan and Pakistan as well as humanitarian aid, peace initiatives, human rights, and global health. The Minister of International Development is responsible for ODA to Africa, Asia, and Latin America as well as for support through multilateral organisations, civil society, environment, and sustainable development, natural disasters, private sector development, democracy support, and research and education" (MFA, 2013).
2. Norad administers grants for civil society, research and higher education, industrial and commercial financing facilities, and technical assistance (Norad, 2011). The NGO grant scheme for transition financing was added in 2012.
3. As observed by the peer review team in Guatemala.
4. In Guatemala, the peer review team found that the embassy's annual work plan did not capture all Norwegian-supported activities in the country; for example, Norfund activities in support of enterprises active in the hydroelectric sector constitute a substantial part of Norwegian aid to Guatemala but were not covered (see Annex C).
5. In addition to the main Grant Management Manual, there are two accompanying manuals: one on management of delegated grant schemes (e.g. delegated to partners) and another on establishing new and revising existing grant schemes. Both of these manuals are currently being revised (2013-2014).
6. These are: Abuja, Accra, Addis Ababa, Al Ram, Amman, Asmara, Bangkok, Beijing, Beirut, Brasilia, Colombo, Dar es Salaam, Dhaka, Guatemala City, Hanoi, Harare, Islamabad, Jakarta, Juba, Kabul, Kampala, Kathmandu, Khartoum, Lilongwe, Luanda, Lusaka, Maputo, Nairobi, New Delhi, and Pretoria.
7. Figures were provided by the Ministry of Foreign Affairs to the peer review team following the visit to Oslo.
8. Ibid.
9. Staff are typically posted to fragile states for 1-2 years, as opposed to regular 4-year posting.
10. In Guatemala, the locally-recruited advisers with solid development expertise were highly valued by the Norwegian embassy staff as a vital source of country knowledge and institutional memory. The advisers themselves were satisfied working within the Norwegian team environment, with their relative job security.

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Chapter 5: Norway's development co-operation delivery and partnerships

Budgeting and programming processes

Indicator: These processes support quality aid as defined in Busan

Norway's aid budgeting and programming processes allow for great flexibility, well-tailored country programmes, and a certain degree of predictability of funding. In addition, Norway's aid is fully untied. While predictability of funds to international development financial institutions is high, Norway should continue to improve predictability for its key UN funds and programmes, and to the multilateral channel overall. Norway could improve its aid predictability to partner countries by providing more comprehensive projections on future funding over the medium term. Statistics show that Norway used country systems for 82% of its aid to government in partner countries that participated in the Survey on Monitoring the Paris Declaration. However, Norway's alignment with its partners' national strategies and use of country systems vary largely depending on country context. For example, due to its focus on human rights and democracy, Norway channels its aid mainly through civil society organisations in several fragile states and countries where strong discrimination is prevalent. Risk reduction is a high political priority, but could be better integrated in planning and programming.

The budgeting and programming processes allow for flexibility and some multi-year predictability

Norway's aid budgeting process allows for great flexibility to reallocate funds when needed as well as some predictability from year to year. While the Government includes indicative figures on multi-year aid commitments to some multilateral organisations, most partner countries, and some civil society partners, as with many DAC members, these commitments are reappraised each year due to its yearly budgeting cycle.

As relates to the multilateral channel, Norway's predictability is high for international development financial institutions (IFIs), has improved for key UN funds and programmes, but could be further improved overall. Norway makes multi-year commitments to IFIs as part of their multi-year replenishments. Over the 2008-11 period Norway provided, for the first time, multi-year indicative pledges for core contributions to UNDP, UNICEF, and UNFPA in alignment with their strategic plans; it will decide whether to continue providing the same pledges for core contributions to these organisations based on their strategic plans for 2014-17. However, although earmarked contributions usually have a multi-year horizon, predictability is limited by the fact that only 54% of Norway's contributions through the multilateral system is in the form of core contributions. Beyond IFIs, Norway seems to grant multi-year commitments only to organisations that it can monitor and influence closely rather than adopting a more comprehensive approach to improve predictability across all relevant multilateral partners.

As relates to partner countries, predictability remains partial. Norway has developed comprehensive co-operation strategies for its four strategic partners - China, India, Brazil, and Vietnam - in which it provides projections of its future investments in the countries. To other partners, Norway generally provides indicative future spending for specific government-to-government programmes or projects. Nevertheless, predictability and accountability to partner countries remain limited because embassies are not able to give partner governments a consolidated view of the funding they can expect as the embassy manages a limited share of aid flows to a country, and even that amount is not entirely committed on a multi-year basis. The field visit conducted for this peer review confirms the finding from the last peer review that the embassy has limited knowledge of aid flows beyond its annual budget allocation, such as those planned through thematic budget lines at the headquarters, funds allocated to Norfund, and other grants directly administered by Norad.

Alignment with partner countries' national strategies and use of country systems vary depending on country context

Norway aligns with its partner countries' national priorities and makes use of their institutions and systems to varying degrees depending on country context. In countries with regimes marked by inequality and discrimination, such as Guatemala, Norway prioritises co-operation with civil society (MFA, 2013b), and very little, if any, assistance is channelled through the partner government (see Annex C). However in countries where there is good democratic governance or a clear request to collaborate closely, Norway channels substantial shares of aid through the state. For example, in 2011 Norway worked closely with national authorities in Zambia through two programmes: (i) the Tax for Development Programme; and (ii) an anti-corruption agreement with the Zambian Courts Administration to finance training for criminal cases dealing with serious economic crime and corruption. In Malawi, one-third of Norwegian disbursements were channelled through the government in 2011. In Tanzania the same figure was 52%, of which 93% went to general budget support. Norway currently uses country systems most fully in Mozambique, mainly due to its government's strong leadership: in 2011, it channelled 80% of its development assistance through the government. In addition to Tanzania, Norway also provided budget support to Malawi and Zambia in 2012. Data from the Survey on Monitoring the Paris Declaration suggest that, in aggregate terms, while the share of Norwegian aid to the government sector which is reflected in partner country budgets fell from 61% (2005) to 46% (2011), the share to country systems increased from 61% (2005) to 82% (2010) over the same period.

A strong focus on risk reduction but more systematic integration in programming is needed

Norway places a high priority on risk reduction in its policy. A dedicated policy document (MFA, 2007), and policy guidance (MFA, 2010 and MFA, 2013c), emphasise that all development programming should take risk reduction into account, but without a clear prioritisation agenda, staff are left to decide the best ways to integrate risk reduction into programming. Additionally, the move away from country strategies has eliminated a useful tool for analysing disaster and crisis

risks at country level, and ensuring that development programmes include appropriate risk reduction measures. In Guatemala, due to local staff's high levels of competence and experience risk reduction was paid great attention, and was well integrated, even in the projects implemented by partners (see Annex C). Greater clarity on policy priorities and implementation could be helpful to integrate risk reduction in a way that does not rely too heavily on staff's personal initiatives.

Where fiduciary risks are concerned, Norway's zero-tolerance policy indicates its strong stance on anti-corruption. For instance, when the Office of the Auditor General of Uganda exposed the misuse and embezzlement of international aid funds by corrupt officials in the Ugandan administration in 2011, Norway cut off general budget support to the country and requested repayment of NOK 23 million, or approximately USD 4 million. As the single largest repayment of misused funds to Norway, it sent a strong message to the people of Uganda as well as other donors about its intolerance for corruption. However, as this instance and several others demonstrate, Norway is currently more focused on protecting its funds than on supporting justice and reducing the overall climate of corruption. It does not have a clear implementation strategy, often responding differently to closely related instances.

Aid is fully untied

Norway has been a leading advocate of untying aid, and is committed to untying its own aid in line with international commitments made in Accra (HLF3, 2008) and Busan (HLF4, 2011). Norway followed up the time-bound Busan commitments by reporting to the Chairman of the DAC in late 2012. In 2011, 100% of Norway's ODA was untied, across all countries, excluding its administrative and in-donor refugee costs.

An increased use of results-based conditionality

Norway draws its aid conditions from its partners' results frameworks, when possible, and is now more transparent through its open data initiative that releases, among other things, historic data about aid disbursements on Norad's website. However, there is neither a systematic structure nor an organisational culture in assuring results-based management. The responsibilities of results-based management are largely left to implementing agencies on the ground, albeit in close dialogue with the Norwegian embassies.

Norway has also been piloting output-based financing approaches in a number of prioritised sectors, including the forestry and energy sectors through the International Climate and Forest Initiative, since 2008, and the new International Energy and Climate Initiative (Energy+). However, as these initiatives are still in their early stages, lessons on their impact have been limited so far. In the case of the International Climate and Forest Initiative, independent reports have been

made about its low disbursement rates due to various technical issues.¹ To ensure that this innovative and promising initiative achieves its full potential, Norway needs to develop a clearer timeline and invest more in identifying ways to make optimal use of the resources pledged for development activities. With the increased attention paid to innovative financing mechanisms, Norway should share its experiences and lessons using these results-based financing approaches with the DAC, to evaluate both the challenges of disbursement as well as to explore possible solutions.

Partnerships

Indicator: The member makes appropriate use of co-ordination arrangements, promotes strategic partnerships to develop synergies, and enhances mutual accountability

Norway has established an effective in-country division of labour with other donors and concentrates on sectors in which it has long-standing focus and recognised expertise. Norway's sector concentration is high in its main recipient countries, where three or four sectors cumulatively account for 70% or more of total Norwegian bilateral ODA. However, use of programme-based approaches is declining, likely as a result of shifting thematic priorities. Norway could do more to involve like-minded donors to secure more resources and strengthen long-term sustainability to the initiatives that it funds bilaterally. While Norway already invests greatly to support its partner countries' domestic accountability, more effort could be made to strengthen mutual accountability. For its country programme delivery, it collaborates strategically and effectively with a broad range of partners assisted by its fairly decentralised system. As part of its support to the private sector, Norway has successfully mobilised Norwegian enterprises in developing countries, but has not been equally effective in promoting a more conducive environment for the local private sector or more favourable trading conditions for poor countries. Norway also has strong partnerships with CSOs, including from the South, and these could benefit from more streamlined procedures for funding and reporting as well as from greater attention to synergies and consistency among the initiatives funded through different channels. Domestically, Norwegian CSOs play an important role in development education and as overseers that view its development co-operation with a critical eye.

Good division of labour based on comparative advantage although joint donor approaches are declining slightly

At country level, Norway engages in sectors that are aligned with its policy priorities and in which it has a comparative advantage stemming from long-standing focus and recognised expertise, such as climate change and the environment, and human rights. This sectoral focus and comparative advantage seem to guide its in-country division of labour with other development co-operation providers effectively. For those sectors, Norway is usually among the top providers that cumulatively give 90% of CPA in those sectors (see OECD, 2011b). Norway's sector concentration is particularly evident in Guatemala where it has a small programme squarely focused on the protection of indigenous people's rights (see Annex C), but also in programmes in other partner countries where Norway has larger aid portfolios. For instance, in 2011 aid to its top recipient countries was concentrated in the top three or four sectors that cumulatively accounted for 70%

or more of Norwegian bilateral ODA to those countries (Table 5.1).

Norway's use of programme-based approaches declined slightly between 2007-10 (OECD, 2011a), likely a reflection of the change in its thematic priorities. Norway's co-operation has also been increasingly marked by bilateral initiatives with a specific thematic focus (e.g. Oil for Development and Tax for Development). While it is positive that Norway pioneers innovative collaborations in areas where it has a good deal of expertise to offer, Norway could do more to involve other like-minded donors to attract more resources and strengthen long-term sustainability to these initiatives, as it has started doing in the context of the Oil for Development programme with Germany in Afghanistan and with the Asian Development Bank in Bangladesh (see Norad, 2011). This approach could prove useful in easing the capacity constraints on the Norwegian side, which seem to hinder its response to increasing demand from partner countries, according to interviews conducted at the MFA for this peer review and other sources (Norad, 2013; Development Today, February 2013). It could also help Norway reduce the fragmentation noted, in the context of the Oil for Development programme, in a recent report (Vale Columbia Centre and Humboldt-Viadrina School, 2012).

Table 5.1 Sector concentration in Norway's 2011 top recipients

Country	Sector	% of bilateral ODA to the country	Cumulative %
Afghanistan	1. Multisector aid	39%	39%
	2. Government & civil society	23%	62%
	3. Rural development	16%	78%
Tanzania	1. GBS	41%	41%
	2. Environmental protection	12%	53%
	3. Health	11%	64%
	4. Government & civil society	8%	72%
West Bank & Gaza Strip	1. GBS	41%	41%
	2. Government & civil society	15%	56%
	3. Humanitarian aid	10%	66%
	4. Education	7%	73%
Sudan	1. Humanitarian aid	53%	53%
	2. Government & civil society	20%	73%
	3. Mining	9%	82%
Mozambique	1. GBS	34%	34%
	2. Agriculture	14%	48%
	3. Government & civil society	13%	61%
	4. Energy	13%	74%

Source: DAC statistics

Significant efforts to strengthen domestic accountability but mutual accountability needs strengthening too

Norway places high importance on domestic accountability in its partner countries, and has made concrete efforts to help strengthen it. In line with this focus, in 2011 Norway allocated 20% of its bilateral ODA to good governance. These funds supported activities to foster accountable and responsive governance through capacity building in partner country national institutions, stronger civil society participation in decision-making, and the development of better accountability processes. One important step toward these efforts has been its co-operation with institutions in the South, including triangular co-operation with institutions from donor countries, as well as FK Norway.

Mutual accountability, however, remains a challenge, which Norway does not seem to prioritise in its development programme, and which deserves more focus. Norway participates in joint frameworks for budget support and sector programme support that depend on the shared commitments between donors and partner country governments. Yet enforcing these commitments on the part of donors remains weak, and more efforts are needed to make mutual accountability a reality.² Norway could play a more active role in strengthening mutual accountability in partner countries.

A strategic use of partnership for delivery at country level and an increasing focus on the private sector

Norway engages in partnerships with a wide range of government and non-government actors, including multilateral organisations, civil society organisations (CSOs), and the private sector. At country level, embassies decide in consultation with the MFA and Norad which partnerships are best able to implement the country programme, a winning approach as the peer review team observed in Guatemala that resulted in strategic and well-tailored partnerships (see Annex C).

Norway recognises that private sector development is key for job creation and sustainable poverty eradication in developing countries. It also believes that aid can have a leveraging role in this context through a two-tier approach, by: 1) promoting frameworks at global or national level that will contribute to a conducive business environment; and 2) providing support at firm level that will stimulate investments and trade (MFA, 2009). For that reason, Norway has substantially stepped up its aid to the private sector, increasing it by three-fold just between 2007-11, from around USD 81 million to USD 231 million (MFA, 2013a). Overall, however, while Norway has successfully mobilised Norwegian enterprises in developing countries, it has not been equally effective in promoting a more conducive environment for the local private sector or more favourable trading conditions for poor countries, leaving some of its own private sector policy objectives unmet (this finding is corroborated by Norad, 2010). Norwegian aid funds have been mainly directed at the second tier, as much of the increased resources to the private sector over the last decade have been linked to the establishment and rapid expansion of Norfund, Norway's development finance institution (DFI) (Norad, 2010). While Norfund annually assesses the impact of its investments on development, including, unlike most other DFIs, the quality of the jobs created and women's participation (Norwegian

Church Aid, 2011), there is no evidence of substantial benefits for the local private sector. However, the legal and technical support that Norway has been providing to resource-rich developing countries to improve deals in contract negotiations with extractive and other companies has been extremely valuable. It is a fundamental step towards putting developing countries on a more equal commercial footing with powerful multinational companies, with potential impact on the economies and living standards of these countries.

Strong engagement with CSOs could benefit from greater focus on synergies between the allocations decided at HQ and those made in the field

Norway has a clear policy to engage with CSOs, outlined in Norad's 2009 guidelines. They define six principles³ for working with all CSOs funded by Norway through three different channels: Norwegian CSOs, international CSOs, and direct support to CSOs in the South (Norad, 2009). Support to CSOs has always been pivotal in Norway's development co-operation, as Norway believes that CSOs can be agents of change and innovation, and help create a vibrant civil society that supports democratic development. In this light, Norway also gives CSOs an important role within its flagship development co-operation initiatives. For example, support to CSOs is one of the four pillars of the International Climate and Forest Initiative, geared towards generating analyses and piloting innovative projects for cost-effective gas emission reductions, and the target of a specific budget allocation. In the context of the Oil for Development programme, Norway supports CSOs to engage in and influence the public debate on petroleum development together with policy makers and the private sector. Funding to CSOs was USD 949 million in 2011, almost three times higher than in 2002-06. The data breakdown for 2011 provided by the Ministry of Foreign Affairs shows that Norwegian CSOs received 60% of the total funding, with the remaining 40% allocated to local and international CSOs. The increase in ODA to CSOs between 2007-11 has been mainly due to larger allocations to and through local and international CSOs.

Three main mechanisms govern funding for CSOs: 1) framework agreements managed by Norad; 2) annual calls for tender managed by Norad; and 3) agreements formed at country level by the embassies. The multi-annual framework agreements provide a good degree of flexibility and predictability to CSOs, with a positive effect on their ability to plan. However, synergies between CSO projects targeted to the same partner but funded through different channels could be strengthened, as both the field visit and a recent evaluation found that little effort is directed at consistency between the CSO projects approved in Oslo and those approved in the field (Norad, 2012c). Finally, as both co-ordination between international and local CSOs and their integration in national frameworks are generally weak (Norad, 2012c), the recommendation from the last peer review to broaden efforts to apply the aid effectiveness principles to funding channels beyond government-to-government remains valid (see Annex A).

Domestically, Norway has a long tradition of strong civil society involvement in development education, and the independence it gives CSOs to fuel critical debate on development co-operation constitutes good practice. Although several Norwegian CSOs rely on public funding, the MFA has effectively encouraged CSOs

to cast a critical eye on Norway's ODA, and has managed to establish a dynamic relationship geared towards mutual improvement. The shadow report on policy coherence produced in 2011 by the Norwegian Church Aid is just one of the examples of the overseer role assumed by Norwegian CSOs. Norway continues to work hard to improve public understanding of global development and the need for domestic policies that support its development co-operation efforts. By promoting closer collaboration with other development actors that are already involved in development education, including CSOs such as FK Norway, the Government could achieve greater impact.

Fragile states

Indicator: Delivery modalities and partnerships help ensure quality

Norway's approach to fragile states is clearly context specific, with co-ordination structures, overall approaches and tools decided on a case-by-case basis. While this provides a great deal of flexibility, the approach could benefit from increased rigour, especially in determining clear whole-of-government priorities for working together in fragile contexts, setting realistic joint goals and taking into account the trade-offs between risk and opportunities, and long-term versus short-term gains. Norway is also encouraged to continue to work closely with other donors in fragile contexts.

Country strategies do not always outline clear whole-of-government priorities

Existing country strategies for fragile states do not always outline clear whole-of-government priorities, often becoming consensus documents that outline the different interventions, but not the synergies between them. Instead, Norway handles whole-of-government coherence as an operational issue, inside the relevant embassies. However, Norway does look closely at its comparative advantage in fragile contexts, and uses this strategically, for example using the Oil for Development programme to help support negotiations between Timor-Leste and Australia over oil exploitation in the Timor Gap. As a small northern country, with no direct interest in most fragile environments, Norway can also provide peace and reconciliation services. However, Norway could benefit from a more rigorous approach to planning and prioritising its interventions in fragile contexts, helping it to take a consistently realistic approach to what can be achieved in a given timeframe, and analysing trade-offs between risks and opportunities, and short-term and long-term effects.

Co-ordination within government, and with others, remains a challenge

Within the Norwegian system, co-ordination of engagement in fragile states is assured through *ad hoc* taskforces⁴, involving the relevant ministries and staff in the concerned embassy. Taskforces have individual mandates and leadership is determined on a case-by-case basis. Operational co-ordination also takes place in the field. Norwegians acknowledge that, although they strive for consensus, tensions can occur between, on the one hand, military and humanitarian actors, who are looking for fast results, and development actors, who focus on the longer-term goals. Norway is also pragmatic about the challenges involved in

implementing the New Deal, especially in terms of harmonising with other donors, and this is likely why the peer review team received a number of reports of Norway going it alone in fragile contexts. Norway is, however, encouraged to strengthen their engagement with the wider donor community in fragile contexts, to ensure a coherent overall response.

**A solid toolbox
for intervening in
fragile states**

Norway has an extensive toolbox of flexible and risk-tolerant tools that can be used in fragile contexts. Traditional tools such as bilateral programming, funding to local and international NGO partners, and humanitarian assistance are supplemented by innovative programmes that include working with diaspora, particularly in Somalia, and programmes to reduce the cost of remittances. Multi-donor trust funds are also used, particularly in Afghanistan, and Norway is now planning to set up a similar arrangement to support the Federal Government of Somalia, accompanied by public financial management strengthening measures, and with reimbursements conditional on the achievement of results targets.

Notes

1. According to a recent report, nearly half of total ODA so far allocated under the Climate and Forest Initiative (NOK 4.1 billion of the total NOK 8.4 billion) since 2009 remain unspent in bank accounts or trust funds managed by multilateral organisations (Development Today, DT 11/2013, 16 September 2013). Norway has committed over NOK 3.55 billion in aid to Brazil under the Climate and Forest Initiative, corresponding to the reductions in the rate of deforestation that Brazil has achieved over a fixed period. However, only NOK 800 million have been disbursed while the rest of this money earmarked for Brazil as ODA sits unspent in a Norwegian bank account (Den norske Bank) because the Amazon Fund of the Brazilian Development Bank, which must present Norway with projects on which this money can be spent, has not done so. In Indonesia, Norway committed to allocate USD 1 billion for avoided deforestation but no payments have been so far disbursed due to the lack of proper verification systems in the country. In the case of Guyana, only 84 million of NOK 396 million have been disbursed to the country three years after the agreement was signed.
2. A recent study (SADEV, 2012) points out that in Mozambique “There is increased transparency on both sides (ndr: donor and recipient), leading to increased predictability, more active civil society and media, and more awareness of corruption” [...] [ndr: but] “when it comes to the degree of enforceability, the limits of the system are revealed” as [...] “donors have in actual fact been continuing their original version of corporate enforceability, with withdrawal or reduction of budget support for poor performance. Mozambique meanwhile is left with the logic of collaborative enforceability, with limited specific sanctions.”
3. The principles are: i) mobilise NGOs at all levels in the struggle against poverty and oppression; ii) strengthen civil society actors working towards development, democratisation, and the redistribution of power; iii) support CSOs in their international work; iv) ensure better documentation and reporting of results; v) support effective work against corruption in all its forms; and vi) increase diasporas’ participation in Norwegian development co-operation.
4. At the time of this peer review, there were task forces for Myanmar, Afghanistan, the occupied Palestinian Territories, the Sahel, Haiti, Somalia, and Sudan (although Sudan is being closed down).

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Chapter 6: Results and accountability of Norway's development co-operation

Results-based management system

Indicator: A results-based management system is in place to assess performance on the basis of development priorities, objectives and systems of partner countries

Norway has continued its efforts to build a stronger culture for managing results. It uses its partners' monitoring frameworks as the starting point for results management, primarily geared towards capturing results at the programme and project level. However, Norway has problems linking these outcomes to its broader development objectives, a challenge shared by many DAC members. In recent years, Norway has enlarged its output-based aid portfolio. As the Government moves forward, it should prioritise supporting its partners' capacity to manage for results.

Norway is strengthening its results-based management system

Norway has invested significant effort in building (and integrating within its aid system) a culture of results-based management since the last peer review. Norway currently has in place a set of guidelines and tools for managing results and risks in the development aid context.¹ Norad, as lead in quality assurance, has made it a priority to strengthen results management practices in its *Strategy Towards 2015*, with a specific follow-up to direct quality assurance of aid towards results (Norad, 2011a). Norad's results management section, comprising a staff of seven, is responsible for supporting the Ministry, embassies and Norad departments in their work related to results management issues, including training. The Department for Quality Assurance regularly carries out, on behalf of the Ministry and other Norad departments, reviews of the Norwegian embassies that manage grants to assess, inter alia, their results and risk-management practices, then provides training as needed. The past grant management reviews have shown that results and risk-management practices, to some extent, have been strengthened over the years, but officials acknowledge that there is still room for improvement.²

Norway has also standardised the procedures for managing all funds administered by MFA, embassies, and Norad in a new *Grant Management Manual* (MFA, 2013), integrating operational guidelines for results and risk management, as well as financial management. Under these new procedures all administrative staff in Oslo and at foreign missions are required to use a common electronic system for financial management and project monitoring. The new manual is a positive step towards a more comprehensive approach to funding partners. This should allow more systematic assessment of results and risks, including the misuse of ODA funds at all stages of the programme management cycle, although it is too early to gauge the effects on the system.

Norway needs to make its planning and budgeting processes more results-oriented

The overarching objectives of Norway's ODA policies and programmes are set annually in the national budget, with resources allocated to various budget lines. However, the annual budget bill remains a compilation of programmes and their allocations; budget lines are not explicitly tied to outcome and output indicators of performance. Furthermore, there appears to be a break in the chain of results at the ground because Norway's embassy work plans, or appropriation letters, do not contain a results framework, making it difficult to assess the amount each programme contributes to its partner country's development objectives and, in the broader sense, to Norway's objectives. The Ministry of Foreign Affairs is encouraged to incorporate concrete and measurable objectives and projected results in its national budget as well as country-level work plans for better results-based reporting, and to improve the link between budgets, objectives and results.

Norway takes an innovative approach to results measurement but should also prioritise supporting its partners' capacity to manage for results

Norway has made progress on the recommendation for a results-based management approach. In a number of prioritised sectors, namely forestry, energy, and health, the Government has expanded its output-based aid (i.e. disbursement of funds to the partner conditional on delivering a measurable action or achieving a performance target). In principle, the starting point for Norway's results management is its partners' monitoring frameworks (Norad/MFA, 2008). It neither operates using its own standard indicators, nor imposes indicators on its development partners; instead it draws primarily on its partners' data and reporting systems. Responsible programme units and embassies that manage grants assess the results based on partners' reports. Tools and guidelines are available for grant managers, but these are not always systematically used. Despite Norad's quality assurance and advisory roles, it is not mandatory for programme units and embassies to consult Norad about results frameworks agreed with their partners, or to use a common template provided by the agency, and the resulting variance in quality has been highlighted by Norad as a challenge. As the responsibilities for measuring results largely rest with its partners in the field, Norad could give higher priority to supporting its partners' capacity to integrate effective results management, especially in light of the recent evaluations (Norad, 2011b; OAG, 2011) pointing to the general lack of results indicators and baseline data hindering Norway's ability to report results at the level of outcome or impact.³

Norway's contribution to good practice in results management in fragile states is well appreciated by the DAC

As shown in Norad's 2011 *Results Report: Aid and Conflict*, Norway has a clear understanding of the contexts of conflict and fragility in which it operates, monitors the sensitivity and results of its activities and country strategies in these states, and adapts as required to ensure a "do-no-harm" approach. It channels a substantial amount of its assistance through multilateral organisations, and therefore relies on their planning and results systems. In the follow-up and monitoring of support to fragile countries, the embassies play an active role at country level in co-ordinating and aligning with country priorities. In some cases, evaluations have shown that a lack of resources and staff hinder follow-up

activities and conflict sensitivity assessments during the implementation phase.

Since a lot of the challenges surrounding results-based management are magnified in fragile contexts, donors need to pay special attention to filling learning gaps on which methods work and which do not in these contexts. Towards this end, Norway, together with Belgium, led development of the DAC's *Guidance on Evaluating Peacebuilding Activities in Settings of Conflict and Fragility* (2012), and hosted a feedback workshop in Oslo in 2011 to draw lessons from recent evaluations, including Norway's own. The Government should be commended for its leadership in strengthening learning and improving development results in situations of conflict and fragility. Norway should continue to work on this challenging area jointly with other donors, and share experiences to build methodology on good practice, including results from the implementation of the new DAC guidance.

Evaluation system

Indicator: The evaluation system is in line with the DAC evaluation principles

Norway is an advanced donor within the evaluation community and an active contributor to a number of international development evaluation forums, including the work of the DAC Network on Development Evaluation. Norad's Evaluation Department works according to its mandate to maintain its independence, and has good capacity to conduct strategic and programme evaluations that meet DAC quality standards. Better quality control over decentralised evaluations or reviews could also help improve the programme's evidence base. Norway could also collaborate more closely with other partners to perform joint evaluations and help build evaluation capacity in its partner countries.

Norway's evaluation policy and system are based on DAC principles

The Evaluation Department, an independent unit within Norad since 2004, has a staff of eleven, and is responsible for initiating and organising independent evaluations on all aspects of the Government's development co-operation, as well as for communicating these results to the decisions-makers and the public, combining its advisory and evaluation functions, aid administration and information work. The Evaluation Department also advises the Ministry, embassies, and Norad on technical evaluation matters⁴, and is an active contributor to a number of international evaluation forums, including the DAC Network on Development Evaluation (EVALNET). The work of the Evaluation Department is complemented by the Department for Quality Assurance, which provides guidelines, assistance, and training to staff to improve the evaluability of projects and programmes.

In accordance with the government regulations for financial management, the Evaluation Department performs evaluations “to acquire information about whether aid schemes are effective in relation to resource consumption, organisation and specified objectives” (MFA, 2006). The work of the Evaluation Department is governed by a 2006 mandate from MFA, the *Instructions for Evaluation Activities in Norwegian Aid Administration*⁵, and is guided by the Department's Evaluation Policy, also published in 2006, which meets the DAC principles and has clear objectives.⁶ Evaluations are also guided by the political priorities set out by the Storting and the Government.

Norway's evaluation function is independent and appropriate

The Evaluation Department works according to its mandate to maintain its independence and to be recognised as such. Although a department within Norad, it reports to the Secretary-General of MFA. The evaluation function, independent of Norad's other specialised departments, is subject to separate instructions. Evaluations are independently carried out by competitively-selected external consultants and researchers. The Department selects the evaluation topics in consultation with relevant departments in the Ministry, embassies, and Norad, based on significance, uniqueness, and risk (Norad, 2006). Its practice of broadly consulting with key stakeholders in developing its evaluation programme has been praised in a recent evaluation (Norad, 2013)⁷ although partner countries are not included, an aspect Norad recognises as its weak point.⁸ It is also responsible for facilitating the evaluation process and may act as an observer, but is not to interfere with the neutrality and independence of the process (Norad, 2013). The departments, embassies, and organisations responsible for managing ODA grants are also responsible for control, evaluation, and learnings in connection with their activities. While the Department does not have a formal role in the quality control of evaluations performed by other parts of the aid administration, it is within its mandate to provide advice on evaluation methodology upon request. Better quality control over decentralised evaluations or reviews could help improve the evidence base of the overall Norwegian aid programme.

Norad has clear plans and an appropriate budget for evaluation

The Evaluation Department has good capacity to conduct strategic and programme evaluations on the basis of a rolling three-year programme that is revised annually. It conducts eight to twelve evaluations per year to evaluate the main parts of the Norwegian aid budget over a period of four to five years. The primary objective is to achieve a good balance among evaluations of thematic priorities, programme and policy, and, aid systems and channels. According to the Department, development aid is a well evaluated sector within the Norwegian public sector system. In 2012, Norad allocated NOK 25 million (approximately USD 4.3 million) for all central evaluations, an appropriate budget to deliver on its objectives.

Norway could make its evaluations more participatory by using local expertise and conducting joint evaluations

The Evaluation Department is attempting to work with other partners to perform joint evaluations that are identified as a “preferred” modality in its evaluation mandate. It engages in three to six joint evaluations each year. Norway met the Paris Declaration target on shared analysis in 2010 with its share of analytical work done with its development partners reaching 69%. However, that figure represented a decline compared with the previous levels of 89% in 2007 and 80% in 2005. The officials recognise joint evaluations as a weak area that requires further effort. Still the Evaluation Department views this particular type of evaluation as rather “cumbersome” and prefers to co-operate selectively with fewer like-minded partners, like Sweden (Norad, 2011d). The Evaluation Department supports international initiatives that promote capacity building for evaluation in developing countries, such as the International Programme for Development Evaluation Training and the International Initiative for Impact Evaluations. Involving partners in evaluations, too, is one way to help strengthen their interest in evaluation, while building individual and institutional capacities (OECD, 2013). Norway could further strengthen its support to building the evaluation capacity of developing countries by partnering with local institutions, as well as using and reinforcing their existing capacities in line with the DAC guidance (OECD, 2010).⁹

Institutional learning

Indicator: Evaluations and appropriate knowledge management systems are used as management tools

Although well-developed, Norway's system of learning should be better integrated within its aid system. Evidence is not systematically used within the programming cycle. It is also unclear whether lessons from its results monitoring influence its decisions on bilateral aid. Greater impact might be achieved by creating a system-wide evaluation culture, implementing the formal management response system, and capturing and disseminating findings more systematically.

Norway should ensure proper management of evaluation feedback

Norway has a well-developed system to ensure programme staff buy-in and that management responds to and follows up on evaluation findings (OECD, 2013). However, as highlighted by the recent findings on its evaluation system (Norad, 2013), this formal response process is not always followed. The lack of a systematic process for assigning clear reporting lines and follow-up responsibilities on evaluation recommendations appears to be a major issue, especially for thematic evaluations that cut across various departments and sometimes agencies.

Norad is making innovative efforts to disseminate evaluations for learning purposes

For Norway, evaluations serve the dual functions of keeping the actors in development policy accountable for its administration and contributing to generating knowledge and gaining experience. In the interest of education, Norad has an established system for disseminating the results of Norwegian development co-operation through seminars and other forums, such as publishing all evaluation reports and multi-year evaluation plans on its website. A recent evaluation also found that its evaluation reports have been reposted to a range of other external websites (Norad, 2013). Since 2007, it has published its annual flagship publication, *Results Report*, which provides a glimpse at the array of results by specific theme achieved by Norwegian aid (e.g. aid and conflict in 2011, capacity development in 2010) with an emphasis on lessons learned. Its objective is to generate professional and public interest in the results, even when controversial. In addition, the Evaluation Department uses innovative technologies such as Twitter to inform current development debates with evaluation findings. The Department also places no restriction on the authors of evaluation studies to republish their work externally, such as in a book or in an academic journal, once the reports are formally launched and presented to the public. This encourages further dissemination of Norad's evaluation work beyond the evaluation community and should be continued. Norad's Evaluation Department received a national award by the Government in 2011 for its transparent and proactive communication of its results.

Norway needs to ensure that knowledge is influencing decision-making

As noted above, learning is an explicit objective of the evaluation process. However, as highlighted in a recent evaluation (Norad, 2013), evidence is not systematically used within the programming cycle, and lessons from the results work do not always influence decision-making. For example, new initiatives appear to be launched before a proper analysis is conducted to ensure feasibility, sustainability, and the ability to achieve intended results. Further there does not appear to be a knowledge management system to build upon evaluation results and other evidence for learning, analysis, and improving future programme design. The Office of the Auditor General also noted that the Ministry of Foreign Affairs was not doing enough to use knowledge gathered from the results of development co-operation (OAG, 2011).

Communication, accountability, and development awareness

Indicator: The member communicates development results transparently and honestly

Since 2008, Norway has taken steps to increase transparency in its development co-operation, including by making the entire Norwegian aid data from 1960 to the present accessible on Norad's website, and working towards implementing its Busan commitment on transparency. The Government communicates its development results in a transparent and open manner, but it should develop proper communication plans to ensure a more targeted approach to communicating its results to the right people using the right media.

Norway is making progress on transparency

Norway is transparent about the way it works and the results it achieves with its aid. As discussed earlier, the Government systematically disseminates the results and learnings of its evaluations and reviews in a variety of ways. Norad's annual *Results Report* is its primary tool for communicating the results of Norway's aid to the public, combining information from evaluations and other sources. The statistics portal on Norad's website, launched in 2011, also facilitates transparency into the use of development co-operation funds.¹⁰ Moreover, the active engagement in aid issues by the Storting, through its Standing Committee on Foreign Affairs and Defence, and the annual budget discussion, lend a high degree of transparency to its programme. Two important consequences have resulted: 1) the Storting, and by implication, the Norwegian public, has participated in periodic, extended debates on foreign aid, based on a series of reports and major legislative initiatives; and 2) these debates, in turn, have helped inform parliamentarians and the public on aid matters and have served to develop a degree of understanding and support among the political elites and the public. While Norway is making progress in transparency, it could do more. According to the 2012 Aid Transparency Index, Norway has achieved moderate progress in terms of aid information made public, scoring 44%, or ranked 35 out of the 72 organisations assessed. Norway, an original signatory to the IATI, has announced that it will begin reporting data in line with the IATI standards from 2013, a positive step forward in line with the Busan Partnership for Development.

Norway could consider a more targeted approach to communicating results

Since the last peer review, the Ministry of Foreign Affairs and Norad have aligned their communication strategies, with Norad now responsible for long-term development issues, results, and generating public debate, and the Ministry focusing on the day-to-day development politics. Norway's evaluation policy makes communicating its findings a top priority and, as discussed earlier, has taken steps to expand the usefulness of its evaluation work. Nevertheless, while Norad produces high-quality reports, one criticism has been that they are often too long, too technical, and academic in style, not grounded in practical experience (Norad, 2013).¹¹ Achieving a good balance between the quality and the user-

friendliness of its evaluation reports will be important in order to increase the use of results. Moreover, as different types of evaluations and reviews will aim to reach different audiences with differing information needs, it is important to develop a dissemination and communication agenda as an evaluation is being planned. Norad should consider the inclusion of such communication plan in its future evaluations in order to communicate results better to the public. In addition, to ensure a more targeted approach to communicating the results to the right people, producing a variety of summaries focusing on different parts of the evaluation of interest to target audiences could be effective.

Raising development awareness

Public support for Norwegian aid remains high and fairly stable, according to the most recent public opinion survey.¹² In 2010, nine out of ten Norwegians thought positively about Norway's aid to developing countries. In earlier surveys women have been more positive than men. Today it appears that men and women have become comparable in their attitudes. Six out of ten respondents also thought that Norwegian aid is producing good results. However, compared with the last survey in 2006, the proportion that believes aid produces good results has fallen by 13%, in particular, among the younger population. To target its communication more effectively to younger Norwegians, Norad could collaborate more closely with FK Norway and its former FK participants to strengthen its development education efforts.

Working closely with the Norwegian civil society has been one important way of securing public backing for foreign aid. CSOs of various kinds are involved in Norwegian aid as advocates, implementers, public educators, or a combination of those. Norway channels a much higher share of its ODA through CSOs compared to an average DAC member (see Annex B). MFA and Norad also engage in constructive partnerships with CSOs, encouraging them to cast a critical eye, as overseers, on the development programme, another recommendation from the previous peer review.

Notes

1. These include the Practical Guide on Results Management in Norwegian Development Co-operation, a short guide presenting some basic concepts, methodologies, and other practical aspects of measuring and reporting results, and Risk Management: Methods and Terminology at the Ministry of Foreign Affairs, a guide to strengthen risk management practices in the foreign service.
2. The OAG also pointed to the deficiencies in MFA's efforts to increase knowledge of the results of development co-operation in its 2011 review of Norwegian aid (OAG, 2011).
3. The OAG found that for some projects results were presented without assessing whether the results corresponded to the performance requirements set (OAG, 2011).
4. Norad's Evaluation Policy allocates a maximum of 20% of its evaluation staff time for the provision of technical advice to the aid administration (Norad, 2006).
5. The evaluation mandate has four objectives: i) evaluate effectiveness and results in relation to plans adopted; ii) evaluate whether resources application is reasonably commensurate with results achieved (value for money); iii) systematise experience, so as to ensure quality and improve quality of future activities by means of good learning processes; and iv) provide information to aid policy-makers and the general public.
6. These are: i) promote quality assurance of all development co-operation; ii) promote stronger focus on results of Norwegian aid; iii) adapt evaluation work to new aid modalities; iv) contribute to improved communication of results and improved learning; v) strengthen evaluation as the basis for policy development, making the evaluation as relevant as possible; and vi) strengthen quality and reliability of evaluation activities (Norad, 2006).
7. However, there are trade-offs for being open and transparent and involving others. The Evaluation Department has found that having many stakeholders involved in determining which evaluations should be conducted complicates and extends the length of the consultation process, resulting in delays in timing that affect the relevance of the evaluation studies (Norad, 2013).
8. Evidence from previous DAC peer reviews has shown that the timing of an evaluation and selection of its focus and scope will have a critical impact on how useful the evaluation will be for partner country stakeholders, and how readily the process might lend itself to building capacity (OECD, 2013).
9. OECD (2010), How to Support Capacity Development through Evaluation, OECD, Paris.
10. Norway's aid data are available in a searchable database in English and Norwegian that can be downloaded in CSV or Excel format, and easily converted to IATI format (www.publishwhatyoufund.org/index/2012-index/norway/, accessed 7 June 2013).
11. According to the evaluation, "the reports frequently read more as academic papers than as action-oriented evaluation reports. In part, this may reflect the frequent use of academics for carrying out the evaluation work... Report recommendations in some cases are not well-targeted or practical for implementation" (Norad, 2013).
12. Statistics Norway, "Attitudes towards and knowledge about Norwegian development aid, 2010", published on 18 May 2011 (www.ssb.no/en/offentlig-sektor/statistikker/uhjelp/hold/hvert-3-aar, accessed on 22 March 2013).

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Chapter 7: Norway's humanitarian assistance

Strategic framework

Indicator: Clear political directives and strategies for resilience, response and recovery

Norway has wide-ranging policy ambitions on the global humanitarian stage, aiming to work through both humanitarian funding and diplomacy to advance humanitarian issues, improve the quality of the international response, and increase crisis prevention efforts. Norway remains a significant humanitarian donor, and enjoys wide public and political support. However, creating synergies between humanitarian and development programmes to support recovery and crisis prevention commitments remains problematic.

Wide-ranging ambitions in response, risk reduction and humanitarian diplomacy

Norway's humanitarian assistance is guided by two cross-government documents, a humanitarian policy (MFA, 2009a) and a policy on the prevention of humanitarian crises (MFA, 2007). These documents outline Norway's ambitions to remain a leading political and financial partner to the humanitarian community, by ensuring a quality response, addressing major challenges through humanitarian diplomacy¹, and increasing focus on risk reduction measures. The policies respect the principles of good humanitarian donorship, and outline links with both foreign and development policy (MFA, 2009b), arguing that preventing crises is in Norway's national interest, and that humanitarian engagement remains a key part of the overall programme for peace and sustainable development. NGO partners are consulted on policy issues. The policies outline a long list of actions that "the government will" undertake to further its humanitarian ambitions, a list that must then be prioritised each year by the humanitarian team, to ensure that Norway's humanitarian to-do list is realistic and achievable.

A pragmatic approach to recovery, but closer links with development programmes would be useful

Norway has made policy commitments to improve the co-ordination of transition efforts across government, including a commitment to strengthen links with development co-operation efforts.² From the humanitarian side, the approach remains sensible, providing flexible and longer-term funding to partners that can also be used to support recovery programming, and partners agree that this approach is helpful in promoting a more holistic response. A separate budget line for transition objectives, aimed largely at peace-building and state-building, has been delegated to embassies and to Norad (for NGO grants). However, and as highlighted by the mid-term review of the Policy (Norad, 2011), creating synergies with development programmes remains problematic.³ This is largely due to the somewhat informal way of working within the MFA, and is not helped by the humanitarian team having mostly separate reporting lines from their development colleagues.

Close links between climate change adaptation and disaster risk – but less focus on risk reduction in development programmes

Risk reduction has a high profile in Norwegian policy. The risk reduction policy document (MFA, 2007) states that all development programming should place higher priority on risk reduction efforts. Climate change, settlement patterns, and the changing nature of crises are all identified as risk multipliers. However, the long list of “the government will” commitments in the policy, without clear prioritisation, seems to have weakened the imperative and incentives for co-ordination across government on risk reduction issues. The peer review team noted, for example, that risk reduction did not appear to be a high priority for development programmes. The move away from country strategies has not helped either, as there is now no forum for Norway to analyse disaster and crisis risks at country level, and thus no way to ensure that development programmes include appropriate risk reduction measures. Partners are also concerned that using the disaster budget to fund risk reduction can have unwanted effects – a major disaster may require that most disaster funds are channelled to response activities, leaving little for risk reduction. Norway should consider funding risk reduction from the totality of its budget lines to ensure that its policy objectives can be met.

Encouragingly, close links have been formed between the humanitarian and climate change teams, both globally, and through joint support to national adaptation plans and to partner initiatives. For example, the World Food Programme is currently funded through both the climate change and humanitarian budget lines, through one consolidated agreement that covers adaptation, preparedness, and response activities.

A significant humanitarian donor, with strong political support

Norway continues to be a significant humanitarian donor, providing USD 354.5 million as humanitarian funding in 2011⁴, or 9.5% of its total ODA. There is strong political and public support for humanitarian assistance in Norway, and so it is likely that these funding levels will remain unchallenged. Funding is provided through three budget lines, with 20% for natural disasters through a budget line approved by the Minister of International Development, and the remaining 80% approved by the Minister of Foreign Affairs directly, including a dedicated budget line for UNHCR. In times of exceptional crisis, parliament can grant additional funds.⁵

Effective programme design

Indicator: Programmes target the highest risk to life and livelihood

Norway would benefit from demonstrating how its humanitarian interest areas have guided its grant decisions each year, and to review how early warning could more clearly contribute to early response.

Criteria for who, what, and where to fund could be more transparent

The humanitarian policy outlines a large number of special interest areas⁶ that serve as broad criteria for Norway's funding decisions, aligned closely with the focus areas for its humanitarian diplomacy efforts. Each year, the humanitarian team agrees on a narrower set of themes, crises, and partners with embassies and other actors in the Ministry, and these are signed off by the Minister of Foreign Affairs. This annual shortlist is based both on historical funding trends and on areas where Norway can clearly add value, targeting partners who have demonstrated results, often with reference to the reviews conducted by the multilateral department. It would, however, be useful for Norway to demonstrate how its broad set of humanitarian policy areas have been translated into actual grant allocations each year, to avoid any potential misperceptions over why funding decisions have been made.

Early warning has led to earlier response

The policy on crisis prevention (MFA, 2007) commits Norway to increasing support for regional and international early warning systems, including strengthening the UN's capacity to analyse unrest and conflict, and improving joint analysis and information sharing between the UN and NGOs. Norway itself relies on its extensive network of embassies and partners for early warning information, and was amongst the first group of donors to fund the Sahel crisis in 2012.⁷ Norway also relies on its significant investment in the global Central Emergency Response Fund (CERF) to ensure a timely response to smaller-scale crises.

Relies on partners for beneficiary participation

Norway relies on partners to integrate beneficiary participation throughout the programme cycle. Partners confirm that Norway will provide additional funding for activities to support participatory approaches, and that there is sufficient flexibility in the grant agreements to allow programmes to be adapted in response to feedback from beneficiaries.

Effective delivery, partnerships and instruments

Indicator: Delivery modalities and partnerships help deliver quality assistance

Norway has introduced multi-annual partnership agreements with its major partners, including NGOs, increasing flexibility and predictability, and making partnerships more strategic. Rapid response mechanisms are also effective, with smaller crises covered by Norway's significant contributions to the global CERF rapid response mechanism, supplemented by a funding reserve, and goods and standby personnel for major crises. Norway also focuses on outreach to new donors

A flexible and predictable donor for protracted crises and recovery

The 2008 peer review recommended that Norway introduce multi-annual partnership agreements, and this has been done. Most major UN and NGO partners now have agreements over three or four years⁸, with funding amounts determined annually, increasing flexibility and predictability, and making partnerships more strategic. Levels of earmarking are low or non-existent, funds arrive in a timely manner, and flexibility within grants is high, allowing partners to channel funds to the highest priority risks to life and livelihood, including moving funds from crisis to crisis. The added predictability has also allowed NGO partners to invest in strengthening systems and procedures. Norway also supports pooled funding mechanisms at country level, and allocations from Oslo are supplemented by small budgets managed by embassies. However, Norway made 179 grants for earmarked allocations in 2012⁹, which might not be the most effective way to disburse funds. Norway could look at how to rationalise this area.

A range of rapid response tools

Norway has a wide range of tools available for rapid response to new and escalating crises. 30% of the annual humanitarian budget is set aside for rapid response, split into allocations to the CERF global rapid response mechanism (USD 74 million in 2012 – or 15% of ODA), with an additional 15% set aside for rapid response grants, usually for larger crises. Some NGOs have rapid drawdown provisions for emergency response in their multi-annual agreements, allowing the release of funds in a matter of hours. Norway also provides goods and standby personnel through Norwegian Emergency Preparedness System (NOREPS)¹⁰, to supplement the resources of its partners in crisis response.

Frank and open partnerships

Partners report a close relationship with Norway, including frank and open dialogue on strategic and operational issues, and easy access to high-level decision-makers, desk officers, and embassy staff. Norway is an active member of many UN agency boards, and pooled fund working groups¹¹, and partners especially appreciate Norway's continued advocacy in these fora, especially pleas to other donors to reduce earmarking. The administration burden is generally seen as appropriate. The new grant management manual that is now applicable across the Norwegian system will introduce new rigour into funding procedures, including a more holistic view of risks and risk sharing.

Useful outreach to new donors

Like other donors, Norway limits its donor co-ordination to the support groups of its major partners, such as OCHA, ICRC and UNHCR, through its missions in New York and Geneva, and within the Nordic donor group. This is mostly information sharing; there is not yet a system where donors can systematically co-ordinate funding intentions or advocacy messages. Norway is also focusing on outreach to newer donors, particularly the Arab states, especially for raising awareness of humanitarian principles.¹²

Organisation fit for purpose

Indicator: Systems, structures, processes and people work together effectively and efficiently

Norway remains a very principled donor in terms of civil-military co-ordination, and has a solid approach to training staff in humanitarian issues. However, reporting to a separate minister from stabilisation and development colleagues creates challenges and opportunities in providing a coherent whole-of-government response – with the main casualty being crisis prevention.

Opportunities and challenges in cross-government co-ordination; crisis prevention is the main casualty

As mentioned earlier, the humanitarian team has mostly separate reporting lines from their development colleagues. This creates a particular set of challenges and opportunities for whole-of-government approaches to crisis prevention, response, and recovery. On the one hand, reporting to the Minister of Foreign Affairs creates possibilities for addressing the political issues that aggravate humanitarian crises, such as the role of the small arms trade in the 2012 Sahel crisis. On the other hand, incentives are limited to encourage different funding streams to work together. This is partially mitigated by the use of *ad hoc* taskforces to bring together the different parts of government, including in the embassies, working in a fragile state. However, there are no such mechanisms for crisis prevention, or for smaller-scale crises, often resulting in inadequate prevention measures in development programmes. Norway will need to study ways it can support greater synergies between the different players if it is to realise its ambitions in crisis prevention.

A principled approach to civil-military co-ordination

Norway's humanitarian policy very clearly identifies the relevant international instruments¹³, originally signed in Oslo, as the basis for its involvement in peacekeeping operations and in other areas where both civilian and military actors are engaged. It is successful in practice; unlike other donors, Norway's engagement in Afghanistan was guided by an early and categorical political decision to separate development from military operations, based in part on strong lobbying by Norwegian NGOs. For other crises, roles are clear; the MFA has the final decision on the use of military assets in humanitarian crisis response, based on advice from the UN's Emergency Relief Co-ordinator. This was proven in the case of the 2012 Libya crisis, where Norway chose not to call on military assets as support for the humanitarian response.

Staff are trained and knowledgeable

Partners report that Norway's humanitarian staff are knowledgeable and supportive. Personnel posted to embassies in at-risk or crisis countries are provided with basic training on humanitarian issues, and on grant management, before they leave Oslo, so as to be able to manage the funds they have been allocated for small-scale crisis response. They are also briefed as to how to respond in a crisis situation, and told how Oslo will support them with rapid funding decisions should a crisis escalate. The headcount freeze has not yet adversely affected the humanitarian team.

Results, learning and accountability

Indicator: Results are measured and communicated, and lessons learnt

A lack of measurable results for its humanitarian donorship and diplomacy goals complicates Norway's efforts to measure progress, and so limits opportunities to learn lessons for future programming. Partner efforts are monitored unequally, with NGO partners subject to greater scrutiny than their UN counterparts. Norway reports the results of its humanitarian programme both to parliament and in an annual published report. Risk remains a complicated issue, with Norway expressing zero tolerance for corruption, alongside an extremely high tolerance for programmatic risk. Norway could benefit from a more thorough approach to risk, determining, together with partners, what risks will be tolerated, what will be managed, and how the risk burden will be shared.

Without measurable results, it is difficult to monitor performance

Norway's humanitarian policies do not contain measurable results for donorship or diplomacy, making it difficult to measure progress. A mid-term review of Norway's progress towards its policy goals (Norad, 2011) found that the lack of benchmarks made it difficult to measure progress objectively.¹⁴ Norway has also conducted some thematic evaluations¹⁵, and is currently reviewing its response in Haiti, following up a parliamentary inquiry. Setting clearer expected results for Norway's humanitarian programme would allow it to better measure progress, learn lessons, and use these to improve future programming.

Unequal monitoring of the impact of partner programmes

The 2008 peer review recommended that Norway increase efforts to systematise learning and accountability in the humanitarian domain, and progress has been made in this area. However, Norway still relies heavily on partner reporting; UN agencies confirm that Norway generally accepts their standard reports, and does not ask supplementary questions. Some UN partners were surprised that Norway was not tougher on performance. Other monitoring is done by embassies and by occasional field visits by Oslo staff. NGOs undergo a higher level of scrutiny, including full programme evaluations and other reviews. While learnings from partner evaluations are not proactively disseminated, Norway does fund a stable of research organisations¹⁶ that lecture regularly to ministry staff and partners on humanitarian issues.

Results are communicated to parliament and public

The results of Norway's humanitarian programme are reported annually to the Storting as part of the budget proposition, and an annual report, including facts and figures on funding, and qualitative reports on progress on humanitarian diplomacy issues, is also published, most recently for 2011 (MFA, 2011). While the Government does not require branding on partner interventions, it receives recognition indirectly, as most NGO partners have the word "Norway" or "Norwegian" in their names.

Zero tolerance for financial irregularities, but high tolerance for risky programmes

As mentioned earlier, Norway actively promotes a zero-tolerance policy that has sent strong political messages about its stance against corruption. However, staff are aware of the risks that this policy could create in humanitarian environments, where, if taken to extremes, it could restrict the types of interventions planned and the type of partners selected. Therefore, it is useful that Norway is looking for ways to strengthen partner capacity to take on and manage fiduciary risks. On the programme side, partners report that Norway tolerates a high level of risk in interventions, perhaps because programmatic risks are not systematically analysed or monitored. Norway could focus more on this area, opening a frank and honest debate with partners on the risks within each crisis context and programme, focusing on what risks will be tolerated, what will be managed, and how the risk burden will be shared between Norway and operational partners.

Notes

1. Norway uses humanitarian diplomacy to advance a number of key issues, including humanitarian reform, outreach to new donors, respect for humanitarian principles, humanitarian disarmament, action against sexual violence in conflict, the needs of people with disabilities in crises, and protection of civilians, especially refugees and internally displaced persons (IDPs).
2. For example, in Norway's humanitarian policy (MFA, 2009a), Section 5.6 states "the Government will: improve the coordination of Norwegian efforts in transitional situations, for example through closer cooperation in country teams in the Ministry, and promote greater focus on the long-term effects of humanitarian assistance in order to reduce undesirable consequences for individuals and local communities."
3. The mid-term review recommended that "A mechanism to ensure a smooth transition between humanitarian and development efforts should be put in place. This would require a mechanism to ensure communication between relevant MFA and Norad personnel so that efforts are not dependent on individuals. Dialogue between MFA and partner organizations and research institutions regarding ways to ease the transition between humanitarian and development efforts should also be encouraged."
4. Figures reported to the OECD Creditor Reporting System, in current prices.
5. Additional funding allocations were recently granted for the 2010 Pakistan floods, Haiti earthquake response, and the 2011+ Horn of Africa crisis.
6. Areas of special interest include protecting women and children against sexual abuse; strengthening gender sensibility and general priority to sexual and gender-based violence interventions; providing health services for women and children; educating children, young adults, and others in humanitarian situations to reduce the incidence of child soldiers and prostitutes; supporting innovative efforts to meet children and young people's needs in crisis situations; prioritising measures to protect and re-integrate refugees, IDPs, and other vulnerable people; and supporting a lasting solution to protracted crises.
7. Norway contributed USD 6.08 million to the Sahel crisis in 2012, mostly through UNHCR, WFP, and UNICEF. The first grant was made in late March 2012, making Norway amongst the first donors to respond to this crisis. ECHO were the earliest to respond, making their first contribution in early December 2011. Source: OCHA Financial Tracking System, accessed 19 April 2013.
8. At the time of this peer review, Norway had finalised multi-annual agreements with the CERF, UNHCR, WFP, UNICEF, and ICRC, and with five Norwegian NGOs.
9. Portfolio figures provided by Norway, analysed by OECD.
10. The Norwegian Emergency Preparedness System (NOREPS) is a partnership between the MFA, the Directorate for Civil Protection (DSB), and Norwegian NGOs. NOREPS provides standby personnel and ready-to-deploy relief stocks for international humanitarian crises. NORCAP, which is part of NOREPS, is a standby force of trained personnel that can be deployed on humanitarian operations anywhere in the world at 72 hours' notice.
11. Norway is, for example, a member of the Pooled Funds Working Group and Ms. Susan Eckey, a Minister Counsellor from the Permanent Mission of Norway to the United Nations in New York, serves on the CERF Advisory Board in a personal capacity.

12. Norway and the Norwegian Refugee Council, an NGO, will jointly host a meeting with the United Arab Emirates in May 2013.
13. The 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief (the "Oslo Guidelines"), as updated, and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies.
14. The review concluded "Overall we found that in some aspects the Policy has been coherently implemented, and progress has been made in relation to the overall goals and the individual action points. These areas include, for example, humanitarian disarmament, gender, protection/IDPs and refugees. Other areas such as inclusion of non Western donors, assurances of the use of the humanitarian principles and do-no-harm approaches by funded organizations have been less successful."
15. Since the last peer review, there have been two thematic evaluations in the humanitarian sphere: An evaluation of the humanitarian mine activities of Norwegian People's Aid (November 2009) and an evaluation of the NOREPS (February 2008), both available at www.norad.no.
16. Norway funds humanitarian research at several institutions, including the Overseas Development Institute, Tufts University, and the Norway Research Council.

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Annex A: Progress since the 2008 DAC peer review recommendations

Strategic orientations

Recommendations 2008	Progress in implementation
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.	Implemented
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.	Partially implemented
Norway needs to articulate its overarching approach to communication in order for the two communication units to convey consistent and complementary development messages to the public.	Implemented

Development beyond aid

Recommendations 2008	Progress in implementation
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 developing among the ministries.	Partially implemented

Aid volume, channels and allocations

Recommendations 2008	Progress in implementation
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.	Not implemented
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.	Implemented
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.	Partially implemented
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.	Partially implemented

Organisation and management

Recommendations 2008	Progress in implementation
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 overarching objectives for its interventions at the country level. Norad also needs to better articulate its role in creating a knowledge-based system to inform the decision-making process.	Partially implemented
Norway needs to address the staff recruitment and retention challenges arising from 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.	Implemented
Norway needs to develop a results-based management approach at the institutional, programme, and project levels.	Implemented

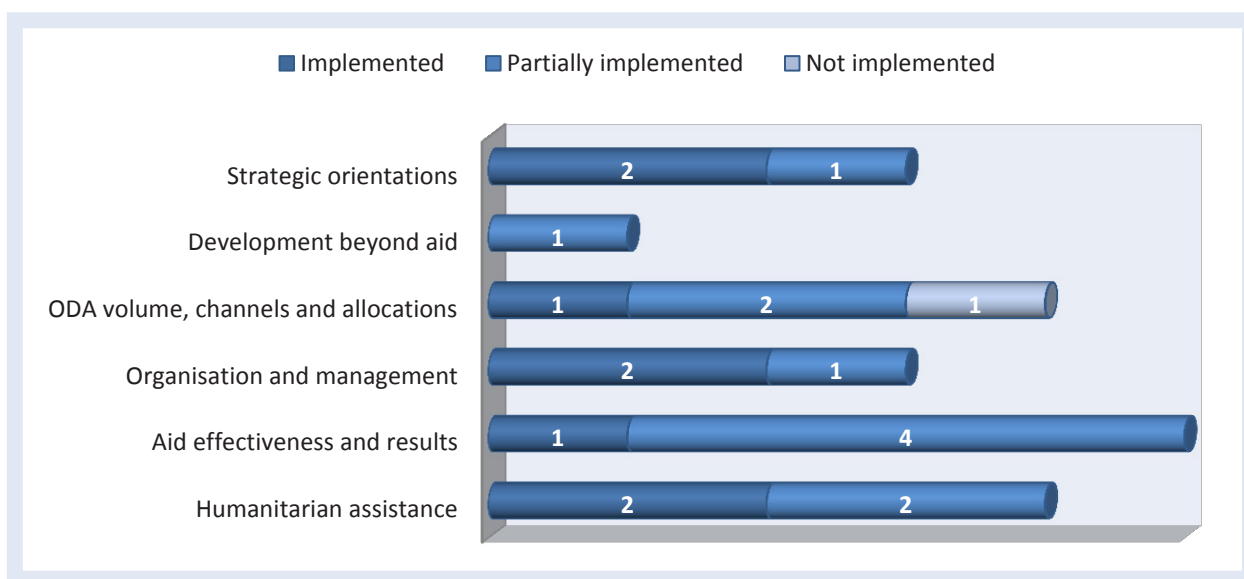
Aid effectiveness and results

Recommendations 2008	Progress in implementation
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 to aid effectiveness policy guidance.	Partially implemented
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.	Partially implemented
Norway needs to broaden its efforts to apply the aid effectiveness principles to funding channels beyond government-to-government.	Partially implemented
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.	Partially implemented
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.	Implemented

Humanitarian Assistance

Recommendations 2008	Progress in implementation
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.	Implemented
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.	Partially implemented
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.	Implemented
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.	Partially implemented

Figure A.1. Norway – Implementation of 2008 peer review recommendations



Annex B: OECD statistics on official development assistance

Table B.1. Total financial flows

USD million at current prices and exchange rates

Norway	Net disbursements						
	1997-2001	2002-2006	2007	2008	2009	2010	2011
Total official flows	1 321	2 337	3 740	4 006	4 081	4 372	4 756
Official development assistance	1 321	2 335	3 735	4 006	4 081	4 372	4 756
Bilateral	949	1 669	2 890	3 078	3 164	3 353	3 562
Multilateral	372	666	845	928	918	1 019	1 194
Other official flows	- 0	2	5	1	0	1	-
Bilateral	- 0	2	5	1	0	1	-
Multilateral	-	-	-	-	-	-	-
Net Private Grants	161	90	-	-	-	-	-
Private flows at market terms	240	1 266	2 638	- 247	895	1 504	- 0
Bilateral: of which	240	1 266	2 638	- 247	895	1 504	- 0
Direct investment	136	1 244	2 638	- 246	892	1 504	-
Export credits	104	22	- 0	- 1	3	-	- 0
Multilateral	-	-	-	-	-	-	-
Total flows	1 722	3 694	6 377	3 759	4 977	5 876	4 755
<i>for reference:</i>							
ODA (at constant 2010 USD million)	3 280	3 953	4 583	4 316	5 168	5 011	4 756
ODA (as a % of GNI)	0.83	0.90	0.95	0.89	1.06	1.05	0.96
Total flows (as a % of GNI) (a)	1.08	1.43	1.63	0.83	1.29	1.41	0.96
ODA to and channelled through NGOs							
- In USD million	251	377	22	27	24	841	949
- In percentage of total net ODA	19	16	1	1	1	19	20
- DAC countries' average % of total net ODA	6	9	7	7	7	8	10

a. To countries eligible for ODA.

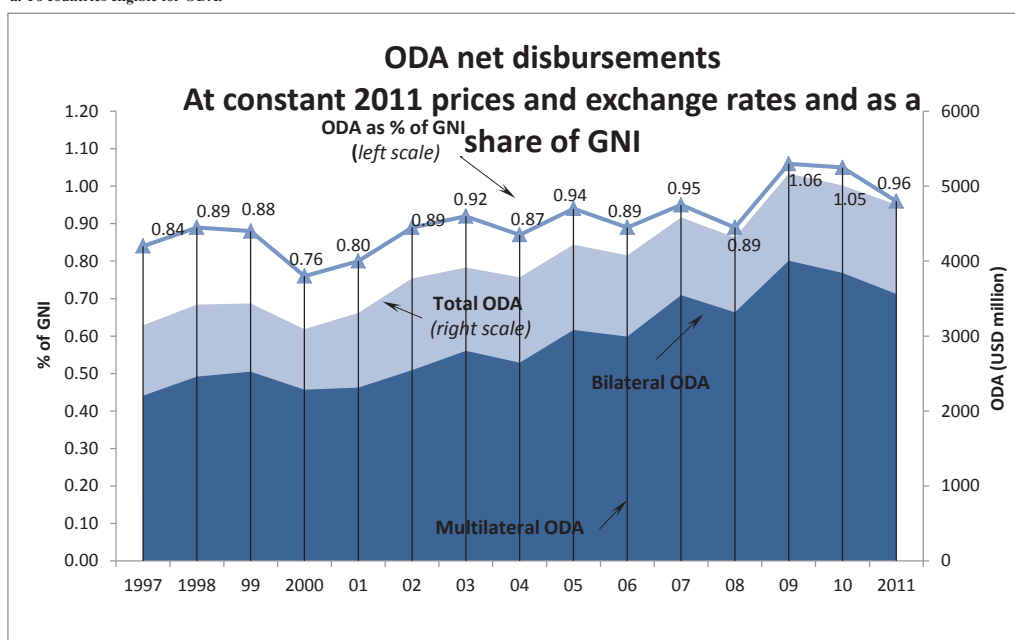


Table B.2. ODA by main categories

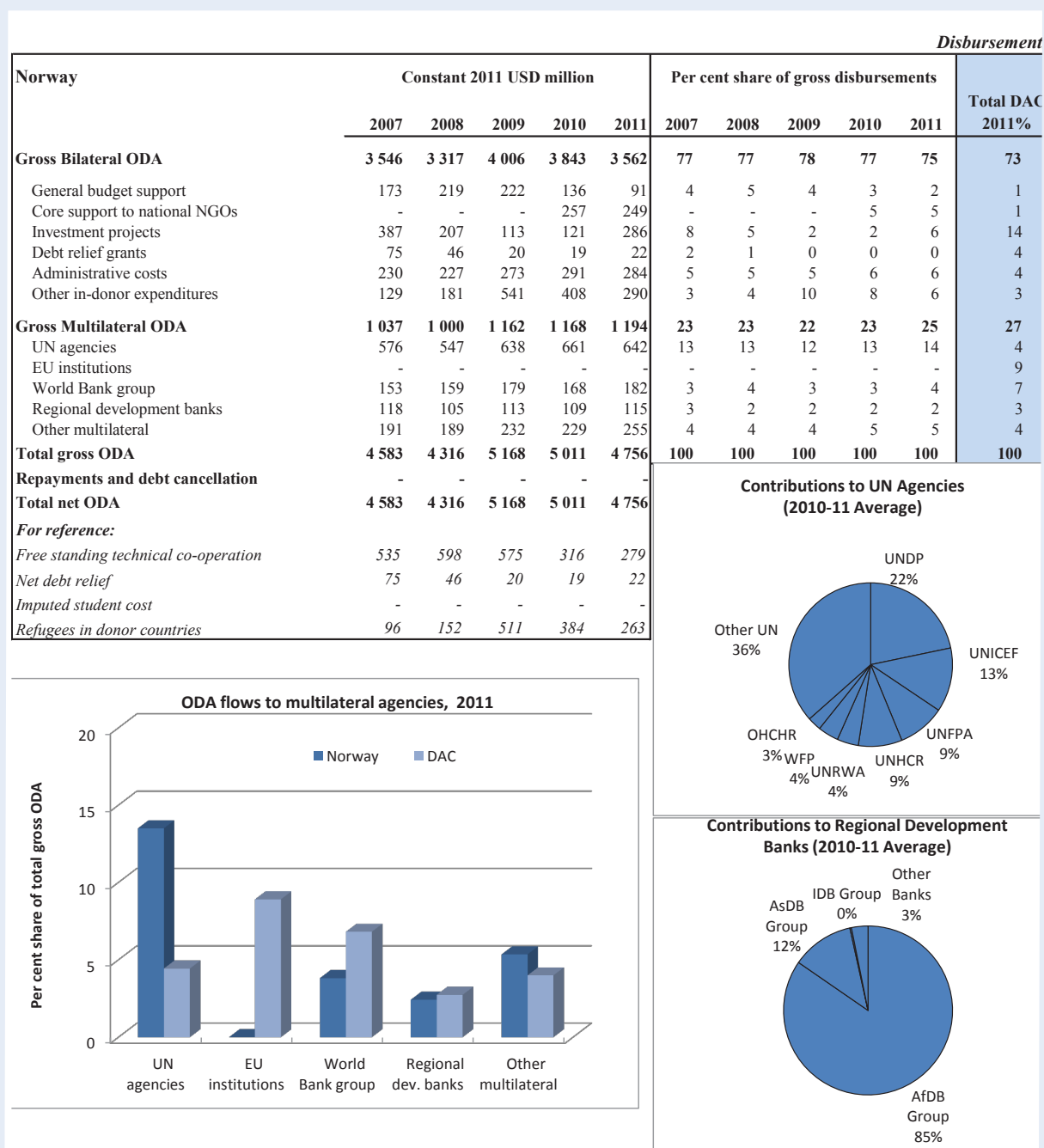
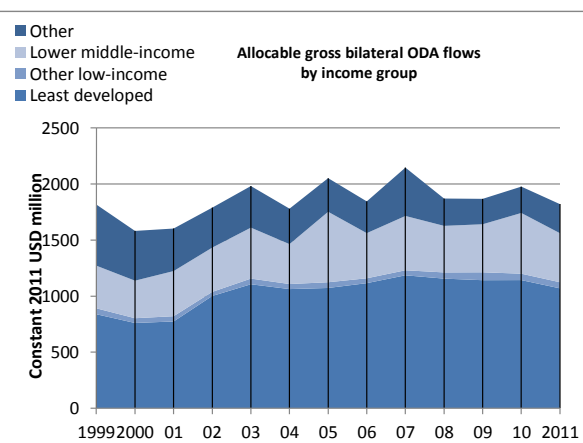
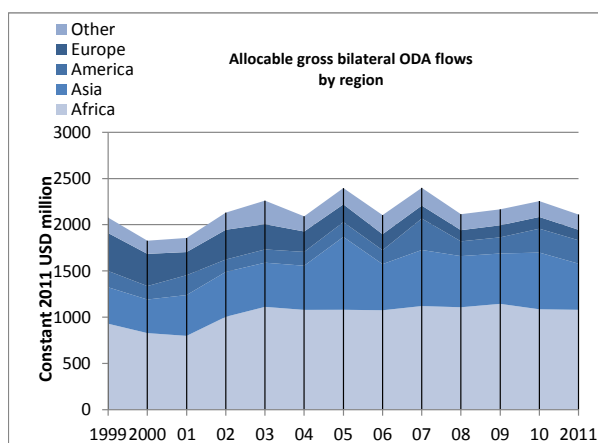


Table B.3. Bilateral ODA allocable by region and income group

Gross disbursements											
Norway	Constant 2011 USD million					Per cent share					Total DAC 2011%
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	
Africa	1 121	1 108	1 145	1 086	1 080	47	52	53	48	51	44
Sub-Saharan Africa	1 039	1 016	1 030	967	950	43	48	48	43	45	39
North Africa	4	1	2	2	23	0	0	0	0	1	4
Asia	606	553	544	613	499	25	26	25	27	24	33
South and Central Asia	394	388	419	440	351	16	18	19	19	17	20
Far East	170	136	97	147	124	7	6	4	7	6	12
America	340	160	175	258	253	14	8	8	11	12	11
North and Central America	77	65	66	117	110	3	3	3	5	5	5
South America	252	74	80	129	133	10	3	4	6	6	5
Middle East	191	171	170	169	162	8	8	8	8	8	6
Oceania	1	2	2	2	3	0	0	0	0	0	2
Europe	140	121	130	127	113	6	6	6	6	5	4
Total bilateral allocable by region	2 399	2 114	2 166	2 255	2 110	100	100	100	100	100	100
Least developed	1 186	1 156	1 142	1 143	1 069	55	62	61	58	59	44
Other low-income	45	55	71	57	54	2	3	4	3	3	3
Lower middle-income	485	415	429	542	437	23	22	23	27	24	34
Upper middle-income	423	239	222	231	259	20	13	12	12	14	18
More advanced developing countries	8	5	5	4	-	0	0	0	0	-	-
Total bilateral allocable by income	2 146	1 870	1 868	1 977	1 820	100	100	100	100	100	100
For reference:											
Total bilateral	3 546	3 317	4 006	3 842	3 562	100	100	100	100	100	100
of which: Unallocated by region	1 147	1 203	1 839	1 587	1 451	32	36	46	41	41	24
of which: Unallocated by income	1 400	1 447	2 138	1 865	1 741	39	44	53	49	49	30



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

Norway	2000-04 average				2005-09 average				2010-11 average				Memo:	
	Current USD million	Constant 2011 USD mln	Per cent share	DAC countries' average %	Current USD million	Constant 2011 USD mln	Per cent share	DAC countries' average %	Current USD million	Constant 2011 USD mln	Per cent share	DAC countries' average %		
Afghanistan	50	102	4						129	138	4			
Tanzania	49	101	4		107	138	4		119	128	3			
Mozambique	45	94	4		99	124	4		111	119	3			
West Bank & Gaza Strip	45	94	4		97	123	4		82	90	2			
Serbia	42	92	3		94	118	4		79	84	2			
Top 5 recipients	230	483	19	26	475	602	18	30	520	560	15	26		
Uganda	31	64	3											
Zambia	30	62	2		65	83	2		76	81	2			
Sudan	28	56	2		62	78	2		67	71	2			
Ethiopia	28	58	2		56	72	2		66	71	2			
Somalia	26	54	2		43	57	2		58	64	2			
Top 10 recipients	373	777	31	41	742	948	28	44	845	907	24	39		
Iraq	24	49	2											
Bosnia-Herzegovina	22	48	2		39	49	1		55	57	2			
Sri Lanka	22	45	2		38	49	1		48	52	1			
Angola	21	44	2		37	47	1		45	50	1			
Bangladesh	18	39	2		35	44	1		34	36	1			
Top 15 recipients	480	1 003	40	51	919	1 173	34	52	1 059	1 135	31	47		
Malawi	17	35	1											
South Africa	16	35	1		26	34	1		31	33	1			
States Ex-Yugoslavia	16	33	1		26	33	1		31	33	1			
Nepal	15	32	1		25	32	1		30	30	1			
Croatia	13	28	1		21	27	1		30	32	1			
Top 20 recipients	558	1 165	46	58	1 039	1 325	39	58	1 210	1 295	35	52		
Total (147 recipients)	850	1 780	70		1 537	1 966	58		1 773	1 899	51			
Unallocated	359	750	30	23	1 130	1 423	42	25	1 684	1 803	49	34		
Total bilateral gross	1 209	2 530	100	100	2 667	3 389	100	100	3 457	3 702	100	100		

Table B.5. Bilateral ODA by major purposes
at constant 2011 prices and exchange rates

Norway	2000-2004 average		2005-09 average		2010-11 average		2010-11 Total DAC per cent
	2011 USD million	Per cent	2011 USD million	Per cent	2011 USD million	Per cent	
Social infrastructure & services	1 155	48	1 436	43	1 346	36	39
Education	221	9	306	9	299	8	8
of which: basic education	95	4	168	5	210	6	2
Health	165	7	224	7	140	4	5
of which: basic health	67	3	109	3	61	2	3
Population & reproductive health	72	3	75	2	65	2	7
Water supply & sanitation	61	3	52	2	38	1	5
Government & civil society	464	19	660	20	707	19	13
of which: Conflict, peace & security	-	-	212	6	247	7	2
Other social infrastructure & services	173	7	120	4	97	3	3
Economic infrastructure & services	236	10	307	9	383	10	16
Transport & storage	27	1	15	0	4	0	6
Communications	21	1	6	0	2	0	0
Energy	123	5	197	6	256	7	6
Banking & financial services	19	1	38	1	96	3	2
Business & other services	47	2	51	2	29	1	1
Production sectors	157	6	207	6	518	14	8
Agriculture, forestry & fishing	121	5	155	5	420	11	5
Industry, mining & construction	26	1	27	1	71	2	1
Trade & tourism	10	0	25	1	27	1	1
Multisector	181	8	335	10	320	9	12
Commodity and programme aid	86	4	170	5	187	5	3
Action relating to debt	33	1	35	1	10	0	4
Humanitarian aid	284	12	416	12	352	9	9
Administrative costs of donors	122	5	233	7	268	7	5
Refugees in donor countries	162	7	191	6	324	9	3
Total bilateral allocable	2 416	100	3 330	100	3 708	100	100
<i>For reference:</i>							
Total bilateral	2 507	70	3 389	76	3 792	76	74
of which: Unallocated	91	3	59	1	83	2	1
Total multilateral	1 056	30	1 084	24	1 181	24	26
Total ODA	3 563	100	4 473	100	4 972	100	100

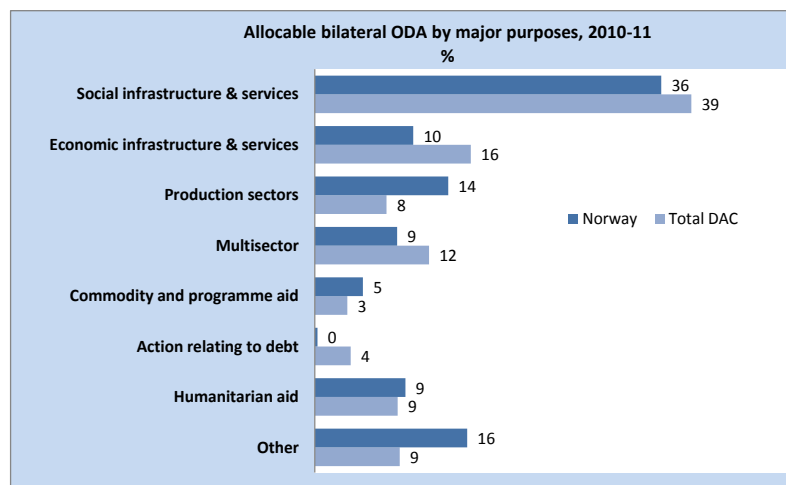


Table B.6. Comparative aid performance

Net disbursements										
Official development assistance				Grant element of ODA (commitments) 2011	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies 2011	
2011		2005-06 to 2010-11 Average annual % change in real terms	2011							
USD million	% of GNI		% of ODA (b)		% of GNI (c)	(b)	(c)	% of ODA	% of GNI	
Australia	4 924	0.34	7.7	99.8	13.1		0.04		27.9	0.09
Austria	1 111	0.27	-8.6	100.0	55.9	27.6	0.15	0.07	29.1	0.08
Belgium	2 807	0.54	4.3	99.9	38.0	19.4	0.20	0.10	39.6	0.21
Canada	5 459	0.32	2.1	100.0	24.7		0.08		35.6	0.11
Czech Republic	250	0.12	3.8	100.0	69.3		0.09		30.2	0.04
Denmark	2 931	0.85	1.6	100.0	26.8	17.5	0.23	0.15	38.0	0.32
Finland	1 406	0.53	5.7	100.0	40.3	25.1	0.21	0.13	34.1	0.18
France	12 997	0.46	1.2	85.1	34.6	16.0	0.16	0.07	29.5	0.14
Germany	14 093	0.39	2.9	90.9	38.0	18.8	0.15	0.07	27.8	0.11
Greece	425	0.15	-1.3	100.0	63.8	3.4	0.09	0.01	21.1	0.03
Iceland	26	0.21	-0.4	100.0	21.6		0.05		45.4	0.10
Ireland	914	0.51	0.7	100.0	33.9	17.2	0.17	0.09	53.9	0.28
Italy	4 326	0.20	-6.8	100.0	60.6	16.2	0.12	0.03	39.1	0.08
Japan	10 831	0.18	-6.6	89.2	35.9		0.06		39.4	0.07
Korea	1 325	0.12	15.6	93.9	25.3		0.03		35.8	0.04
Luxembourg	409	0.97	2.8	100.0	31.6	22.8	0.31	0.22	37.9	0.37
Netherlands	6 344	0.75	0.7	100.0	31.6	20.8	0.24	0.16	23.9	0.18
New Zealand	424	0.28	2.0	100.0	22.3		0.06		28.9	0.08
Norway	4 756	0.96	3.3	100.0	25.1		0.24		32.1	0.31
Portugal	708	0.31	8.3	86.5	32.6	7.1	0.10	0.02	50.9	0.16
Spain	4 173	0.29	4.8	99.2	45.3	17.6	0.13	0.05	28.2	0.08
Sweden	5 603	1.02	2.8	100.0	35.0	28.3	0.36	0.29	35.2	0.36
Switzerland	3 051	0.45	2.3	100.0	22.2		0.10		26.5	0.12
United Kingdom	13 832	0.56	3.6	100.0	38.7	25.0	0.22	0.14	38.8	0.22
United States	30 783	0.20	1.4	100.0	12.0		0.02		37.6	0.08
Total DAC	133 908	0.31	1.1	95.8	29.7		0.09		34.2	0.11
Memo: Average country effort		0.48								

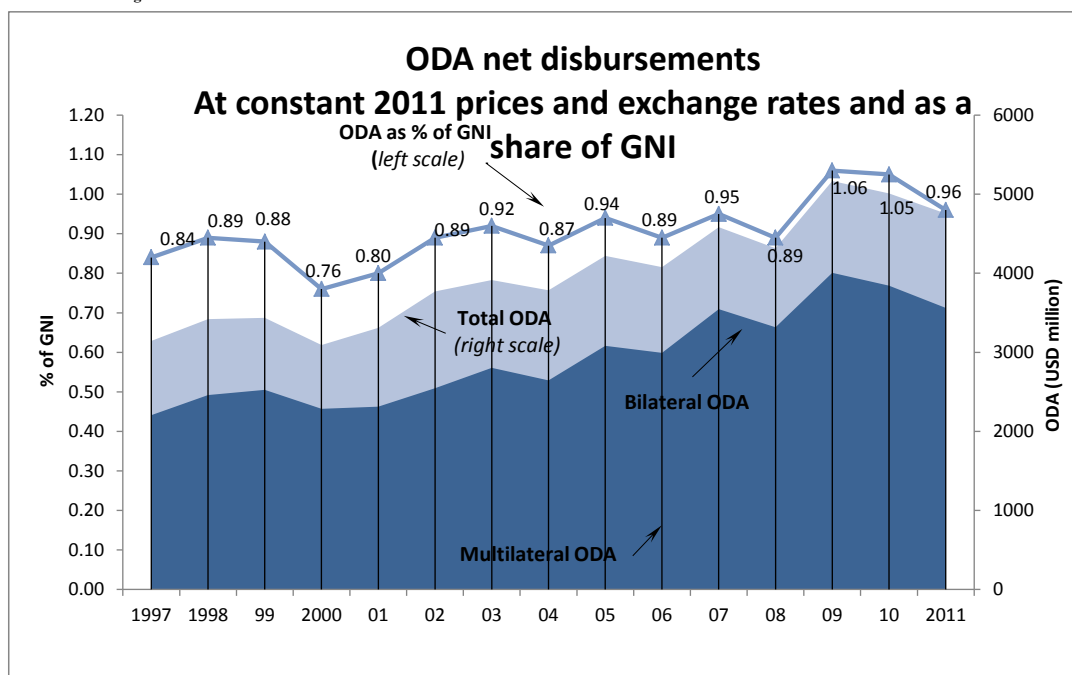
Notes:

- a. Excluding debt reorganisation.
- b. Including EU institutions.
- c. Excluding EU institutions.
- .. Data not available.

Figure B.1. Net ODA from DAC countries in 2011

Norway	Net disbursements						
	1997-2001	2002-2006	2007	2008	2009	2010	2011
Total official flows	1 321	2 337	3 740	4 006	4 081	4 372	4 756
Official development assistance	1 321	2 335	3 735	4 006	4 081	4 372	4 756
Bilateral	949	1 669	2 890	3 078	3 164	3 353	3 562
Multilateral	372	666	845	928	918	1 019	1 194
Other official flows	- 0	2	5	1	0	1	-
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Direct investment	136	1 244	2 638	- 246	892	1 504	-
Export credits	104	22	- 0	- 1	3	-	- 0
Multilateral	-	-	-	-	-	-	-
Total flows	1 722	3 694	6 377	3 759	4 977	5 876	4 755
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ODA (at constant 2010 USD million)	3 280	3 953	4 583	4 316	5 168	5 011	4 756
ODA (as a % of GNI)	0.83	0.90	0.95	0.89	1.06	1.05	0.96
Total flows (as a % of GNI) (a)	1.08	1.43	1.63	0.83	1.29	1.41	0.96
ODA to and channelled through NGOs							
- In USD million	251	377	22	27	24	841	949
- In percentage of total net ODA	19	16	1	1	1	19	20
- DAC countries' average % of total net ODA	6	9	7	7	7	8	10

a. To countries eligible for ODA.



Annex C: Field visit to Guatemala

The peer review team, comprising two examiners from Italy and one from Finland, as well as two policy analysts from the OECD/DAC Secretariat, visited Guatemala in April 2013. The team members met with the staff of the Norwegian embassy in Guatemala City, as well as representatives of key stakeholders and partners in the country. Information gathered during this field visit is used throughout the report to illustrate specific issues. This Annex provides further detail, focusing on three aspects: 1) the development context of Guatemala; 2) the development community in the country; and 3) Norway's development co-operation programme in Guatemala.

Development context

A lower middle-income country struggling with high levels of poverty and inequality

Guatemala is an LMIC and the biggest economy in Central America, but it also faces large development challenges, as more than one-half of its population still lives below the national poverty line and inequality is highest in the region. Due to the high levels of inequality, poverty in rural and indigenous areas is among the highest in Latin America, and many of its socio-economic indicators are comparable to those of sub-Saharan Africa. For example, Guatemala has the fourth highest rate of chronic malnutrition in the world, the highest in Latin America, affecting 50% of children under 5 years of age.¹ The estimated median age in Guatemala is 20 years of age, which is the lowest median age of any country in the Western Hemisphere, and comparable to most of central Africa and Iraq.

The human development index of Guatemala is low, as it ranks 131 out of 187 countries and territories in 2011 (UNDP, 2012). Progress in meeting the MDGs is mixed at best, with several areas of health and development lagging behind. With the lowest tax base (as percentage of GNI) of Latin America, social spending is highly constrained, amounting to only 2.9% of GNI, compared with an average of 6% for Latin America.

Table C.1 Key indicators for Guatemala

Population (2011) ^a	14.76 million
Population growth rate (annual %, 2011) ^a	2.5
Gross domestic product (GDP) (billion current USD, 2011) ^a	46.9
GDP real growth rate (annual %, 2011) ^a	3.9
GDP per capita, PPP (current international dollars, 2011) ^a	4,928
Gross national income (GNI) per capita (Atlas, current USD, 2011) ^a	2,870
Income group ^b	LMIC
Poverty (% of population, 2011) ^a	53.7
Average life expectancy (2011) ^a	71
Income share held by highest 20% (%, 2006) ^a	60.3
Labour force, female (% of total labour force, 2010) ^a	38.1
Human development index (2011) ^b	131/187
<i>Sources: a) World Bank (2012), World Development Indicators, data.worldbank.org/data-catalog/world-development-indicators, accessed 13 February 2013; b) UNDP (2012).</i>	

Democratic stability following 36-year civil war, but violence and impunity remain widespread

Having suffered through 36 years of civil war, Guatemala has experienced relative democratic and macroeconomic stability since the peace agreement signing in 1996, with intense brokerage by Norway and Spain. However, the consequences of the brutal civil war remain today: the indigenous population, comprising more than one-half of the population, remains largely segregated and victim of social and economic exclusion; the state institutions are weak; and the rule of law is not effectively promoted, with 70% of impunity in the country. However, in a historic trial, the Guatemalan High Court prosecuted the former President of Guatemala during the military dictatorship on genocide charges for the deaths of at least 1,771 people as well as the displacement of nearly 30,000 Guatemalans between 1982-83.² Rampant corruption, crime, and political uncertainty continue to hinder economic growth and equality.

Efforts to diversify the economy and a controversial mining sector

Guatemala has huge potential for accelerating its economic growth through trade, regional integration, and tourism. The economic recovery following the 2008/2009 crisis, however, has been moderate, with GDP reaching an estimated 2.8% in 2010 and 3.8% in 2011. GDP growth rates are expected to remain depressed as economic diversification remains hindered by crime and political unrest. Corruption is also cited as the biggest obstacle to investment. Guatemala was ranked 113 out of 176 countries and territories, alongside Albania, Ethiopia, and Niger, in terms of perceived levels of public sector corruption (Transparency International, 2012).

Its growing mining sector offers economic opportunities while also posing environmental and ethical dilemmas. Although Guatemala's economy remains

heavily dependent upon agricultural exports, with coffee the most important export crop, exports of raw materials are on the rise. Following the adoption, since 1996, of policies to attract foreign investments in the mining sector, metal exploration has grown by 1,000% since 1998, and mineral exports have grown from 0.35% to 4.27% of total merchandise exports between 1990 and 2008 (World Bank, 2013). However, the growth of the mining sector remains controversial. In fact, extraction activities have serious environmental implications that heavily affect the livelihoods of the rural indigenous poor and, irrespective of the ILO Convention No. 169, in Guatemala affected populations continue to be ignored in decision-making processes relating to extractive concessions (see also Dougherty, 2011; Holden and Jacobson, 2009).

ODA flows and the development community

Low aid dependency but strong relevance of development partners in specific sectors

In 2011, Guatemala received USD 392 million as ODA, equivalent to 0.9% of its GNI (CRS statistics). In real terms, ODA from donors slightly decreased since its peak of USD 447 million in 2006 (Figure C.1.). The United States is by far the largest donor, accounting for one-third of total ODA to the country in 2011. The five largest donors gave almost three-quarters of total ODA in 2011 (Table C.2).

Foreign assistance represents a fairly small share of the country's GNI, but its importance is high, especially for specific sectors. For example, aid covers 8% of the educational budget and represents around half of the funds available for improvements and innovations in that sector, as more than 80% of the budget comprises teacher salaries and other fixed running costs (Norad, 2007). In the context of strong social tensions and discriminations, the development community also plays an important role in supporting the fight against inequality and discrimination in the indigenous population.

Donor co-ordination is poor and partner country leadership weak

The main donor co-ordination mechanism in Guatemala is the G13 group, currently chaired by USAID. Although the group meets fairly regularly, it is mainly a space where donors share information rather than developing joint programming or common positions relating to the Government of Guatemala. This is not surprising, as in Guatemala donors do not share a common approach for delivering aid and instead use different modalities: Spain is the only bilateral donor working closely with the Government and providing general budget support, whereas all other bilateral donors make limited use of country systems and adopt programme-based approaches to varying degrees.

In part, poor donor co-ordination is linked to the overall weak guidance that donors collectively receive from the Government. The “mesas”, or roundtables for discussion organised by sector, provide room for dialogue between donors

the Government. However, during the interviews held in Guatemala for the peer

review, donors reported that attendance by Government representatives is low, while Government officials reported that the mesas should only be attended by the Government, preferring bilateral negotiations with donors, and further confusing whether dialogue with all donors should be given a forum. Another sign of weak leadership is the little impact that the development strategy formulated by the state planning commission (SEGEPLAN, 2011) had on planning and budgeting processes, reportedly due to little involvement within the Government.

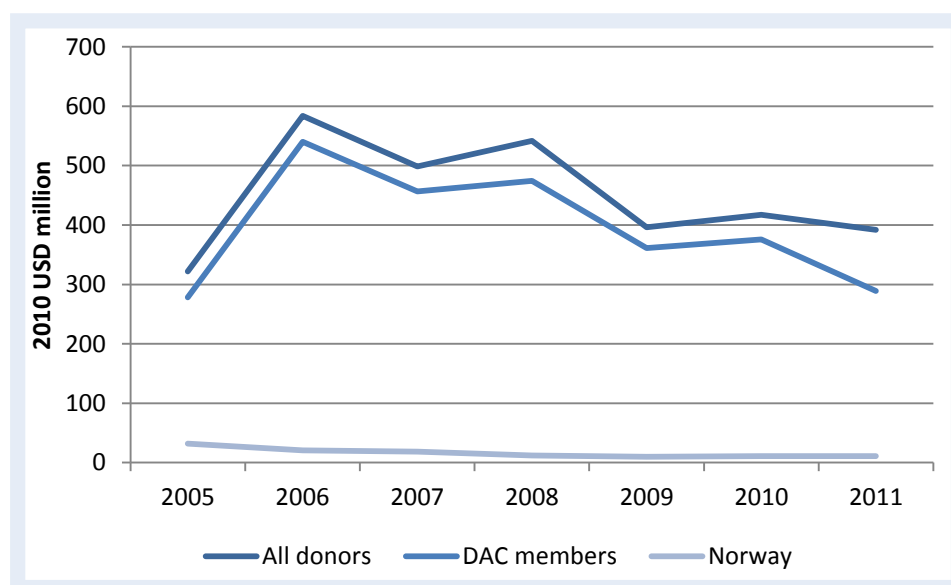
Table C.2 Aid flows to Guatemala

	2009	2010	2011
Net ODA (2010 USD million)	376	394	392
Net ODA/GNI	1.00%	1.00%	0.90%
Net Private Flows (USD million)	-101	322	-94

Top 10 Donors of gross ODA (2010-11 average) (USD m)		
1	United States	115
2	Spain	69
3	EU Institutions	39
4	Japan	39
5	Sweden	29
6	IDB Sp Fund	26
7	Netherlands	20
8	Germany	20
9	Global Fund	17
10	Canada	11
11	Norway	10
12	Italy	7

Source: DAC statistics

Figure C.1 Net ODA to Guatemala, 2005-11



Source: DAC statistics

Norway's development co-operation programme in Guatemala

A long-term partner and broker for peace and human rights

Norway has provided development co-operation to Guatemala since 1976, when the Norwegian Church Aid arrived to help the population affected by the earthquake. Norway has continued to provide development co-operation ever since, and played a key role, together with the UN and Spain, in the peace agreement brokered in 1996.

In terms of volume, Norway's support to Guatemala is small compared with the amount its main development partners receive, and yet Norway's contribution to the country is highly significant. Norwegian ODA to Guatemala amounted to USD 11.53 million in 2011, a 3% increase over the previous year. This amount is far below its allocations to Afghanistan, its largest recipient in the same year, which received USD 129 million. In 2011 Guatemala was only Norway's 37th largest recipient. However, for Guatemala Norway is a significant donor in quantitative terms, ranking 11th largest in the country, and in qualitative terms even more so. Norway is a courageous donor that does not shy away from proclaiming the need

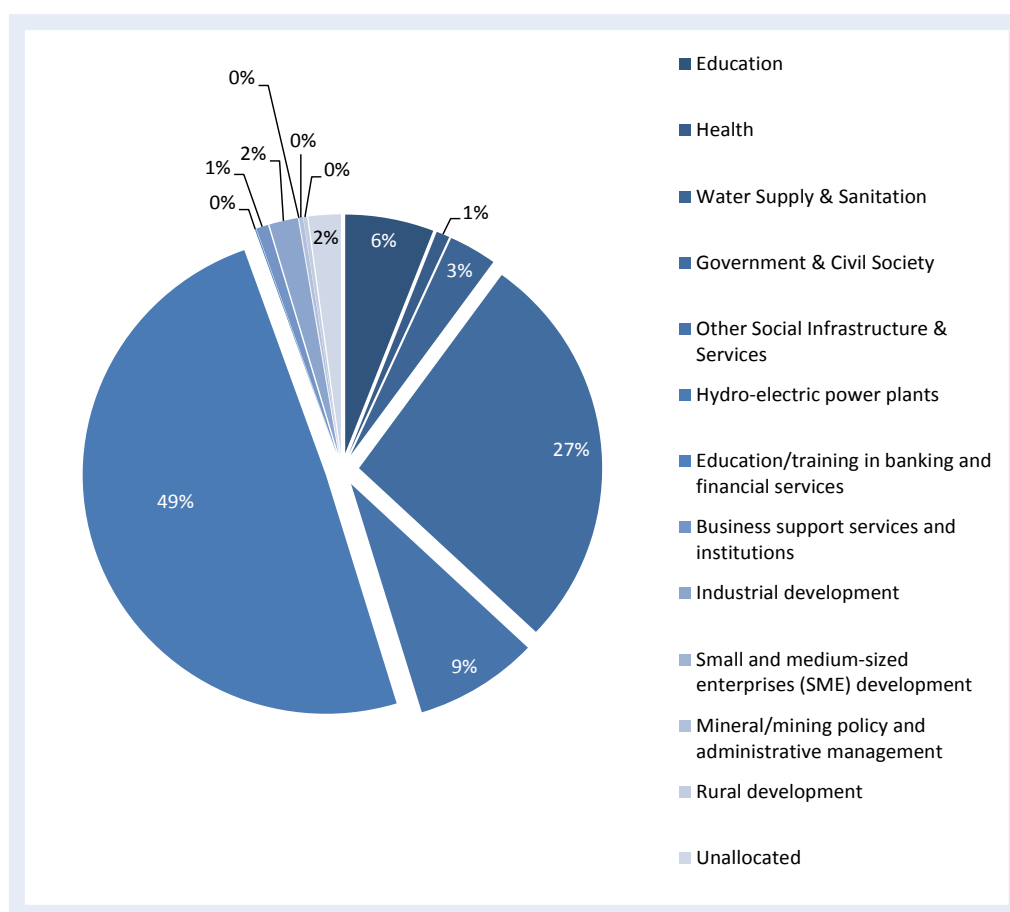
Human rights and the sustainable use of natural resources are Norway's priorities in Guatemala and the region as a whole

to protect human rights, a critical but contentious issue for the country's further development.

Norway's development co-operation in Central America is strongly focused on two main priorities: 1) human rights, with a focus on the rights of indigenous people, women, and sexual minorities (e.g. lesbian, gay, bisexual and transgender [LGBT]); and 2) the sustainable use of natural resources, including climate-smart agriculture, protection of biodiversity, and clean energy. These are also the priorities that Norway pursues in Guatemala, through both regional and country programmes. Norway's consistency of priorities over time is praised by partners. The programme managed by the embassy builds on Norway's comparative advantage and values, and seems well considered.

Net ODA flows to the country in 2011 are dominated by funding to hydroelectric power plants channelled through Norfund (Figure C.2), while the ODA share administered by the embassy mainly supports human rights.

Figure C.2 Norway's ODA to Guatemala by sector, 2011



Source: DAC statistics

Co-operation is channelled through the multilateral system and CSOs

Norway does not have government-to-government co-operation with Guatemala. However, its most important programme in the country is the “Maya Programme”, a joint partnership shared with the UN and the Government of Guatemala (see the next section). Norway supports development efforts through the multilateral sector as well as through its allocations to the International Commission against Impunity in Guatemala (CICIG). The remainder of aid is channelled through several national, local, and third-country CSOs. In fact, Norway has been a strong supporter of civil society in the country, and the interviews conducted for this peer review indicate that its support is deeply valued.

Looking at the total Norwegian ODA to Guatemala in 2011 (USD 11.53 million), 28% was channelled through Norwegian CSOs funded by Norad; 8% was channelled through the UN; 7% was channelled through local/regional CSOs funded directly by the embassy (45% of the funds it administered); 2% was channelled through partner government (i.e. FK’s exchange programmes); and another 2% through other channels.

High relevance of the Maya programme

Norway’s co-operation programme in Guatemala is centred around the Maya programme, in which Norway has invested around USD 10.3 million over the 2009-12 period. Its value and effectiveness stem largely from its comprehensive approach to indigenous rights, which includes: 1) advocacy for an equal and fair justice system; 2) support of rights to bilingual and intercultural education; and 3) support of autonomous political rights and representation. The programme also operates at different levels, benefitting central and local authorities, civil society, and individuals. For example, while the justice unit targets mainly indigenous organisations, indigenous human rights lawyers, legal workers, CSOs, and academia through case work on strategic litigation, the education unit provides resources to the Ministry of Education, as well as indigenous organisations, families, and leaders.

Each programme component is implemented by the corresponding UN agency (justice: OHCHR; education: UNICEF; and political representation: UNDP), and the programme uses a pass-through funding modality.³ Cross-cutting issues like environment and women’s rights seem well integrated (NCG, 2012). Currently, the second phase of the programme is under negotiation.

Partnerships for delivery are well-targeted but Norway can get too prescriptive with multilaterals

Norway’s programme for Guatemala is delivered through well-tailored partnerships, owing to embassy staff’s deep understanding of the political, social, and development context as well as the authority it is given over implementation channels and modalities by Oslo. Collaborating closely with its implementing partners, namely Norway’s CSOs, seems to help strengthen their capacity and ability to deliver. With multilateral partners, however, it does not seem to be the most appropriate approach; it is sometimes felt as too prescriptive. Going forward,

Norway could better differentiate its approaches to partnerships, with a view towards engaging each most effectively to maximise its impact.

Links with initiatives funded in Oslo could be strengthened

The transparency and coherence of Norwegian development efforts are undermined by the large share of ODA to Guatemala that is decided in Oslo, with little or no involvement of the embassy. This includes thematic funding, and funds through either Norfund or CSOs (administered by Norad). CSO programmes approved in Oslo, including those in relation to FK Norway, are generally in line with the Government's priorities in Guatemala and seem to produce good results. However, they are not integrated within the embassy's programme of work, and synergies with the country programme are not developed. The embassy has little knowledge of the remainder of funding decided in Oslo, especially the share channelled through Norfund, leaving those interventions completely outside its scope. Overall, there is room for Norway to use a more strategic, whole-of-government approach in Guatemala to improve synergies and coherence across all of its development efforts in the country.

More efforts are needed to communicate with the Government

Guatemala's fragile social and political contexts, combined with the specific focus of its development co-operation, have constrained Norway's choice and delivery of aid modalities. However, there is probably room to better use the aid effectiveness principles, even when the priorities and goals of donors and the Government are not necessarily aligned. In the interest of transparency, Norway could communicate its policy and strategy more effectively to the government institutions, especially its overall aid spending projections in the country extending beyond the Maya Programme, in order to improve and strengthen their capacity and ownership of the process.

Organisation and management aspects

The embassy in Guatemala is a good regional hub

The Norwegian embassy in Guatemala administers: 1) the country programme in Guatemala; 2) the regional programme across the whole Central American region; and 3) the country programme in Nicaragua. In fact, in July 2011, the embassy in Guatemala was elevated to the status of regional hub, and it now oversees bilateral programmes in Nicaragua. In 2013 following a visit by the Norwegian Minister of International Development Norway initiated bilateral co-operation with El Salvador as well.

The embassy has so far succeeded in administering this larger portfolio. It has also been proactive in finding solutions to the challenges of managing programmes from afar. For example, when the Norwegian embassy in Nicaragua closed in 2011, the embassy in Guatemala supported the former Nicaraguan advisors to set up

a consulting company, and that company now helps with the implementation of Norwegian development activities in Nicaragua. This eased some of the embassy's administrative burden, retaining valuable knowledge and experience for use in current effective programme management.

Going forward, Norway needs to concentrate on matching its human resources against its growing regional portfolio. To this end, it could be useful to set time and resources aside for training to ensure that staff are kept current with latest thinking and best practices in their areas of expertise.

Highly competent staff and good integration of local staff

Norway has a strong in-country team with solid development expertise. The team values locally-recruited staff as a crucial source of local knowledge and institutional memory. In turn, this highly skilled and competent staff contributes greatly to the country programme, integrating policy priorities, including cross-cutting issues and risks. In particular, country programming incorporates measures to reduce comprehensively-defined risks.

Good annual planning but lack of strategic multi-annual perspective is limiting

With the move away from three-year country plans, the programming cycle at country level is more aligned with the overall budget and planning process. The appropriation letter that defines priorities is based on close dialogue between the embassy and headquarters, forming a solid base for annual programming. However, as highlighted earlier, Norway's programme could benefit from a strategic, medium-term plan to increase predictability and accountability.

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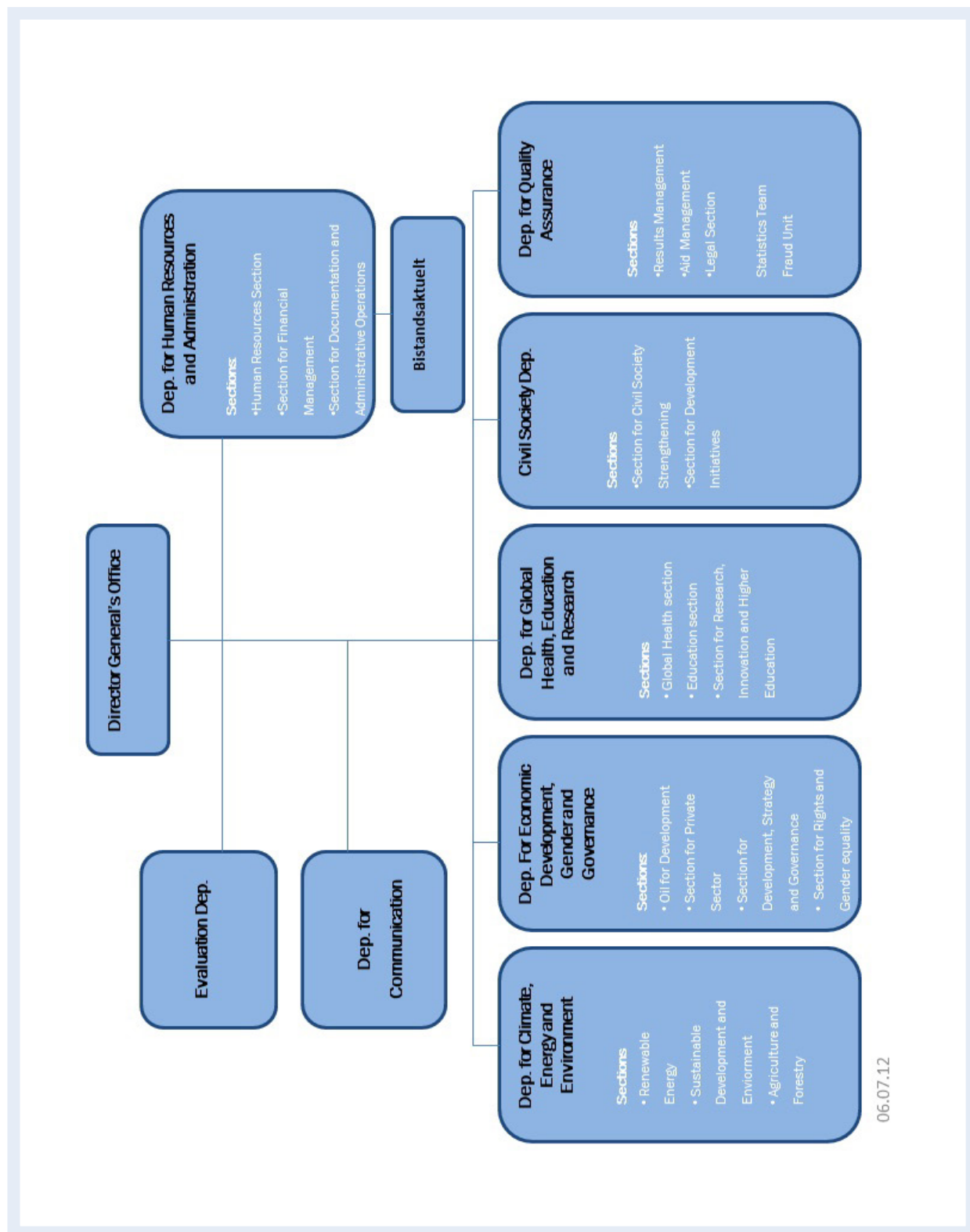
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NOTES

1. World Food Programme, Online country profiles (www.wfp.org/countries/guatemala/overview, accessed in May 2013).
2. The trial gave an opportunity for the people of Ixil to present their cases in a Guatemalan court. However, the trial itself has been far from successful. The court's ruling has been annulled since and the trial has been reset back in time.
3. The pass-through modality is used to manage a trust fund. Under this modality, two or more organisations develop a joint programme (JP), identify funding gaps, submit a JP document to donor(s), and agree to channel the funds through one UN organisation that is referred to as the administrative agent (AA). The AA will be selected jointly in consultation with the government. In the case of the Maya Programme, the AA is the UNDP.

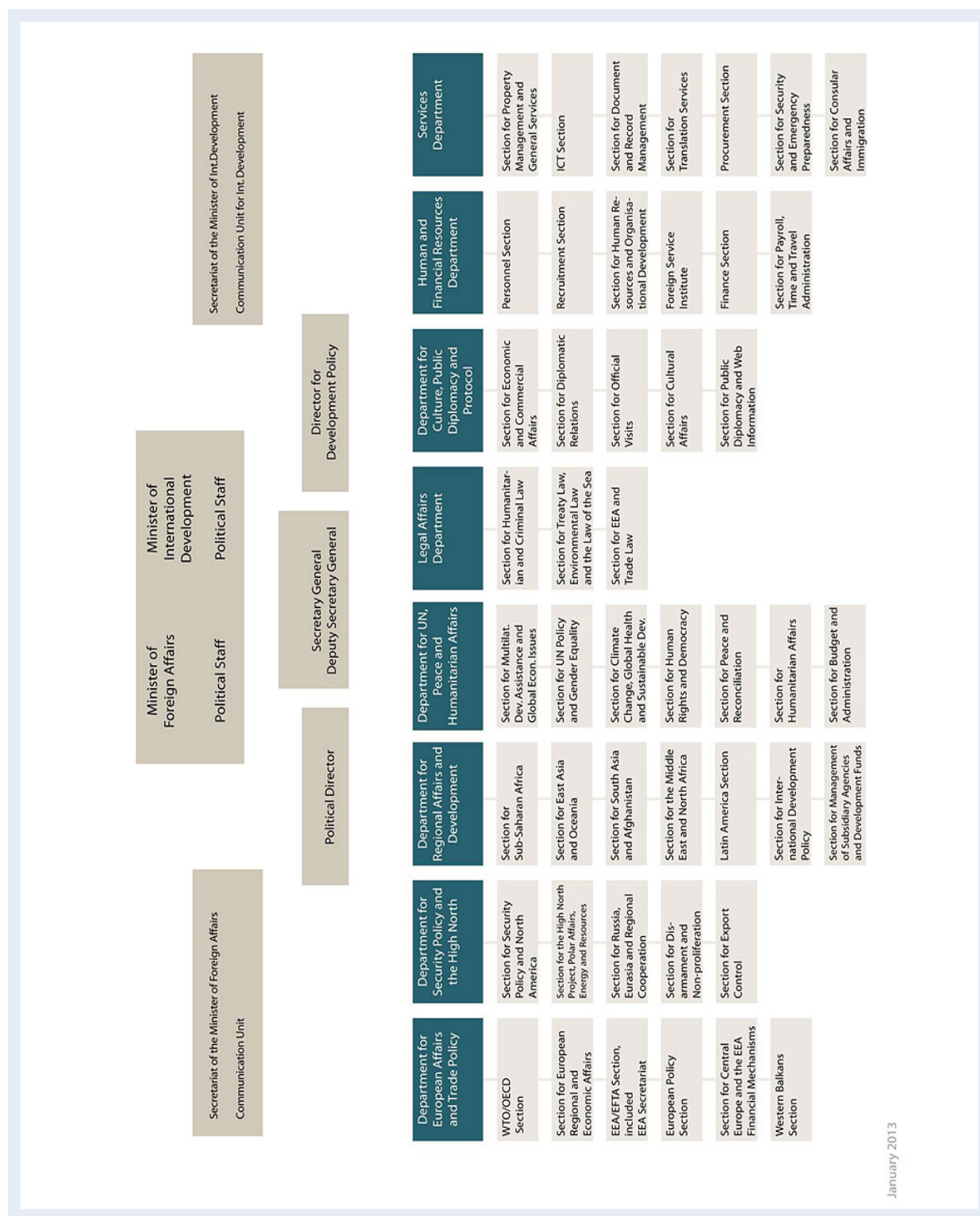
Annex D: Organisational structure

Figure D.1 Norwegian Agency for Development Co-operation (Norad)



Annex D: Organisational structure

Figure D.2 Norway's Ministry of Foreign Affairs



OECD Development Co-operation Peer Review

Norway 2013

The OECD's Development Assistance Committee (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 five years. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

Norway gave USD 4.8 billion in official development assistance (ODA) last year, or 0.93 percent of its gross national income (GNI). That made it the third most-generous member in terms of its ODA/GNI ratio of the OECD's Development Assistance Committee (DAC), which groups major donors. A new DAC review of Norway praised the country's long and on-going commitment to high aid targets and noted that its steady economic growth should mean aid volumes would increase in the future.

"Norway focuses on global issues that are important for the country and for the international role it plays, such as peace-building, climate change and global health," said Vice DAC Chair Ana Paula Fernandes. "This enables Norway to punch above its weight on the global stage, and we commend Norway's commitment to leading the way in these critical and challenging areas."

Norway continues to play a valuable role as a niche donor, funnelling its aid into innovative initiatives where it can draw on its expertise in areas like managing the sustainable use of natural resources. However the review found that nearly half the funds Norway has allocated to its flagship initiative on climate and forest since its inception have remained unspent, due to issues with partner countries' capacity to absorb projects or because the projects are launched before analysis on feasibility and sustainability can be conducted. In taking forward global initiatives, the Committee encouraged Norway to expand further its partnerships with like-minded donors to attract more resources and ensure their long-term sustainability.

The DAC review also said Norway would benefit from developing a clear and evidence-based strategy to guide its bilateral aid decisions. While its development policy remains focused on its goal of reducing poverty, the report noted that an increased focus on thematic initiatives, for example in areas like energy and the environment, has resulted in a slight fall in the level of its bilateral aid resources going to the least developed countries.

The Committee noted that Norway has taken steps since its last review in 2008 to increase transparency in development co-operation, but recommended it develop a communication agenda, beef up its evaluation procedures and act on recommendations.