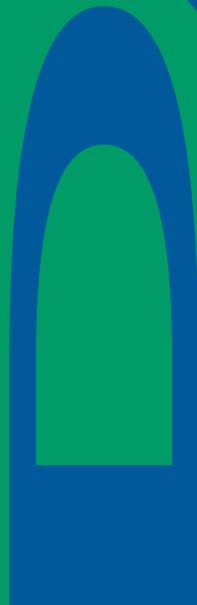
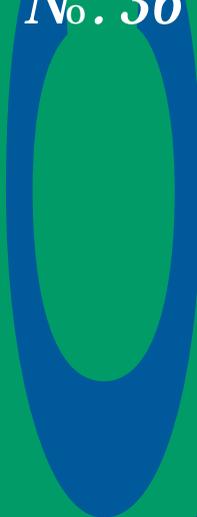


Development  
Co-operation  
Review Series

Norway

D e v e l o p m e n t   A s s i s t a n c e   C o m m i t t e e

1999  
No. 36



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Development Co-operation  
Review Series

Norway

1999 No. 36

Development Assistance Committee

## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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

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NORVÈGE

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# THE DEVELOPMENT ASSISTANCE COMMITTEE



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## FOREWORD

The Development Assistance Committee (DAC) conducts periodic reviews to improve the individual and collective development co-operation efforts of DAC Members. The policies and efforts of individual Members are critically examined approximately once every three years. Some six programmes are examined annually.

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, 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. Brief field visits investigate how Members have absorbed the major DAC policies, principles and concerns, and examine operations in recipient countries, particularly with regard to sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

Putting all this information and analysis together, the Secretariat prepares a draft report on the Member's development co-operation which is the basis for the DAC review meeting. At this meeting senior officials from the Member under review discuss a series of questions posed in a brief document: "Main Issues for the Review". These questions are formulated by the Secretariat in association with the examiners. The main discussion points and operational policy recommendations emerging from the review meeting are set out in the Summary and Conclusions section of the publication.

This publication contains the Summary and Conclusions as agreed by the Committee following its review on 12 October 1999 in Paris, and the Report prepared by the Secretariat in association with the examiners, representing Australia and the European Commission, on the development co-operation policies and efforts of Norway. The report is published on the authority of the Secretary-General of the OECD.

Jean-Claude Faure  
DAC Chairman

## ACRONYMS

AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
BSS	Basic social services
CDC	Commonwealth Development Corporation
CDF	Comprehensive Development Framework
CIS	Community of Independent States
CMI	Christian Michelsen Institute
DAC	Development Assistance Committee
GDP	Gross domestic product
GEF	Global Environment Facility
GIEK	Norwegian Guarantee Institute for Export Credits
GDP	Gross domestic product
GNP	Gross national product
GOM	Government of Mozambique
GSP	General System of Preferences
HDI	Human Development Index
HIPCs	Heavily-indebted poor countries
HIV	Human immunodeficiency virus
HQ	Headquarters
ICRC	International Committee of the Red Cross
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Organization
KOMPakt*	Consultative Body on Human Rights and Norwegian Economic Involvement Abroad
LICs	Low-income countries
LLDCs	Least developed countries
MFA	Ministry of Foreign affairs
MOH	Ministry of Health
MOU	Memorandum of Understanding
NAPE	National Academy for Primary Education
NGOs	Non-governmental organisations
NORAD	Norwegian Agency for Development Cooperation

NOREPS	Norwegian Emergency Preparedness System
NORFUND	Norwegian Risk Capital Fund for Developing Countries
NTC	Norwegian Trade Council
OA	Official aid
ODA	Official development assistance
OSCE	Organisation for Security and Co-operation in Europe
PLO	Palestinian Liberation Organisation
REB	Rural Electrification Board
SIP	Sectoral Investment Programme
SPS	Sector Programme Support
SWAp	Sector-wide approach
UMICS	Upper middle-income countries (and territories)
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDHA	United Nations Department of Humanitarian Affairs
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Fund for Population Activities
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNRWA	United Nations Relief and Work Agency for Palestine Refugees in the Near East
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization

\* Denotes acronym in original language

**Exchange rates (NOK per USD ) were:**

1993	1994	1995	1996	1997	1998
7.0925	7.0565	6.3372	6.4574	7.0723	7.5452

**Signs used:**

()	Secretariat estimate in whole or part
-	Nil
0.0	Negligible
..	Not available
...	Not available separately but included in total
n.a.	Not applicable
P	Provisional

Slight discrepancies in totals are due to rounding

## Norway's aid at a glance

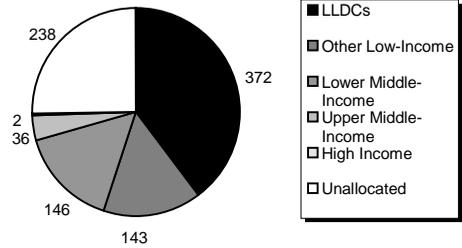
### NORWAY

Net ODA	1997	1998	Change 1997/98
Current (US \$m)	1 306	1 321	1.2%
Constant (1997 US \$m)	1 306	1 415	8.4%
In Norwegian Kroner (million)	9 237	9 971	7.9%
ODA/GNP	0.86%	0.91%	
Bilateral share	70%	72%	
<b>Net Official Aid (OA)</b>			
Current (US \$m)	55	52	-6.3%

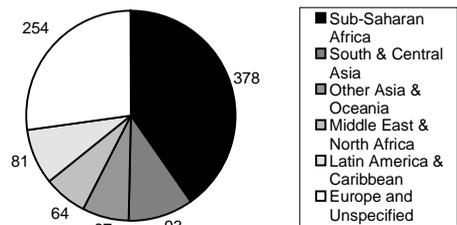
Top Ten Recipients	(US \$m)
1 Mozambique	52
2 Tanzania	48
3 Palestine/Adm. Ter.	41
4 Zambia	35
5 Bosnia and Herzegovina	34
6 Bangladesh	31
7 Russia (OA)	30
8 Uganda	30
9 Ethiopia	28
10 Angola	24

Gross Bilateral ODA, 1997-98 average, unless otherwise shown

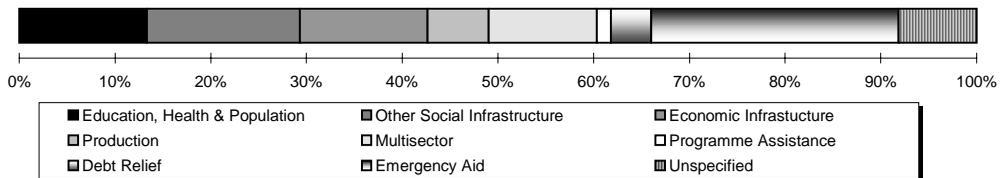
#### By Income Group (US \$m)



#### By Region (US \$m)



#### By Sector (1996-97)



Source: OECD



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## SUMMARY AND CONCLUSIONS

### Overview

Based on a broad national consensus, underpinned by the churches, a strong non-governmental organisations (NGO) community and an ongoing development education effort, Norway currently provides around 0.9% of its gross national product (GNP) as aid to developing countries and is aiming to raise this to 1.0%.<sup>1</sup> This consensus is reflected in a “grand coalition” in Parliament, assembled around an agreement on the scale and purposes of Norwegian development assistance, and reaching across the major part of the political spectrum (there is some minority dissent).

Such an impressive degree of support does not imply however that Norway’s development co-operation policies and organisations are entirely settled matters. Indeed, as in other donor countries, the agenda of Norway’s development co-operation has widened dramatically in recent years, and the issues involved in the delivery of aid have become much more complex. It is hardly surprising therefore that in this context, Norway’s high ambitions to contribute to development, human rights, democracy and peace, have created new frontiers of policy evolution as well as a number of pressing challenges at the strategic and organisational levels. There are also strains in accommodating all priorities within the budget. This Review focuses on the current evolution of policies and on the areas of strategic and organisational challenges that the Norwegian authorities are having to address and to balance.

Policy development remains essentially driven by the White Paper of 1995 and in particular the response to it by the Parliament. From this political debate in the mid-1990s, the reduction of poverty emerged as the overarching goal of a broad-based Norwegian development co-operation effort encompassing social investments, democracy, human rights and peace-building, private sector development and trade, and debt reduction, with environmental and gender concerns as generic themes. There was also a central emphasis on partnership and dialogue as the basis for working with developing countries.

Under a new government, this agenda has generated a very active phase of policy definition backed up by the elaboration of implementation guidelines and mechanisms. Examples include recent and prospective statements on private sector development, human rights, democratic development, corruption, and debt reduction. In parallel, Norway is working to promote co-ordination and partnership in the international system in line with the development partnership strategy set out by the Development Assistance Committee (DAC) in 1996<sup>2</sup>. In particular, it is actively supporting implementation of the partnership concept via the Comprehensive Development Framework proposal by the President of the World Bank and the complementary dialogue and co-ordination mechanisms

- 
1. Norway’s aid effort had consistently exceeded 1% of GNP for well over a decade before 1995, when a revision of the National Accounts according to new international standards led to a significant upward adjustment to measured GNP.
  2. See *Shaping the 21<sup>st</sup> Century: The contribution of Development Co-operation*, May 1996.

being established by the United Nations (UN) system. These frameworks involve an adjustment in the focus of Norwegian aid from project and programme-based aid to sector-wide approaches and local institutional development. And Norway is working in the multilateral system, where its role as a key donor in a number of major UN agencies gives it special weight, to promote these policy directions. As noted above, the widening agenda of Norwegian development co-operation is generating certain strategic, organisational and budgetary challenges that may be identified as follows:

#### *Concentration and dispersion*

The basic poverty reduction and partnership orientations of Norwegian development co-operation argue strongly for the concentration of long-term efforts in twelve priority countries. Indeed, this is the official policy embodied in the selection and approval by Parliament of twelve partner countries. But political and humanitarian activism has emerged as a second element of Norwegian aid, leading to increased geographic dispersion. The proportion of aid going to the designated partner countries has been falling steadily, while the proportion going into emergency aid has risen to 16%, well above the average of 4% for all DAC countries.

#### *Poverty reduction and aid programming*

A recent World Bank analysis of Norway's country aid allocation suggests that overall, the bilateral programme is effective in reducing poverty because aid is flowing predominantly to poor countries with good policies. But at the level of aid programming, it is not always clear how well country strategies and specific activities are linked to poverty reduction, and allocations to basic social services appear to be below the levels implied by the 20/20 principle to which Norway has subscribed.

#### *The new political agenda and the Norwegian aid system*

With the broadening of the agenda to embrace the political foundations of development and conflict resolution, the Ministry of Foreign Affairs (MFA) is now playing a much more important role in implementing the programme, in direct partnership with a number of key NGOs who have assumed a critical role. Much development policy research and analysis is now commissioned by the Ministry itself. Given the more technical character of Norwegian Agency for Development Cooperation (NORAD)'s traditional skills and approaches, it has not been regarded as the natural agency for this new political agenda. Thus a kind of duality at the level of implementation has become evident in the Norwegian aid system.

#### *From projects to partnership*

The move from working at the project level to supporting programmes and sector-wide approaches in long-term development relationships creates a need for new roles and capacities for NORAD, including in the area of institutional development, and an associated renewal of human resources through training and recruitment.

#### *From promoting the Norwegian private sector to promoting enterprise in developing countries*

Partnership also implies a transformation in the relationship of the Norwegian private sector to the aid programme, from being focused on export subsidies of various kinds to emphasizing investment and partnership in developing country enterprises.

### *The increased importance of policy coherence*

The more extensive agenda creates a more demanding set of policy coherence issues, involving the nexus between development policy, trade and investment policy and policies on human rights.

The Norwegian authorities have been acknowledging and responding to these points and concerns in their aid policies and organisational arrangements

*a) The Ministry of Foreign Affairs has been reorganised to better integrate development policy and foreign policy.*

- All Departments in the Ministry report both to the Foreign Minister and the Minister of International Development and Human Rights.
- Development policy and foreign and trade policy functions are integrated at the regional desk level within a Bilateral Affairs Department in the Ministry, and NORAD offices are now fully merged with the Embassies at the field level. The training scheme for development co-operation personnel now covers Ministry as well as NORAD and specific efforts are made to foster staff interchange.
- A new Department for Human Rights, Democracy and Humanitarian Assistance has been created with twin divisions for Humanitarian Assistance and for Human Rights and Democracy. The Minister for International Development and Human Rights has responsibility for both emergency assistance (except in Europe) and long-term development co-operation. This represents a step forward from the situation where humanitarian aid was dealt with in a special unit under the supervision of a Secretary of State. It opens the way for a more concerted effort to “close the gap between humanitarian and long-term development assistance”, an objective which Norway is now promoting in its own programmes and in international fora.
- These moves help to avert the emergence of a dual aid system that was detected in the last DAC review of Norway, although this tendency has not entirely disappeared.

*b) NORAD is taking larger responsibility for formulating country strategies and for the policy dialogue at country level in the designated partner countries.*

- This move has brought policy formulation and programme implementation together in a way that had become increasingly necessary in relations with partner countries. Together with the integration of NORAD field offices and the embassies, and the degree of decentralisation now achieved, Norway is in a strong position to play a full role in locally owned and driven partnerships.

*c) A new organisation, the Norwegian Risk Capital Fund for Developing Countries (NORFUND) has been set up to promote and take part in the establishment of sustainable and profitable businesses in developing countries.*

*d) To help ensure transparency and coherence in dealing with human rights issues in relation with developing countries, a consultative framework between the authorities, the business communities and NGOs has been established (KOMpakt).*

e) *The government has in the budget for 2000 proposed to Parliament a timetable for the achievement of the agreed 1% ODA/GNP target.*

## **Selected features and issues**

### ***Bilateral assistance***

In 1996, the Parliament decided to concentrate Norwegian bilateral aid in 12 priority countries. Their selection was decided on the basis of such criteria as their poverty status and the country's commitment to pursue a development-oriented and just society. The degree of respect for human rights and international agreements was also highlighted as an important criterion. All priority countries are low-income countries (LICs), including nine least-developed countries (LLDCs). Two thirds are in sub-Saharan Africa, essentially in the Horn and South East of Africa; three are in Asia and one is in Central America. While the DAC classifies multi-bilateral assistance as bilateral aid, Norway includes these activities in its statistics on multilateral assistance. Using the DAC classification, the 12 priority countries' share of total bilateral allocable net official development assistance (ODA) aid was 42.3% in 1998, down from 43.5% in 1996.

### ***Multilateral assistance***

Norway has great interest in multilateral co-operation and has an objective to channel 50% of its aid (including multi-bilateral assistance) through the multilateral system. In 1998, this objective was not completely met, since the share of aid channelled through the multilateral system was 43.4%. Norway contributes more than its normal share to the UN system and tends to favour organisations it deems the most efficient in the pursuit of their own policies and objectives. It co-ordinates closely with other Nordic countries and stresses the need for better co-operation with multilateral institutions, in particular at the country level.

Multi-bilateral assistance plays an important role, tapping the expertise and capacities of multilateral institutions in priority areas of Norway's co-operation. Norway links the use of earmarked funds to the achievement of the objectives set up by international conferences and summit meetings. Some of them, such as the United Nations High Commissioner for Refugees (UNHCR) or the World Food Programme (WFP), are also indispensable channels for humanitarian assistance in emergency situations.

### ***Role of the core NGOs***

NGOs play a crucial role in Norway and 24% of total ODA was channelled through them in 1998. They provide an element of flexibility to the system, since they are not confined to priority countries or particular sectors. They focus on human rights and democracy, which are essential but not always integral parts of the core bilateral programmes. They are able to work in areas and countries where state-to-state co-operation is not feasible and can mobilise themselves quickly in emergency situations. NGOs administer most of Norwegian humanitarian assistance. Beyond these areas, they implement their own projects with partners at grass-roots level. The MFA considers that they can provide significant value-added in strengthening civil society because of their close links with local organisations.

In 1997, the MFA financed more than 70 NGOs for short-term activities, mostly in emergency situations, while NORAD examined requests from almost 100 organisations covering about 1 000 projects of a longer-term nature. Three types of agreements are used: i) individual agreements for each project with 77 NGOs; ii) multi-year framework agreements with 17 large and well-established

organisations; and iii) programme agreements with *Norwegian Church Aid* and *Save the Children*. The principle for projects under NGO responsibility is to limit government financing to 80% of the cost. When NGOs are requested to implement particular aid activities, they are fully financed by the MFA or NORAD.

NGOs are closely linked to the Norwegian public to raise awareness and interest on development questions. They manage about 80% of the MFA's information budget. Since 1997, the five main NGOs (*Norwegian Red Cross*, *Norwegian People's Aid*, *Norwegian Church aid*, *Norwegian Refugee Council* and *Save the Children*) have been included in a framework agreement on information and education activities. Overall, NGOs play such a prominent role that they can be considered agents of the aid system. They have an influence on the MFA and the Parliament on policy issues. This situation raises a concern about their degree of independence *vis-à-vis* the government. It is also debatable whether MFA and NORAD have the capacity to monitor and evaluate so many NGOs and projects. A number of NGOs consider that it would be wise to simplify the system in place by having a single source of funds (NORAD).

### ***Gender equality***

Norway has for years been a leading DAC Member on gender equality. Efforts to promote gender equality are an integral part of Norwegian foreign and development co-operation policies. In 1996 the Parliament decided that the improvement of the status of women and promotion of gender equality was one of the five primary objectives of development aid. Norway published in August 1997 a Strategy for Women and Gender Equality in Development Co-operation with a view to mainstream gender issues. The crux of mainstreaming is that all staff of any sector and speciality should incorporate gender issues into her or his project or task. Field missions revealed that this is happening only partially. The Norwegian mainstreaming philosophy does not rely on having gender specialists at the Embassies. It is not always clear that gender is being effectively mainstreamed at the field level.

### ***Sector-wide approaches***

Norway is one of the main leaders among bilateral agencies in supporting sector programmes in co-operation with other donors, particularly through sector-wide approaches (SWAs) in education and health, and is devoting considerable attention and effort to such approaches. SWAs are challenging undertakings: for partner governments because of their lack of capacity in formulating and implementing appropriate sectoral policies, as well as for donors, who lack often the necessary flexibility in harmonising their procedures and appropriate staff. Norway is taking the role of lead donor in sector strategies in Mozambique (health) and Bangladesh (primary education subsector). The DAC field missions to these countries confirmed the challenging nature of these undertakings. NORAD recognises that participating in sectoral dialogues and monitoring SWAs requires that field offices should have strengthened capacities to undertake these functions.

### ***Private sector development***

NORAD has a variety of schemes to promote industrial and commercial co-operation. They range from grants for feasibility studies and training to soft loans and guarantees of the Norwegian Guarantee Institute for Export Credits (GIEK). These schemes are linked to the establishment of Norwegian companies in developing countries, usually through joint ventures with local investors, or to exports of Norwegian goods. A new institution, the Norwegian Risk Capital Fund for Developing Countries (NORFUND) started its operations in 1998. Its mission is to provide risk capital to private companies in lower middle-income or poorer countries, notably through local venture capital funds. The creation of NORFUND broadens the range of instruments available to promote the private sector.

It also offers an opportunity to transfer the responsibility of lending to private companies from NORAD to NORFUND and to phase out the current subsidy policy operated by NORAD.

### ***Untying***

The Norwegian government actively promotes untying of aid in general and of bilateral assistance in particular. As a result, the percentage of tied aid, which excludes technical assistance, has been gradually decreasing over the last few years (from 18% in 1993 to 9% in 1997). Although the trend shows a commitment to the untying of Norwegian aid, a clear strategy will be needed to ensure the continued separation of Norwegian business concerns and the benefits of untied aid.

### ***Peace, democracy and human rights***

Norway considers peace, democracy and respect of human rights as a fundamental prerequisite for sustainable development. Since the early 1990s Norwegian ODA has increasingly been used to promote peace, with a significant shift towards conflict related issues. Norway has made substantial contributions to the peace process in the Middle East and in Guatemala. Such programmes and others, in South Africa and former Yugoslavia, are presently being reoriented from humanitarian assistance to more developmentally oriented efforts.

This process has altered the geographic allocation of Norwegian bilateral aid, (with a shift away from Sub-Saharan Africa) and reinforced the role of Norwegian NGOs. Aid related to conflicts resolution seems to have been crowding out aid to priority partner countries. This trend might be further reinforced by assistance for the reconstruction of Kosovo.

The increased emphasis on the political foundation of development is illustrated by the recent swing from development aid to broader policies concerned with human rights, governance and the fight against corruption. The government is working on a Plan of Action on Human Rights that will be submitted to Parliament in autumn 1999. When recipient country regimes do not respect human rights the development co-operation programme is reoriented, often bringing a change from government to government co-operation to NGOs.

### ***Emergency and humanitarian aid***

Norway is a prominent actor in the emergency and humanitarian field. The share of emergency and humanitarian assistance has stayed at an exceptionally high level since 1994. It represented 16% of total ODA in 1998, four times more than the DAC average. In 1998 emergency or humanitarian assistance was extended to more than 70 countries, among which around 20 may be considered as significant recipients of this kind of aid.

In January 1999, the Minister for International Development and Human Rights presented a strategy on Norwegian Humanitarian Assistance. Norway's policy emphasises the need to have in place a sound perspective for emergency aid by linking it to long-term oriented development efforts. Similarly, a broad perspective needs to be pursued to address the causes of humanitarian need, in particular through conflict and natural disasters prevention.

### ***Policy coherence***

Overall, Norway displays a comparatively strong awareness of the necessity of coherent policies towards developing countries to maximise the effectiveness of development co-operation efforts: comprehensive preferential market access is granted to developing countries; partner countries'

interests in international discussions on trade, development and global public goods are actively supported; and aid-funded procurement of goods is largely untied. Further strengthening of policy coherence, particularly in the agricultural sector, might be advanced through increased transparency on potentially inconsistent policies, to be able to better evaluate trade-offs and mitigate possible adjustment costs. Moreover, an independent report questioned the reliance on the supply of Norwegian goods and equipment by the Norwegian Emergency Preparedness System (NOREPS), which is managed by the Norwegian Trade Council. Subsequently, the scheme was reviewed and is now expected to be modified. Other initiatives have been made recently in order to foster greater coherence between aid policy and Norwegian export interests. A new consultative body, known as KOMpakt, was established in 1998. Its purpose is to enhance understanding among the relevant Norwegian constituencies for the interface between business and human rights in the context of globalisation. KOMpakt deliberations should give companies a more robust basis for internationalising strategies and investment decisions.

## **Conclusions and recommendations**

Norway's aid efforts and policy orientations are commendable. The current phase of policy definition and organisational adjustment represents a serious effort to bring principles and practice more fully into alignment. And Norway is playing an important role internationally in the aid policy discussion and the emergence of partnership-based approaches to development co-operation.

The efforts of the Norwegian authorities to address the areas of tension between principles and practice will need to be continued. In particular:

- A timetable for reaching Norway's 1% ODA/GNP objective is essential if the various tensions in the budget arising from multiple objectives are to be resolved.
- The dual commitments to humanitarian assistance and long-term partnership-based relationships with selected countries have yet to be fully reconciled. The new agenda for addressing the political foundations of development in areas such as peace and reconciliation, human rights, corruption and democracy will need to be more fully integrated into an overall development co-operation approach.
- Capacities need to be strengthened for implementing sector-wide approaches, designing poverty-oriented programmes and participating in partnerships at the local level.
- The reform of approaches to private sector development needs to be carried further.
- Achieving developmental policy coherence in the area of agriculture remains a challenge.



## CHAPTER 1

### NORWAY'S OVERALL POLICY FRAMEWORK AND NEW DEVELOPMENTS

Norway has a strong development strategy, based on a permanent and evolving interaction between the government and the Norwegian Parliament, the Storting. In 1993, following the changed international conditions affecting North-South and aid issues, the government appointed a Commission on North-South and Aid Policies “to evaluate various strategies and instruments for the effective achievement of the goals laid down by the Government and the Storting for a coherent North-South aid policy, including emergency relief and aid for refugees”, over the following five to ten years.

The Commission submitted its report to the Ministry of Foreign Affairs early in 1995. It was widely distributed to non-governmental organisations (NGOs) and other institutions. It provided, together with their comments, the basis of Report No. 19 to the Storting (1995-96). The subsequent *Recommendations of the Standing Committee on Foreign Affairs* of the Storting made on the occasion of the debate on the White Paper (known as the “Parliament Guidelines”), make some adjustments regarding priorities set out in the White Paper. The Parliament stressed poverty reduction as the overarching objective to which all the others must contribute, and the need for partnership and dialogue with recipient countries on national policies for poverty reduction. The report, together with the recommendations provided by Parliament following an extensive debate, have since been the frame of reference of Norway’s development strategy, which is very much in line with the 21<sup>st</sup> Century Strategy (*Shaping the 21<sup>st</sup> Century: the Contribution of Development Co-operation*) subsequently agreed among DAC Members.

#### Overview of the Strategy

##### *The Strategy*

Since the change in government following the September 1997 elections, poverty reduction has been clearly reaffirmed as the overarching goal of Norwegian aid policy. The Norwegian Minister of International Development and Human Rights recently affirmed “that the urgent need for a solution to global poverty constitutes a moral challenge, and that it is a moral duty to find solutions to make sure that fewer of our fellow human beings live under degrading conditions. This is a question of fundamental values, and of human rights”.

Along with this basic orientations towards poverty reduction and partnership, Norwegian development policies also lay stress on social services with an explicit reference to the 20/20 proposal launched in 1995 at the UN Social Summit in Copenhagen. This implies increased assistance to basic education, to develop human resources, and to promote health and population, where Norway wants to support primary health services and strengthen administrative systems.

Three other areas, noted under the objective of poverty alleviation, are:

- Private sector development, with particular emphasis on improving the authorities' ability to encourage commercial development and growth in the agricultural sector.
- Trade, especially assistance to increase exports from developing countries (trade and private sector development are merged into "Economic development").
- Debt relief.

Four additional objectives are singled out:

- Peace, human rights and democracy.
- Environment, where the report calls for a coherent strategy and strengthened efforts in environmental co-operation with poor countries.
- Women and gender equality, including promoting women's rights and developing primary health services and basic education for girls and women.
- Prevention and alleviation of distress in conflict situations and natural disasters.

### ***Assessment of the implementation of the Strategy's main points and new orientations***

#### *Assessment of the implementation of the strategy's main points*

There is a lack of up-to-date documentation on the effectiveness of Norway's aid programme and the implementation of the Strategy. The latest general assessment of whether Norwegian assistance reached the development objectives set in the government and Parliament policy papers was a 1994 review of evaluation studies covering 1986-92. This was carried out for the MFA by the Christian Michelsen Institute (CMI). Its main finding was the existence of a gap between the strategy and its implementation. A number of actions have been taken since then to reduce this gap.

Several studies and a workshop in April 1999 on Poverty Reduction in Norwegian Aid showed that there has not been sufficient differentiation between "development" and the more narrowly defined "poverty reduction". There was a need to strengthen the strategy's poverty focus and to adopt practical tools and guidelines for operations (see Chapter 3).

A 1997 evaluation of "*Aid as a tool for promotion of human rights and democracy: What can Norway do?*" found a striking discrepancy between the priority given to these activities at political level, and the reality at the field level. The area had "a general lack of guidelines and strategies, shortage of competence and capacity within the MFA and NORAD alike". A strategy on Norwegian humanitarian assistance was presented to the Storting in January 1999 (see below).

#### *New orientations*

The Norwegian political system is based on intense dialogue between the government and Parliament, particularly on the occasion of the annual Statement to the Storting by the Minister of International Development and Human Rights on Development Co-operation Policy.

The Minister's 1998 statement insisted upon the need to improve the international framework and the way in which trade and debt issues are dealt with, and launched an important Debt Relief Plan. It reaffirmed that protection of human rights and the fostering of sustainable development are closely linked. Corruption was pointed out as a serious obstacle to economic development and to social justice, to be tackled through good governance, in conjunction with other donors. It called for improved co-ordination on the basis of the development plans of the recipient countries, within for instance the education and health sectors, including an endorsement of the sector-wide approach (SWAp). Emphasis was put on the development of a dynamic private sector, enabling it to create a major source of income for poor developing countries, which implied a review of the private sector schemes, taking a particularly critical look at export subsidy schemes. The Minister also re-affirmed that the poverty criterion would be made a major consideration in the choice of countries, sectors, target groups and channels for assistance, and that highest priority would be given to education and health.

In 1999 no new objectives were developed, but the Minister stressed the importance of the fight against corruption. She pointed out that corruption, by stealing from the poorest and squandering public funds, was one of the reasons why development assistance does not always achieve the desired results. By causing losses of tax revenues, it impedes investments and leads to capital flight and unemployment. She announced new measures against corruption.

In the same statement, to make Norway's efforts more purposeful, strategic and ambitious, the Minister stressed the need to revitalise Norway's support to democracy, proposing to:

- Provide support for economic and social development so that people realise that democracy will give them a better life.
- Support the building of viable public institutions and good governance, which implies an efficient public administration, in particular in areas such as the judicial system and the national assembly, the police and the prison system, and the strengthening of local administration.
- Strengthen civil society so that people can be put in a position to influence developments that affect them at the national and local level.
- Strengthen political structures, parties and independent media to promote viable, effective control mechanisms in relation to the power elite.

## **Policy focus and key goals**

### ***Bilateral assistance***

The last peer review stated that “two somewhat contradictory trends can be observed in Norway's bilateral co-operation over recent years: a concentration on a small number of partner countries, to increase the impact of assistance, and the spread of aid-financed interventions, essentially to non-programme countries as the result of political and humanitarian activism”. Four years later, this statement still holds true.

### *Concentration of bilateral assistance*

The commission on North-South and Aid Policies had advocated that, from an administrative and resource point of view, it would be most effective to concentrate long-term development co-operation on a smaller number of what it called *low welfare countries* (defined as such on the basis of the human development index, or HDI). This proposal corresponded broadly to the continuation of an existing situation, since NORAD had in 1995 eleven “programme countries”, where it also had resident representatives. The Commission emphasized that recipient countries should have “a development-oriented policy which respects basic human rights and international agreements, thereby laying the foundation for genuine co-operation on development and poverty reduction”.

For the budget, the Commission proposed to terminate the system of funding specific country programmes, for lack of flexibility, and to substitute an aid programme for “low welfare countries” divided into two programme categories: i) a long-term programme for human resource, capacity and institutional development targeting a limited number of countries, and ii) one or more regional funds to finance more short-term measures and investment needs in the same “low welfare countries” (and possibly other “low welfare countries” in the same region) as a supplement to the long-term programmes. The Commission also proposed that the other main part of the bilateral development budget be used to fund a programme for extended co-operation with all countries in the South, both “low welfare countries” and “medium welfare countries”, and programme countries as well as non programme countries. This programme would concentrate on four main areas:

- Environment-focused development co-operation.
- Democracy, human rights and the peaceful resolution of conflicts.
- Private sector and economic development.
- Support for countries in political “transition phases”, and for countries which had formerly had a long-term co-operation agreement with Norway.

The Government’s Report No. 19 to the Storting (the White paper) mainly endorsed the Commission’s recommendations, with the exception of the methodological distinction between countries based on the HDI, saying it was more appropriate to stick to the World Bank definition of low-income countries and the United Nations (UN) definition of least developed countries. As a result of the parliamentary debate, the Storting decided to limit long-term government-to-government co-operation to twelve “priority countries” and the list of these countries was revised. Apart from the criteria concerning the low-income status and good development and human rights policies, the selection process involved the geographical orientation of aid towards Africa, Asia and Latin America, with the objective that 50% of overall bilateral aid be directed to African countries. Concerning the regional allocation, the three priority regions are more narrowly defined as Southern and Eastern Africa, South and South East Asia and Central America.

Ultimately country selection is mainly a political choice, as is apparent for instance from the list of African countries. Initially they were all front line countries, in accordance with Norway’s commitment against apartheid, justifying the intervention of Parliament in the process. As an outcome of the debate on Report No. 19, the decision was made to remove India and Pakistan from the list of priority countries, as of 1996, and Botswana and Namibia as of 1997, as it was felt that the special situation of the latter in relation to South Africa had changed with the end of the apartheid. Five countries were added to the list in 1997, which therefore increased from nine to twelve. The new countries were Eritrea, with enormous needs after independence in 1993, and Ethiopia, where Norway

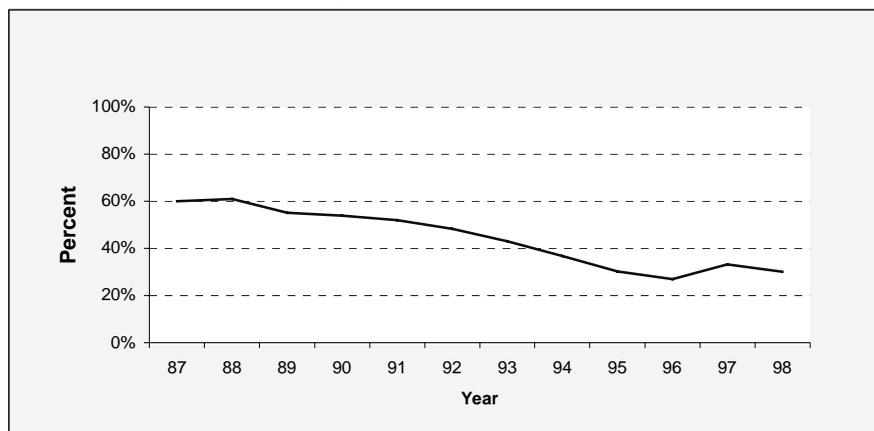
already provided long-term development support. The other three new priority countries were Uganda, to strengthen democratic central institutions, Malawi, and Nepal, one of the world's poorest countries, with which Norway already co-operated. The countries that stayed on the list were Mozambique, Tanzania, Zambia and Zimbabwe in Africa, Bangladesh and Sri-Lanka in Asia, and Nicaragua in Central America.

It is noteworthy that all of these twelve priority countries are low-income countries (LICs) (with a per capita GNP lower than USD 785 in 1995) and that they also belong to the group of least developed countries (LLDCs), apart from Nicaragua, Sri Lanka and Zimbabwe. Taking into account all countries, LLDCs received 53% of total bilateral allocable ODA in 1997, which is quite commendable, especially when compared to a DAC average of 26%, and shows the strong orientation of Norwegian aid towards the poorest countries. According to DAC figures (see Table II-3) Africa received 52% of all Norwegian bilateral aid in 1998 thus attaining the stated objective despite the difficult situation in some of the African countries. In 1999 a more ambitious objective has been set, according to which Africa should account for 55% of NORAD's transfers.

The new budgetary system has made it easier to establish a relationship between country performance and the allocation of Norwegian assistance. Allocations earmarked for specific countries indeed represent only 25-30% of bilateral aid (see Figure 1), with large amounts being appropriated through regional allocations, NGOs, or special budget lines, for instance for environment or women and gender equality. New changes, however, are planned to be introduced in the budget for 2001, giving more importance to country and regional allocations (see below in Chapter 2). Decisions in this area of aid and country performance are a matter of judgement, made on a case-by-case basis. For instance the war between Eritrea and Ethiopia has not led to a stop in aid activities to these countries, but the situation is closely monitored and implementation of the programme has been slowed, since no new agreement is signed. Norway is also following the situation resulting from the involvement of Uganda, Zimbabwe and Angola in a war outside of their own territories. Zambia has also been put under surveillance, because Norway is concerned with the latest developments in the area of human rights and democracy. These various factors may explain why the share of total bilateral allocable net ODA aid was 42.3% in 1998, down from 43.5% in 1996.

Figure 1. **Share of bilateral ODA to priority countries**

Excluding multi-bilateral assistance



Source: OECD.

### *Bilateral assistance to non-priority countries*

Recent years have been marked by a growing dispersion of aid from 90% going to the top 20 recipients in 1987-88 to 68% in 1997-98 (see Table II-4). The share of overall bilateral aid going to non-priority countries reached 58% of total ODA in 1998. The share of humanitarian assistance in the aid programme doubled from 7-8% in the early 1990s to reach 15-16% of total gross ODA in the last five years. In part this is because Norway could hardly not provide emergency and humanitarian assistance in response to unpredictable catastrophes such as the Mitch cyclone in Central America. The rise also comes from Norway's will to participate actively in conflict prevention and in peace-building and peace-keeping activities, sometimes to accompany major contributions of Norwegian foreign policy, as in the case of the Oslo Agreements between Israel and the Palestinian Liberation Organisation (PLO).

In 1997-98 the list of countries benefiting from Norwegian aid was a long one. In Africa, Norway provided bilateral assistance to 46 countries. Apart from the priority countries and the former priority countries Botswana and Namibia, the main ones included countries like Angola, Mali and Namibia. South Africa has also been an important recipient of Norwegian aid after Norway entered into a five-year programme with it (1995-99). In Asia bilateral assistance was provided to 32 countries in 1997, and represented 22% of total bilateral assistance. Apart from the priority countries the main partners were Cambodia, China, India, Indonesia, Laos, Pakistan and Viet Nam. But countries like Afghanistan, Iraq, Lebanon and North Korea were also significant recipients of emergency relief and humanitarian aid. However, the most important recipient even before Bangladesh, was the Palestinian Administered Areas, which received USD 41 million in gross disbursements in 1997. In Latin America, assistance was provided to 21 countries in 1997, but apart from Nicaragua, it was only significant in Guatemala. Finally there were six European countries to receive Norwegian aid in 1997, four of them belonging to former Yugoslavia, which as an entity was the single most important recipient of Norwegian aid worldwide, with Bosnia-Herzegovina ranking as the fourth largest after Mozambique, Tanzania and Palestinian Administered Areas. This involvement is also related to the role played by Norway to participate after the civil war in strengthening the peace agreement and supporting democratic development as part of the reconstruction.

Although the objectives pursued by developing Norway's interventions in more than 100 countries are hardly questionable, the fact is that Norway is a small country with a relatively small aid system, and the question arises as to whether this system can function smoothly in having to deal with so many activities in so many countries. It is true that outside the priority countries most of the assistance, especially emergency relief and humanitarian assistance, is implemented by NGOs or as multi-bilateral assistance, by multilateral institutions. However, this still requires some preparatory work and a minimum of follow-up and monitoring, and it is not sure that the system has enough administrative means and human resources to carry out all of these tasks. These problems could even become more acute, starting in the second half of 1999, with Norway's involvement into the reconstruction of Kosovo.

### ***Multilateral co-operation***

As a small country, Norway has great interest in multilateral co-operation, and its objective is to support multilateral organisations and increase the part of its aid channelled through the multilateral system so as to reach the target of 50%. However, this percentage includes multi-bilateral assistance, earmarked for specific purposes and countries, which is considered as bilateral aid by the DAC, and appears as such in DAC statistics. The 50% target was not met in recent years since the share of aid channelled through the multilateral system was 44% in 1997 and 43.4% in 1998, this last year dividing

into 28% of multilateral aid *stricto sensu* and 15.4% of multi-bilateral assistance. The corresponding DAC figures for multilateral ODA were 29.9% and 28.1% in 1997 and 1998, respectively. The fact that Norway is not a member of the European Union may also explain partly the difficulty to meet the 50% target.

Norway's contribution to the UN system is nevertheless significant, since it allocates much more than its normal share and is one of the main contributors to the economic, social and humanitarian programmes of the UN. Norway was for instance the sixth largest contributor to the UN, and the fifth largest contributor to the United Nations Development Programme (UNDP) in 1997, with USD 74 million, the second largest contributor to the United Nations Children's Fund (UNICEF), with USD 38 million, the fourth largest to the United Nations Fund for Population Activities (UNFPA), with USD 28 million. This position gives Norway some leverage to meet its objectives, which are: i) to promote reforms in the UN system, with a view to improving the efficiency of the system, both at the level of individual institutions and by promoting greater co-ordination and co-operation between these institutions; ii) to follow up Norwegian priorities in multilateral aid by using these institutions as a channel for Norwegian aid for selected countries and purposes; iii) to contribute towards international initiatives, negotiations and conferences on issues which Norway considers important for development.

As regards the reform of the UN system, Norway was an active player in the Nordic UN Reform Project, whose 1996 report was submitted to the UN Secretary General in January 1997. Several of its proposals were reflected in the reform programme that he presented in July 1997. In autumn 1997 the General Assembly supported most of its wide-ranging reform proposals, in particular the greater integration and co-ordination of the UN's activities at country level, and the establishment of a UN Development Group (UNDG), consisting of the UNDP, UNICEF and UNFPA, whose activities take place within the framework of a country programme, the United Nations Development Assistance Framework (UNDAF). Moreover, human rights efforts are being strengthened in all parts of UN activities, which also corresponds to Norway's preoccupations.

Norway's earmarked assistance to multilateral institutions, known as multi-bilateral aid, represented 15.4% of total ODA in 1998 (USD 212 million). This moreover, allows to utilise the expertise and capacity of these specialised institutions, sometimes in countries or in types of activities where Norway does not have a comparative advantage. This form of aid pursues the policies that Norway seeks to promote in the governing bodies of these institutions, *i.e.* to follow up the conclusions and recommendations of international conferences and summit meetings. It influences the strategies and guidelines for the activities of UN agencies in areas where Norway wants to make a special effort. For instance, earmarked contributions to UNICEF focus on children's rights and education, with special emphasis on girls. In 1997, funding to UNDP was provided among others for its fund for poverty and good governance. Norway co-operates closely with the World Bank and is providing co-financing on a wide range of programmes, for instance in 1997 on the World Bank basic education project in Sub-Saharan Africa, or on children's rights projects. In the environment area, funding was provided to the World Commission on dams.

Norway played a particularly dynamic role in recent international initiatives. The Oslo conference on land mines in September 1997 was an important step towards the signature three months later in Ottawa of the international Convention which prohibits the production, export, import, stockpiling and use of these weapons. Norway has agreed to provide USD 120 million over five years to follow up to this Convention, in co-operation with multilateral agencies, in particular the International Committee of the Red Cross (ICRC). In October 1997, the MFA organised in Oslo, with UNICEF and the International Labour Organisation (ILO), an international conference on child labour, which set the agenda for action against child labour.

## ***Humanitarian and post-conflict assistance and NOREPS***

Norway is a prominent actor in the humanitarian field, quick to react to emergencies, natural catastrophes, as well as war and conflicts. Consequently the share of emergency and humanitarian assistance in the Norwegian aid programme has stayed at an exceptionally high level since 1994 (see Figure 2). It amounted to USD 228 million, or 16% of total gross ODA in 1998, which is four times higher than the DAC average of 4%. In 1997 emergency or humanitarian assistance was extended to more than 70 countries, among which around 20 may be considered as significant recipients of this kind of aid. The latter included all the war-torn countries in Africa: Angola, Burundi, Congo (Dem. Rep.), Ethiopia, Liberia, Rwanda, Sierra Leone, Somalia, Sudan. The main recipients in Asia were Afghanistan, Iraq, Lebanon, North Korea and the Palestinian Administered Areas, and in Latin America, Colombia and Guatemala. But the number one recipient is Bosnia Herzegovina. Although this type of aid has an obvious political dimension, one can wonder if there is a strong rationale for Norway to act, in many cases with limited resources, in so many countries. To concentrate on fewer countries would not go against the government's will to continue the extensive Norwegian humanitarian efforts but would better focus these efforts.

At the end of 1998, the MFA issued a strategy on Norwegian Humanitarian Assistance, which the Minister presented to the Storting in January 1999. The Minister's statement pointed out that humanitarian aid is increasingly taking place in complex crises, with links between humanitarian assistance, protection of human rights, and the need for a long-term development perspective.

Emergency relief, which focuses on natural disasters, and humanitarian assistance, including human rights and refugee aid, are dealt with by the "Humanitarian Assistance" section in the MFA's new Department for Human Rights, Democracy and Humanitarian Assistance. The Commission on North-South and Aid policies had proposed that responsibility for Norwegian emergency relief be transferred from the MFA to NORAD to better co-ordinate short-term and long-term measures. However, the government did not find it appropriate to make changes to an organisation that had just integrated in one department efforts related to humanitarian aid, emergency relief, refugees issues and human rights. It was thought that the political considerations often related to this type of aid were a clear argument against this government proposal to increasingly integrate peace efforts, conflict resolution, and democracy and human rights measures in development aid. In practice, this does not prevent the Ministry from closely co-ordinating with NORAD, especially when humanitarian assistance takes place in priority countries.

The two main channels for the delivery of emergency or humanitarian assistance are Norwegian or occasionally international, non-governmental organisations (NGOs) and the UN system. In 1997, NGOs distributed the main part of total emergency and humanitarian assistance, *i.e.* USD 138 million (68% of the total). The four largest Norwegian NGOs had the lion's share: the Norwegian Refugee Council, Norwegian Church's Aid, Norwegian People's Aid and the Norwegian Red Cross. The government budget funds 100% of the related expenditures, except for the Norwegian Red Cross, which has to provide 10% of self-funding. Aid channelled through the UN system was USD 65.6 million in 1997 (32% of the total). It was allocated mostly to the UN High Commission for Refugees (UNHCR), (USD 37.7 million) and to the UN Relief and Work Agency for Palestine refugees in the Near East (UNRWA) (USD 14.9 million). General contributions to both institutions amounted to USD 34.6 million, and all the rest, *i.e.* USD 31 million, corresponded to multi-bilateral aid, for which the most important channel after the UNHCR was the UN Department of Humanitarian Affairs (DHA).

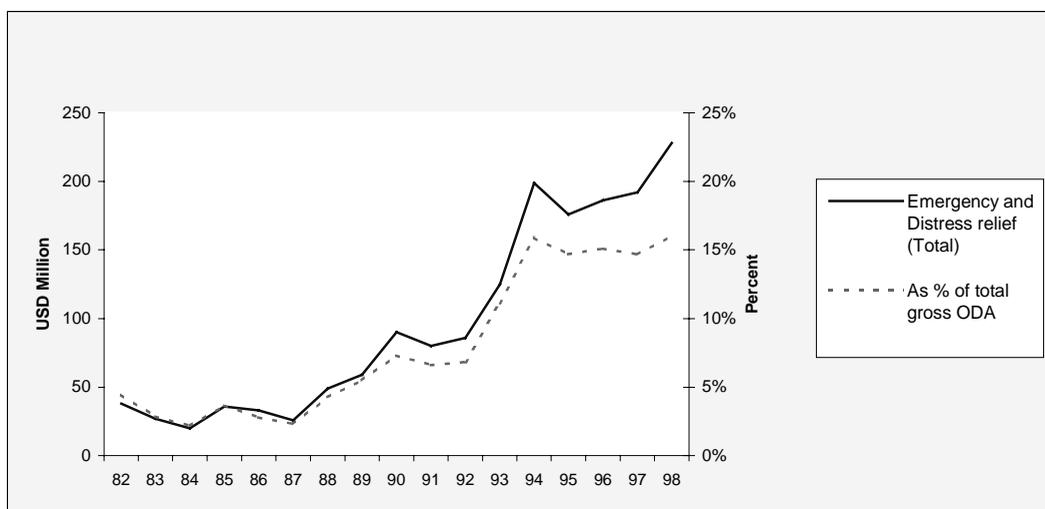
In 1991 the MFA established an Emergency Preparedness System, called NOREPS, to speed up the response to emergencies by establishing stand-by capacities, and also to increase the sales of emergency relief products to UN agencies. Since then it has stayed unchanged as a co-operative arrangement between the MFA, the five largest Norwegian NGOs, a few Norwegian companies storing and supplying relevant goods and the Norwegian Trade Council (NTC) acting as a secretariat. It was linked to an emergency personnel roster, NORSTAFF, which has substantially expanded.

Since NOREPS attracted some criticism, in particular on coherence grounds (see below), the MFA commissioned an independent review which reported in May 1999. It concludes that NOREPS has been effective in improving Norwegian emergency response, by helping to diversify products and services, facilitating co-ordination and co-operation, and by serving as a focal point for the international agencies. However, the report stresses that questions may be raised as regards cost efficiency of the mechanism, and that, as an export promotion facility it did not prevent the volume of procurement of NOREPS products from the UN agencies own resources from remaining low and their share from continuing to decline. The report recommends separate approaches to the different objectives:

- To define a much more targeted “Stand-by Preparedness Capacity”, managed and co-ordinated by the MFA.
- To establish a separate export promotion facility, in the form of trust funds with the main UN agencies.

The government is studying these recommendations.

Figure 2. Aid for emergency and distress relief



Note: \_\_\_\_\_ left-hand scale.  
 ----- right-hand scale.

Source: OECD.

### *Norway's debt relief strategy*

While acknowledging that some developing countries would be unable to repay all their debt, the White Paper advised against supporting unilateral debt relief. However, in spring 1998, the Norwegian government approved a debt relief plan: "*Towards the Year 2000 and Beyond: the Norwegian Debt Relief Strategy*", which opened the door to unilateral Norwegian debt relief. This plan was considered indispensable for two reasons. First the need to alleviate the poorest developing countries' substantial and growing stocks of external debt, and second, the moral responsibility to clear up the debt problem arising from debts to Norway. Such debts had been incurred exclusively from commercial export credits, guaranteed by the GIEK, since Norway cancelled all of its development assistance loans more than ten years ago. The Strategy was presented in spring 1998 and submitted to the Storting in connection with the debate on the 1999 government budget.

This initiative envisaged to reduce debts originating from commercial export credits by around USD 200 million over four to five years. Debt reduction will be additional to the current development budget, *i.e.* not at the expense of new development co-operation projects. In order to avoid benefiting other creditors of the developing countries concerned, Norway will only forgive debt after the individual developing country has negotiated an international debt relief agreement with all the creditors involved. The plan is therefore twofold: i) it aims to strengthen international debt relief mechanisms, and ii) it provides for Norwegian debt relief measures for individual countries in addition to and on top of the total debt relief provided by such multilateral mechanisms.

Norway intends to improve the existing international schemes in favour of the poorest countries. This involves four main mechanisms:

- The Heavily-Indebted Poor Countries (HIPC) Initiative. Norway's objectives are: to achieve greater flexibility by making the mechanism available to a greater number of countries and ensuring an equitable burden sharing among the creditors, to build alliances with other countries to ensure that the Initiative will provide a definitive solution to the debt problem of the poorest countries.
- In the Paris Club, where Norway is committed to achieve an increase in the maximum debt relief granted to up to 90% for HIPC countries, hence introducing the principle that Paris Club creditors take their proportional share of the necessary debt relief for the country being treated, no matter how large the reduction would be in percentage.
- The Fifth Dimension Facility, which alleviates poor countries' servicing of World Bank loans, and for which Norway's objectives are to contribute funds to help reduce the principal, to support continuous transfers from IDA to the facility and the establishment of a similar facility at the African Development Bank (AfDB).
- The Sixth Dimension Facility, the World Bank mechanism for buyback of commercial debt, to which Norway will provide financing for those countries where the use of the mechanism is considered effective and appropriate.

Norwegian debt relief measures will be granted only on a case-by-case basis. Selection criteria focus on the political situation, including human rights, democracy and corruption. A tentative list of 22 beneficiary countries has been established. Most of them are African countries, except for Bangladesh and Viet Nam, Honduras and Nicaragua. Norway will assist the countries included in the Strategy in a variety of ways. To ensure that HIPC programmes result in a debt burden that is

sustainable, extended debt relief in addition to the HIPC Initiative will be provided only after the HIPC agreement. Norway will support national debt funds when they exist to ease countries' debt burdens, or will provide support to developing countries repayment of debts to other developing countries. It will earmark budget support for debt relief or for strategically important sectors for which funding from the state budget is constrained due to a heavy debt burden. Finally support will be provided for the use of debt management tools.

### ***Support to the private sector***

#### *Overview*

Significant change has occurred in support to the private sector since the last review, based on a clearer recognition by the new government that private sector development is a necessary if not sufficient condition for economic growth and lasting poverty reduction. The private sector is seen as an indispensable engine for reducing poverty, by creating jobs and incomes, with the ensuing tax revenues allowing for increased expenditures in areas like health and education. On this basis, and considering that what had been done so far lacked a strategic and integrated perspective, the government decided to present a new approach in the form of a Private Sector Strategy, and to review and complement the range of existing instruments for private sector promotion.

#### *The Strategy*

The comprehensive *Strategy for Norwegian Support of Private Sector Development in Developing Countries*, published in February 1999, proposes an integrated and global approach, starting from the needs of developing countries. It advocates close co-operation with other donors and more efficient donor co-ordination. It stresses the need to improve the legal, institutional, political and financial environment for private enterprises, as well as the physical infrastructure. The Norwegian business community was consulted during the preparation of the strategy, but emphasis is put on enabling developing countries own enterprises to win contracts on the world market, including contracts in the aid markets. It is proposed to untie Norwegian schemes for private sector development in parallel with other donor countries.

In order to make the strategy operational, a coherent set of actions is proposed. They include:

- The reduction of export subsidy schemes, in parallel with other donor countries, while promoting investments in the South and encouraging Norwegian business and industry to invest and become involved on a long-term basis.
- The improvement of framework conditions: the macro-economic setting, the financial system, and more generally the legal, institutional and judicial environment, which is linked to good governance, as well as physical infrastructure.
- The de-marginalisation of the poorest countries and the reinforcement of their capacity to exploit the potential of globalisation, while limiting the problems that it may create.
- The promotion of trade with developing countries by strengthening the existing schemes for imports from these countries and by giving higher priority to general measures for increasing trade with them, and also the promotion of South-South trade and regional economic co-operation.

- The reinforcement of support to small and medium-sized enterprises, particularly technical assistance and micro-finance schemes.
- The use of the Norwegian resource base, in particular the expertise of Norwegian business and industry, where this corresponds to identified and expressed needs of developing countries.

The instruments for private sector promotion are analysed below in Chapter 2 under aid implementation.

### **Information, development education and public opinion**

This area is a strong feature of the Norwegian aid system, and is one of the best among DAC Members. Yearly surveys have been conducted since 1992 and the latest available showed that support for the Norwegian aid programme stayed high, with 84% of people being in favour of it. However, as far as the amount of aid is concerned, 30% of people surveyed in 1996 would have liked it to decline. The MFA and NORAD are therefore working hard to avoid any further such erosion in public support and to maintain the high degree of support still enjoyed by the Norwegian aid programme.

The Press, Cultural Relations and Information Department in the MFA has two sections, one of them being in charge of information to the Norwegian public and relations with Norwegian and foreign press. There is a division of labour with NORAD. MFA concentrates on general policy issues and multilateral assistance, including:

- Large scale information plans on special events or special themes, for instance on the occasion of the conference on child labour in Oslo in autumn 1997, and the same year on the theme of environment and development. In 1998 information activities focused on human rights, to mark the fiftieth anniversary of the Universal Declaration of Human Rights. Information campaigns were prepared, focusing on child labour and human rights. Campaigns include the production of teaching material for use in primary and secondary schools, publication of reports, supplements to newspapers, organisation of trips for journalists, exhibitions, and the production of films and TV programmes. In 1998, co-operation was also entered into with the UNICEF on a three-year programme of information on girls and education.
- Ongoing information activities, which involve a number of publications, the organisation of courses and study tours for journalists, training courses for teachers and union representatives, the funding of various institutions and production companies for films and multimedia projects dealing with development. Priority is given to programmes targeting children and youth. A number of documents on development activities are published each year, including all the strategy papers and the evaluation reports. Increasingly, the Internet is used to disseminate information on the aid programme through the government web site: <http://odin.dep.no>.

NORAD's own information activities are dealt with by the Information Division in the Department of Information and Cultural Co-operation. They are largely concentrated on NORAD operational activities and on the situation in the countries where it operates. It co-ordinates with the MFA, and targets similar groups. Its information centre arranges exhibitions, information sessions and debates.

The bulk of information activities are carried out through NGOs. In 1997 government funding of their information and education activities was expanded to include a larger number of NGOs than before.

They received about USD 7 million out of a MFA total budget a little over USD 8 million. Since 1997, the MFA has a framework agreement with the five largest NGOs: the Norwegian Refugee Council, Norwegian Church Aid, Norwegian People's Aid, Save the Children, and the Norwegian Red Cross, which jointly organised a number of major information projects. In addition in 1997 NORAD allocated USD 3 million in funding for information activities of 28 NGOs which have a framework agreement with the Agency, including USD 1.4 million to the five main ones. But small amounts are also available, from the MFA or NORAD, for one-time funding of information projects on North-South issues organised by NGOs.

## **Policy coherence**

### ***Introduction***

Overall, Norway displays a comparatively strong awareness of the necessity of coherent policies towards the South to maximise the effectiveness of development co-operation efforts: comprehensive preferential market access is granted to developing countries; partner countries interests in international discussions on trade, development and global public goods are actively supported; aid funded procurement is largely untied (only 8.9% of aid was tied in 1997). Further strengthening of policy coherence particularly in the agricultural sector, might be advanced through increased transparency on potentially inconsistent policies, to be able to better evaluate trade-offs and mitigate possible adjustment costs.

### ***Objectives and organisation***

Policy statements on the relations with developing countries emphasise policy coherence as a key concern. For instance, in the 1998 statement on development co-operation policy to the Storting, the Minister of International Development and Human Rights declared that: "the government will work actively to improve the international framework, to tailor it more to the needs of developing countries". This repeatedly professed need for a coherent North-South policy including, *inter-alia*, macroeconomic relations, *e.g.* debts, trade, investment and global goods issues, is broadly shared by domestic stakeholders.

The Ministry of Foreign Affairs, the Ministry of Industry and Trade, and the Ministry of Finance, as well as other ministries and public institutions, are all closely involved in setting objectives and implementing the various components of policies towards the South. Administrative restructuring has been a recurrent instrument to ensure intra-ministerial coherence. In 1997, the Ministry of Foreign Affairs was re-organised to strengthen the coherence of foreign policy: one department managed bilateral relations with developing countries; global issues were the responsibility of another department, with sections for the UN, the international financial institutions, human rights and humanitarian aid; while trade policies were administrated by a third department. Further changes occurred in 1998 and are covered in Chapter 2.

Inter-ministerial policy coherence is mainly established through a system of consultative fora. As a matter of routine, major government policy papers are distributed for comments before decisions are taken. *Ad-hoc* groups are created to co-ordinate Norway's position at important global meetings, standing inter-ministerial committees with the purpose of facilitating co-ordination and coherence are less common. Broad public participation in the formulation of policies is ensured through a consultative process, in which stakeholders, such as public institutions, NGOs and private sector interests are invited to express their opinions. In early 1998 the consultative body for human rights and Norwegian economic involvement abroad - known as KOMpakt - was established (see Box 1). Its purpose is to enhance understanding among the relevant Norwegian constituencies for the interface

between business and human rights in the context of globalisation. KOMpakt is considered to be the appropriate forum for raising topics for discussion between authorities, the business sector and other stakeholders.

The complexity of policy-making renders it virtually impossible to be consistent in all matters at all times. However, if contradictory decisions must be made, the key concern is that they be made lucidly, deliberately, and on the basis of information and analysis that enable the decision takers to mitigate the costs of incoherence, as well as to explain their course of action in the context of the difficult choices with which they are confronted. A high premium is therefore put on developing information systems and analytical capacities. In that sense, there appears to be room to expand intra- and inter-ministerial consultations on policy coherence issues beyond direct ODA allocation, and the various inter-ministerial consultative groups related to the work in the World Trade Organisation (WTO).

#### Box 1. KOMpakt

The purpose of KOMpakt is to enhance understanding among business organisations, labour unions, human rights and solidarity organisations, academic institutions and government, for the interface between business and human rights in the context of globalisation. KOMpakt deliberations should give companies a more robust basis for internationalisation strategies and investment decisions. The aim is not to force agreements, but to gain more insight into each other's agenda. Human rights organisations will learn more about the problems and trade-offs that face companies in this field, and will have more opportunity to influence developments.

KOMpakt meets in plenary 5-6 times a year and holds seminars on topical issues. It has established three permanent working groups:

- ◆ Working group 1 addresses normative and norm-creating challenges related to the promotion of human rights in general, and implications for the business community in particular. Child labour and labour standards are among the key issues under debate.
- ◆ Working group 2 addresses human rights challenges and options for companies and industrial organisations, in particular experience gained of the voluntary guidelines and codes of conduct established by many companies.
- ◆ Working group 3 addresses challenges relating to policy development and the pros and cons of specific policy measures, *e.g.* positive versus negative ones (sanctions). It focuses in particular on the government's scope of action in the formulation of international development policy.

#### *Trade flows and market access*

Trade between Norway and developing countries is growing. Contrary to the declining share of developing countries in total world trade, the share of developing countries in total Norwegian imports (excluding ships and oil platforms) has grown from 10% in 1994 to almost 12.5% in 1997. The growth of the share of developing countries on the Norwegian market is the strongest for the least developed and other low-income countries (see Table II-7). The increase may to some extent be attributed to the significant modification of the Norwegian Generalized System of Preferences (GSP) in 1995. In addition the customs preferences under the GSP system became more effective after the tariffication of the Norwegian import regime for agricultural products which took place in 1995 as a result of the Uruguay Round.

Most industrial imports enter the Norwegian market duty-free under preferential trading arrangements. Moreover, average most favoured nation tariffs on industrial products are generally modest, exceeding 10% only for certain plastic products, leather goods, textiles and clothing, and some iron and steel products. More than 70% of industrial tariff lines are fully zero-rated. There still exists some tariff escalation in textiles and clothing, footwear and plastic products.

The level of agricultural support in Norway is one of the highest in the world<sup>3</sup>. Despite a number of changes introduced to the agricultural trade regime because of the Uruguay Round Agreements, access to the market for temperate products remains restrictive, with an average estimated bound *ad valorem* tariff rate of 98.4%. Average bound tariffs are above 200% for live animals, dairy products, cereals and milled products, meat and meat products. In addition, when target prices in the meat sector are not reached due to overproduction, quantitative import restrictions are introduced. For instance, imports from Botswana previously amounting to 3% of the market were limited to 1 000 tonnes or 2% of the market. Most temperate fruit and vegetables are subject to seasonal tariffs, which are normally reduced during the off-season. Tariff quotas, applied to products subject to minimum access commitments, are generally allocated on the basis of auctions. Forestry and wood products is one of the few sectors with distinct tariff escalation, with imports of timber duty free, while wood and wood products attract rates up to 5% and pulp, paper and paperboard range up to 15%<sup>4</sup>. By contrast, for tropical products tariff rates are zero or close to zero. In addition when target prices in the meat sector are not met due to overproduction, preferential tariffs for the least developed countries are suspended. Imports of duty free beef from Botswana and other countries granted access on LDC-terms were for instance limited to 2700 tonnes in 1998. The actual import volume in 1998 was below this pre-set level.

The GSP is an important instrument to integrate the poorest developing countries into the world economy. Tariff reductions or exemptions granted by the GSP scheme are used to stimulate imports, particularly from the least developed countries. Norway has one of the most comprehensive and generous GSP schemes among DAC Members. Developing countries generally enjoy duty-free/reduced tariffs and unlimited access for export of manufactures, except for products specifically excluded from the scheme, typically textiles, clothing and footwear. The reverse principle is applied to agricultural products, *i.e.* duty-free and unlimited access only for those products specifically included in the scheme. Least developed countries are granted duty-free/reduced tariffs and unrestricted access for all agricultural products, except flour, grains and feeding stuffs<sup>5</sup>.

Overall, developing countries have improved their use of the GSP scheme, achieving an utilisation rate of 74% in 1996, compared to 70% in 1995. Similarly, the least developed countries' GSP utilisation rate increased from 67% to 75%<sup>6</sup>. Agricultural imports from developing countries consist mainly of traditional tropical products. Recognising a potential for trade in non-tropical products, the authorities encouraged developing countries to capture larger shares of the agricultural market through the allocation of minimum access quotas. Moreover, the Norwegian Import Promotion Office for Products from African Countries organised inspections of product facilities in some African countries to avoid preferential access being nullified by sanitary and phyto-sanitary regulations.

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3 . OECD (1998), *Economic Review Norway*, Paris.

4 . WTO (1996), *Trade Policy Review Norway*, Geneva.

5 . Ibid.

6 . Ministry of Foreign Affairs (1997) Statement to the Storting on Development Co-operation Policy.

## ***Procurement***

The scope and purpose of Norway's tied financing scheme has changed considerably since the introduction of the DAC Tied Aid Discipline in 1992. The proportion of this type of aid financing has been greatly reduced and the scheme has been adjusted to comply closer with the overall development co-operation priorities. The issue of tied aid is considered of particular importance with respect to overall objectives of partnership, local ownership and donor co-ordination. Tied aid is deemed to undermine all three strategic objectives. Norway considers an agreement among donors to globally untie all ODA as an important issue of aid efficiency, donor coherence and credibility.

To stimulate effectively private sector development in recipient countries they are encouraged to employ local and regional tendering procedures. This transfer of procurement responsibility has already reduced direct procurement from NORAD for a large part of the bilateral assistance. In addition, the use of guarantees is considered a more cost-effective instrument to promote trade with and investments in developing countries. Under certain conditions, guarantees reduce risk and are an important addition to loan schemes. Moreover, guarantees enhance access to private financing for projects much larger than can be funded through direct ODA financing. Therefore, a review is foreseen on how to redesign the guarantee scheme of the Norwegian Guarantee Institute for Export Credits (GIEK) in order to function as an effective instrument to promote Norwegian exports to and investments in developing countries and to safeguard appropriate environmental and social criteria.

In the area of distress relief and humanitarian assistance, the MFA and several Norwegian NGOs created in 1991 the Norwegian Emergency Preparedness System (NOREPS), which gave 16 selected Norwegian firms exclusive rights to use the Norwegian insignia on products such as emergency rations, tents and drinking water systems. Its concerns have been seen by many as more commercial than humanitarian. NOREPS delivered goods and services for USD 34 million in its peak year 1994, but its annual deliveries had sunk to about USD 28 million by 1998. This constituted about 15% of the State budget's allocations for emergency aid. NOREPS was criticised for selling expensive emergency provisions and a recent report commissioned by the authorities recommended that the scheme should be modified, but not terminated (see above).

## CHAPTER 2

### Aid Management and Implementation

#### Policy responsibility and the division of labour between the MFA and NORAD

##### *Policy responsibility and the integration of the aid system*

###### *Overview*

The Norwegian aid system is a semi-integrated one and has three main features:

- One ministry, the Ministry of Foreign Affairs (MFA) has overall responsibility for matters related to foreign policy, economic questions and development assistance in the relationships between Norway and developing countries, as well as multilateral organisations. This ministry, however, is led by two ministers: the Minister of Foreign Affairs and the Minister of International Development and Human Rights. The latter has new responsibilities which were introduced in October 1997 by the new government (previously it used to be the Minister of Development Co-operation). The Minister has policy responsibility for all matters relating to both human rights and development co-operation, including humanitarian assistance to developing countries (assistance in Europe depends on the Minister of Foreign Affairs).
- The implementing agency, NORAD (the Norwegian Agency for Development Cooperation) is a separate administration, but depends upon the MFA.
- NORAD offices are fully integrated into Norwegian embassies in developing countries.

###### *The Ministry of Foreign Affairs*

The Ministry was restructured in autumn 1997. The organisation was simplified, mainly because the four departments that worked previously on trade within the MFA were moved to the Ministry of Industry and Trade. Three other departments disappeared, but were replaced by four new ones. The number of departments therefore was reduced, from 13 to 10. Nevertheless, the organisation remains complex, as can be seen from Chart 1 below, especially if one considers that this chart does not include NORAD. Following this restructuring, aid-related matters were assigned mainly to two of the 10 departments:

- The Department for Bilateral Affairs, which includes four desks, each headed by a Regional Adviser and one section for Development Co-operation Policy, which is responsible for policy formulation and for overseeing NORAD.

- The Department for Global issues, which split very recently, on 1 August 1999, into two departments: the Department for Human Rights, Democracy and Humanitarian Assistance, which comprises the former section of the same name, now divided into two sections, one for Humanitarian Assistance and one for Human Rights and Democracy; and the Department for UN and financial institutions, which gathers the two other pre-existing sections: the UN section and the multilateral development banks section.

After the most recent reshuffling, there are 11 departments in the MFA, with three directly in charge of aid-related matters. Nevertheless, other departments are also involved in aid, like the department for Security Policy and Bilateral Relations with the Community of Independent States (CIS) countries. Some of the countries it deals with are ODA eligible, and the corresponding budgets have been added to the aid budget. This points to the fact that the MFA is more closely involved in implementing development assistance than it used to be. There is a simultaneous shift towards conflict related issues, aid being more linked to a global security concept. This implies that aid has become more politicised. Although the three aid-related departments work more with the Minister of International Development and Human Rights, all the 11 departments can serve both Ministers in their area of competency. For instance the Department for Resource Issues and the Environment has competence for both rich countries and developing countries. The Minister is assisted by a State Secretary and a Political Adviser, and by an Assistant Secretary General for Development Co-operation.

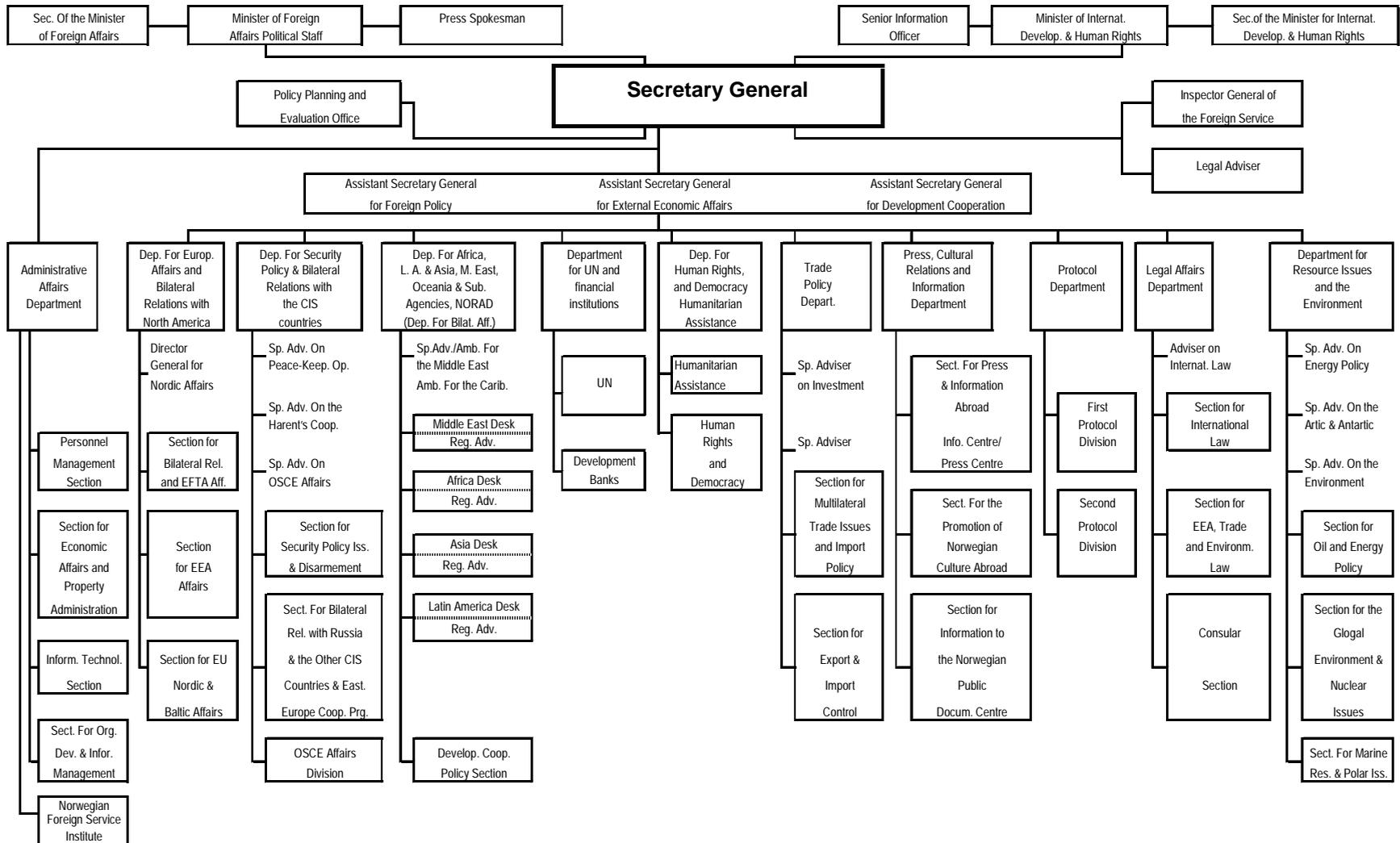
#### *NORAD*

NORAD is the agency responsible for executing Norway's programme for traditional bilateral long-term co-operation, including the portion of such aid channelled through NGOs. NORAD is a separate agency subordinate to the MFA with its own Director General, a separate budget, a separate annual report, and a separate organisational chart (see Chart 2 below) with its own Department of Administrative Affairs, a Department of Information and Cultural Co-operation, and a regional Department. The latter includes three sections in charge respectively of Asia and Latin America, Northern Africa and the Middle East, and Southern Africa, with the corresponding geographical "desks". The Regions Department is in charge of relations with recipient countries and Norwegian Embassies abroad. The three other departments are the Technical Department, the Department for Private Sector Development, and the Department for Civil Society, which do not have corresponding units in the MFA. NORAD's structures have slightly changed since the last review.

#### *The Foreign Service Institute*

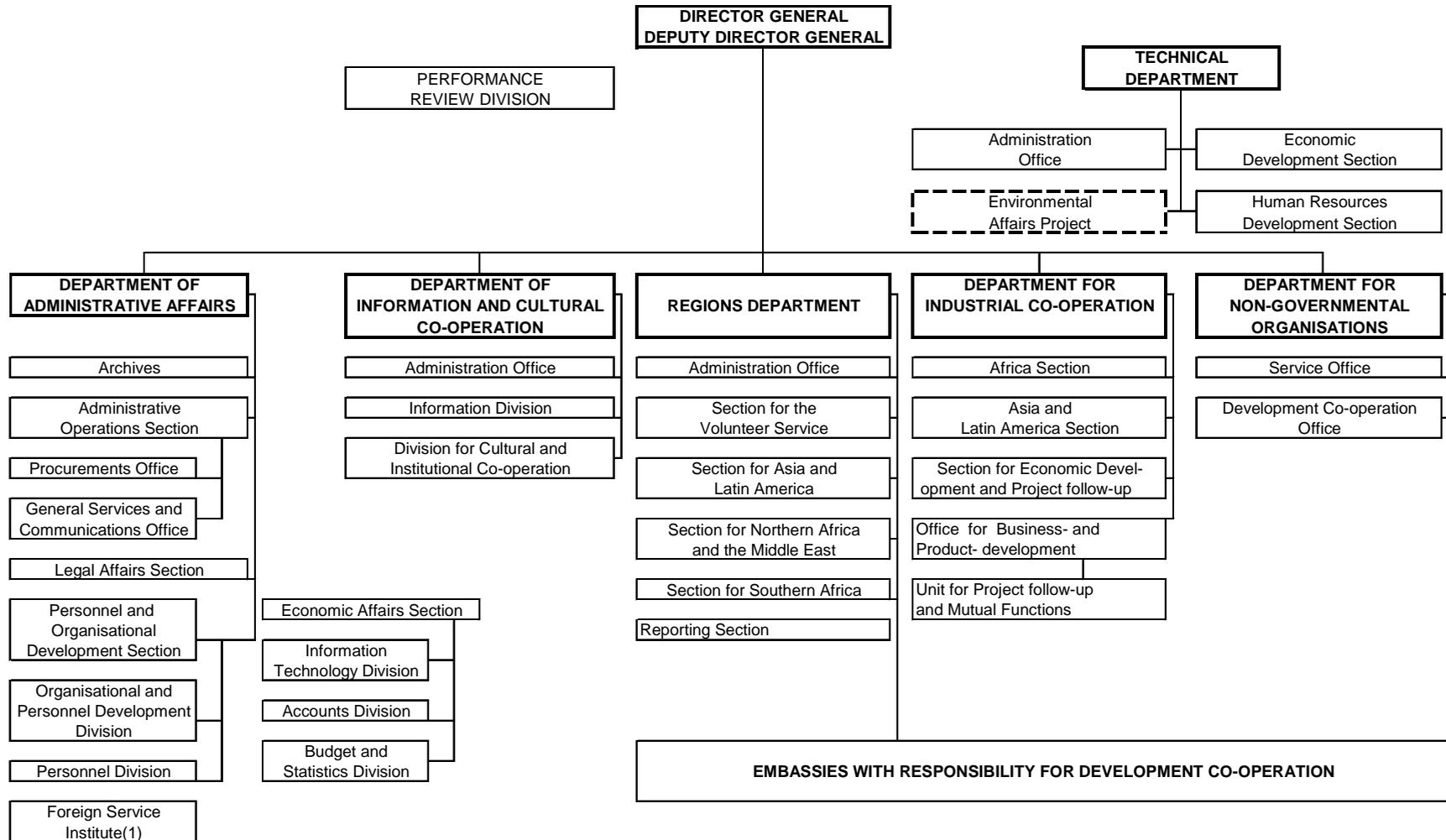
In autumn 1996, the NORAD Development Co-operation Training Centre and the Ministry of Foreign Affairs Training Division merged to form the Foreign Service Training Center. Since then training courses have been also offered to the personnel of Norwegian institutions which have entered into co-operation agreements on development co-operation. The Center is now in charge of all internal and external training of specific target groups. This has been a useful reform, allowing MFA and NORAD to engage in joint training of their respective staff. It will facilitate the exchange of personnel between the MFA and NORAD. This might be considered as a step in ensuring greater integration of NORAD within the MFA.

Chart 1. Ministry of Foreign Affairs (MFA)



Source: MFA.

Chart 2. Norwegian Agency for Development Cooperation (NORAD)



(1) Administered by the Ministry of Foreign Affairs.

Source: NORAD.

## The Embassies

The integration of NORAD offices and personnel into Norwegian embassies started in 1992 and was completed in 1997. Simultaneously, new embassies have been created in priority countries where there used to be only NORAD offices (the head of NORAD then acted as a *chargé d'affaires*). Over the last two years new embassies were opened in Uganda, Eritrea and Malawi. In 1998 four of the trainees of the MFA spent one year in NORAD before being assigned to an integrated embassy.

## Staffing

The number of staff working principally on development co-operation remained virtually unchanged from 1990, when the Ministry of Development Co-operation merged with the MFA, through 1996, when there were 404 employees in total, including 98 in the field, or 24% of the total staff (see Table 1). Since then, however, their number has increased significantly: by 9% in 1997, and again by 5% in 1998, to reach the level of 464 employees, including 104 in the field, or 22% of the total. The number of staff at NORAD's headquarters did not rise, and most of this increase took place at the MFA in Oslo, where the number of employees grew by 57% in two years mainly because of a redefinition of development co-operation staff and the inclusion of staff in charge of humanitarian assistance. In the embassies, the expatriate staff rose by 6% only, mainly because of the opening of new embassies.

Table 1. **Number of Staff Members**

	1998		
	HQ	Field	Total
MFA	149	21	170
NORAD	211	83	294
<b>Total</b>	<b>360</b>	<b>104</b>	<b>464</b>

Source: MFA and NORAD Annual Reports.

Such increases were justified by the fact that the aid programme has become more complex over the recent years, with new countries to deal with, in particular in Europe and the Middle East, and new types of interventions in challenging areas like governance and human rights. The skill mix must therefore be adjusted to the new challenges, and also to new priorities like basic health and primary education, or new forms of aid like Sector Programme Support (SPS). Indeed there still seems to be some shortage of staff, at least for NORAD in Oslo, and for the embassies. One sign of this shortage is the tendency to externalise the management of aid, through heavy recourse to consultants, NGOs, and UN organisations under multi-bi arrangements. Although this policy initially saves staff, it also creates an additional workload to establish the terms of reference of these various interventions, select the participants and oversee their work, and it makes co-ordinating, controlling and monitoring more complicated. This can also reduce ownership by the MFA and NORAD of the projects and programmes concerned. Externalisation should therefore be limited to countries outside NORAD's reach, specific areas where there is no expertise in NORAD, or areas where there is a comparative advantage in subcontracting, like humanitarian assistance. Against this background, one can wonder whether some kind of internal reshuffling of staff would not be appropriate: the elimination of overlaps between the MFA and NORAD in functional areas might allow to reinforce operational staff in implementation and at NORAD headquarters.

### ***The division of responsibilities between the MFA and NORAD***

In principle, the division of labour between the MFA and NORAD is simple: the MFA is in charge of the formulation of strategies and policies, and NORAD is its executing agency responsible for implementation, *i.e.* the translation of these policies and strategies into country assistance strategies, projects or programmes. In practice things are more complex than they seem, for a variety of reasons. The first one has to do with human resources, both quantitatively and qualitatively. At the end of 1996, headquarters staff from NORAD still represented twice the headquarters staff from the MFA dealing with development co-operation, and similarly the vast majority of the staff in charge of aid in the field came -- and still comes -- from NORAD. Most of the expertise on development and aid, as well as the field knowledge and experience, have also been concentrated in NORAD. This situation has created some tensions in the past. The second reason was highlighted by the last aid review, and was related to the intrinsic difficulty of separating policy formulation and budgetary planning from programme execution.

However, the relationships between the MFA and NORAD are undoubtedly improving. This is due to the fact that the present government has a more clearly formulated development policy, and that the minister and senior management have a long experience of development and developing countries. Moreover, NORAD is increasingly closely associated to the policy formulation process. Internal co-ordination has also improved. There are four annual meetings with NORAD on the implementation of policies, to follow up budget execution. The MFA sends each year in January the letter of allocation of funds to NORAD. The letter provides guidance on the main orientations and directions, and is prepared in consultation with NORAD. On cross-cutting issues, staff members are meeting on a regular basis. Most important, there has been a partial redefinition of responsibilities in some areas. An example is the formulation of country strategies in the 12 priority countries, which was up to now the responsibility of the Ministry. The responsibility for drafting these strategies is being transferred to NORAD on the basis of a mandate elaborated by the MFA. As far as information is concerned, there has been a more logical distribution of roles and activities between MFA and NORAD. This has also been the case in the area of evaluation, as will be seen below in the last section of this chapter.

In spite of obvious progress, however, there is room for further improvement. In humanitarian assistance the MFA was particularly keen to close the institutional and financial gap between short-term emergency relief and long-term development co-operation. It had therefore been decided three years ago to put NORAD in charge of development oriented assistance to Bosnia, which also made sense because NORAD has framework agreements with NGOs.

### ***The role of the embassies and the decentralisation of the aid system***

As the *Manual for Government-to-Government Co-operation on Programme and Project Cycle Management* recalls, “the main principle of Norwegian Development Co-operation is that the Partner is responsible for planning, implementation and monitoring of projects supported by Norway”. This is fully in line with the development partnership strategy. This happens with the full involvement of the embassies, which are in permanent contact with the partner governments or institutions in charge of specific projects, if only because a number of procedures have to be adhered to before the financing decision can be made by Norway and implementation can start. Reliance on the embassies is even more important in cases where partners are unable to carry out their responsibilities.

Norway’s aid system is therefore highly decentralised. It relies on the responsibility of the embassies, as an interface with partners, to make sure that the principle of ownership translates into reality, while ensuring compliance with the procedures described in the above-mentioned manual. Within the embassies the Ambassador has responsibility for the aid programme. Ambassadors come mostly from

the MFA, even in priority countries, and have authority over NORAD operations in their country. However, the Deputy Head of Mission and *chargé d'affaires* in the absence of the Ambassador usually comes from NORAD.

After receiving the annual letter of allocation of funds from the MFA, NORAD issues a similar letter to each embassy, allocating funds and issuing specified authorities on the basis of the Annual Action Plan prepared by the embassy. Within this context embassies are responsible for projects and programmes identification, preparation and appraisal, in connection with the Technical Department and/or any other department in NORAD. In particular it is up to the embassies to determine the scope of the appraisal and its operationalisation. Embassies are also responsible for preparing the Appropriation Document, the Draft Agreement and the Draft Project Summary, with the assistance of the Technical and Legal Departments in NORAD. Beyond implementation and monitoring *stricto sensu*, embassies are closely associated with the preparation of country strategies. Within NORAD the Regions Department has overall responsibility for this process.

Once a project is under implementation, the embassies are responsible for ensuring that the partner institution fulfils the reporting requirements and produces the progress reports. They are also closely involved in project reviews, which are tools for quality assurance of projects financed by NORAD. In particular they decide on the category and scope of the reviews. Finally the embassies prepare the Completion Document on the basis of various reports which have to be provided by the partner institution at the end of the project cycle, in order to carry out NORAD's administrative closure of the project. NORAD monitors the work of the embassies through a reporting system integrated with the Annual Plan of Action and through administrative reviews normally taking place every second year.

Decision-making authority is delegated to ambassadors for project financing up to approximately USD 2 million. Obviously this delegation has to be used in harmony with the Norwegian strategy in the country. If a particular project, by its nature, involved a question of principle, the embassy would consult with headquarters. Legal documents have also to be examined by the Legal Department. All in all, there are mechanisms in place which ensure that there is a collective input in any individual decision. In fact, the impression from field visits is that the delegation of powers entrusted to ambassadors might rather be under-utilised than over-utilised. Staff in the embassies feel overstretched and have therefore a tendency to reduce the number of small projects under preparation, in particular those involving local NGOs. Although it is true that the workload is heavy, it should not be overestimated. It is indeed rendered manageable, as in many aid systems, by a heavy reliance on consultants, which might sometimes become excessive. Above the USD 2 million threshold, authority to make financing decisions lies with the Director General of NORAD. Proposals are discussed by an internal group made up by the Director General and the six Departments Directors.

## **Country and sector programming and implementation**

### ***Country programming***

#### *Country assistance strategies*

Since the mid-1980s, Norway's development co-operation with priority countries has been based on country strategies. It was planned to review and modify them if necessary every three to five years. Since then their format has been changed several times. In 1996 it was decided to improve the internal process of strategy formulation, by more involvement of headquarters departments as well as resident missions, by better briefing of recipients about the background and aim of the strategy, and by aiming at a better design of scope and content of the country strategy, including foreign policy objectives. Finally, it was decided to publish the strategies after completion.

A few strategies have been issued since then in accordance with this new model, including in April 1997 the draft country strategy for Mozambique. In this case, the terms of reference were established by the MFA in Oslo, which selected a Norwegian consultant to do the basic studies that initially focused on the shift from project aid to budget/sector programmes. Critical comments by the embassy delayed the process by about a year before a team came with a new draft which was discussed with the local MFA representative and the embassy. But unfortunately, it did not consult all the partners involved, *i.e.* representatives of the civil society, NGOs and other donors. Finally, the draft was discussed by the Minister of International Development and Human rights with the government. The strategy has not yet been published.

The strategy describes the recipient country's political, economic and social situation, the development trends relevant to Norwegian development co-operation as well as the country's policy and development strategy. It discusses the experience gained from Norwegian development co-operation in Mozambique, the premises and challenges for future co-operation and goals, strategies and areas of co-operation. It indicates that "the main goal of Norwegian aid is to contribute towards economic growth which particularly benefits the poor sectors of the population and helps to reduce aid dependency in the longer term". As regards the choice of sectors it also states that "with respect to poverty-oriented economic growth, support for the health sector, budget support and debt relief will be the main forms of assistance, while the objective for co-operation in the energy sector is to promote sustainable economic growth which will reduce aid dependency". However there is no clear rationale between the analysis of the situation and the goal of poverty reduction, on the one hand, and the particular sectors that have been selected, on the other hand.

Drawing from the experience gained from this strategy and a few others issued since 1996, the MFA acknowledges that the present situation regarding country strategies is not yet satisfactory, in particular with respect to the dialogue with partners. It is felt that a better understanding of government priorities and proposals for the allocation of resources made available by Norway is needed, and that the Comprehensive Development Framework (CDF) could be used to this end. It has therefore been decided to change the format once more for priority countries and to produce a new shorter format, which could be easily updated.

The main change would concern the process: the MFA would no longer be the producer of country strategies, and NORAD would be much more involved in the process. The embassies and NORAD would play an important role in formulating the strategies. The embassies could take the initiative to make basic studies at local level jointly with other Nordic countries. Simultaneously the role played by consultants would be determined by NORAD and the embassy, and would probably be reduced. A closer consultation would take place with the government, donors, NGOs, including Norwegian NGOs, and other local partners. There is a tentative timetable to cover three to four countries every year, and to cover all priority countries plus a few transition countries like South Africa. This decision seems to be appropriate and should help design more relevant and effective assistance.

### *Memoranda of Understanding*

Since country strategies were not previously considered as operational documents and were not shared with partners, the official document which is previously used to formalise Norway's co-operation with its partners is the "Memorandum of Understanding" (MOU). It is a much shorter document, based on the country strategies, which is drawn up on the occasion of a high level meeting between the partner government and a Norwegian delegation, usually headed by the Minister of International Development and Human Rights. The partner's delegation is usually headed by the Minister of Finance or the Minister of Foreign Affairs.

MOU are signed by the Ministers from both parties and are not considered as confidential documents. There is a standard format for MOU, which is valid until further notice, and can be terminated by either party upon six months' notice. It usually reviews briefly the development perspectives of the recipient country, *i.e.* the government's development strategy. It goes through the objectives and principles of Norway's development co-operation. It describes the areas of co-operation. It includes a section on the roles and responsibilities of each party in implementing the agreed co-operation, which reaffirms the principle of recipient responsibility. Finally reference is made to the volume of assistance but in vague and general terms and without any figures or commitments.

### *Annual consultations*

Annual consultations at country level are a mechanism to ensure good communication between Norwegian aid staff and the recipient country authorities. They take place in the recipient countries, with the participation of senior staff from NORAD and the MFA in Oslo. The purpose of these consultations is to discuss with the co-ordinating Ministry the overall co-operation, to review progress in project/programme implementation, including achievements of agreed obligations, as well as to approve the documentation (progress reports, reviews, evaluations, etc.) submitted to NORAD by the partner country prior to the meeting. The meetings also provide an opportunity for the partner to present annual work plans, new proposals and revised plans and budgets and more generally to agree on the main issues to be dealt with in the year to come.

Normally, the Norwegian Delegation is headed by NORAD. The mandate for the consultations with partner countries is drafted by NORAD and approved by the MFA. Mandates for reviews with other countries are prepared by NORAD. There is a standard format for this mandate in the *Manual on Programme and Project Cycle Management*. It puts emphasis on adherence to agreed obligations and measures to ensure it, and on work plans for the following year: the mandate includes comments on submitted plans, including budget and outputs. The document also gives a mandate for dialogue for new sub-projects and for approval of following year plans and budgets, including the overall budgetary ceiling for NORAD's contribution. The outcome of the consultations consists of agreed minutes, which address the different issues raised in the Mandate and provide a formal basis for the total bilateral development co-operation in the following year. The agreed Minutes have an Annex that provides a Work Plan and a Summary of Budget Allocation for each project approved in principle during the consultations.

### ***Budget allocation and sector concentration***

#### *The budget and the letter of allocation*

The budget system up to 1998

Up to 1998, the system in place for the allocation of funds to countries and sectors used to be both opaque, in terms of its results on sector concentration, and rigid, in terms of its capacity to accommodate modifications during the course of a given year.

The main features of the central government budget for development co-operation, however, have not been changed. The budget is divided into five main "programme categories": i) the administration of development assistance; ii) priority countries and regions; iii) expanded co-operation; iv) assistance via international organisations; v) emergency relief, human rights, peace and democratisation. Each of these programme categories is divided into "chapters" and each chapter is split into "posts", which finally are made of several "items". The element of rigidity came from the fact that the transfer of

funds between different chapters and posts was a relatively difficult and time-consuming procedure. Funds allocated for specific posts had to be used for the purpose set down initially and could not be moved to another post, even within the same chapter, without a lengthy process and cumbersome procedures. Reallocation between countries had to be approved by the Storting. This was far from ideal in terms of management of development co-operation since it did not allow to react flexibly in case of an unexpected evolution in a particular country or sector, and was not in line with the Norwegian emphasis on increased partner responsibility in aid programming.

At the same time the system was somewhat opaque in terms of sector concentration. For bilateral assistance, other than humanitarian assistance, it was a combination of thematic allocations, through the programme category of Expanded co-operation (which individualised Environment, Gender equality and Private sector development) and geographical allocations to countries and regions, through the corresponding programme category that alone represents about half of the total budget, and does not have sectoral sub-components. The absence of a specific budget allocation for Social development, with sub-components for health and education, was conspicuous. The end-result in terms of sector concentration could not therefore be planned from the outset, but depended on the final distribution of funds between various projects/sectors in each of the priority countries.

#### Changes in the budgetary procedures

The changes introduced into the budget for 1999 provide a solution to the problem of rigidity, but by themselves do little to address the question of opaqueness of sector concentration. They have consisted mainly of halving the number of posts, through the merging of a number of them, while authorising the transfer of funds between posts in a given chapter. The number of chapters has also been reduced. Moreover, reallocations can now to a larger extent be decided by the MFA.

Other changes will be introduced only in 2001. They will concern the cross-cutting issues and will have a bearing on the sectoral concentration of aid. It has indeed been decided to phase out two chapters, for Environment and natural resource management and for Gender equality. The post on cultural measures in developing countries will also be cancelled. This does not mean that these areas will receive less overall funding and general attention, but that support from these areas will have to be financed from other budget items, and in particular the main programme category of priority countries and regions. It has to do with the policy of mainstreaming gender and environment in all projects, rather than focusing on gender-specific or environment specific projects. But so far it does not seem that specific chapters will be introduced for social sectors such as health and education.

#### The sharing of responsibilities between the MFA and NORAD

NORAD is in charge of all long-term development co-operation (country-specific programmes), which corresponds to the main programme category of priority countries and regions. Some exceptions can apply when Norway wishes to use its development aid to influence political developments. Then the MFA controls a small portion of the aid programme, like in the Palestinian Administered area, where funds are budgeted in the chapter on humanitarian assistance, or in former Yugoslavia and ODA-approved Organisation for Security and Co-operation in Europe (OSCE) countries, where funds come from the budget for peace, reconciliation and democracy. The programme category of Expanded co-operation is shared between NORAD and MFA, but most of the funds go through NORAD. It includes chapters on information activities, environment, gender equality, economic development, research and evaluation. The suppression of two chapters (see above) should not change the balance between NORAD and the MFA, since most of the corresponding funds should be re-allocated to the programme category for priority countries.

All development aid channelled through NGOs, whether they are Norwegian, local or international NGOs, goes through NORAD, as does industrial and commercial co-operation. The MFA is responsible for all multilateral and approximately 75% of multi-bilateral assistance and therefore manages the corresponding budgets. It is in charge of development issues with a strong “political” content, such as large parts of support for democratisation and human rights. Similarly it is responsible for emergency relief and for refugees in Norway during the first year after their arrival. Both of these last items are funded through the last programme category (Emergency relief, human rights, peace and democratisation).

#### The letter of allocation

The budget for long-term bilateral assistance is executed by means of a “Letter of allocation” sent by the MFA to NORAD, each year at the beginning of January. The letter places funds at NORAD’s disposal for the same year, and gives orientations regarding their allocation to various geographical or sectoral areas. It is based on a preliminary letter issued in October of the preceding year, and on discussions with NORAD, which is thus closely associated with its preparation.

The letter for 1999 explicitly refers to the Parliament’s Recommendations of 1996, the proposition to Parliament concerning priorities within the budget ceilings for development aid, the main objectives and activities in 1999 (deriving from other letters from MFA to NORAD on various issues), and the specification of objectives, priority areas and tasks under the various programme categories and budget items in the same proposition. As regards the objectives and priority areas for development co-operation with priority countries, it also makes reference to the aid agreements entered into, country strategies and Agreed Minutes from country programme negotiations, with the more precise adjustments following from the proposition and from the letter itself. The letter then indicates that, as a basic principle, development aid to Africa shall account for 55% of NORAD’s transfers. It states that NORAD shall help to achieve the government’s objective that the poorest countries shall account for a substantially higher share of development aid from Norway. It recalls that the overriding objective of Norwegian development aid policy is poverty alleviation.

As regards social development, the letter reaffirms that the 20/20 Initiative shall be followed up, globally as well as at country level, and sets the objective that support for health and education each accounts for a minimum of 10% of NORAD total allocations. However it does not distinguish between the whole sectors and the sub-sectors of basic education and primary health care, which are relevant for the 20/20 Initiative (the other sub-sector being rural water supply and sanitation). With respect to private sector development it stresses that NORAD shall give high priority to the preparation of a plan for implementation of the strategy, and that studies of an untied loan facility will be initiated. In the field of peace, human rights and democracy, it asks NORAD to place an increased emphasis on the human rights dimension and to contribute to ensuring that partner countries to a greater extent adhere to international human rights conventions. In the area of environment, NORAD is instructed to make use of Norwegian expertise as effectively as possible, to assist in developing principles and guidelines for co-operation with the Ministry of Environment, and to ensure that environment efforts are maintained through other allocations despite the phasing out of the corresponding chapter in the budget. The same is asked in the area of women and gender equality. NORAD is also requested to follow up on important political concerns like, among others, children and measures to combat child labour, the Mine Ban Convention, and measures to combat Human immunodeficiency virus /Acquired Immune Deficiency Syndrome (HIV/AIDS).

The letter contains instructions regarding the follow-up of fundamental principles for development co-operation. NORAD is thus requested to contribute to operationalising the objective of improved interaction between efforts in the humanitarian area and long-term development co-operation. It is

asked to strengthen the principle of recipient responsibility and to continue the work on reducing the number of projects.

### *Sector concentration*

The Parliament guidelines provide a clear basis for the determination of target areas, which are unequivocally:

- Social development, primarily by providing assistance for health and education.
- Economic development which includes private sector development and measures to promote trade between Norway and developing countries.
- Peace, democracy and human rights.
- The environment and natural resources management.
- Humanitarian aid.
- Women and gender equality.

However, the current system does not allow setting up quantitative objectives for sector concentration. They cannot be determined *ex-ante* because the budget contains no indication regarding the distribution of country allocations between the various sectors. This creates some circularity in the way the objectives are set up. On the one hand, the letter of allocation refers to the aid agreements entered into at country level, but without giving any figures (other than the global country budgets). On the other hand, the agreements themselves (MOUs, agreed minutes) provide no figures, and decisions in each country are supposed to be based on orientations established by the letter. Obviously, this gives more flexibility in the programming exercise in each country, in particular to take into account the recipient's objectives. But the final outcome in terms of sector concentration depends on a number of decentralised decisions. To change this would require establishing a link between the budget and the country programmes, by pre-determining the amounts allocated to each sector in each country (which should be known from the country programmes). Then adjustments to arrive at the desired figures, reflecting the priorities, could be made either to country programmes or to thematic allocations or to both, although it is true that such a system would be rather rigid. In practice it is multi-bilateral aid which seems to be used by the MFA in order to nevertheless meet the targets.

As for the other areas, the most important one is Economic development, with 25.5% of total bilateral aid (including multi-bilateral aid) in 1998, followed by Women and gender equality (14.2%). Humanitarian aid represented 13.4% of the total, and the area of Environment and natural resource management 12.2%. Although it increased sizeably from USD 96 million in 1996 to USD 122 million in 1998, the area of Peace, democracy and human rights stood at 11.1%.

### **Private sector promotion**

#### *The role of NORAD and the mixed credit programme*

NORAD is the main instrument for private sector promotion, based on three schemes. The first scheme is linked to the establishment of business activities in developing countries by Norwegian companies, in the form of a joint venture with a local private partner or even without any local partner. It can take one of the following forms:

- Grant funding, such as support for feasibility studies, or support for training of employees and temporary management assistance: for which up to 50% of the corresponding cost can be covered by a grant; and support for investment in basic infrastructure or environment protection subprojects: for which 80% of the cost can be financed by a grant.
- Project finance in the form of investment loans and guarantees. NORAD can provide up to 50% of the required financing for a project in the form of soft loans that include a subsidy element of at least 30%. NORAD, jointly with GIEK (see below), can also offer equity investment guarantees normally covering up to 90% of the risk of loss for Norwegian companies. Twelve new loans for an overall amount of USD 18 million were approved in 1997. Disbursements under this scheme were USD 12.5 million in 1997 and USD 11.3 million in 1998.

Under the second scheme, NORAD administers several financing facilities that seek mainly to encourage Norwegian exports of capital goods, services and technology to developing countries. They are:

- Support for training in connection with Norwegian exports, limited to 3% of the contract value.
- Mixed credits, combining development assistance funds with an ordinary export credit, with a grant element of at least 35% (50% in the LLDCs). Although they must be granted as far as possible to contracts won in international competitive bidding, they are partially tied to finance of Norwegian goods and services. A NORAD grant usually subsidises the interest cost of the commercial credit component. In 1997, these grants totalled USD 26 million (USD 12 million in 1998).
- Export credit guarantees, which normally cover political risks only, up to 90% of the risk of loss, and are also provided jointly with GIEK.
- Parallel financing, mainly used to co-finance large projects with the multilateral development banks, normally in the poorest developing countries and combining financing from these banks with a tied grant by NORAD, assisted by the Norwegian Trade Council. In 1997 a total of USD 27.5 million was disbursed for 28 projects, the main destination being the Palestinian Administered areas.

The third main category of NORAD schemes consists of measures to promote exports from developing countries, particularly exports to Norway. These schemes encompass support to export promotion and to product development/adaptation in developing countries and for Norwegian importers' marketing campaigns in Norway.

The government is aware that the instruments themselves might still need some streamlining, at least in their utilisation, interaction and procedures, especially with regard to the respective roles of NORAD, NORFUND (see below) and GIEK. It is the reason why, as provided for by the new strategy, the MFA decided to carry out an assessment of the various investment instruments in the aid budget. Terms of reference for this assessment were being prepared in June 1999.

### ***The role of GIEK***

The Norwegian Guarantee Institute for Export Credit (GIEK) is a public but independent guarantee institute that furnishes guarantees and underwrites export credits. It is involved in development assistance because since 1994 it has managed the separate guarantee schemes aimed at developing countries described above. It does that on behalf of the MFA, and with the participation of NORAD, which determines whether the projects promote development: this is a condition of eligibility for the schemes. The premiums are quite low and below the benchmark, so there is a limit on outstanding guarantee liability which is set each year by the Storting, and was increased in 1997 from USD 88 million to USD 132 million. One third of this amount is put in a special account for defaults. The GIEK also participates in the Paris Club as part of the MFA led delegation.

### ***The Norwegian Risk Capital Fund for Developing Countries (NORFUND)***

NORFUND is an equity capital fund whose creation was proposed by the Commission on North-South and Aid Policies and considered as a possibility by the former government in Report No. 19 to the Storting. It was finally launched in July 1997 and became operational in 1998. Obviously, NORFUND involves administrative costs, which was the main reason invoked against it. But the lack of such an instrument represented a gap in the Norwegian system for private sector promotion in developing countries, and its creation was long overdue.

NORFUND is owned by the government but is nevertheless a self-governing fund with a board of five people, of whom three represent the private sector. Its initial capital base has been set at NOK 400 million (close to USD 60 million), but should be gradually raised to NOK 1.5 billion over the next five years. It provides risk capital in the form of equity or quasi-equity, without subsidy, to profitable and viable private enterprises in low-income (LICs) or upper middle-income countries (UMICS). These investments are made jointly with Norwegian companies, which may or may not have a local partner. Additionally NORFUND can support local entrepreneurs indirectly through investment in local venture funds. NORFUND is working closely with NORAD, since there are a number of synergies between both institutions: NORAD's diversified range of facilities are matching well with the provision of seed capital. Good co-operation has already been established with similar institutions like the Commonwealth Development Corporation (CDC) and the International Finance Corporation (IFC). NORFUND has so far made direct investments in six countries and investments in local investment funds in four other countries. As for the geographical distribution of the corresponding amounts, Africa comes first with 47%, followed by the Middle East with 27%.

As a development institution, and in addition to the business aspect of projects, NORFUND considers other criteria, namely the favourable impact on the development of the host country, the impact on environment, the gender dimension, job creation and safety aspects and the respect of the international labour conventions. Moreover, it intends to formulate a guideline for human rights and ethical issues, which will be used as a checklist in assessing projects proposals.

All in all, Norway now has a well conceived strategy for support of private sector development in developing countries, combined with a comprehensive array of instruments to implement it. However, and without prejudging the outcome of the review currently underway or the decisions that the government would make after its completion, some aspects of the three investment schemes could be improved, with a view to further increasing their efficiency. The soft loan scheme, in particular, does not seem appropriate because viable enterprises in the private sector do not need subsidised financing, especially considering that they have already access to various types of grants to finance feasibility studies, training, etc. Moreover soft loans create a distortion in free competition, even though some might argue that they compensate for the additional cost entailed by the tied nature of this financing.

It seems therefore appropriate to stop subsidising these loans, which at the same time would be a good case for untying them, since they would no longer be classified as ODA. Indeed it does not seem normal to be unable to finance local entrepreneurs directly, if they do not have a Norwegian partner (most of the time such partners simply do not exist). But investment banking, whether in the form of equity or credit, is a job, which requires specific skills. The next step would be for NORFUND to take over from NORAD responsibility for these loans, which would also imply untying equity financing for the sake of simplicity. This is already envisaged in the strategy, albeit as a long-term objective. Such a shift, which is consistent with the practice of most aid systems, would also reinforce the synergy between both financing modalities. The possibility of having all investment-related instruments in one place (NORFUND) has been suggested by some commentators, but is perhaps not absolutely necessary. On the contrary it might make sense for NORAD to continue to have a development view on the private sector through the management of the existing grant facilities.

## **Aid and the civil society: the importance of Norwegian NGOs**

### ***The Norwegian setting***

In no other DAC Member are NGOs playing a greater role than in Norway, where in 1998 24% of total ODA was channelled through them, according to the MFA. Assistance provided through NGOs totalled USD 312 million, which represented an 11% increase over the 1997 level. Of this total amount 83% was channelled through Norwegian NGOs, 5.9% through local NGOs, 6.4% to international NGOs. Of the amount going to Norwegian NGOs, the five main ones got the lion's share, *i.e.* USD 165 million out of USD 258 million, or 63.5%: Norwegian Red Cross USD 43 million, Norwegian People's Aid USD 40 million, Norwegian Church Aid USD 34 million, Norwegian Refugee Council USD 31 million and Redd Barna (Norwegian Save the Children) USD 17 million. It is therefore not surprising that Norway is the country where NGOs' influence on aid is the most important. One could even say that there is a mutual dependency between the government and NGOs: the government needs NGOs to bring about public support and implementation capacity to its aid programme, whereas NGOs need the government's funds to be able to perform their activities.

The fact is that NGOs play a crucial role in the Norwegian society. Most of them are outside of the development field, but there are still a number of them that have a supplementary interest in development issues and a small number are dedicated to development work. They are considered as irreplaceable in helping to reach civil society in partner countries, in particular poor and vulnerable target groups, and also to strengthen local partner organisations, by developing partnerships with local NGOs. This is an especially important factor in the fight against poverty, and in the effort to promote human rights and democracy. Moreover, NGOs are free to work in any developing country, even though roughly two-thirds of funds channelled through them are allocated to priority regions for official development co-operation. They work in countries where NORAD has no representation and they can to some extent engage in activities that go beyond what government officials could do. Sometimes this flexibility can be used by the Norwegian Government in what has been called "foreign policy by proxy" (one example is support to human rights groups in Zimbabwe). In Norway itself their role is also essential in providing information to their members and to the general public and raising awareness and interest for development issues. Indeed there is undoubtedly a link between NGOs activities in educating children and the public about development and the high ratio of ODA to Norway's GNP. This has been a crucial factor to help maintain the aid effort, at a time when other DAC Members were scaling down their aid programmes.

## *Guidelines and administration*

In 1998 more than 70 Norwegian NGOs were involved in the implementation of projects financed by Norway. These activities are governed by guidelines that were last revised in 1994, and work started in 1998 to revise them again. Primary responsibility for channelling development funds through NGOs lies with NORAD, which manages the budget post “grant via NGOs”, amounting to around USD 95 million in 1999. But support can also come from other budget items such as the special grants for environment, gender, etc., and are then managed by the relevant offices in NORAD or MFA. NORAD’s funding of long-term development projects normally covers 80% of total costs, the remaining 20% having to be funded by the NGOs themselves. Some NGOs’ contributions may, however, exceed 20%. As an example Redd Barna contributes close to 50% of programme costs. However NGOs obtain full funding (100%) when they work on behalf of the MFA and NORAD, which is the case for emergency or humanitarian assistance, around 70% of which is channelled through NGOs. (By the way, NGOs consider that they are not compensated for part of their overhead, corresponding broadly to 10% of the costs). Some would prefer to have all the funding coming from NORAD, even for emergency assistance, although others consider that the MFA’s procedures are more appropriate. The new guidelines should address this problem (emergency assistance is not covered by the existing guidelines).

NORAD guidelines stipulate that NGOs must fulfil a certain number of eligibility criteria. These criteria aim at ensuring that they share the objectives of Norwegian development co-operation, they represent groups of Norwegian society, and they have the capacity to carry out their tasks with proper follow up, record keeping and reporting. They are required to disseminate information on their activities in order to maintain solidarity between the Norwegian public and people in developing countries. New guidelines are being prepared. It is thus too early to indicate in which areas there will be changes. Without prejudging what they could be, changes might be usefully considered in the three following areas:

- **Civil society**, where the focus could shift away from Norwegian NGOs and towards civil society and local NGOs in the developing countries, in order to follow the re-affirmed overall Norwegian emphasis on democracy building.
- **Financing**, with a restructuring of budgetary procedures as well as a revision of the sharing of financing between both parties.
- **Administrative and co-operative procedures**, with a simplification of current procedures that are often seen as confusing and unnecessarily complex.

In 1997 NORAD handled more than 1 000 requests from almost 100 Norwegian NGOs. Since the Department in charge of NGOs is small, with a staff of about a dozen people, NORAD has recognised the need for standardised procedures, and has put in place three types of general agreements with NGOs which allow for an increased decentralisation of responsibilities. All three types of agreements include funding for one year at a time and stipulate NGOs’ obligations regarding implementation, reporting, review, assessment, accounting and auditing. The first type consists of individual agreements, established on a project-by-project basis, although applications have to be submitted once every year. The second type corresponds to framework agreements: in 1998 they have been entered into with 18 organisations, like Norwegian People’s Aid. They are usually drawn up for five years, with objectives and strategies specified in the document. They provide for a joint review during the course of the five-year period. Under these agreements, NGOs are, within the limit of the annual grant, authorised to reallocate funds between projects. The third type is called programme agreements, and in 1997 had been signed with only two organisations: Norwegian Church Aid and Redd Barna. They

require the existence of a co-ordinated and coherent programme concept, with clearly specified objectives, and do not require NORAD's approval of individual projects.

### ***The role of the five main NGOs as agents of Norwegian aid***

The five main NGOs receive almost two-thirds of total aid allocated to NGOs and a significant share of total Norwegian ODA, amounting to 12.5% in 1998, a share which has been growing in recent years. There is a forum of the Secretary Generals of the five big NGOs, with regular meetings. They also meet regularly with the MFA and the Parliament on development policy issues, within the framework of an ongoing political dialogue. The MFA has an advisory committee on humanitarian issues with the five big NGOs, which "Médecins sans Frontières" has been asked to join. Through these various mechanisms the five main NGOs are particularly involved in policy formulation, and they have evolved into professional suppliers of aid services for the MFA and NORAD.

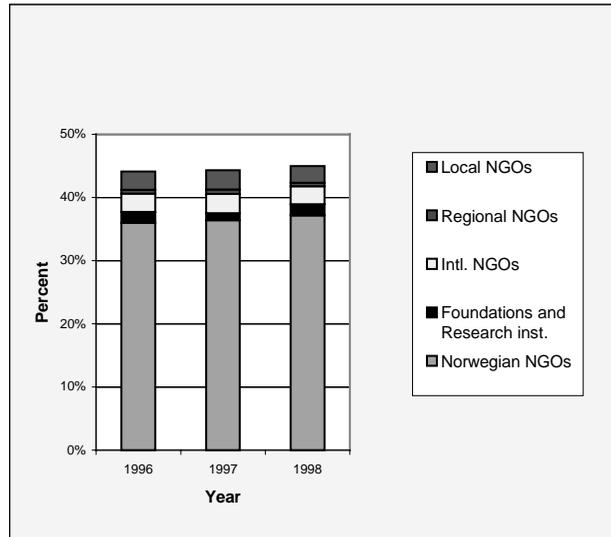
One can wonder whether such a trend is desirable, since it could crowd out smaller NGOs, which are often better equipped to co-operate in the field with local NGOs, and can more easily affirm their own personality, and independence from the state. One of their most important contributions is indeed their co-operation with similar organisations in developing countries on the basis of common values and interests. This can be difficult to achieve for the five big ones, which are more viewed as mini-NORADs than as private independent organisations. One can also question the degree of independence and autonomy of organisations that receive substantial amounts of resources from the government, and are mostly agents of Norwegian aid. The present administrative arrangements, whereby NGOs have to deal with both NORAD and the MFA, are certainly not optimal, and call for more co-ordination within the Norwegian Administration, in particular to improve the link between short-term emergency relief and long-term development co-operation. Finally, although NGOs have to report on their projects or operations, there does not seem to be enough independent assessment of their activities.

### ***The future role of NGOs***

Many DAC Members struggle with the task of striking a balance between maintaining ODA support through national involvement on the one hand, and increasing aid-effectiveness and cost-effectiveness through global competition and more developing country involvement on the other. The key to Norway's strong public support for development co-operation is clearly linked to the heavy involvement of Norwegian NGOs in its aid programme. As Figure 3 shows, almost 45% of Norway's bilateral aid programme (excluding multi-bi contributions) is disbursed to either NGOs or research institutions, and most of this amount is disbursed to Norwegian entities. Specifically, in 1998, a total of USD 270 million was disbursed to Norwegian NGOs and research institutions, which totalled about 40% of bilateral aid that Norway administered, or about 20% of its total ODA.

Figure 3. **Share of NGOs in total bilateral ODA**

Disbursements administered by Norway



Source: MFA.

To some extent, the high proportion of aid channelled through NGOs has had a crowding out effect on other modalities and forms of aid. Furthermore, three questions arise from this situation. First, how can Norway increase its effort towards SWAp, which require pooling of funds for recipient country budgetary support, and at the same time maintain resources to channel to Norwegian NGOs? Or is Norway prepared to reduce budgetary allocations and the share going to Norwegian NGOs in order to enhance sectoral programming as it has announced in policy statements? Second, does Norway plan to increase its efficiency, cost-effectiveness, and quality of its aid by opening up competition to non-Norwegian NGOs and institutions, just as much as some other DAC Members are opening up significant proportions of their ODA for goods and services to other countries at the risk of losing domestic ODA support? In other words, is Norway prepared to open up the NGO involvement to global competition so that it will get the most development for the money?

Third, does Norway plan to enhance capacity building of recipient country NGOs by increasing their role in the Norwegian programme? Table 2 shows that in 1998, about USD 106 million was disbursed to NGOs in selected LDCs. However the breakdown shows that developing country NGOs received only 6% or about USD 7 million of these funds in direct support while 93% or USD 98 million was channelled through Norwegian NGOs and research institutes. For example, in a country like Bangladesh, where there are many experienced local NGOs, not only would it be more cost-effective to increase the use of Bangladeshi NGOs instead of using the higher cost Norwegian NGOs, it would simultaneously build further the capacity of the former. In addition, enabling experienced NGOs of countries such as India, Bangladesh, or Chile, to carry out activities in other countries of Asia, Africa or Latin America could contribute to South to South co-operation and strengthen regional ties. If Norway could take leadership in this challenging task without losing domestic ODA support, it could not only bring great benefits to the developing world, but could also become a best practice for other DAC Members to learn from.

Table 2. **Disbursements to NGOs in Selected LDCs**

USD thousands

<b>LDC Countries</b>	<b>Norwegian NGOs and Research Institutes</b>	<b>International NGOs</b>	<b>Regional and Local NGOs</b>	<b>Total</b>
Ethiopia	13 746	888	94	14 728
Sudan	14 057			14 057
Angola	13 278			13 278
Rwanda	7 663		99	7 762
Mozambique	5 745	173	489	6 407
Uganda	5 811	5		5 816
Mali	4 819	40		4 858
Burundi	4 401	66	164	4 632
Afghanistan	4 507			4 507
Bangladesh	2 150	139	2 147	4436
Cambodia	4 145		127	4 272
Zambia	1 228		2 597	3 825
Somalia	3 307			3 307
Tanzania	2 413	24	825	3 262
Sierra Leone	3 156			3 156
Liberia	2 756			2 756
Dem. Rep. of Congo	2 529			2 529
Eritrea	2 257			2 257
Total	97 966	1 335	6 542	105 844
Percentage	93%	1%	6%	100%

Source: MFA.

## **Aid evaluation, efficiency and performance reviews**

### ***Objectives of the evaluation process***

The objectives of the evaluation function in the Norwegian aid system are in line with the DAC principles for evaluation of development assistance. *The Instructions for the Policy Planning and Evaluation Staff's Work on Evaluations and Reviews* state that evaluation activities have these main objectives (which cover both the accountability and learning functions of evaluation):

- Evaluate the fulfilment of objectives and effects on society in relation to the approved plans.
- Evaluate whether the use of resources is generally commensurate with the results achieved.
- Systematise experiences to provide for quality assurance and improve activities.
- Provide information to the authorities and the general public.

### ***Scope and organisation of the evaluation process***

The evaluation function has been reorganised and strengthened in 1997 in the MFA. A special Policy Planning and Evaluation Office has been established in the Ministry, with a staff of 12 people. It reports directly to the Secretary General of the MFA, which ensures its independence from operations, in accordance with DAC principles. It implements an evaluation policy that is defined by the above-mentioned instructions, approved by both Ministers in October 1998. The instructions state that the evaluation unit is responsible for evaluating all activities within the Ministry's sphere of competence, not just development assistance. It prepares revolving three-year programmes, in a dialogue with the operational departments and NORAD, and submits them for approval by the Minister.

There are a dozen evaluations per year. Their number is growing, and fourteen were completed in 1998, more than ever before. All of them are carried out by external and independent consultants, some of them foreign companies. The Policy Planning and Evaluation Office (PPEO) prepares the terms of reference of the evaluations, also called "the mandate", after consulting with the department, agency or embassy responsible for the measure or activity to be evaluated, which includes NORAD, as well as with the relevant representatives of recipients. The unit also selects the consultants, in accordance with established rules on purchases of services. The corresponding budget represented a little more than USD 2 million in 1998. The scope of evaluations covers key areas of Norwegian development policy: human rights and development, humanitarian assistance, conflict resolution and poverty reduction. The evaluation can focus on a whole country programme. The MFA does not carry out individual project evaluations and this is not done by NORAD either, which might be considered a weakness in the system.

Line departments in NORAD, including the embassies in recipient countries, are responsible for initiating and carrying out project and programme reviews as part of the normal project cycle, with usually a mid-term and an end-of-project review. These reviews could be pure NORAD reviews or joint reviews with the recipient partner. There is also a Performance Review Division in NORAD. The main function of this unit is quality assurance and internal auditing of NORADs' own performance. The unit reports directly to the Director General. Every six months overviews of planned and completed reviews and final project documents are collected by the PPEO.

### ***Implementation, findings and follow-up of evaluations***

Evaluations involve the Ministry's and NORAD's management and staff, which have to prepare the ground for the consultant and to provide open and satisfactory access to all sources and materials that are relevant to an evaluation. Representatives of the recipient country and/or institution are also normally involved. The final draft of the report is delivered to the evaluation unit and discussed with relevant departments/NORAD and other involved parties, but the consultant has the final responsibility for the content of the final report. All of the evaluation reports are published, most of them in English and some in Norwegian.

The follow up to each evaluation has been systematised and reinforced by the 1998 instructions. The process starts with the elaboration by the PPES of a follow-up *memorandum with proposals for decisions* sent to the Minister via the Secretary General. It summarises the report's content and recommendations and concludes with the PPES' recommendations and proposals for measures to be taken. A decision-making meeting is then held with the political staff and the department(s) concerned. The decisions are incorporated by PPES in a separate memorandum, and a letter of instructions on follow up measures to be implemented is signed by the Secretary General and sent to the responsible department(s)/NORAD and other parties involved. Within six months at the latest, the responsible department(s) and NORAD have to report back to the Secretary General on the measures

which have been introduced as a follow up to the decisions. If the reports are considered unsatisfactory, the Secretary General may decide that a study shall be made to clarify the reasons why the decisions have not been followed up. At the beginning of each year the PPEO prepares an annual report on the evaluation programme.

The PPES is in charge of disseminating or contributing to the dissemination of the evaluation results and experience. It prepares the press release in connection with the publication of the evaluation reports, as well as a summary that is printed as a separate series and published on the internet. There is a semi-annual report to the Storting and a description of evaluation activities is joined to the budget proposal. A copy of evaluation reports is sent to the Office of the Auditor General, which also receives each year in January a report on evaluation activities with an overview of all evaluations that were carried out during the previous year. However, there does not seem to be a separate annual report by NORAD taking stock of performance reviews, which would be a useful tool in terms of feedback from these reviews.

### ***Performance measurement and overall assessment***

Unfortunately, there does not seem to be a more recent study other than the *CMI 1994 Review of Evaluation Studies*, “to review what evaluations and other relevant documentation had to say about the performance of a selection of Norwegian aid activities, at the time of the evaluation.” Chapter 3 of the study attempted to analyse all activities in terms of their effectiveness, *i.e.* the extent to which their objectives were attained, their efficiency, *i.e.* the extent to which the corresponding costs were minimised, and their sustainability. According to the study, 15% of the activities had reached a high or very high effectiveness. Including acceptable effectiveness, one half of the projects and other activities had performed reasonably well. As regards efficiency, only 40% of the activities for which some information was available (but it was very often lacking) appeared to have been cost-effective. As for sustainability, it can be assessed at three different levels: economic, institutional and environmental. It was found that less than a fifth of the projects for which some indications were available could be regarded as having high or acceptable economic sustainability. The picture was a little better for institutional sustainability, since it was considered that nearly one third of the assisted institutions might prove to be sustainable. The conclusion on environmental sustainability was that a clear majority of the activities assessed either had positive effects on the environment or no negative impact.

Although these findings might seem somewhat discouraging, a comparison with other donors’ experiences would show that Norway’s achievements were not worse than those of most of them; all the more so given that, in spite of these mixed results, many activities had led to results which were in conformity with Norwegian goals in ODA. Moreover, the weakness in cost-efficiency is often a characteristic of grant-financed projects. An operational conclusion of the CMI study was that the best way to remedy the difficulties would be: i) to improve co-operation with recipient countries or institutions and give them a greater role in implementation, which is precisely an area where Norway has recently improved; ii) to improve the planning process and the preparation of projects: more might still need to be done here. Furthermore, in order to make evaluations of project performance more meaningful, steps should be taken, as was equally recommended, to incorporate in every project a better specification of measurable objectives, a system of cost and preferably cost-benefit analysis, and impact analysis of projects and programmes. In this field, NORAD could envisage establishing an output and outcome indicators system, which would facilitate and further streamline the overall evaluation process.

Although it is quite appropriate for the Evaluation Division in the MFA not to be involved in projects, but rather to concentrate on programmes, there is a need to develop projects evaluation, at least for selected projects. NORAD would be the most appropriate entity for doing that, and should therefore

introduce a mechanism for projects/programmes evaluation. To begin with, future evaluation of selected projects or programmes should be planned at the early stage of project/programme conception. This would imply to better specify and quantify the objectives of the various activities, which in turn could result in better project/programme planning and preparation. It might also be found of some interest to perform a certain number of impact evaluations, on a sample of carefully selected projects and programmes, a few years after completion.

## CHAPTER 3

### SOCIAL SECTOR AND CROSS-CUTTING ISSUES

#### Overview

The overarching goal of Norway's development co-operation is "to contribute towards improving economic, social and political conditions in the developing countries within the limits of sustainable development with special emphasis on ensuring that aid benefits the poorest people." Particular focus in the aid strategy based on this goal is revised regularly to respond to realities. Currently, increased emphasis is being placed on social sectors, gender equality, environment, peace, human rights, democracy, and anti-corruption. The following are brief descriptions of these components.

#### Sector-wide approaches in health and education

Norwegian assistance in health and education is partially carried out through or in co-operation with multilateral organisations such as the UNICEF, UNFPA, and World Health Organization (WHO). Norway channels its aid as general grants to the organisations as well as multi-bilateral grants which specify the projects to be administered by the organisations. In 1998, according to MFA budget figures, Norway contributed approximately USD 70 million to UNICEF (45% multi-bi), about USD 30 million to UNFPA (8% multi-bi), and about USD 25 million to WHO (25% multi-bi). Examples of multi-bi co-operation include an AIDS programme in Uganda through UNFPA and a national polio vaccination campaign in Nepal through UNICEF and WHO. Norway has much to celebrate with the new administration of WHO, as it has been vocal for many years in promoting its organisational reform in order to increase targeting of poor countries.

For the bilateral programme, the Norwegian government has announced that it will give highest priority to basic education, particularly for girls, and primary health. Recently, emphasis is being placed on supporting the development and implementation of sectoral programmes or sector-wide approaches (SWAs) in health and education. They are currently being planned or implemented in nine of the twelve priority countries. These SWAs require that the recipient governments and donors work under an overall sectoral framework instead of focusing on individual projects. Ideally, donors could contribute to a general basket of funds for the sector rather than funding specific components or geographical areas. However, in reality, sectoral programmes are extremely difficult to implement due to divergence of procedures and views among the donors as well as within the recipient government. Therefore, in many cases, the education sector, to which Norway contributes with other like-minded donors, is divided into sub-sectors, (see Box 2).

For the health sector, Norway is also trying to work with sectoral approaches with an emphasis on primary health care, which includes reproductive health and institutional development. However, this approach again tends to be divided into sub-sectoral programmes (see Box 3). More recently, Norway states that it is making an effort to ensure that its assistance regarding AIDS becomes more directed

## Box 2. Norway's Assistance to the Bangladeshi Education Sector

The Bangladeshi education sector does not have a truly sector-wide approach as it is compartmentalised into several areas. The sector is institutionally divided into two departments with two permanent Secretaries for: a) basic and mass education, and b) secondary and tertiary education. The two entities have separate budgets, and thus the issue of budgeting across and within the entire sector has not been addressed until very recently. The World Bank is raising this issue as well as leading the donors to take on a sub-sectoral approach for primary education, which currently has 24 separate projects. In the meantime, the Primary Education Development Project for Quality Improvement and the Non-Formal Education programme are regarded as having something close to a sub-sectoral approach, since some donors such as Norway provide support to budgets within the sub-sector (it funds practically all budget items, including salary and other recurrent costs) while other donors may take on very specific components of an overall plan.

The other fragmentation is between GOB and the donors. GOB and the donors collectively have diverging views on the financing requirements in education, with GOB regarding donor support as inadequate. Developing sectoral and sub-sectoral approaches has taken a long time since, according to some donors, the GOB has been afraid of losing control or ownership and opening the way to donor dominance. Some donors perceive that GOB tolerates varying systems and requirements by different donors since it enables them to better control external resources.

Moreover, there is fragmentation amongst donors in their approach towards the education sector. Some of the multilateral organisations such as the World Bank and the Asian Development Bank appear to be limiting GOB ownership by imposing relatively stringent conditions, being inflexible on administrative procedures, and over-utilising foreign consultants to draft Bangladeshi laws and strategies on education. Other multilaterals such as the United Nations Children's Fund (UNICEF) prefer to increase community participation such as in the operations of the Thana Resource Centres whereas preference of donors such as Norway is to adhere to the government structures with less community involvement. Some donors are concerned that NGO and private sector involvement in service delivery is weak.

In Bangladesh, expenditures per student in primary and secondary education are among the lowest in the world, in both absolute amounts and as a percentage of GNP. While the idea of cost-recovery or user-fees for tertiary education is finally being tabled, the Norwegian Embassy maintains a hesitant position towards the proposition. Currently, there are about 2 million college and university students in Bangladesh, most of whom hardly share the educational costs. Tuition fees in public universities amount to less than 1% of the costs per student. Government resources therefore bear 95% of the total university costs, including dormitory lodging for girls and boys. Vocational training of about 43 000 students per year is also largely financed by tax payers. A 1996 review estimated that 85% of public spending on higher education is benefiting the non-poor households.

To achieve the GOB's vision and the DAC's target for universal primary enrolment, Norway needs to take into account the fungibility of resources by GOB and the donors. While Norway's large investments in Bangladeshi primary and secondary education are commendable, if GOB continues to allocate its resources to higher education with little cost-recovery, it can be argued that Norway and other donors are indirectly subsidising higher education for the non-poor. If this situation is to be remedied, beneficiaries of higher education would need to share more burden of the costs. Some donors suggest that GOB could, *inter-alia*, develop a sliding tuition system with an income and gender based loan or subsidy scheme, or increase the involvement of private institutions, with the business sector sharing more of the vocational training costs. Norway is currently in the process of analysing the poverty profile of the total GOB budget that applies beyond the education sector. In the meantime, it could also play a more active role to work with GOB and other donors towards a more coherent sector-wide approach within the overall education system.

### Box 3. Norway's Assistance to the Mozambican Health Sector

About 20 donor agencies are currently assisting in the health sector of Mozambique. Compared to a few years ago, it has become less fragmented with increasing effort by the Ministry of Health (MOH) and the donors to undertake a SWAp, rather than an ad hoc project type assistance. However, a Sectoral Investment Programme (SIP) involving all or most donors is yet to be established for mainly two reasons. First, the Government of Mozambique (GOM) does not have the capacity in terms of human resources, systems, and accountability mechanisms to implement such a programme. Second, the donors are facing difficulties in reaching an agreement on one coherent modality, in particular on the harmonisation of implementation procedures. Therefore, as a transitional measure, sub-sectoral programmes have emerged in the last few years among "like-minded donors" by pooling funds and targeting discrete components of a general health plan.

Norway is currently playing a major role in this sub-sectoral approach and is providing about USD 5 million per annum to the health sector - it has almost completely phased out of project-type assistance. It is active in three areas: pooling arrangements for: 1) technical assistance and 2) drugs, along with UNDP, Switzerland, and the Netherlands, and recently 3) provincial health budget support with Switzerland, Ireland, Denmark, Finland and UNICEF. Ideally, these approaches would pool all donor resources for the sub-sector and enable the GOM to utilise the funds under common guidelines on implementation, procurement, reporting, and financial accountability based on multi-year planning. Though there is now joint-planning, monitoring, evaluation and some standardisation among the donors, differences in administrative requirements have constrained the collective effort. For example, donor funds, such as Norway's, are not pooled with GOM funds and procurement and disbursement requirements also vary amongst agencies. Furthermore, only about one third of donor resources for drugs are pooled, and even a smaller share for technical assistance. Even within the like-minded donors, some provide salary top-ups and target specific provinces for budgetary support, while donors like Norway contribute to a general health fund for all provinces.

Norway and other donors could enhance discussions on three critical issues. The first is on sustainability, which is a challenging subject for GOM and the donors, considering the plethora of health related problems of the country and the government's high dependency on programme financing and implementation. Apparently, there have hitherto been exercises, workshops, and discussions on recurrent cost financing of the health sector, but no concrete plan has been presented on sustainability. Therefore, consideration of long-term sustainability of the Mozambican health sector and of exit strategies by the donors could be incorporated in the SWAp as well as in the sub-sectoral programmes. Second, in this context, donors could further promote an enhanced private-public mix of health services, such as contracting out and building capacity of the private sector and NGOs. MOH has recently legalised private health care in urban areas and has contracted out the management of a few rural hospitals to religious organisations. This direction is encouraging and could be strengthened within the Health SWAp. It could include training, pilot schemes, creation of an enabling environment, and one-time infusions to induce a change in private sector and NGO behaviour. Lastly, while Mozambique's HIV prevalence is still relatively low compared to other Southern African countries, it nevertheless shares borders with several of the highest prevalence countries in the world. Mozambique's HIV prevalence rate was estimated to have increased by 40% last year. It is essential to develop a national AIDS strategy to raise awareness not only in health, but cross-sectorally.

Norway could take up further leadership in some of the above issues. However, it would be unfair to attribute the existing imperfections in the sub-sectoral approach to Norwegian development co-operation, as they are within the constraints of a collective effort by multiple donors and the GOM. These efforts must be examined within a context of a country that is just recovering from a civil war and comprising 80% of civil servants with only primary education. At minimum, the efforts by Norway in taking up a major role in the sectoral and sub-sectoral approach are commendable, particularly since the World Bank's leadership in this area in Mozambique appears to be weak. Norway is encouraged to continue its valuable effort to advance the partnership among GOM and donors concerned so as to further converge priorities, strategies, and systems in the Mozambican health sector.

towards preventing and reducing the consequences of the epidemic, especially in Africa. The Peer Review field mission to Mozambique showed that more could be done in this area, particularly with input from AIDS specialists in assisting countries to develop a cross-sectoral AIDS strategy. Norway could also benefit from first designing its own AIDS strategy for development co-operation.

In February 1999, Norway hosted a workshop in Oslo to discuss macroeconomic concerns in SWApS and to exchange experiences with like-minded donors such as Denmark, Finland, Ireland, Netherlands, Sweden, and UK. Although many donors were struggling with implementation, the general consensus was that SWApS still had the potential to make development assistance more effective. On the other hand, it was agreed that, *inter alia*, the following were indispensable elements to the success of SWApS: high level policy dialogue with sector ministries; institutional capacity to be developed pre-SWAp; consideration of political dimensions; and making ownership and partnership key factors. Norway could build on these valuable findings from this workshop and develop some practical guidelines that would help staff who are implementing SWApS in the field.

### **The 20/20 Initiative and basic social services**

Norway could enhance resource allocation towards the social sectors if it wants to be consistent with the emphasis it places on health and education in its policy statements. In 1996-97, its bilateral commitments to the social sectors were 8% for education, 6% for health and population, and 1% for water and sanitation (see Table II-5). This total of 15% allocation to the social sectors in its bilateral programme could certainly be boosted, particularly for basic social services (BSS).

Norway has been a strong proponent of the Copenhagen 20/20 Initiative, which suggests donors to target 20% of their ODA to BSS, such as basic health, basic education, nutrition programmes and low-cost water and sanitation. The Initiative also encourages the recipient countries to allocate 20% of their national budgets to BSS. Although Norway mentions that the goal of allocating 20% of its aid has already been achieved, the data it has provided to DAC indicates otherwise (see Table 3). For example, in 1997, Norway's bilateral allocation for BSS including population equalled only 7.0% of total bilateral ODA commitments. In addition, Norway assumes that 20% of its multilateral contribution goes to BSS. Adding these two amounts together yields an estimate of the proportion of total Norwegian aid allocated to BSS of 11.7%. Only if one adds to this the allocations of the social sectors that are non-basic, could Norway claim that it has reached the goal of 20%. However, this is not the basis of the 20/20 Initiative.

Granted, some allocation to sector-wide or multi-sector programmes that are not categorised as BSS programmes may actually cover basic health and education. The same applies to some of the non-emergency type NGO activities. In fact, if one assumes that half of relevant NGO activities in the social sectors are going to BSS, then the figure reaches around 15%. Nevertheless, budgetary allocations and the Norwegian reporting procedures do not yet distinguish BSS from non-BSS activities in the social sectors. In other words, Norway needs to separate out higher education and tertiary health such as twinning arrangements with Norwegian universities and research institutions and urban waste water treatment projects that are not directed towards the poor. This, however, is an issue that applies to almost all other DAC Members, and in fact, Norway is one of the most advanced countries in addressing and trying to take action on the topic.

In 1996, Norway organised an international meeting in Oslo, co-sponsored by the Netherlands, to address the issues related to the implementation of the 20/20 Initiative. The outcome of this meeting, known as the Oslo Consensus, noted that monitoring and analysing BSS expenditures and maintaining effective co-ordination of donor BSS activities were crucial to the effective implementation of the

Initiative. Despite this consensus, and the subsequent Hanoi Consensus, action in reflecting these agreements in the Norwegian programme has been somewhat slow. Norway now states that a new statistical reporting system will commence for FY1999, which will provide data on BSS. It is hoped that this new system will become a best practice for other DAC Members to learn from and adapt in complying with the 20/20 Initiative.

**Table 3. Norwegian ODA allocated to basic social services (excluding aid through NGOs)**

	1994	1995	1996	1997
<b>Reported share of bilateral ODA (including multi-bi)</b>				
Basic education	0.7	0.1	3.0	3.7
Basic health	1.9	2.9	2.2	2.2
Population/reproductive health	2.2	2.7	3.0	1.2
Low cost water	0.2	0.1		
<b>Total bilateral ODA for BSS as % of bilateral ODA</b>	<b>4.9</b>	<b>5.8</b>	<b>8.2</b>	<b>7.0</b>
<b>Estimated multilateral ODA for BSS as % of multilateral ODA</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
<b>Total ODA for BSS as a % of total ODA</b>	<b>9.7</b>	<b>9.9</b>	<b>11.8</b>	<b>11.7</b>

Source: OECD.

## Gender equality

Norway started addressing the necessity of integrating women's concerns into its aid programme in the early 1970s, long before many other DAC Members. It was one of the first countries to design its own strategic aid plan in this area and has been a prime mover internationally in strengthening the rights and living conditions of women. Experience over the years gradually shaped its thinking that development cannot be sustainable if women do not participate fully in all aspects of the process and that rights, opportunities and other benefits should be shared equitably among the genders. Norway has also learned through the years that effective aid must target social and cultural conditions, which uphold inequalities between the genders. Norway rightfully prides itself to be one of the world leaders of gender equality in its own country and realises that it has created expectation in the international arena. Therefore, it aspires to utilise its own experience and expertise in gender equality so as to promote the concept in the Norwegian aid programme.

In its development co-operation, Norway has made it obligatory to dialogue with recipient countries on women's rights. Key issues for women include: involvement in the planning and implementation of projects; participation in decision-making processes; legislative reform; political participation and voting; equal economic participation with men; right to land and income from its yield; access to agricultural advisory services and credit; right to basic education, literacy, higher education and vocational training; primary and reproductive health care, including the right to control fertility; attention towards sexually transmitted diseases such as HIV/AIDS; and reduction of male violence. Especially in the spirit of the DAC Strategy, Norway is keen on promoting girls' education in its aid programme. For example, during 1996-99, Norway provided NOK 150 million (about USD 19 million) for girls' basic education in 19 African countries. Norway also stresses the importance of women being included in delegations to international conferences and being well represented in international organisations. Regarding the latter, Norway has financed the establishment of gender units and gender advisor positions in some of these institutions. It also provided UNIFEM

about NOK 16 million (about USD 2.1 million) in general contribution in 1998 and was its third largest donor after the Netherlands and Japan.

As Norway is increasingly mainstreaming gender issues, a specific budget line item earmarked for the traditional women in development type of projects will be phased out in 2000. Instead, women-oriented aid will ideally be part of all types of co-operation. There is already a system of categorising programmes for each country and multilateral contributions according to the levels of women-focused aid. Although the definitions are somewhat unclear, in 1998, about USD 225 million or 17% of its total ODA was related to one of the following categories: women-relevant programmes (53%), women-integrated programmes (33%), and women-specific programmes (14%). Examples of how Norway works on gender issues is described in the field mission reports on Bangladesh and Mozambique (see Annexes I and II).

In terms of staffing, there is no special gender unit in MFA nor a gender expert, but a Gender Equality Advisor is assigned to work on gender issues cross-sectionally at the policy level. NORAD has two Gender Equality Advisors who work more on implementation issues, with one specialising in education and the other on agriculture. As for training, NORAD staff who are posted to the field learn about gender issues as part of a comprehensive course. The crux of mainstreaming is that all staff of any sector and speciality would take gender consideration into her or his project or task. Hence, Norway states that it is not necessary to post gender specialists in the field. It also argues that gender issues depend on cultural and local conditions and thus the knowledge of the locally employed staff would be more useful than posting Norwegians for this area. However, field missions revealed that the local staff who were assigned to undertake gender issues along with other areas were not necessarily capable of ensuring the mainstreaming of gender issues.

Although Norway states that gender equality must be integrated into all development co-operation efforts, this is not necessarily the case in practice. In particular, though it acknowledges the importance of basing country and sector strategies on a thorough analysis of gender relationships as well as carrying out gender impact assessments during project preparation, these procedures were not consistently implemented in the field. In addition, the quality of some of the gender assessments carried out by local consultants are also questionable and needs to be widely discussed. The argument by some officials that gender disaggregated data collection all depends on the recipient government corresponds to a passive approach in contrast to the clear guidelines of ensuring policy dialogue on gender issues. Norway admits that implementation and particularly monitoring in this area is not an easy task. Thus, though it is inclined towards qualitative evaluation, there is an ongoing effort to find good performance indicators, improve the reporting system and draw lessons from the current experience.

In sum, Norway is no doubt a leader in promoting gender equality internationally. Nevertheless, further refinements can be made in its efforts in this area of development co-operation. For example, it could recruit and train national gender experts in field offices who could ensure that locally appropriate gender issues are addressed in depth. In addition, a system could be developed to ensure that gender disaggregated information is consistently and continuously gathered, gender roles are reflected in plans, dialogue is carried out at project levels, and high quality gender analysis and impact studies are made in all major Norwegian projects and programmes.

## **Environment**

Norway sees a strong link between poverty and environmental degradation. As expressed in the *Strategy for Environment in Development Co-operation*, published in August 1997, the poor are often the first to suffer from environmental destruction. The pollution of air and water is seen as a major

reason for reduced life expectancy in the poorest parts of the developing world. The link between poverty and environmental protection can be seen both on an individual level as well as on a national level, as poorer nations do not enjoy the luxury of upholding strict environmental standards when faced with the often-conflicting pressures of generating economic growth while protecting the environment. Many of the poorer nations' "comparative advantage" lie in their natural resource base, and most natural resources are situated in the developing world. As a result, development of resource-based industries in the developing world is not always monitored and much damage is being done to the natural environment. Often times, the poorest are the ones to suffer the consequences since they rely heavily on their immediate environment for water and food.

Therefore, Norway hopes to improve the environmental situation for the poorest of the developing world by offering expertise and financial support that assist recipient governments in upholding environmental standards. In 1997, specific environmental and natural resource management activities took up about 10% of Norway's bilateral assistance portfolio (excluding multi-bi). For the 1998 and 1999 budget, Norway allocated about USD 39 million to support these programmes. However, this category *per se* is planned to be phased out from year 2001 to be incorporated into other parts of the budget. In other words, Norway aims to mainstream and integrate environmental concerns into all Norwegian-supported development assistance where relevant.

The environmental strategy states that one of the key principles in mainstreaming is to help enable the recipient countries themselves to identify and implement the measures that lead to sustainable development. This includes institutional and capacity building, preparation and implementation of national environmental strategies, and development of legislation and regulations. This was witnessed in the field mission to Mozambique where Norway was assisting the Ministry for Co-ordination of Environmental Action in capacity building, particularly for carrying out environmental impact assessments. Norway also recognises the importance of women's roles and local participation in environmental and natural resource management, and stipulates that environmental impact assessments should include analysis of socio-cultural conditions and the effects on women. Even in emergency and disaster relief, negative impact on the environment will be avoided in the areas where refugees will be moved to or from. A somewhat unique and relatively new consideration is the preservation of cultural heritage and management of environmental values. Norway also explicitly states that Norwegian participants such as those from institutions, industry, and NGOs, should be more involved in the environmental areas of development co-operation.

Norway aspires to promote environmental issues in multilateral organisations by supporting and influencing them to ensure that environmental policies are formulated and implemented in line with Norwegian policy. It also advocates and financially supports the participation of recipient countries in negotiations of international agreements on environment. Norway funds environmental activities of multilateral organisations through general grants, multi-bi contributions, and trust funds. In 1997, it provided USD 6.6 million to the Global Environment Facility (GEF) in 1997 and about USD 4.3 million to the United Nations Environment Programme (UNEP) in 1998. However, Norway has expressed concern that UNEP needs to streamline operations, play its intended role as a clear environmental voice in the UN system, and co-ordinate more closely with the World Bank. Since Norway's contributions to multilateral institutions are generally small compared to some other DAC Members, much of Norway's contributions will depend on the quality of intellectual input and its human resources.

In terms of domestic co-ordination and policy coherence, NORAD frequently consults the Ministry of Environment to receive guidance and technical input. Furthermore, NORAD and the Ministry staff have recently put together more specific guidelines on environmental issues in development co-operation. GIEK developed its own handbook based on the OECD Guidelines on Environment. As

for NORFUND, it has broad basic principles for environmental and social responsibility, but has yet to develop guidelines, checklist, monitoring, and evaluation systems. NORFUND admits that at this point there is still insufficient staff capacity to technically follow up on environmental issues and therefore has to consult with NORAD or the International Finance Co-operation in the case of co-financing. Norway could step up its mechanism to ensure that its environmental strategy is coherently adhered to by all instruments of development co-operation.

### **Peace, human rights, democracy, and anti-corruption**

Norway's assistance in peace, human rights, and democracy can be broadly divided into two categories: short-term humanitarian aid and long-term development co-operation. For the former, as Norway is not necessarily present in all the countries that are in conflict situations, it particularly tries to ensure that the UN system plays an active role in conflict resolution and peace keeping operations. Norway therefore actively assists the UN in its capacity to politically and financially fulfil its mandate in this area. On the other hand, Norway is increasingly eager to take on a greater leading role in the global and regional peace processes. As a small country with no history of colonial aggression, it enjoys a large degree of international trust and has a comparative advantage as an impartial peace mediator. For example, it was particularly involved in talks between Israel and the Palestinian Liberation Organisation and in other peace negotiations and dialogue in Eritrea, Guatemala, Mozambique, Sudan, Sri Lanka, South Africa, and the former Yugoslavia.

Norway has stepped up its efforts to integrate human rights and democracy issues within the UN system and in its bilateral programme. Most of the assistance takes the form of supporting the electoral process by providing financial assistance and training, supporting human rights organisations, and building capacity of the media. Examples of these were seen in the field missions to Mozambique and Bangladesh (see Annexes I and II). Recently, Norway has started to issue an annual report on *Norway's Efforts to Promote Human Rights*, which describes some of the activities it carries out in each country. Examples listed include: financing UNICEF's work for kidnapped children from north Uganda; funding the Pentecostal Mission of Norway in implementing voter education in the Democratic Republic of Congo; participating in a human rights working group with other donors in Ethiopia; making official statements to release political detainees in Zambia; and providing financial support to primary education for ethnic minorities in Viet Nam. Norway is also committed to the 1997 Convention on the International Ban on Anti-Personnel Mines, and has allocated NOK 120 million (about USD 16 million) to mine-related programmes for five years. For some recipient countries, resource allocation related to the human rights and democracy areas exceeds 10% of Norwegian bilateral aid.

As for technical assistance, NORAD works closely with the Institute of Human Rights in Oslo, as the agency admits to lacking expertise in this area. The Norwegian Resource Bank for Democracy and Human Rights has also assisted in monitoring elections. The Christian Michelsen Institute was commissioned by the MFA to carry out a study on Norway's aid as a tool to promote human rights and democracy in developing countries. Finally, as explained earlier, the KOMpakt is a forum where human rights issues are discussed with the Norwegian private sector involved in overseas activities. How this mechanism works in reality to produce concrete results still remains to be seen.

Military expenditures of recipient governments are a concern for Norway as there is a clear trade-off between defence spending and socio-economic growth. It therefore commissioned a study that examined these relations using various international data in all of Norway's main recipient countries. How the results were fed back into country allocation or policy dialogue is not well documented, but could potentially be a case of good practice for other DAC Members and multilateral institutions. Norway could play a major role in strengthening partnership among donors to pressure recipient

governments to reduce military expenditures and ensure adequate resource allocation particularly to basic social services.

Good governance and anti-corruption is a complex and nebulous subject to work in for any donor. Many statements have been issued by the Norwegian government and operational guidelines in these areas are currently being developed. In general, Norway considers that good governance is contingent on equal rights to participation, including civil society and the private sector. Recognition of the role of women and the enhancement of their social and legal status are also important elements. Norway generally upholds that in order to promote good governance, corruption must be dealt with through greater transparency and accountability in the public sector, particularly in the interaction with the private sector.

In order to fight against corruption in development co-operation, Norway lists the following six measures: 1) *Anti-corruption action plan*. NORAD will take the lead to raise awareness and to develop a plan in collaboration with international organisations, Norwegian institutions, the private sector, and NGOs. 2) *Increased dialogue* with recipient countries on corruption. 3) *Support for administrative reform* in recipient countries through downsizing, promoting greater transparency and accountability, improving inspection and auditing systems, and so on. Since Norwegian aid is focused on programme and budget support, ensuring that its investment is not wasted owing to financial irregularities becomes doubly important; 4) *Improved international co-ordination* among donor countries. In particular, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business needs to be collectively monitored. 5) *Enhanced NGO involvement* in anti-corruption. 6) *Use of sanctions* in grave cases.

In its effort towards peace, human rights, democracy, and good governance, Norway already works closely with Norwegian and recipient country NGOs. However, some NGOs point out that the Norwegian government conveniently uses them to promote its own foreign policy, particularly since some NGOs are highly dependent on its funding. One example includes a seminar in Oslo funded by the Government and organised by a Norwegian NGO, to which political opponents of Nigeria were invited for discussion. Furthermore, enhanced NGO involvement could expose them to some danger in dealing with sensitive issues. NGOs are aware that there is a risk: the government could promote its agenda and take the credit if such events succeed but leave NGOs to be blamed if they fail.

An important consideration that Norway needs to bear in mind is ensuring the protection of the local stakeholders involved in these extremely sensitive and risky areas of conflict, human rights, and corruption. Norway does have a history of expulsion from Kenya in 1990 due to its interventions in human rights. Currently all embassies have contingency plans in case of emergency and Norwegian staff could be evacuated immediately. However, local staff, counterparts, civil society and consultants may remain exposed to threat of persecution and other unsettling consequences due to their involvement in these areas through Norwegian aid. Currently, there is no centralised policy in this area and the safeguard of local counterparts are left up to the discretion of the embassies. Therefore, in the process of developing its operational guidelines concerning these areas, Norway is strongly recommended to include appropriate references to the protection and security of these local partners.

## **Poverty reduction**

Norway recently requested the World Bank to evaluate how Norwegian bilateral aid is allocated to countries with “good policy” and “high poverty” which was expounded in the Bank’s report, *Assessing Aid* as one of the effective strategies towards poverty reduction. The evaluation, a purely econometric exercise, concluded that Norway’s country allocation was indeed focused on the countries

that the Bank rated as having “good policy” and “high poverty”. Norway and the Bank therefore contend that its aid is highly “effective in helping reduce poverty”.

A major drawback to this argument is that, firstly, effective country allocation is not a sufficient condition for effective poverty reduction. Secondly, it does not refer to distributional issues within the countries. While Norway’s effort in prioritising countries with high incidences of poverty and with governments that have good policy environment and strong economic management is commendable, to establish that these allocations are actually contributing to global poverty reduction is somewhat jumping to the conclusion. For this to be determined, some kind of correlation between an outcome of poverty reduction and Norway’s contribution to it must be shown.

Although the overarching objective of Norwegian aid is poverty reduction, this may have not been sufficiently reflected in practice. As part of the DAC’s scoping study on poverty reduction, The Christian Michelsen Institute (CMI) produced a report in January 1999 titled *Policies and Strategies in Norwegian Development Aid for Poverty Reduction*. This report suggests that “Norway has never had any clearly articulated operational approach to this overall objective (of poverty reduction)”. In the case of Tanzania, it was found that poverty reduction was not even mentioned in the Memorandum of Understanding between the two governments. In reality, poverty reduction is also just one of several objectives in Norwegian development co-operation, with the other objectives not necessarily leading to it. Furthermore, the report states that “the poor were seldom precisely identified” and that in least developed countries, “it is often assumed that ‘the majority’ are poor.” Field visits confirmed that this was actually the case (see Box 4).

#### **Box 4. Poverty focus in Bangladesh**

In the Memorandum of Understanding, it is mentioned that the overall objective of Norwegian development co-operation with Bangladesh is poverty reduction, with one of the primary target groups being the poor sections of the population. However, the Norwegian Embassy in Bangladesh is not clear about who the “poor sections of the population” are. Moreover, although the overall Norwegian policy states that Norway targets the “poorest groups”<sup>7</sup>, the Embassy mentions that it does not necessarily target the poorest of the poor because in a country where 40% of the population is “very poor”, it becomes a philosophical question as to who these poorest are and an academic exercise to be asking whether they are being reached. This position is shown in its support towards the broader segment of the population in the Small Enterprises Development and Rural Electrification Projects. That said, Norway’s assistance in literacy, basic education - particularly for girls - gender equality, and human rights, may well cover the poorest of the poor. The question that arises then is who exactly is Norway targeting in Bangladesh? And what does it imply at the overall policy level when Norway states that it is targeting the poor or the poorest?

In project or programme documents, specifically defined targets for poverty reduction are not mentioned; neither are measurable poverty impacts explicitly stated in terms of references for project preparation and evaluations. In other words, monitoring and evaluation of poverty reduction are not key tools in the Norwegian programme for Bangladesh. Norway could therefore do more with the Government of Bangladesh (GOB), other donors, and local research institutes to analyse and classify the poor according to various socio-economic status and to sharpen its focus on poverty reduction with a clearer operational definition of poverty, defined target groups, and elaborated steps in reaching them. It could also enhance monitoring processes using more specific indicators agreed with GOB. Gearing towards results orientation and helping local counterparts to measure project or programme impact more objectively and reliably could further boost the quality of Norwegian development co-operation with Bangladesh.

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7. *The 1999 Development Aid Budget*, page 4 (of English version).

The study found that Norwegian aid officials and policy documents were unclear on the conceptualisation of poverty and poverty dynamics: there was seldom any analysis of poverty creating processes, power relations, or differentiation in rural societies. The report recommends that Norway: 1) strengthen the operationalisation of the poverty reduction objective; 2) promote “pro-poor” economic growth; 3) help recipient governments in poverty analysis, poverty reduction strategies, and monitoring; and 4) improve skills for dialogue with recipient countries on macro economic policies.

In April 1999, Norway hosted a workshop and produced a report titled *Poverty Reduction in Norwegian Aid* as part of its ongoing process of looking at ways to further strengthen and operationalise the poverty focus of Norwegian aid. At this workshop, it was generally agreed that it was not necessary for Norway to develop a ‘comprehensive strategy’ for poverty reduction. It rather underlined the importance of first establishing a ‘hierarchy’ among the different objectives, placing poverty reduction above the others, thereby making the other objectives contribute to poverty reduction. This ordering was seen as indispensable since different objectives and lack of clear priorities sometimes conflicted in practice and created gaps between stated objectives and results. What this meant was that all activities would be justified in terms of their contribution to poverty reduction. To facilitate this, practical guidelines could be adopted as a tool for implementation. What was also considered necessary was the increased use of measurable poverty indicators, development of monitoring systems, and carrying out of impact assessments on poverty reduction.

The workshop also recommended more discussions on the balance between investments in the social sectors versus the productive sectors that could potentially bring economic growth. This was considered particularly important from the point of the recipient country’s absorptive capacity, sustainability, redistributive effects, and equity. As explained earlier, despite the stated emphasis on the social sectors, Norway’s contribution to BSS does not fully achieve its commitment towards the 20/20 Initiative. On the other hand Norway’s bilateral ODA that is allocated towards economic infrastructure and services in 1996-97 (13%) is relatively high compared to other DAC Member countries (excluding Japan, which drives up the average single-handedly). Norway has yet to elaborate on how it ensures that substantial allocation to this area would realistically induce a pro-poor and equitable economic growth. As the CMI report states, one of the challenges in the Norwegian programme is in addressing “more directly and concretely how to promote a sustainable ‘pro-poor’ economic growth,” and “how infrastructure development can more consciously contribute to long-term improvements also for the poor”.

The workshop’s findings imply that a large part of Norway’s aid programme is driven by its foreign policy objectives, humanitarian principles, and domestic considerations that fall outside the overarching objective of poverty reduction. This means that, for instance, Norway would need to clarify the relationship between poverty reduction and emergency assistance, as its allocation towards the latter has doubled since the early 1990s. Norway admits that it is still weak in various aspects of poverty analysis. Therefore, adopting the various recommendations made by the CMI study and the workshop is strongly encouraged. Since Norway is already a leader in setting wide-ranging policies and approaches to cross-cutting issues, with a few more steps in improving the focus and adhering to its aspirations, the Norwegian programme could very well become one of the good practices of development co-operation within the DAC.



## CHAPTER 4

### BASIC PROFILES

#### **ODA volume**

Norway's net ODA disbursement for 1998 recorded a historical high of USD 1.32 billion (see Annex Table II-1). Although it was a marginal increase in current prices from USD 1.31 billion in 1997, there was approximately an 8% increase in Norwegian Kroner and in 1997 USD prices and exchange rates. Norway's net disbursements have gradually grown since 1982, and have more than doubled in nominal terms or increased by some 50% in real terms. Accordingly, although Norway's share in DAC's total ODA has been small, it has steadily increased from around 1.8% in 1993 to 2.7% in 1997.

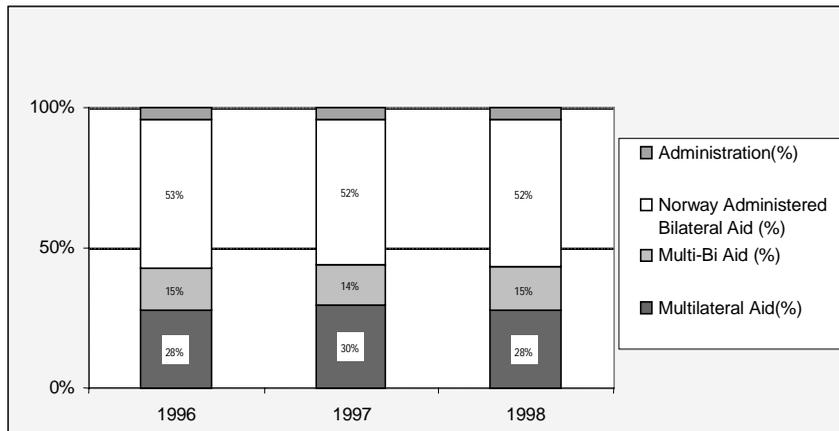
Norway's quantitative aid performance and burden sharing among DAC Members has been outstanding, despite waning somewhat in recent years. Its net ODA as a per cent of GNP was over 1% for over a decade until 1995 when it dropped to 0.87%, but still well above the UN target of 0.7%. This drop was mainly due to the introduction of a new System of National Accounts that revised the GNP substantially upwards: there was a 33% nominal growth in GNP between 1994 to 1995 which offset the 9% ODA nominal increase between the two years. However, the ratio has slowly climbed back to reach 0.91% in 1998 (Figure II-1), with Norway ranking second to Denmark. Norway is currently aspiring to restore this 1% target level. In terms of annual *per capita* ODA, in 1986-87, Norway's net disbursement of USD 294 in 1996 dollars was the highest among DAC Members. Although in 1996-97, the ranking fell to second place with USD 308, led again by Denmark's USD 342, this was still substantially higher than DAC average of USD 66 or ten times more than the USD 30 of the United States.

#### **Contribution to multilaterals**

Norway's contributions to multilateral organisations was 2% of DAC total in 1997 and, being a small donor country, ranked 12<sup>th</sup> out of 22 Members. However, Norway was one of the top five contributors to organisations such as UNDP, UNICEF, United Nations Relief and Works Agency for Palestine Refugees in Near East (UNRWA), UNFPA, and UNIFEM. Norway's annual contributions to multilaterals from 1994 to 1998 ranged between USD 324-USD 398 million (in 1997 USD), or 27-30% of ODA, which was about DAC average. As Norway is not a member of and therefore does not contribute to the European Union, its annual allocation to the UN agencies of about USD 220-260 million has been around 18% of its gross ODA, which is significantly higher than DAC average of around 7%.

For many years, Norway has been announcing its intention to increase its aid channelled through the multilateral system to 50% of its ODA. By this, Norway not only refers to its regular multilateral contributions, but also includes its multi-bi aid, which has been significant amounts - around 15% of total ODA allocation (see Figure 4.). Nevertheless, the total contribution to multilaterals together stabilised around 43% in the last three years and therefore has yet to reach the target of 50%.

Figure 4. **Bi-/Multilateral allocation of Norwegian aid**



Source: OECD

### Main categories

Almost all of Norwegian ODA is in the form of grant aid, and thus conversely, loan aid is negligible (Table II-2). Another notable feature is that, as mentioned earlier, disbursements to emergency and distress relief, which is 15% of total ODA or over a fifth of its bilateral programme, is significantly higher than DAC average of around 4% or 6%, respectively. Annual gross disbursements for this category steadily increased in constant 1997 dollars from USD 176 million in 1995 to USD 228 million in 1998, mostly due to the Balkan crisis. As for technical co-operation, Norway's 13% of total ODA is somewhat lower than DAC average of 23%. As Norwegian ODA's grant element has always been relatively high, disbursements relating to debt relief is naturally small at around 3% and lower than the DAC average.

One note of caution in examining this table is that the category for "Core support to NGOs" does not refer the total amount of Norwegian support channelled through NGOs. As mentioned earlier, around USD 320 million or about a quarter of total Norwegian ODA has been disbursed through NGOs annually in recent years. This large amount is disaggregated and classified under the main categories in Table II-2 such as "Project and programme aid" and "Emergency and Distress relief". What remains as "Core support to NGOs" is the small portion that is part of NGOs' administrative costs.

### Geographical distribution

Regional disbursement of Norwegian aid has been relatively stable during the last five years. As targeted, over half of Norway's bilateral aid attributable to specific countries has been disbursed to Sub-Saharan African countries, which is substantially higher than the DAC average of 30% in 1997 (Table II-3). One must note that the table figures do not include bilateral aid not attributable to specific countries, which is high in the case of Norway, representing 29% of bilateral aid in 1998. Asia takes up about a fifth, which is lower than DAC average of 35% in 1997. The rest is distributed around 10% each to the Americas, Middle East, and Eastern Europe, which shows that less Norwegian effort goes to the Americas and more to Eastern Europe compared to DAC average. The left graph shows that the increased aid in the last five years mainly went to regions such as Middle East and Eastern Europe, notably for Palestine and Ex-Yugoslavia.

The total number of countries that Norway co-operates with has gradually increased over the last decade from 90 to 115. During this period, the top annual ten recipient countries of Norwegian bilateral ODA have had some shifts (Table II-4). Tanzania, Mozambique, and Zambia are priority countries, and have remained in the top five, and Bangladesh, also a priority country, remained in the top ten. However, the countries that have fallen out of the top 10 since 1987-88 are Kenya and India, which are non-priority countries, and Sri Lanka, a priority country. Those that fell out from 1992-93 are Nicaragua, Zimbabwe, and Ethiopia (all priority countries), with Benin and Botswana (non-priority countries) not even remaining in the top 20 in 1997-98. Conversely, new states that have received increasing attention in recent years are Palestinian Administered Areas, Angola, and South Africa, all non-priority countries, and Uganda, a priority country. What is also noticeable is that Bosnia-Herzegovina, which used to be categorised as part of Ex-Yugoslavia and was already receiving substantial aid in 1992-93, is now, one of the top five recipients, though not a priority country. Other priority countries such as Nepal, Eritrea, and Malawi are not even in the top 20. In other words, as mentioned earlier, there does not appear to be a strong correlation between priority countries and resource allocation.

As for distribution, the proportion of aid going to the largest recipients has become more spread out. In 1987-88, Tanzania received almost a fifth of Norwegian aid, followed by Mozambique, which received about one tenth. By 1997-98, although Mozambique and Tanzania were still the top two recipients, they received about 7% each, followed closely by other successive countries with gradually declining distribution. Since Norway is a relatively small donor country, its allocation may not always be large for the recipient side *vis-à-vis* other donors. Of its top ten recipient countries, Norway ranked as one of the top five largest bilateral donors only for Mozambique (No.4), Palestinian Administered Areas (No.3), Zambia (No.4), and Ex-Yugoslavia (No. 3) in 1997.

### **Income distribution**

The disbursement trend according to country income groups shows that Norway has consistently provided more than half of its bilateral ODA towards least-developed countries during the last decade, 1987-98 (Table II-3). The right graph shows that the proportion of aid disbursed to lower middle-income countries has gradually increased in the last four years to reach about a fifth, a similar proportion to the other low-income countries. The trend to support upper middle-income countries has also gradually increased in the last decade. These trends obviously parallel the geographical distribution, as many of the Sub-Saharan African countries fall under the category of least developed countries and most of Norway's major recipient nations in Asia fall under other low-income countries.

### **Sectoral distribution**

Regarding sectoral distribution, less than a third of Norway's commitments were made toward social infrastructure and services in 1996-97, which was just below DAC average of 31% (Table II-5). Further breakdown suggests that allocation to education was 8% (DAC average 12%), health was 4% (average 5%), and population programmes was 2% (average 2%), as touched upon earlier. Allocation towards economic infrastructure and services (13%) and the production sectors (6%) were about half of DAC average, respectively. Allocation for multi-sector (11%) was somewhat higher than DAC average (7%). As briefly mentioned earlier, the allocation towards emergency assistance (26%), mostly due to the crisis in Bosnia-Herzegovina, was extremely high compared to the DAC average of 5%. During the last decade, there does not appear to be a consistent trend except for the dramatic increase for emergency assistance, which grew from around 4% in 1986-87 to the above. The other notable trend is the gradual decline of the production sectors, which was as high as 23% in 1986-87.

A word of caution is that since around 15% of Norway's total ODA, or about 21% of bilateral ODA is allocated towards multi-bi contributions (which are counted as bilateral ODA in DAC data), the balance, or bilateral ODA that the Norwegian government itself administers, has a slightly different distribution. Although the Norwegian categories are somewhat different from DAC categorisation, Table 4 shows that the distribution for social sectors and infrastructures is not significantly different from DAC data, but that the production sector, or economic activity, is much higher in the Norway administered bilateral programme. Furthermore, the proportion going to emergency relief has decreased since 1994. This reflects that most of the additional budget in this area is going into multi-bi contributions for emergency relief.

**Table 4. Norwegian administered bilateral ODA**

Year	1994	1995	1996	1997
Health, Education and Social Measures	17%	23%	24%	26%
Infrastructure	19%	16%	18%	17%
Economic Activity	17%	17%	15%	15%
Administration, Democracy, Peace and Human Rights	7%	12%	11%	12%
Emergency Relief	22%	18%	15%	16%
Unspecified	17%	15%	17%	15%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*Note:* Excluding earmarked contribution to multilateral organisations.

*Source:* MFA.

## Tying

Norway has been an active participant in the untying of aid, particularly in the DAC's agenda to untie all aid to the least developed countries. Norway claims that tying of aid reduces effectiveness and has a number of negative consequences for recipient countries. A major problem associated with tying aid is that it excludes the developing countries from competing for aid-financed contracts. Tied aid therefore represents an obstacle to the development of the private sector in the South. Further reduction in the extent of tied aid will be important as it will imply increased efficiency, improved quality and more development for the money. Norway believes that business and industry in one country should be given the same conditions of competition as those in other countries. Furthermore, the untying of development assistance will in itself contribute to greater opportunities for South-South trade. Hence, Norwegian government claims to be actively working to ensure that its development co-operation will help to increase regional ties in the South. It will also intensify its efforts toward untying assistance from the purchase of goods and services from the various donor countries, and will simultaneously untie Norwegian schemes for private sector development.

The initiative is showing results, as the percentage of tied aid, which excludes technical assistance (since 1995), has been gradually decreasing over the last few years. From 18% in 1993, it has gone down to 9% in 1997 (see Table 5). There was a large jump to 23% in 1995, which was partially due to the increased role of NOREPS in Norwegian emergency assistance, as a large proportion of it was tied aid. The Norwegian authorities recently commissioned an evaluation of NOREPS, which resulted in a critical report saying that instead of an emergency aid system, it had basically functioned as an export promoting agency for mostly Norwegian subcontracted companies. In its peak period between 1994-95, NOREPS delivered goods and services worth USD 34 million in one year. By 1997, its annual

deliveries declined to about USD 28 million, which made up approximately 15% of the budget allocated for emergency aid.

**Table 5. Tying status of Norwegian bilateral ODA**

	<b>Total Bilateral Commitments</b>	<b>Tied Bilateral Commitments</b>	<b>Tied</b>
	<b>USD Million</b>		<b>%</b>
1993	545	99	18
1994	667	100	15
1995	703	162	23
1996	667	77	12
1997	567	50	9

*Note:* Excluding technical co-operation and administrative costs.

*Source:* OECD.

GIEK guarantees exports of about USD 662 million<sup>8</sup> a year to promote Norwegian business interests to the developing world. However, most of it does not consist of ODA. On the other hand, NORFUND uses ODA, and thus the question of untying then becomes more pertinent. How can the Norwegian government keep its commitment to increase funding to NORFUND and the involvement of the Norwegian private sector in aid, while at the same time continue its effort in untying? Although at the moment, the trend shows a commitment to the untying of Norwegian aid, a clear strategy will be needed in order to ensure the continued separation of Norwegian business concerns and the benefits of untied aid.

### **Official aid**

Official Aid (OA) to Part-II countries is concentrated in four main areas: 1) nuclear security and co-operation with Central and Eastern Europe; 2) peace and democracy; 3) international climate and environment projects; 4) debt-relief schemes. All OA is distributed by the MFA. Net OA amounted to USD 55 million in 1997 and USD 52 million in 1998. The largest part of this aid has traditionally been allocated to countries of the former Soviet Union in support of their transition to democracy and a market economy. The main purpose of this aid has been to contribute to stability in this often difficult process of change. In the last few years, a proportion of OA has shifted away from Eastern Europe and towards international environmental projects and debt-relief schemes.

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8. *Menneskerettighetsbrudd og miljøødeleggelser med statsstøtte* (Human rights breaches and environmental destruction with official support), Øyvind Eggen. 3. *Verden magasinet* X, No.3/98.



## ANNEX I

### MOZAMBIQUE REPORT

#### **Introduction**

To prepare for the Development Assistance Committee (DAC) review of Norway on 12 October 1999, Examiners from Australia and the European Commission undertook a mission with the Secretariat to Mozambique from 15-19 March 1999. Persons met and projects visited are listed in Appendix I. Mozambique is one of the 12 priority countries for Norwegian development co-operation and was the top recipient of its bilateral ODA for 1997-98.

#### **Mozambique's challenges in development**

Mozambique, a former Portuguese colony, is one of the poorest countries in the world. After its independence in 1975, a civil war continued up to 1992. The country is currently facing a series of difficult challenges as it undergoes some major stages of transition:

- From a conflict situation to peace and development.
- From a socialist and centrally controlled economy to a market economy.
- From a one-party State to a multi-party democracy.
- From receiving aid for humanitarian and emergency purposes to focusing on poverty reduction and long-term development.

In a country where the vast majority of the people are considered poor and where human development indicators are among the worst worldwide (see Appendix II), the biggest challenge is to achieve a speedy and significant reduction in poverty. The civil war displaced five million people and destroyed much of the country's infrastructure - therefore access to basic health services, schools and safe water in remote areas is still very limited. About one third of urban Mozambicans are also estimated to live in absolute poverty. Mozambique has a significant debt-servicing obligation and qualified in April 1998 for the Highly Indebted Poor Country Initiative.

#### **The Government's development strategy**

The government of Mozambique's (GOM) medium and long-term goals are to reduce poverty and attain sustainable economic growth while lowering the country's dependence on external aid. Its main policies to achieve this include:

- Macroeconomic stability.

- Private sector development, taking into account regional imbalances and environmental protection.
- Social equity, particularly through an improved delivery of health and education services in rural areas.
- Capacity building through civil service reform, decentralisation, and greater accountability.
- Development of smallholder agriculture as a key to poverty reduction.

During the last decade, the GOM has consistently pursued policies on adjustment and economic growth, which has resulted in the acceleration of real Gross Domestic Product (GDP) growth in recent years to double-digit figures. However, there are currently around thirty donors in Mozambique assisting several hundreds projects and providing over USD 700 million per year<sup>9</sup>. This accounts for approximately 60% of the government's budget, excluding substantial off-budget support. It also accounts for a quarter of the country's GDP. On the other hand, the GOM's absorptive capacity and management capability of external resources are limited. There is a dearth of skilled professionals at all levels of the civil service, particularly at the lower levels of central administration as well as at the province and districts levels. Therefore, the weaknesses of most institutions call for capacity building on a massive scale. Both GOM and donors are increasingly pursuing a programme-aid and sector-wide approach in order to minimise the complexity in managing multiple sources of aid. In the long run, GOM is aiming to reduce the high level of dependence on external resources and technical assistance.

### **Strategy and main features of the Norwegian aid programme**

In the past few years, Norway's ODA to Mozambique has been around USD 50-60 million per year, almost completely in untied grants. The most recent framework for its development co-operation was expounded in a country strategy that was developed in 1996-97. This strategy was drafted by a Norwegian consultancy group on terms of reference issued by the Norwegian Ministry of Foreign Affairs in Oslo. The main purpose of the strategy was to facilitate the transition from a project-based approach to a sector-wide and programme aid approach as well as to reduce the areas of co-operation in accordance to strategic priorities. A team from Oslo discussed the draft strategy with GOM and the Embassy, though not sufficiently with other donors or the civil society.

The draft strategy aptly focuses on development trends in Mozambique that are relevant to Norwegian aid. It states that the main goal of Norwegian aid is "to contribute towards economic growth which particularly benefits the poor sectors of the population and helps to reduce aid dependency in the longer term", which is consistent with the overall developmental objective of GOM. Although the document includes little in-depth analysis on each sector and on crosscutting issues such as poverty, gender, and governance, it gives an adequate overview of the country situation and provides general guidance on the instruments, channels, and areas of co-operation. It also specifies areas that will not be accorded priority. The areas of focus are listed as the following: a) health; b) economic development through budget support, debt relief, and energy; c) human rights and democracy; d) environment; e) gender equality; f) conflict and natural disasters. As the strategy does not necessarily spell out the mode of implementation in each sector, it leaves flexibility for the Embassy to adapt and develop programmes according to prevailing conditions and evolving needs.

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9. For comparison, foreign direct investment is about USD 70 million per year.

The country strategy is considered as NORAD's own working document and was therefore never published nor shared with GOM - neither do the Embassy refer to it often. The staff instead uses the Memorandum of Understanding (MOU) - which was formulated based on the draft strategy - as the official document that provides a common ground for collaboration with GOM. In this MOU, the objective of "contributing towards sustainable growth that particularly benefits the poor" and main areas of co-operation are reflected. The project portfolio, in line with the strategy and the MOU, has recently been reduced - fisheries, coastal transport, and telecommunications have been phased out, and the approach has shifted towards sector-wide programming. The following are brief descriptions regarding the types of operations:

- Approximately 40% of the Norwegian budget for Mozambique is for supporting the macro-economic area under three categories: a) budget support, linking with the balance of payments, which has no restrictive conditions except for a negative import list; b) debt alleviation through a fund established with Denmark, Ireland, Netherlands, Sweden and the United Kingdom, to which Norway contributed USD 11 million; c) capacity-building in the Ministry of Planning and Finance, particularly for the newly established unit for economic analysis and reporting.
- Twenty to twenty five per cent of the resources is allocated to the energy sector. Assistance previously included the import of equipment for the rehabilitation of power lines and transformer stations. It currently consists of support towards the National Energy Directorate, which is in charge of regulatory functions. Norway is also supporting institutional co-operation between the National Directorate for Coal and Hydrocarbons and the Norwegian Petroleum Directorate. This type of capacity building through technical assistance is particularly important since Mozambique is in the process of exploiting large gas fields, which requires GOM to develop appropriate skills in view of the complex negotiation process with foreign investors. For example, the Government has formed a frame agreement with Enron and will give it exclusive rights to extract, transport and export the gas from the Panda gas field.
- Ten to fifteen per cent goes to the health sector. Contribution to this area has substantially increased - by 25% between 1996 to 1997 - in the context of enhanced sector programming (see section on Assistance to the health sector).
- About 10% of the aid budget is allocated to democracy and human rights, which encompasses several activities: capacity building of the Mozambican Parliament through UNDP; provision of ballot sheets and boxes for the up-coming legislative and Presidential elections in late 1999; de-mining, a prerequisite for development and re-establishment of normal living conditions in the countryside; support for human rights organisations, including NGOs, that are active in the defence of women's rights; and capacity building of the free press, which often criticises the government.
- About 2% is for supporting rural development in eight districts of the Cabo-Delgado Province, although this is still at an initial stage. It comprises capacity building in local administration, rehabilitation of tertiary roads, and a pilot project using community development funds to foster participatory processes in selected villages.
- Finally, on the environmental area, Norway has provided general support to the capacity building of the Ministry for Co-ordination of Environmental Action, particularly in carrying out environmental impact assessments. A project for institutional collaboration will begin at the end of 1999.

## **Field representation**

Decision-making authority has recently been delegated to Norwegian embassies worldwide for grants up to NOK 15 million (about USD 2 million). Conditions and criteria require decisions to be consistent with the Norwegian aid strategy and the recipient country's developmental objectives. For particularly important and sensitive issues, Oslo has to be consulted. The Norwegian Embassy in Maputo is an integrated office, which implies that NORAD staff is part of the Embassy. It has a cadre of ten headquarters (HQ) staff among which three are from the Foreign Ministry, including the Ambassador, and seven are from NORAD, including the Minister-Counsellor and Deputy Head of the Embassy. The Ambassador is also responsible for NORAD activities, but mostly delegates to the Minister-Counsellor. Eight HQ staffs are therefore fully or partly involved in development activities. They are assisted by four locally recruited advisors, with one being Norwegian. Each HQ staff, except the Ambassador and his deputy, is responsible for a particular sector or project portfolio with assistance from the advisors. These local advisors cannot officially represent Norway, but with their technical expertise, can back up the HQ staffs who are not necessarily sector specialists.

The Norwegian staff mentioned that the Embassy's capacity to run the programme was somewhat over-stretched, impairing their ability to spend sufficient time at project sites for supervision and monitoring. In addition, not all the Norwegian staff at the Embassy are apparently fluent in Portuguese, which may be reducing effective partnership with GOM and local NGOs. The sectoral programmes also demand increased collaboration with GOM and other donors. Moreover, Norway, as well as other donors, is required to co-ordinate closely with the Mozambican Ministry of Foreign Affairs and Co-operation as well as the Ministry of Finance, which could sometimes be time consuming.

The Embassy asks GOM to submit financial and implementation reports at least semi-annually and holds regular meetings to discuss operational issues. Norway does not impose a standard reporting format to GOM, but instead accepts their own administrative procedures. While this arrangement is respectable in itself, effort may be required on the part of the Embassy to have GOM agree on indicators and ask them to provide data regularly to confirm progress. The Embassy is reluctant to place Norwegian advisors in ministries to oversee the management of Norwegian funds, since this could also diminish GOM ownership and conflict with capacity building. In light of the weak capability of GOM, this in turn places extra burden on the Embassy staff in monitoring implementation from outside the GOM system. These constraints are generally overcome by obtaining reinforcement from, e.g. a Norwegian financial controller, consultants from Norwegian institutions in the health sector, and technical experts from other like-minded embassies such as the Netherlands and Sweden.

## **Donor co-ordination**

In Mozambique, the sheer numbers of donors and activities make co-ordination of programmes a challenging task. Nevertheless, many donor representatives in Maputo consider that partnership is functioning well. All donors are part of an informal "Development Partners Group" led by the World Bank on economic matters and the United Nations Development Programme (UNDP) on political and governance issues. The group meets once a month at the ambassadors' level, and divides into 15 sectoral working groups. Norway plays an active role by chairing the working group on elections and co-chairs the group on sector-wide approach (SWAp) with United States Agency for International Development (USAID). It also works closely with UNDP on capacity building and provides trust funds for its activities in this area.

The leadership by Norway on the SWAp group is particularly important since such an approach could be the most effective way for multiple donors and GOM to agree on a common strategy with the government being in the driver's seat. There are currently five sectors under discussion for SWAps, but progress has been uneven. For agriculture, a SWAp has already commenced. For education and roads, a strategic framework has been agreed upon, but not yet completed for health and water/sanitation. The GOM and donors are also trying to adopt common procedures such as for procurement, disbursement, and financial reporting.

Norway has also been an active member of a steering group to carry out an assessment of Mozambique's development strategy, along with the Netherlands, UNDP, USAID and the World Bank. In particular, Norway prepared the documents for the retreat that was held in August 1998 to determine how the donor community could respond more effectively to Mozambique's key development challenges. Participation included a broad cross-section of the Mozambican civil society, and recommendations from the discussions suggested greater leadership by GOM in comprehensive planning, prioritisation, and integrated budgeting. Norway is also addressing with other donors the issue of corruption by enforcing joint auditing and collective investigation on possible misused funds.

Norway has special relationships with other Nordic countries and is co-financing programmes, such as reform of the legal system and on the maritime sector with Danida. There is also some division of labour among them: for instance, when Norway decided to concentrate on health, one of the reasons for the decision was the assurance that Denmark and Finland were active in education. There are also close links in various sectors with other "like-minded" donors, such as the Netherlands, Canada, and Switzerland.

### **Assistance to the health sector**

As indicated in Appendix II, Mozambique's health indicators are among the worst in the world. GOM has therefore placed the health sector as a priority in its development agenda, particularly in ensuring adequate budgetary allocation to primary health care. GOM aims to increase health care coverage to 60% of the population, and to improve infant, child and maternal mortality rates to the average levels of Sub-Saharan Africa by the year 2000. During the previous emergency period in Mozambique, the health sector was taken over by the ubiquitous NGOs, which mobilised their own ambulances, rented planes, and shipped in cargoes of medical supplies. Since then, most of the NGOs have left the country and the Ministry of Health (MOH) has regained control over the sector. However, over 70% of the total health expenditure is still dependent on donors, particularly drugs which are 100% externally financed. The MOH is trying to carry out a cost-sharing scheme with urban-rural fee differentials, but in a country with majority of the population under the poverty line, the effectiveness is minimal. The Norwegian Embassy is supportive of the cost-recovery initiative, but under the prevailing circumstances, they consider that supporting the productive sector and enabling households to pay for health services is a prerequisite for an effective cost-recovery system.

Against this background, about 20 donor agencies are currently assisting in the health sector. Compared to a few years ago, it has become less fragmented with increasing effort by the MOH and the donors to undertake a SWAp, rather than an ad hoc project type assistance. However, a Sectoral Investment Programme (SIP) involving all or most donors is yet to be established for mainly two reasons. First, the GOM does not have the capacity in terms of human resources, systems, and accountability mechanisms to implement such a programme. Second, the donors are facing difficulties in reaching an agreement on one coherent modality, in particular on the harmonisation of implementation procedures. Therefore, as a transitional measure, sub-sectoral programmes have emerged in the last few years among "like-minded donors" by pooling funds and targeting discrete components of a general health plan.

Norway is currently playing a major role in this sub-sectoral approach and is providing about USD 5 million per annum to the health sector - it has almost completely phased out of project-type assistance. It is active in three areas: pooling arrangements for: 1) technical assistance and 2) drugs, along with UNDP, Switzerland, and the Netherlands, and recently 3) provincial health budget support with Switzerland, Ireland, Denmark, Finland and UNICEF. Ideally, these approaches would pool all donor resources for the sub-sector and enable the GOM to utilise the funds under common guidelines on implementation, procurement, reporting, and financial accountability based on multi-year planning. Though there is now joint-planning, monitoring, evaluation and some standardisation among the donors, differences in administrative requirements have constrained the collective effort. For example, donor funds, such as Norway's, are not pooled with GOM funds and procurement and disbursement requirements also vary amongst agencies. Furthermore, only about one third of donor resources for drugs are pooled, and even a smaller share for technical assistance. Even within the like-minded donors, some provide salary top-ups and target specific provinces for budgetary support, while donors like Norway contribute to a general health fund for all provinces.

Norway and other donors could enhance discussions on three critical issues. The first is on sustainability, which is a challenging subject for GOM and the donors, considering the plethora of health related problems of the country and the government's high dependency on programme financing and implementation. Apparently, there have hitherto been exercises, workshops, and discussions on recurrent cost financing of the health sector, but no concrete plan has been presented on sustainability. Therefore, consideration of long-term sustainability of the Mozambican health sector and of exit strategies by the donors could be incorporated in the SWAp as well as in the sub-sectoral programmes. Second, in this context, donors could further promote an enhanced private-public mix of health services, such as contracting out and building capacity of the private sector and NGOs. MOH has recently legalised private health care in urban areas and has contracted out the management of a few rural hospitals to religious organisations. This direction is encouraging and could be strengthened within the Health SWAp. It could include training, pilot schemes, creation of an enabling environment, and one-time infusions to induce a change in private sector and NGO behaviour. Lastly, while Mozambique's HIV prevalence is still relatively low compared to other Southern African countries, it nevertheless shares borders with several of the highest prevalence countries in the world. Mozambique's HIV prevalence rate was estimated to have increased by 40% last year. It is essential to develop a national AIDS strategy to raise awareness not only in health, but cross-sectorally.

Norway could take up further leadership in some of the above issues. However, it would be unfair to attribute the existing imperfections in the sub-sectoral approach to Norwegian development co-operation, as they are within the constraints of a collective effort by multiple donors and the GOM. These efforts must be examined within a context of a country that is just recovering from a civil war and comprising 80% of civil servants with only primary education. At minimum, the efforts by Norway in taking up a major role in the sectoral and sub-sectoral approach are commendable, particularly since the World Bank's leadership in this area in Mozambique appears to be weak. Norway is encouraged to continue its valuable effort to advance the partnership among GOM and donors concerned so as to further converge priorities, strategies, and systems in the Mozambican health sector.

## **Gender equality**

Mozambique's degree of gender equality is mixed, though it is generally better than its overall attainment in human development. On the one hand, women's life expectancy is three years more than that of men and 27% of the parliamentary seats and many senior government posts are occupied by women. On the other hand, adult literacy rate for women is less than half that of men, secondary school enrolment ratio is estimated to be 1 to 5, and women have a clear disadvantage in family matters such as land ownership and inheritance. The government is aware of this situation and has made gender equality one of its developmental priorities. Mozambique is also one of the few pilot countries in the world that is carrying out "gender budgeting", i.e. to calculate women's non-wage labour as part of national productivity.

Various GOM officials and donors attest that Norway is active in the area of gender issues. In its MOU with GOM, gender equality - particularly for poor women - is stated as one of its main areas of co-operation. The Embassy has developed a gender action plan in the early 1990s, which is still applicable and is used. As gender issues are being mainstreamed, Norway's portfolio of traditional women in development-type projects has become less important: it currently consists of supporting NGOs whose activities include literacy training, scholarships for women to attend universities, income generating projects, and legal aid for women. It has also financed the construction of a maternal and child health clinic just outside Maputo. Within the mainstreaming effort, the Embassy is leading a working group to address gender issues in the health sector and has also funded a study on gender differentiated participation in the most recent local election.

Norway's advocacy has no doubt made it easier for those inside GOM and the political parties to push for more gender equality. However, to what degree GOM itself is mainstreaming gender equality and how Norway is ensuring this needs to be examined carefully. For example, although the Middle Level Institute for Public Administration claims that it is making an effort to accommodate more female trainees, it is unclear as to whether the institute has sufficiently incorporated gender equality issues in its training curriculum. In general, as Norway does not require the counterparts to report on a standard NORAD format, it is not clear whether gender differentiated data and information is consistently collected and used and whether progress is monitored. Gender specific socio-economic data at pre-project stage do not seem to be uniformly gathered, as in the case of construction of tertiary roads. On the district electrification programme, Norway has collected gender specific socio-economic data, but did not give special consideration for women to benefit from the small-sized enterprises that were to be developed or expanded by the electrification project.

All HQ staff receive training on gender issues as part of a package training, which is an important step in reinforcing the gender action plan. The Peer Review mission and the Embassy have had diverging views as to whether there was a "technical gender expert" or just a "staff assigned to work on gender issues". Either way, mainstreaming is extremely difficult, and experience demonstrates that budget consideration and specialists are required in field offices. Particularly since both GOM and Norway place high priority on promoting gender equality, it is essential to ensure that gender issues are reflected in various aspects of projects, such as those mentioned above. The United Nations Development Fund for Women (UNIFEM), which is carrying out a special study on gender issues in Mozambique, would also benefit from a technically conversant interlocutor in pursuing better collaboration with Norway.

## **Main findings**

The following are some of the major findings and conclusions of Norwegian development co-operation with Mozambique.

**Promoting ownership.** On the one hand, Norway is noticeably making an effort to enhance the ownership of GOM in the country's development process. Its main objective in co-operation stated in the draft strategy complies with the GOM's main developmental goal. Norway avoids placing advisors in line-functions of ministries to prevent undermining the government's efforts in capacity building and maintaining ownership. Furthermore, since this very capacity in the civil service requires substantial upgrading, Norway is supporting improved training at the Middle Level Institute for Public Administration and funding other relevant activities with UNDP. Norway also tries to accommodate administrative procedures of GOM such as monitoring, reporting, and procurement, while helping them improve transparency and financial accountability with careful follow-up and reinforced auditing practices.

On the other hand, where Norway's programme, like other donors, is ambiguous, is on a more fundamental level of ownership, which is sustainability. The MOU does not refer to the GOM's goal of lowering the country's dependence on external aid. When carrying out sectoral programmes and budget support, the question of long-term sustainability inevitably arises and should be taken into full consideration. It is not clear whether Norway has any strategic approach encompassing the GOM's vision of reducing aid dependency.

It may also be argued, however, that with currently more than 60% of the national budget being financed by aid, it is fruitless to contemplate sustainability in the short term. The private sector in Mozambique is also at an infant stage. Norway could also claim that it is assisting in the productive sectors, particularly in the energy sector, so that the GOM will be able to raise revenues and thereby reduce foreign dependency. It has also provided support to the fishing sector, which currently represents 40% of Mozambique's foreign exchange income. In addition, Norway is contributing to capacity building in economic management, particularly at the Ministry of Finance. It could further be argued that without a healthy and minimally educated population, as well as capable institutions to deliver services, there is little possibility of sustainability anyhow.

These rationales could be plausible at a macro level. However, at sectoral levels, long term plans for gradual sustainability could mainstream the GOM's overall vision of reducing dependency and help reclaim ownership over achieving sectoral objectives. In particular, activities to increase participation of the private sector and civil society could be given more emphasis. Norway itself questions that perhaps only a handful of those in the central government have ownership over the country's developmental strategy. Ensuring that other groups of the population have a major part in the development process merits further consideration.

**Partnership with others.** Norway is undoubtedly carrying the torch of partnership with other like-minded donors as evidenced by its various co-financing, joint programming, and sector wide activities. Although in reality, the harmonisation of different operational modalities by multiple donors is difficult, Norway is one of the more flexible donors in this effort. Its aid is almost completely untied, and, unlike some donors who still prefer to carve out specific provinces or segments within an overall plan, Norway claims to be the "donor of last resort". Its leadership in various sectoral working groups and implementation of sub-sectoral programmes, no matter how imperfect, deserves to be commended. Although the DAC's Partnership Strategy *per se* is not mentioned among any of the donors in Maputo, Norway is unmistakably adhering to the spirit.

Where partnership is not evident is with NGOs. Norway recently abolished a special line item for NGOs and has reduced their support from 175 projects to 6, which are mostly implemented by Norwegian organisations. NGOs are henceforth sought only when there is a need for a partner that could assume a complementary role. The reduction in NGO co-operation was due in part to the limited

staffing that would enable quality administration and monitoring, but with the low GOM capacity to deliver services, the timing of the major scale-down may not have been opportune. Contracting out the function of NGO administration and monitoring could have been an option. Enabling local NGOs or civil society to make twinning arrangements with Norwegian NGOs could also contribute towards capacity building and eventual sustainability. Furthermore, despite the fact that private sector development is one of the major goals of GOM, Norway does not appear to be actively engaged in this area, neither as a discreet category nor under sectoral programmes. However, Mozambique has been appointed as a pilot country starting 1999 for establishing Norwegian co-operation in private sector development, and hence progress may be expected. In addition to this special programme, private sector-led growth could also be a cross-cutting theme in Norway's aid, enabling expanded opportunities for private sector involvement to be a feature of any sector. Encouraging the GOM to contract out various functions to the local private sector could be one step in this direction.

**Strategy and implementation.** As mentioned earlier, except for the issue of reducing aid dependency, Norway's overall objective of "contributing towards economic growth that would benefit the poor" is consistent, with the government's main goal of poverty reduction and economic growth, though perhaps less ambitious. Norway's focus on the energy sector is precisely for inducing economic growth. Among the GOM's priority areas, Norway is assisting in macroeconomic stability, health systems, and capacity building. For the purpose of concentrating the areas of co-operation, it is not active in agriculture and education. In addition, Norway is focusing on activities that are not necessarily GOM's stated priority, such as human rights and democracy, which are, nevertheless, consistent with the overall strategies of Norwegian foreign policy towards developing countries.

Norway has minimal programming in direct poverty targeting *per se*. Effort to assess (*ex-ante*) and evaluate (*ex-post*) poverty impact is also just beginning. Since poverty is a multi-faceted condition that requires multiple channels, direct targeting may not be the most effective nor efficient way to achieve alleviation on a large scale. Norway's focus on the health sector, ensuring that the rural poor will have access to health services, is one aspect that could lead to poverty reduction. Its mainstreaming efforts in gender equality and focus on women -- though it may need reinforcement -- is aiming at the most vulnerable and disadvantaged of the poor with the highest return to developmental investment.

As aid financing is fungible, Norway's contribution to debt relief and balance of payment - 40% of its ODA to Mozambique - may potentially release and direct GOM resources to poverty-oriented activities. This will depend on the commitment and capacity of the government as well as of Norway and other major donors to ensure that the government proceeds in this direction. Furthermore, economic growth does not automatically bring equitable benefit to the poor: therefore, support to the energy sector - 20 to 25% of Norway's ODA to Mozambique - will clearly need to contribute to "pro-poor" sustainable economic growth. When designing the next country strategy for Mozambique, Norway could discuss the linkages in more depth with the GOM. As part of the process, it could also shift more towards a results-oriented approach that includes the adoption of concrete indicators as well as an enhanced monitoring and evaluation system that would further focus on socio-economic impact.

## **APPENDIX I**

### **PERSONS MET AND PROJECTS VISITED**

- Norwegian officials of the Embassy in Maputo who are dealing with Norway's aid programme in Mozambique.
- Mozambican authorities dealing with Norway's aid programme in Mozambique from the Ministry for Co-ordination of Environmental Action, Ministry of Health, Ministry of State Administration and Middle-level Institute of Public Administration, Ministry of Planning and Finance, Ministry of Foreign Affairs.
- Representatives of the following multilateral and bilateral institutions: European Commission, UNDP, UNFPA, UNICEF, World Bank, Denmark, Finland, Netherlands, Switzerland, Sweden and USAID.
- Representatives of the following NGOs receiving Norwegian funding in Mozambique: Liga dos Direitos Humanos, Forum Mulher, Norwegian Red Cross, Norwegian Save the Children, Norwegian People's Aid, Pentecostal Religious Community.
- The mission visited a maternity and child health ward of a rural hospital in Xinavane.

## APPENDIX II

### MOZAMBIQUE: BASIC SOCIO-ECONOMIC DATA

<i>Economic Indicators</i>		
Land area:	799 380 sq.km	
Population:	16.5 million (1997)	
Population growth rate (%):	2.2 (annual average)	
Gross National Product (GNP):	USD 2573 million (1997, WB estimate)	
GDP growth rate in real terms:	12.4% (1997)	
GNP per capita:	USD 128 (1997, Statistical Yearbook)	
GNP per capita growth rate:	9.4% (1997)	
Consumer price index (annual average)	5.8% (end-1997, IMF)	
Debt outstanding (total long term):	USD 5.5 billion (1997)	
Total debt (long term)/GNP:	221% (1997)	
External public debt-service (long term):	USD 85 million (1997)	
Total external debt-service ratio:	33.5% (actual, 1997)	
Current account deficit (excl. net off. transfers):	USD 617.7 million	
Investment:	29.5% of GDP (1997)	
Net aid flows per capita:	USD 44 (1997)	
<i>Social Indicators</i>	<i>Mozambique</i>	<i>Sub-Saharan Africa</i>
Life expectancy at birth:	46.5	52
Infant mortality (per 1,000 live births):	134 (1997)	92
Under 5 mortality (per 1,000 live births)	214	147
Maternal mortality (per 100,000 live births):	1500 (1997)	-
Child malnutrition (% under 5 years):	47 (1996)	-
Immunisation:		
Access to safe water (% of population):		
-- Rural:	40	34
-- Urban:	17	63
Literacy overall (% of population 15 +):	40.1 (1994)	56.9
Male:	57.7	66.2
Female:	23.3	47.9
Gross primary enrolment (all):	25 (1994)	42
Male:	29	45.5
Female:	20.5	38

Source: World Bank.



## ANNEX II

### BANGLADESH REPORT

#### Introduction

To prepare for the Development Assistance Committee (DAC) review of Norway on 12 October 1999, Examiners from Australia and the European Commission undertook a mission with the Secretariat to Bangladesh from 3-9 May 1999. Persons met and projects visited are listed in Appendix I. Bangladesh is one of the 12 priority countries for Norwegian development co-operation and is one of the largest recipients of its official development assistance (ODA).

#### Bangladesh's challenges in development

Bangladesh has been known for its perennial floods and external emergency assistance since the early 1970s. During the last three decades, the country, the donors, and NGOs have gained sufficient experience to effectively mobilise national resources to deal with natural disasters. Therefore focus in aid is now being shifted towards long term growth. Aside from floods, one of the notable domestic impediments to development is the constant general strike called *hartal* that is prompted by opposition factions in protestation against the ruling party. In the last three years, over 170 days of this *hartal* paralysed vital economic activities of the nation. However, these *hartals* are merely symptoms of inherited political, economic, and socio-cultural imbalances, and must be seen against the background of Bangladesh being a young nation with a parliamentary tradition dating back only to the beginning of the 1990s.

The country started carrying out economic liberalisation and privatisation in the early 1990s. As a result, approximately United States dollars (USD) 1.5 billion of foreign direct investment was approved in the last five years, and Bangladesh's merchandise exports have grown from USD 1.7 billion in 1990/91 to USD 5.2 billion in 1997/98 -- an average annual growth rate of 17%. The Government of Bangladesh (GOB) has also reformed the district government system by facilitating local elections and has further announced a plan for a central administrative reform. Bangladesh has made major strides in many areas since independence in 1971 such as food security, fertility reduction, immunisation, primary school enrolment, fiscal stabilisation, and growth in the garment export industry. In particular, there have been major successes in family planning and in improvement of school attendance by girls. Nevertheless, its human development indicators are still low, even compared to some of neighbouring South Asian countries (Appendix II). Problems that donors raise include: inadequate capacity and politicisation of the civil service, corruption at all levels of society, insufficient revenue collection capability, and increasing disparity between the poor and the rich.

Although the incidence of the very poor declined from 43% in 1991/92 to 36% in 1995/96, the World Bank assesses that the economic growth of 5-6% in recent years has mostly bypassed the vast majority of the poor people who still do not have adequate access to basic services. It attributes this low growth cycle to weak implementation capacity and inefficiencies of public institutions, the government's

inability to commit to and execute key reforms, and its tendencies to micro-manage activities. Bangladesh has 35 ministries and a large public sector that takes up two-thirds of the formal GDP. The Bank points out the serious need for the public sector to transform itself by: downsizing and increasing involvement of NGOs and the private sector; increasing accountability and transparency to the parliament and citizens; overhauling and streamlining regulations, processes, and activities; and rooting out corruption. Bangladesh appears near the top of Transparency International's country corruption ratings.

### **The Government's development strategy**

The GOB has articulated numerous developmental priorities whose emphasis varies depending on the audience and timing. "Bangladesh 2020" summarises the country's overall vision, which aims the country to become middle income by 2020 with a per capita income of over USD 1 200 (1997 prices). This is to be achieved through: economic growth led by the private sector; investment in people; investment in infrastructure; public sector reform; diversified agriculture to raise rural incomes and to ensure food security; improved basic education, especially for girls; improved basic health and reproductive health services; increased micro-credit for growth and better equity; environmental protection; and good governance. The Fifth Five Year Plan for 1997 to 2002 states that the over-riding objective of poverty reduction is to be met through, *inter-alia*, the provision of basic needs, employment opportunities; proper infrastructure to facilitate private sector development, micro-credit, building of local government institutions, human capital development, adult literacy, universal primary education, lower population growth, and food sufficiency. Bangladesh has signed on the Copenhagen 20/20 Agreement and has articulated its intention to increase resource allocation to the health and education sectors. However, donors assess that these plans and nominal priorities do not necessarily correlate to financial nor human resource allocation. The annual development programme, which is a list of funding requests, is 45% financed by donors and the rest by GOB. In recent years, around 12% of the national budget has been financed from aid resources.

### **Main features of the Norwegian aid programme**

Norway's development co-operation with Bangladesh started in 1970 with disaster relief to then East Pakistan. In recent years, Norway has been financing around Norwegian kroner (NOK) 150 million (about USD 23 million) per annum through its bilateral programme, almost all in untied grants, or NOK 230 million (about USD 35 million) including regional allocations benefiting Bangladesh. The features of co-operation have evolved over the years, with the present set of priorities being spelled out in the country strategy. As in Mozambique, this country strategy was developed by a Norwegian team mainly as an internal exercise. The team consulted the Embassy as well as various GOB ministries and NGOs. The strategy was published as a booklet in the Norwegian language but has not been translated into English, the language most educated Bangladeshis are fluent in. A Memorandum of Understanding (MOU) was drawn up in 1995 based on the strategy and is being used as the official document for Norway's relationship with GOB.

In the MOU, the overall objective for development co-operation is clearly stated as poverty reduction. The primary target group is specified as the poor with a special focus on women. The three main areas of co-operation and their specific objectives are: **education** a) increased participation particularly for girls; b) improvements in quality of teaching; c) strengthened relationship between education and paid employment; and d) capacity building at central and local levels; **productive sector** a) increased employment for the poor; and b) strengthened micro, medium, and large production units; and **democracy and human rights** a) institution building for increased participation; b) support for elected bodies in following democratic principles; c) stronger public awareness; and d) support for fundamental rights of citizens. The project portfolio conforms to the MOU, with about 60% of the

bilateral funds going to education (see below for details). The concentration on these three sectors implies a large reduction of the number of sectors and activities stated in the MOU. Other smaller projects include vocational training through NGOs, small enterprise development, rural electrification, hydropower generation, gender equality through NGOs, and environment.

Although NORAD was present in Bangladesh since the 1970s, Norway operated its diplomatic functions out of Delhi, India, until three years ago when it established its own Embassy in Dhaka and incorporated the NORAD functions. Currently, all operational aspects up to project signing, such as identification, appraisal, discussion with GOB, and hiring of consultants, are co-ordinated by the Embassy as delegated by Oslo. Decentralised decision making by the Embassy in Dhaka is allowed up to NOK 15 million (about USD 2 million), as with other Norwegian embassies. There are in total 26 staff, including the Ambassador who is recruited by the Ministry of Foreign Affairs and the Counsellor and six program officers recruited by NORAD. As in Mozambique, there are five locally recruited “advisors” - two women and three men - who assist in operations but with limited authority. The Embassy receives short-term technical backstopping from NORAD HQ, Norwegian research institutions, and others. Personnel reinforcement from Oslo has fallen short of Embassy expectations and the staff capacity is claimed to be somewhat overextended. The situation has been ameliorated somewhat as a result of sector concentration and reduction of the number of partner NGOs from 50 to 15.

### **Assistance to the education sector**

Bangladesh’s educational attainment level is still low (see Appendix II). Although literacy and basic education is one of GOB’s priorities, public expenditure on education has been just above 2% of GDP, which is less than that of its neighbouring countries and far below the recommended United Nations Educational, Scientific and Cultural Organisation (UNESCO) target of 7%. The sector is dependent on donor advice and some funding; for example, the World Bank is providing a USD 150 million credit for primary education. There is general agreement that the education quality needs to be substantially improved.

Upon signing the 1995 MOU, the Embassy and GOB decided to phase out of the health sector and concentrate on assisting in education, in line with Norway’s overall policy of reducing the number of area involvement in priority countries. This decision by the Embassy was partly based on better burden sharing with other Nordic countries, i.e. the assurance that Denmark was effectively active in health. Thus, Norway is currently supporting the following GOB programmes in education.

***Primary Education Development Project for Quality Improvement (PEDPQI).*** Norway is providing a form of budgetary assistance - albeit earmarked for various items - of NOK 285 million (approximately USD 40 million) for five years to the GOB programme. It aims to build the capacity of the National Academy for Primary Education (NAPE) which is the administration that develops text books and curriculum for primary and secondary schools and teachers’ training. NAPE claims that classroom teaching is now focused more on life-oriented learning and teacher-student interactive modes, as opposed to rote memorisation. Under this system, over 50 Primary Training Institutes around the country carry out training of about 10 000 teachers per year. The target is to train 60% female teachers, but due to the shortage of female teachers to begin with, the target is currently behind schedule. Norway has also earmarked funds to procure textbook papers. In addition, Norway and UNICEF will each finance 240 Thana (a district unit) Resource Centers for teachers and students to access reference materials, books, and computers, and electrical equipment.

***Non-Formal Education.*** GOB is carrying out a nation-wide literacy campaign, targeting 34 million adults through four projects costing a total of USD 277 million for 1996-2001. For one of its projects,

Norway is co-financing NOK 50 million (about USD 7 million, 11% of project cost) along with Sweden (31%) and GOB (58%) to target 8 million people. In this project, a group of about 30 illiterate women or men would gather at a house or a community centre every day for a few hours to learn reading, writing, and math. The project agreement stipulates that at least half the centres must be for women. A local teacher - some with certificate but most not - is hired by an NGO or the local authority to carry out the lessons. The teachers will be paid a small honorarium of about USD 10 a month if all the students pass the exam at the end of the course. It is said that teachers are committed to the job and consider it as their social service for the nation's development. Norway and Sweden have recently carried out a joint mid-term review with GOB.

***Female Secondary Education Stipend Programme.*** GOB recognises that secondary education for girls is particularly important as it has a high correlation with reduced fertility and better health and nutrition for children. Therefore, a nation-wide programme was designed to enable girls to attend secondary schools by subsidising their tuition and stationery supplies. Norway is providing NOK 100 million (about USD 14 million) to target about 660 000 female students. The system is such that a stipend of about USD 10 a month is deposited directly to the recipient's bank account so as to minimise diversion of funds. However, Norway admits that the administrative cost of this programme is high, the control of funds is a problem, and there are inconsistencies in the reported number of girls receiving stipends and those who are actually enrolled. Furthermore, GOB, the World Bank, and Norway carried out a joint evaluation, but results on programme impact were apparently inconclusive.

The Bangladeshi education sector does not have a truly sector-wide approach as the sector is compartmentalised into several areas. The sector is institutionally divided into two departments with two permanent Secretaries for: a) basic and mass education, and b) secondary and tertiary education. The two entities have separate budgets, and thus the issue of budgeting across and within the entire sector has not been actively addressed until very recently. The World Bank is raising this issue as well as leading the donors to take on a sub-sectoral approach for primary education, which currently has 24 separate projects. In the meantime, the PEDPQI and the Non-Formal Education programme are regarded as having something close to a sub-sectoral approach, since some donors such as Norway provide support to budgets within the sub-sector (it funds practically all budget items, including salary and other recurrent costs) while other donors may take on very specific components of an overall plan.

The other fragmentation is between GOB and the donors. GOB and the donors collectively have diverging views on the financing requirements in education, with GOB regarding donor support as inadequate. Developing sectoral and sub-sectoral approaches has taken a long time since, according to some donors, the GOB has been afraid of losing control or ownership and opening the way to donor dominance. Some donors perceive that GOB tolerates varying systems and requirements by different donors since it enables them to better control incoming resources.

Moreover, there is fragmentation amongst donors in their approach towards the education sector. Some of the multilateral organisations such as the World Bank and the Asian Development Bank appear to be limiting GOB ownership by imposing relatively stringent conditions, being inflexible on administrative procedures, and over-utilising foreign consultants to draft Bangladeshi laws and strategies on education. Other multilaterals such as the United Nations Children's Fund (UNICEF) prefer to increase community participation such as in the operations of the Thana Resource Centres whereas preference of donors such as Norway is to adhere to the government structures with less community involvement. Some donors are concerned that NGO and private sector involvement in service delivery is weak.

In Bangladesh, expenditures per student in primary and secondary education are among the lowest in the world, in both absolute amounts and as a percentage of GNP. While the idea of cost-recovery or

user-fees for tertiary education is finally being tabled, the Norwegian Embassy maintains a hesitant position towards the proposition. Currently, there are about 2 million college and university students in Bangladesh, most of whom hardly share the educational costs. Tuition fees in public universities amount to less than 1% of the costs per student. Government resources therefore bear 95% of the total university costs, including dormitory lodging for girls and boys. Vocational training of about 43 000 students per year is also largely financed by taxpayers. A 1996 review estimated that 85% of public spending on higher education is benefiting the non-poor households.

To achieve the GOB's vision and the DAC's target for universal primary enrolment, Norway needs to take into account the fungibility of resources by GOB and the donors. While Norway's large investments in Bangladeshi primary and secondary education are commendable, if GOB continues to allocate its resources to higher education with little cost-recovery, it can be argued that Norway and other donors are indirectly subsidising higher education for the non-poor. In other words, GOB resources that could otherwise be spent additionally on basic education are going to higher education, and notably to the non-poor. If this situation is to be remedied, beneficiaries of higher education would need to share more burden of the costs. Some donors suggest that GOB could, *inter-alia*, develop a sliding tuition system with an income and gender based loan or subsidy scheme, or increase the involvement of private institutions, with the business sector sharing more of the vocational training costs. Norway is currently in the process of analysing the poverty profile of the total GOB budget that applies beyond the education sector. In the meantime, it could also play a more active role to work with GOB and other donors towards a more coherent sector-wide approach within the overall education system.

### **Poverty orientation**

According to a national survey in 1995-96, half the population of Bangladesh was under the poverty line for the poor and about 36% below the line for the very poor. Compared to 1983-84, the proportion of poor and the very poor among the total population have somewhat decreased, and generally people no longer die of hunger. However, the annual rate of poverty reduction has been marginal during the last two to three years, and the gap between the poor and the rich is widening. There is also an urban poverty problem that the government is slow in addressing. GOB's emphasis on poverty reduction is through economic growth and human resources development.

One of Norway's projects indirectly related to poverty reduction that the mission visited was the Small Enterprises Development Project in Mymensingh and Faridpur Districts<sup>10</sup>. The objective of the project is, however, not explicitly stated as poverty reduction but to increase income and employment of the target group. In 1996, Norway decided to provide an additional NOK 50 million (about USD 8 million - 63% budget support and 37% technical assistance) for its support. The project is implemented by Agrani Bank, a state owned bank that normally operates commercially. The interest rates are slightly subsidised at 10-14%, while the average bank charges 14 to 16% and moneylenders more than double that. The target groups are categorised as illiterate, semi-illiterate, and literate, but the poorest of the poor are not included. Norway has decided to exclude them due to the difficulty in their targeting, and thus the beneficiaries appeared to be the urban poor but not the very poor.

There are currently 11 600 loans being disbursed to finance activities such as metal work, food processing, poultry raising, and so on. The Bank has a computer based credit management system and 120 project officers are working with clients. They first contact local leaders to identify potential

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10. The mission did not visit other projects such as the support towards the Grameen Bank and the Kurigram Poverty Alleviation Project, which are said to have more poverty focus.

clients and then conduct a four-day training course for screening. After the loans have been provided, the officers make frequent check-up visits to the clients to monitor the activities. There is a strict condition that prohibits child labour in the credit-funded activities. The project has generated employment by enabling entrepreneurs to hire on average two people per loan. Norway has been active in promoting women's inclusion in this project (see below).

The other project relating to poverty reduction that the mission visited was the Rural Electrification Project. The project involves the Rural Electrification Board (REB) which is a semi-governmental body established in 1978. It is in charge of electricity generation and the construction of distribution lines. Between 1978 and 1997, REB constructed 100 000 km of lines and 202 sub-stations for 2.2 million consumers, covering 20% of rural areas. About 15 donors besides Norway are involved, including the World Bank, Asian Development Bank, Japan, United Kingdom, United States, and Finland. In 1993, Norway provided a tied loan of NOK 144 million (about USD 21 million) with 2% interest rate for the construction of distribution lines. REB claimed that although these lines and transformers that were supplied by Norwegian affiliates were relatively costly, the quality was equally high.

The REB system is partially based on a model in Tennessee, USA, in which co-operatives manage the distribution of electricity to consumers. Co-operative board members are elected. Fifty-four coops with a catchment area of approximately 1 500 km<sup>2</sup> each are currently operating in Bangladesh under this project. Beneficiaries consist of all classes of people, with 82% household consumers and the rest industrial users. Of the former, 40% - who are supposedly poor - pay the minimum of Thaka 65 (about USD 1.10) a month and the rest pay more. However, the poorest of the poor are again not targeted in this project. Bill collection is 96% and the system loss is 15-17% for the entire country. Eight thousands jobs have been created, including meter readers, bill collectors, and advisors for trouble shooting. There is a conscious effort to hire women, particularly as advisors for each village. Aside from providing electricity, 67 000 electrical irrigation pumps and several hundred mills have been provided throughout the country. In 1997, Norway decided to provide an additional NOK 70 million (about USD 10 million) as a grant to support electrification and activities of a coop in Bhola, a remote island close to the Mouths of the Ganges.

A local consultancy carried out an assessment of the socio-economic impact of the nation-wide rural electrification project. The sample study concludes that the project has generally increased employment and income and brought other qualitative benefits to the beneficiaries, particularly compared to control villages and households. It claims that as a social impact, positive changes have been made through availability of lights, TV, radio, and appliances. In particular, electrification has brought positive impact by enabling children to study at night, reducing the burden of household chores for women through modern devices, and increasing people's knowledge through TV. However, the quality of the study is somewhat problematic, as there is no baseline data and it is not possible to judge whether those who benefited from electrification may have been better off from the beginning. There is no reference of the beneficiaries to the national poverty line or other poverty categorisation. Admittedly, these studies are extremely challenging to carry out. Furthermore, Norway is not the only donor as the project is funded by many others. Nevertheless, Norway could take more leadership on a results-orientated approach and help local counterparts and other donors to carry out reliable longitudinal impact assessments.

### **Gender equality, human rights, and democracy**

Bangladesh's record on gender equality is not outstanding. Although the heads of two rival parties are women, gender-related indicators of the country are low compared to the non-Islamic neighbouring countries. Sociocultural practices contribute to differential health status for women and men, which is

evidenced from the higher morbidity rate of women over men by 14% and in particular, for women of reproductive age by 38%. Physical abuse against women and girls is a major problem, with violence related incidents and suicides accounting for more deaths than pregnancy related complications. Some donors consider that the absence of a birth registration system is a key to the problem as it allows families to prevent girls from enrolling in schools or women to own land and claim for inheritance. UNICEF is taking up this issue with GOB, to which Norway has expressed interest in joining. Bangladesh's performance on human rights is also considered by donors to be unsatisfactory. Thus, pressured by NGOs and supported particularly by UNDP, the GOB has announced a plan to establish an independent human rights commission.

Norway is supporting about seven women's organisations that are working on human rights and democracy issues particularly pertaining to women. Activities include: carrying out studies on violence against women; gender roles in the media; follow-up to the Beijing conference on women; awareness raising and legal aid for trafficking of girls and children; operation of sheltered home for women; human rights training for the police; training of local administrators to enhance girls' education; training of magistrates on gender sensitivity; campaign for rights of female workers; printing of materials for reproductive rights and HIV awareness; and mobilisation of parliamentarians on reforming family codes particularly relating to inheritance and land ownership. The size of the women's organisation varies, with membership ranging from about 90 to 75 000.

Norway provides budgetary support towards these organisations, and does not impose strict conditionalities on their activities. However, the Embassy requires audit reports, demands high professional standards, carries out monitoring and evaluation, promotes innovative activities, and encourages sustainability of the organisations. The NGOs are generally satisfied with the partnership with Norway, but have expressed a request for the Embassy staff to visit project sites more often. They claim that Embassy staff would understand the situation better if they could meet with beneficiaries more often and listen to their accounts. In the NGOs' view, Embassy staff load has been too heavy to accommodate this important aspect of partnership.

Referring to the Small Enterprises Development Project, Norway has stipulated in the project agreement that 20% of the beneficiaries must be women. This target is said to be almost met, and the women are carrying out enterprises such as tailoring, operating grocery shops, selling garments, and so on. A special session is held to educate potential female clients on empowerment and on their rights, to which husbands are encouraged to attend as well. The project officers admit that women may not always have control over their finances and that progress in this aspect is slow. Norway has funded a local consultant to carry out a gender analysis on the project. The participatory approach taken for the study, which includes several cohorts of both women and men, is generally correct. However, the rigour of the analysis is again questionable as it resorts to subjective interviews with minimal reference to comparative or statistically significant data.

Norway's mainstreaming of gender issues is almost similar to that of its programme in Mozambique. In short, Norway is focusing on girls' education, women's income generation, and other aspects related to women. On the other hand, there is not a consistent approach to collecting gender disaggregated data and specifying gender-related components in all types of projects, particularly in the more general and less gender-obvious ones, such as the rural electrification programme. There also appears to be little focus on sensitising men on gender issues, apart from training the police and magistrates through NGOs. These points then lead to the question of how much technical input has really been given on gender issues in each project. For example, it is unclear as to how much guidance was offered to NAPE in incorporating gender considerations in the curricula of primary and secondary education, as well as in the training programme for teachers. Gender analyses could have also benefited from a detailed terms of reference that might have resulted in more objective and persuasive

findings. Although the general level of gender consciousness is high among the staff, the gender area is still a very technical discipline that needs continuous guidance and a better mechanism to ensure that all areas are covered.

## **Main findings**

***Promoting ownership.*** Bangladesh is clearly a challenging country for donors to operate in, particularly due to the state of the public sector and the political situation described earlier. Ownership therefore has to be examined and assessed within this environment. If the government maintains detailed control over the allocation of donor resources and prefers separation among donors, but is at the same time perceived to be extensively corrupt and inefficient, the concept of ownership becomes particularly problematic for Norway and other donors. They need to find ways to ensure that ownership is not confined to particular entities, units, or officials. From the minutes of regular meetings held between GOB and Norway to discuss projects, it is evident that Norway is pressuring the government to submit timely financial and audit reports and to improve the scope of audits. In moving towards wider sectoral approaches, some form of budgetary support, capacity building, and untied aid, Norway needs to continue insisting on effective accounting and reporting mechanisms, particularly through strengthening the capability of local institutions in the management and monitoring of funds. Norway is also encouraged to confirm fair practices in procurement and continuously follow-up on implementation. These forms of co-operation entail extra effort in verifying whether counterpart activities and expenditures have been in conformity to agreed plans and rules and whether they have had a development impact. Ensuring adequate numbers of staff, as well as the relevant expertise will become increasingly crucial.

***Partnership with others.*** In some projects supported by Norway, there is substantial involvement of non-governmental entities in implementation, such as NGOs for the Non-Formal Education project and rural co-operatives of the rural electrification project. Maximising partnership and thereby conferring ownership of Bangladesh's development process to a wider group of stakeholders is encouraged and could be further strengthened. In particular, more involvement of the business sector, NGOs, and communities in the PEDPQI merits further consideration. There is inadequate accountability of school management towards local communities evidenced by high rates of teacher absenteeism and low teaching hours; finding ways to fix this problem will ensure that the high investment in training these teachers will not be wasted and will get fed back into the system. Norway could also play a larger role in the Non-Formal Education project in facilitating NGOs to be more involved in formulating policy, designing the national programme, and preparing curricula, as opposed to being just a contractor for the government in carrying out the literacy programme.

With its obvious developmental needs, population size, and growth potential, Bangladesh is overflowing with donors. In such a dispersed and animated setting with competing priorities and conflicting ideas, donor co-ordination and collaboration becomes extra challenging. This is increasingly so when the host country itself is not particularly forthcoming in the harmonisation of donor activities. In this context, Norway is certainly not to be held accountable for the fragmentation of certain sectors. Norway is carrying out joint programming with many donors and particularly joining Like-Minded Groups with Canada, Denmark, Netherlands, and Sweden for certain areas. Norway is also active in the Local Consultative Sub-Group on Education, Gender, and Micro-credit. Continuation of Norwegian partnership with other donors to overcome numerous obstacles is strongly encouraged.

***Poverty focus.*** In the MOU, it is mentioned that the overall objective of Norwegian development co-operation with Bangladesh is poverty alleviation, with one of the primary target groups being the poor sections of the population. However, the Norwegian Embassy is not clear about who the "poor

sections of the population” are. Moreover, although the overall Norwegian policy states that Norway targets the “poorest groups”<sup>11</sup>, the Embassy mentions that it does not necessarily target the poorest of the poor because in a country where 40% of the population is “very poor”, it becomes a philosophical question as to who these poorest are and an academic exercise to be asking whether they are being reached. This position is shown in its support towards the broader segment of the population in the Small Enterprises Development and Rural Electrification Projects. That said, Norway’s assistance in literacy, basic education - particularly for girls - gender equality, and human rights, may well cover the poorest of the poor. The question that arises then is who exactly is Norway targeting in Bangladesh? And what does it imply at the overall policy level when Norway states that it is targeting the poor or the poorest?

In project or programme documents, specifically defined targets for poverty reduction are not mentioned; neither are measurable poverty impacts explicitly stated in terms of references for project preparation and evaluations. In other words, monitoring and evaluation of poverty reduction are not key tools in the Norwegian programme for Bangladesh. Norway could therefore do more with the GOB, other donors and local research institutes to analyse and classify the poor according to various socio-economic status and to sharpen the focus on poverty reduction with a clearer operational definition of poverty, defined target groups, and elaborated steps in reaching them. It could also enhance monitoring processes using more specific indicators agreed with GOB. Gearing its programming towards results orientation and helping local counterparts to measure project or programme impact more objectively and reliably could further boost the quality of Norwegian development co-operation with Bangladesh.

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11. *The 1999 Development Aid Budget*, page 4 (of English version).

## **APPENDIX I**

### **PERSONS MET AND PROJECTS VISITED**

- Norwegian aid officials at the Embassy in Dhaka.
- Authorities of GOB dealing with Norway's aid programme in Bangladesh from: the Directorate of Primary Education; Directorate of Non-Formal Education; National Academy for Primary Education; Primary Training Institute of Mymensingh; Non-Formal Education Training Centre of Kaliakoir; Department of Fisheries Management of the Bangladesh Agricultural University; Economic Relations Division of the Ministry of Finance; and Ministry of Planning, Science & Technology.
- Officials of: the Rural Electrification Board; a rural electricity co-operative of Savar, Dhaka; and the Agrani Bank.
- Representatives of the following multilateral and bilateral institutions: European Commission, UNDP, UNICEF, World Bank, Asian Development Bank, Canada, Denmark, Netherlands, Sweden and the United Kingdom.
- Representatives of the following NGOs receiving Norwegian funding: Bangladesh Mahila Parishad; Bangladesh National Women Lawyers Association; Khan Foundation; Naripokkho; Ain O Shalish Kendra; and Underprivileged Children's Education Program (UCEP).
- The mission visited the following projects: Rural Electrification Project in Savar, Dhaka; PEDPQI; Non-Formal Education Project; Environmental Impacts of Shrimp Farming; Agrani Bank Small Enterprises Development Project; and UCEP.

## APPENDIX II

### BANGLADESH: BASIC SOCIO-ECONOMIC DATA

<i>Economic Indicators</i>			
Land area:	143 998 km sq (1995, UN)		
Population:	125.6 million (1998)		
Population growth rate (%):	1.6 (annual average)		
Gross National Product (GNP):	USD Million 44 000 (1998)		
GDP growth rate in real terms:	5.4% (1998, UN)		
GNP per capita:	USD 350 (1998)		
GNP per capita growth rate:	4.2% (1998)		
Consumer price index (annual average):	7% (1998)		
Debt outstanding (total long term):	USD 15 467 million (1998)		
Total debt (long term)/GDP:	36.6% (1998)		
External public debt-service (long term):	USD 696 million (1998)		
Total external debt-service ratio:	9.3% (1998)		
Current account deficit:	USD 520 million (1998)		
Investment:	22.4% of GDP (1998)		
Net aid flows per capita:	USD 8		
<i>Social Indicators</i>			
	<i>Bangladesh</i>	<i>South Asia</i>	
Life expectancy at birth:	58 (1999, UNDP)	63 (1999, UNDP)	
Male:	58	62	
Female:	58	63	
Infant mortality (per 1 000 live births):	75	77	
Under 5 mortality (per 1 000 live births):	104	100	
Maternal mortality (per 100 000 live births):	850 (1996, UN)	--	
Child Malnutrition (% under 5 years):	68	53	
Immunisation:			
Access to safe water (% of population):	84	81	
--Rural:	35	--	
--Urban:	49	84	
Literacy overall (% of population 15 +):	38	51	
Male:	50	64	
Female:	27	37	
Gross primary enrolment (all):	79 (1995, UN)	78	
Male:	84 (1995, UN)	--	
Female:	73 (1995, UN)	--	

Source: World Bank.



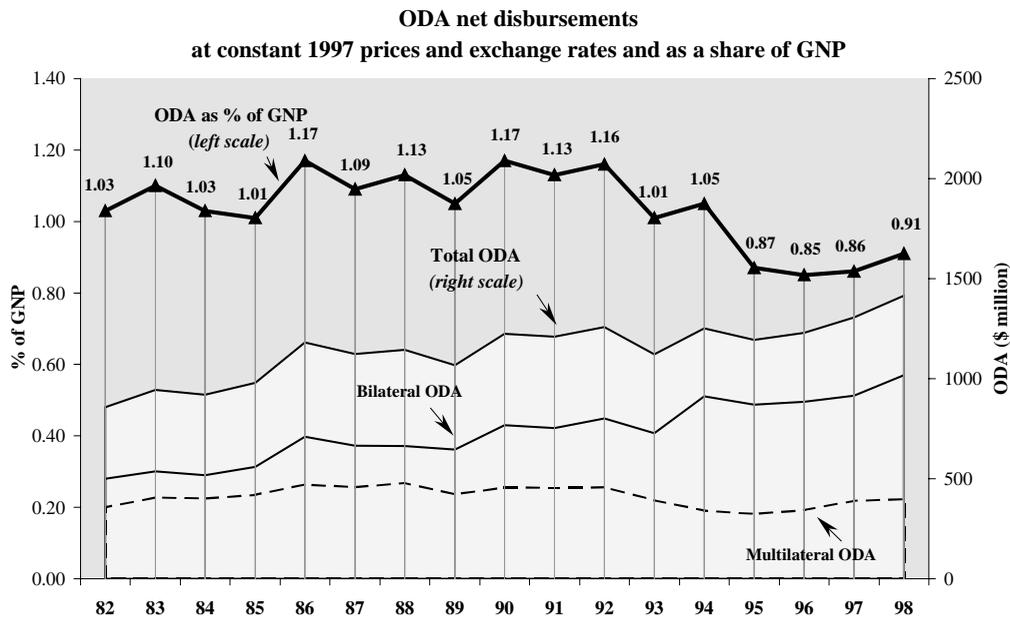
**ANNEX III**  
**STATISTICS OF AID AND OTHER FLOWS**

Table II-1. Total financial flows

USD million at current prices and exchange rate

Norway	Net disbursements						
	1982-83	1987-88	1994	1995	1996	1997	1998
<b>Total official flows</b>	<b>616</b>	<b>929</b>	<b>1 216</b>	<b>1 357</b>	<b>1 361</b>	<b>1 361</b>	<b>1 376</b>
Official development assistance	571	938	1 137	1 244	1 311	1 306	1 321
Bilateral	329	550	828	907	944	916	950
Multilateral	242	388	309	337	367	390	371
Official aid	n.a.	n.a.	79	61	50	55	52
Bilateral			63	57	50	55	52
Multilateral			16	3	-	-	-
Other official flows	45	- 8	0	52	- 1	0	3
Bilateral	20	7	0	49	- 1	0	3
Multilateral	25	- 15	-	3	-	-	-
<b>Grants by NGOs</b>	<b>41</b>	<b>61</b>	<b>127</b>	<b>92</b>	<b>80</b>	<b>121</b>	<b>-</b>
<b>Private flows at market terms</b>	<b>125</b>	<b>- 81</b>	<b>217</b>	<b>334</b>	<b>132</b>	<b>507</b>	<b>627</b>
Bilateral: <i>of which</i>	125	- 81	217	334	132	507	627
Direct investment	71	19	62	381	31	322	481
Export credits	101	- 100	155	- 47	100	186	2
Multilateral	-	-	-	-	-	-	-
<b>Total flows</b>	<b>783</b>	<b>909</b>	<b>1 560</b>	<b>1 783</b>	<b>1 573</b>	<b>1 989</b>	<b>2 003</b>
<i>for reference:</i>							
ODA (at constant 1997 \$ million)	901	1 133	1 252	1 194	1 230	1 306	1 415
ODA (as a % of GNP)	1.06	1.11	1.05	0.87	0.85	0.86	0.91
Total flows (as a % of GNP) (a)	1.45	1.08	1.37	1.16	1.08	1.08	1.28

a. To countries eligible for ODA.



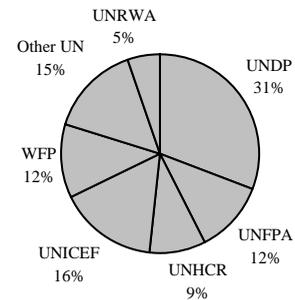
Source: OECD.

Table II-2. ODA by main categories

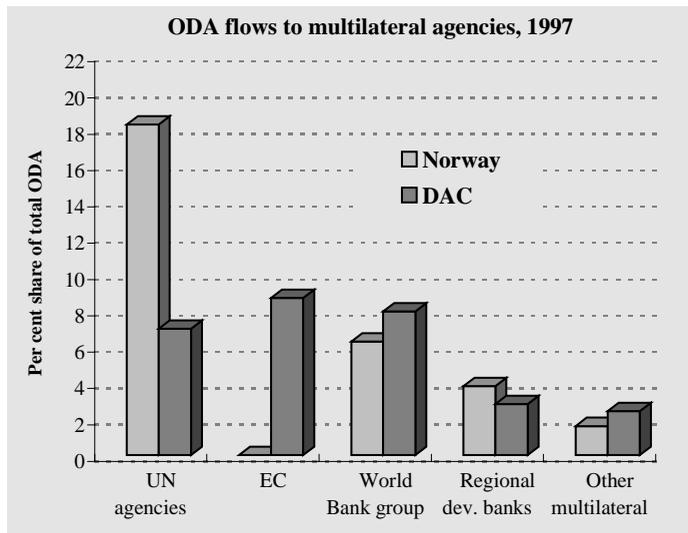
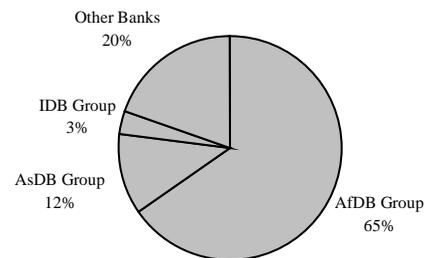
Norway	Constant 1997 \$ million					Per cent share					Total DAC 1997%
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998	
	<b>Bilateral</b>	<b>914</b>	<b>874</b>	<b>888</b>	<b>919</b>	<b>1 024</b>	<b>73</b>	<b>73</b>	<b>72</b>	<b>70</b>	
Project and programme aid											
Grants	370	372	390	413	459	29	31	32	32	32	13
Loans	8	9	11	12	13	1	1	1	1	1	15
Technical co-operation	168	169	158	171	191	13	14	13	13	13	23
Developmental Food aid (a)	18	14	-	-	-	1	1	-	-	-	2
Emergency and Distress relief (a)	199	176	186	192	228	16	15	15	15	16	4
Action relating to debt	52	40	41	32	40	4	3	3	2	3	6
Core support to NGOs	10	8	9	9	9	1	1	1	1	1	2
Administrative costs	46	48	52	55	64	4	4	4	4	4	5
Other grants	77	38	40	34	21	6	3	3	3	1	2
<b>Multilateral</b>	<b>340</b>	<b>324</b>	<b>344</b>	<b>390</b>	<b>398</b>	<b>27</b>	<b>27</b>	<b>28</b>	<b>30</b>	<b>28</b>	<b>29</b>
UN agencies	230	220	229	238	259	18	18	19	18	18	7
EC	-	-	-	-	-	-	-	-	-	-	9
World Bank group	86	84	73	82	64	7	7	6	6	5	8
Regional development banks (b)	9	13	29	49	51	1	1	2	4	4	3
Other multilateral	6	6	14	21	24	0	1	1	2	2	2
<b>Total gross ODA</b>	<b>1 254</b>	<b>1 198</b>	<b>1 232</b>	<b>1 309</b>	<b>1 422</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Repayments</b>	<b>- 2</b>	<b>- 3</b>	<b>- 3</b>	<b>- 3</b>	<b>- 6</b>						
<b>Total net ODA</b>	<b>1 252</b>	<b>1 194</b>	<b>1 230</b>	<b>1 306</b>	<b>1 415</b>						
<i>For reference:</i>											
<i>Aid channelled through NGOs</i>	<i>259</i>	<i>294</i>	<i>-</i>	<i>-</i>	<i>-</i>						
<i>Associated financing (c)</i>	<i>36</i>	<i>32</i>	<i>35</i>	<i>26</i>	<i>13</i>						

- a. Emergency food aid included with Developmental Food Aid up to end 1995.
- b. Excluding EBRD.
- c. ODA grants and loans in associated financing packages.

UN Agencies  
(1997-98 Average)



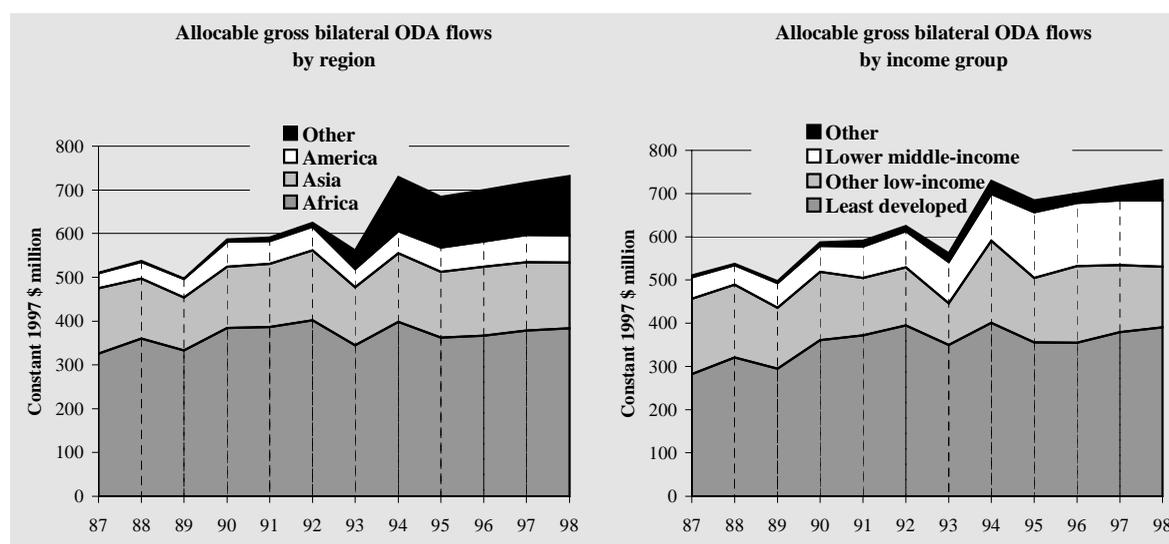
Regional Development Banks  
(1997-98 Average)



Source: OECD.

Table II-3. **Bilateral ODA allocable by region and income groups**

Norway	Constant 1997 \$ million					Per cent share					Total DAC 1997%
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998	
	<b>Africa</b>	399	362	367	379	384	55	53	52	53	
Sub-Saharan Africa	395	361	362	375	380	54	53	52	52	52	<b>30</b>
North Africa	4	1	5	4	4	0	0	1	0	0	<b>8</b>
<b>Asia</b>	157	150	158	156	150	21	22	23	22	20	<b>35</b>
South and Central Asia	105	95	112	97	96	14	14	16	14	13	<b>13</b>
Far East	52	56	46	59	53	7	8	7	8	7	<b>23</b>
<b>America</b>	51	56	58	63	63	7	8	8	9	9	<b>14</b>
North and Central America	39	45	45	44	42	5	7	6	6	6	<b>6</b>
South America	12	11	13	19	21	2	2	2	3	3	<b>8</b>
<b>Middle East</b>	19	46	56	56	64	3	7	8	8	9	<b>5</b>
<b>Oceania</b>	0	0	0	0	0	0	0	0	0	0	<b>5</b>
<b>Europe</b>	105	69	61	63	71	14	10	9	9	10	<b>4</b>
<b>Total bilateral allocable</b>	<b>729</b>	<b>684</b>	<b>700</b>	<b>716</b>	<b>732</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	401	356	355	380	390	55	52	51	53	53	<b>26</b>
<b>Other low-income</b>	190	149	177	155	141	26	22	25	22	19	<b>28</b>
<b>Lower middle-income</b>	108	152	145	150	153	15	22	21	21	21	<b>36</b>
<b>Upper middle-income</b>	30	27	22	32	43	4	4	3	5	6	<b>7</b>
<b>High-income</b>	-	0	-	-	5	-	0	-	-	1	<b>3</b>
<i>For reference:</i>											
<i>Total bilateral</i>	914	874	889	919	1 024	100	100	100	100	100	100
<i>of which: Unallocated</i>	184	190	189	202	293	20	22	21	22	29	22



Source: OECD.

Table II-4. Main recipients of bilateral ODA.

*Gross disbursements, year averages*

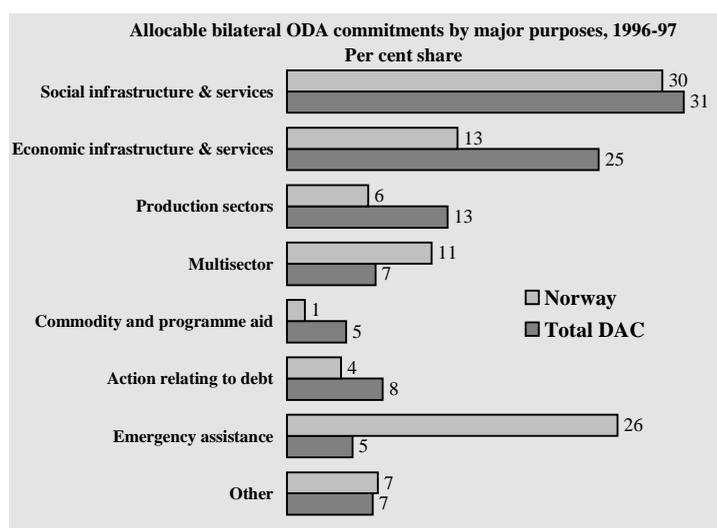
Norway	1987-88				1992-1993				1997-1998		
	Current \$ million	Constant 1997 \$ mn.	Per cent share		Current \$ million	Constant 1997 \$ mn.	Per cent share		Current \$ million	Constant 1997 \$ mn.	Per cent share
Tanzania	77	94	18	Tanzania	75	79	13	Mozambique	52	54	7
Mozambique	40	48	9	Mozambique	66	69	12	Tanzania	48	49	7
Zambia	36	44	8	Zambia	42	43	7	Palestinian Adm. Areas	41	42	6
Bangladesh	35	42	8	Bangladesh	36	37	6	Zambia	35	36	5
Kenya	31	37	7	Benin	24	23	4	Bosnia-Herzegovina	34	35	5
<b>Top 5 recipients</b>	<b>219</b>	<b>264</b>	<b>50</b>	<b>Top 5 recipients</b>	<b>242</b>	<b>251</b>	<b>43</b>	<b>Top 5 recipients</b>	<b>209</b>	<b>216</b>	<b>30</b>
India	29	35	7	Nicaragua	22	23	4	Bangladesh	31	32	4
Zimbabwe	23	28	5	Zimbabwe	21	22	4	Uganda	30	31	4
Botswana	18	21	4	Sts Ex-Yugoslavia	19	21	3	Ethiopia	28	29	4
Nicaragua	17	21	4	Botswana	19	19	3	Angola	24	25	3
Sri Lanka	16	19	4	Ethiopia	18	19	3	South Africa	21	22	3
<b>Top 10 recipients</b>	<b>322</b>	<b>389</b>	<b>74</b>	<b>Top 10 recipients</b>	<b>342</b>	<b>354</b>	<b>60</b>	<b>Top 10 recipients</b>	<b>343</b>	<b>354</b>	<b>49</b>
Ethiopia	14	17	3	India	17	17	3	Nicaragua	18	19	3
Pakistan	11	14	3	Pakistan	16	17	3	Zimbabwe	15	15	2
China	9	11	2	China	14	14	2	Sri Lanka	15	15	2
Mali	6	8	1	Sri Lanka	13	14	2	China	14	15	2
Sudan	6	8	1	Namibia	12	12	2	Sudan	13	14	2
<b>Top 15 recipients</b>	<b>369</b>	<b>446</b>	<b>85</b>	<b>Top 15 recipients</b>	<b>413</b>	<b>428</b>	<b>72</b>	<b>Top 15 recipients</b>	<b>418</b>	<b>432</b>	<b>60</b>
Madagascar	6	7	1	Uganda	12	12	2	Guatemala	13	14	2
Philippines	4	5	1	Afghanistan	9	12	2	India	13	13	2
Thailand	4	4	1	Mali	8	9	1	Namibia	11	12	2
Nepal	3	4	1	Indonesia	8	9	1	Croatia	11	12	2
Uganda	3	4	1	Nepal	8	8	1	Rwanda	10	10	1
<b>Top 20 recipients</b>	<b>389</b>	<b>470</b>	<b>90</b>	<b>Top 20 recipients</b>	<b>457</b>	<b>479</b>	<b>80</b>	<b>Top 20 recipients</b>	<b>476</b>	<b>493</b>	<b>68</b>
<b>Total (94 recipients)</b>	<b>434</b>	<b>524</b>	<b>100</b>	<b>Total (101 recipients)</b>	<b>570</b>	<b>593</b>	<b>100</b>	<b>Total (115 recipients)</b>	<b>700</b>	<b>724</b>	<b>100</b>
Unallocated	119	145		Unallocated	166	173		Unallocated	238	247	
<b>Total bilateral gross</b>	<b>553</b>	<b>668</b>		<b>Total bilateral gross</b>	<b>736</b>	<b>767</b>		<b>Total bilateral gross</b>	<b>937</b>	<b>971</b>	

Source: OECD.

Table II-5. Bilateral ODA by major purposes

Commitments, year averages

Norway	1986-87		1991-92		1996-97		Total DAC per cent
	\$ million	Per cent	\$ million	Per cent	\$ million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>191</b>	<b>36</b>	<b>112</b>	<b>17</b>	<b>224</b>	<b>30</b>	<b>31</b>
Education	42	8	32	5	58	8	12
of which: basic education	-	-	-	-	26	3	1
Health	66	12	22	3	27	4	5
of which: basic health	-	-	-	-	16	2	2
Population programmes	-	-	17	3	17	2	1
Water supply & sanitation	49	9	4	1	9	1	7
Government & civil society	6	1	7	1	42	6	3
Other social infrastructure & services	27	5	31	5	71	9	4
<b>Economic infrastructure &amp; services</b>	<b>78</b>	<b>15</b>	<b>166</b>	<b>26</b>	<b>102</b>	<b>13</b>	<b>25</b>
Transport & storage	3	1	68	10	11	1	12
Communications	7	1	20	3	12	2	1
Energy	60	11	71	11	69	9	9
Banking & financial services	6	1	0	0	9	1	1
Business & other services	2	0	6	1	2	0	2
<b>Production sectors</b>	<b>122</b>	<b>23</b>	<b>66</b>	<b>10</b>	<b>49</b>	<b>6</b>	<b>13</b>
Agriculture, forestry & fishing	58	11	36	5	31	4	9
Industry, mining & construction	64	12	31	5	17	2	2
Trade & tourism	0	0	0	0	1	0	1
Other	-	-	-	-	-	-	0
<b>Multisector</b>	<b>19</b>	<b>4</b>	<b>61</b>	<b>9</b>	<b>87</b>	<b>11</b>	<b>7</b>
<b>Commodity and programme aid</b>	<b>40</b>	<b>8</b>	<b>65</b>	<b>10</b>	<b>11</b>	<b>1</b>	<b>5</b>
<b>Action relating to debt</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>1</b>	<b>32</b>	<b>4</b>	<b>8</b>
<b>Emergency assistance</b>	<b>22</b>	<b>4</b>	<b>82</b>	<b>13</b>	<b>198</b>	<b>26</b>	<b>5</b>
<b>Administrative costs of donors</b>	<b>29</b>	<b>5</b>	<b>43</b>	<b>7</b>	<b>55</b>	<b>7</b>	<b>6</b>
<b>Support to NGOs</b>	<b>29</b>	<b>5</b>	<b>47</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Total bilateral allocable</b>	<b>530</b>	<b>100</b>	<b>648</b>	<b>100</b>	<b>758</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>							
Total bilateral	531	61	652	62	775	67	76
of which: Unallocated	1	0	4	0	18	2	6
Total multilateral	343	39	393	38	381	33	24
<b>Total ODA commitments</b>	<b>874</b>	<b>100</b>	<b>1 045</b>	<b>100</b>	<b>1 156</b>	<b>100</b>	<b>100</b>



Source: OECD.

Table II-6. **Comparative aid performance**

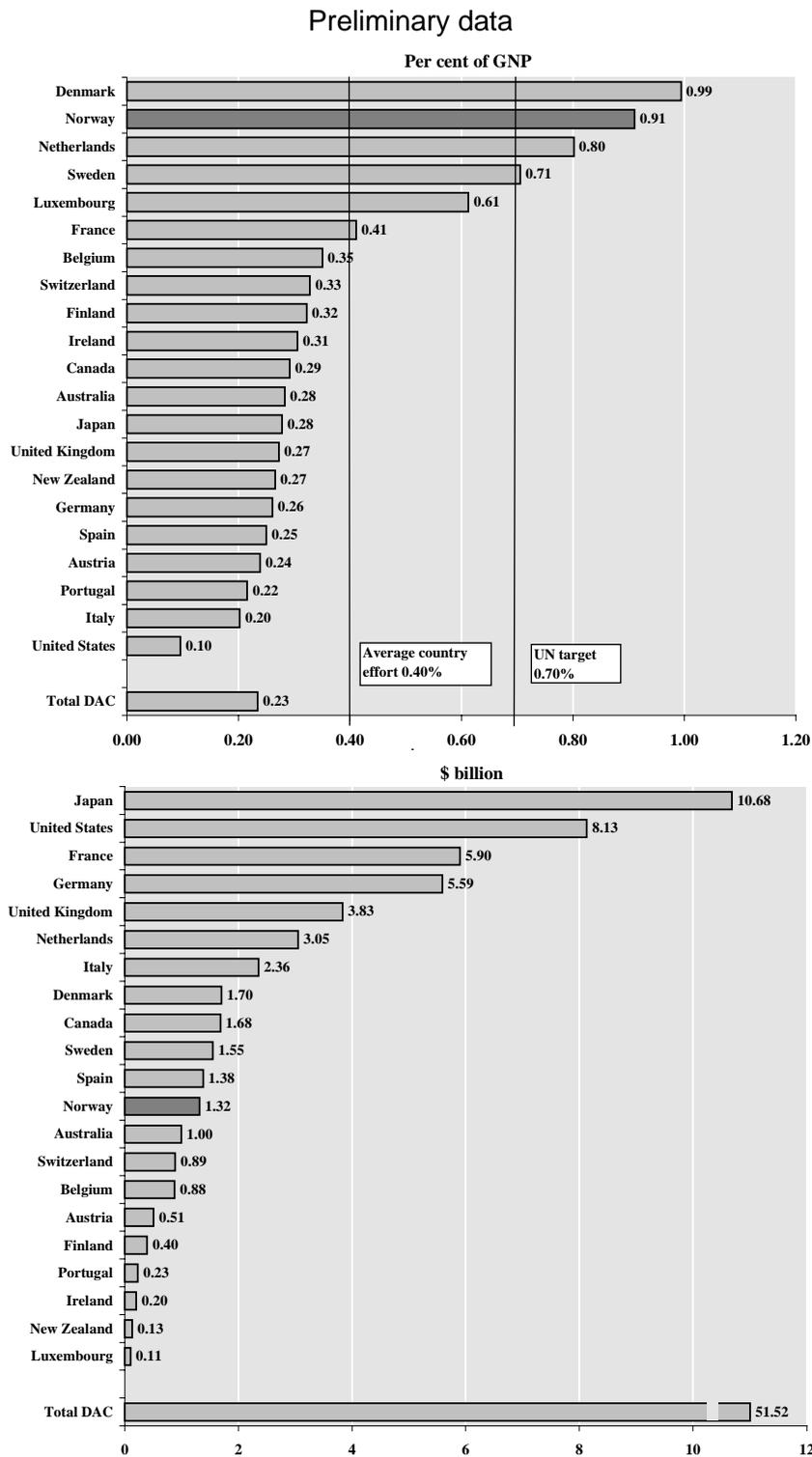
	Official development assistance			Grant element of ODA (commitments) 1996	Share of multilateral aid				ODA to LLDCs Bilateral and through multilateral agencies 1997		Official aid	
	1997		91-92 to 96-97 Ave. annual % change in real terms		1997				1997		1997	
	\$ million	% of GNP		% (a)	% of ODA		% of GNP		% of ODA	% of GNP	\$ million	% of GNP
				(b)	(c)	(b)	(c)					
Australia	1 061	0.28	-1.2	100.0	26.9		0.08		18.8	0.05	0	0.00
Austria	527	0.26	-2.8	96.6	41.9	23.5	0.11	0.06	17.4	0.04	181	0.09
Belgium	764	0.31	-2.7	98.6	42.7	17.6	0.13	0.05	26.8	0.08	59	0.02
Canada	2 045	0.34	-4.0	100.0	40.6		0.14		22.9	0.08	157	0.03
Denmark	1 637	0.97	3.7	100.0	38.3	32.9	0.37	0.32	29.7	0.29	133	0.08
Finland	379	0.33	-11.9	100.0	47.2	34.5	0.15	0.11	24.4	0.08	71	0.06
France	6 307	0.45	-4.2	87.7	24.3	10.3	0.11	0.05	22.0	0.10	574	0.04
Germany	5 857	0.28	-3.9	88.9	37.9	15.2	0.11	0.04	19.4	0.05	660	0.03
Ireland	187	0.31	20.1	100.0	35.6	14.8	0.11	0.05	47.8	0.15	1	0.00
Italy	1 266	0.11	-12.3	98.2	64.1	15.7	0.07	0.02	25.6	0.03	241	0.02
Japan	9 358	0.22	-5.8	78.4	30.0		0.07		18.9	0.04	84	0.00
Luxembourg	95	0.55	15.0	100.0	30.0	14.8	0.16	0.08	29.2	0.16	2	0.01
Netherlands	2 947	0.81	1.4	100.0	27.6	18.9	0.22	0.15	26.9	0.22	7	0.00
New Zealand	154	0.26	0.9	100.0	26.6		0.07		22.8	0.06	0	0.00
<b>Norway</b>	<b>1 306</b>	<b>0.86</b>	<b>0.5</b>	<b>99.2</b>	<b>29.9</b>		<b>0.26</b>		<b>39.4</b>	<b>0.34</b>	<b>55</b>	<b>0.04</b>
Portugal	250	0.25	-2.6	100.0	34.9	10.4	0.09	0.03	66.1	0.16	18	0.02
Spain	1 234	0.24	-0.7	64.9	38.0	12.0	0.09	0.03	16.3	0.04	3	0.00
Sweden	1 731	0.79	-2.5	100.0	30.2	24.8	0.24	0.20	29.7	0.23	148	0.07
Switzerland	911	0.34	-3.1	100.0	36.8		0.13		32.6	0.11	75	0.03
United Kingdom	3 433	0.26	-0.3	100.0	42.4	21.4	0.11	0.06	22.5	0.06	337	0.03
United States	6 878	0.09	-8.9	99.6	28.2		0.02		19.5	0.02	2 516	0.03
<b>Total DAC</b>	<b>48 324</b>	<b>0.22</b>	<b>-4.6</b>	<b>89.7</b>	<b>33.1</b>	<b>23.2</b>	<b>0.07</b>	<b>0.05</b>	<b>22.6</b>	<b>0.05</b>	<b>5 322</b>	<b>0.02</b>
Memo: Average country effort		0.40										

Notes:

- a. Excluding debt reorganisation.
- b. Including European Community.
- c. Excluding European Community.

Source : OECD.

Figure II-1. Net ODA from DAC countries in 1998



Source: OECD.

Table II-7. Imports

	Value			Share of total	
	(USD million)			(per cent)	
	1987	1992	1997	1987	1997
<i>Non-OECD countries by region</i>					
<b>Sub-Saharan Africa</b>	<b>200</b>	<b>311</b>	<b>736</b>	<b>0.9</b>	<b>2.1</b>
Liberia	100	90	474	0.4	1.3
Botswana	44	83	103	0.2	0.3
<b>North-Africa and Middle East</b>	<b>110</b>	<b>115</b>	<b>196</b>	<b>0.5</b>	<b>0.5</b>
Israel	39	33	59	0.2	0.2
Morocco	33	48	39	0.1	0.1
<b>Asia</b>	<b>828</b>	<b>1 606</b>	<b>2 634</b>	<b>3.7</b>	<b>7.4</b>
South & Central Asia	230	526	906	1.0	2.5
India	26	78	122	0.1	0.3
Pakistan	20	40	40	0.1	0.1
Far East	597	1 080	1 728	2.6	4.8
China	172	359	800	0.8	2.2
Chinese Taipei	116	265	257	0.5	0.7
<b>America</b>	<b>509</b>	<b>555</b>	<b>1 027</b>	<b>2.3</b>	<b>2.9</b>
North & Central America	178	222	433	0.8	1.2
Jamaica	22	101	115	0.1	0.3
South America	331	333	594	1.5	1.7
Brazil	115	93	202	0.5	0.6
Suriname	105	89	102	0.5	0.3
<b>Oceania</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
<b>Europe</b>	<b>123</b>	<b>134</b>	<b>354</b>	<b>0.5</b>	<b>1.0</b>
<b>Total Non-OECD countries</b>	<b>1 772</b>	<b>2 720</b>	<b>4 947</b>	<b>7.8</b>	<b>13.8</b>
<b>Total OECD countries</b>	<b>20 690</b>	<b>23 284</b>	<b>30 764</b>	<b>91.6</b>	<b>86.0</b>
<i>Residuals</i>	<i>116</i>	<i>71</i>	<i>57</i>	<i>0.5</i>	<i>0.2</i>
<b>Overall total</b>	<b>22 578</b>	<b>26 075</b>	<b>35 768</b>	<b>100.0</b>	<b>100.0</b>
<i>Non-OECD countries by income group (a)</i>					
<i>Least developed countries</i>	121	145	547	0.5	1.5
<i>Other low-income countries</i>	273	535	1 037	1.2	2.9
<i>Lower middle-income countries</i>	565	677	902	2.5	2.5
<i>Upper middle-income countries</i>	225	350	621	1.0	1.7
<i>High-income countries</i>	5	5	22	0.0	0.1
<i>More Advance Developing Countries and Territories</i>	396	578	854	1.8	2.4
<i>CEECs and NIS*</i>	187	429	959	0.8	2.7

a. DAC list of aid recipients for resource flows in 1997.

Source : OECD

Table II-8. **Composition of Norwegian trade, 1992 and 1997**

	Imports (USD million)				Exports (USD million)			
	From the world				To the world			
	Non-OECD countries (a)		OECD countries		Non-OECD countries (a)		OECD countries	
	1992	1997	1992	1997	1992	1997	1992	1997
0. Food and live animals	404	542	1 036	1 320	219	714	2 462	2 976
1. Beverages and tobacco	17	32	175	196	1	3	30	36
2. Crude materials, inedible, except fuels	595	763	1 175	1 642	27	47	836	811
3. Mineral fuels, lubricants and related materials	57	118	717	1 072	145	568	17 303	25 546
4. Animal and vegetable oils, fats and waxes	13	63	49	93	1	2	34	52
5. Chemicals and related products, n.e.s.	59	177	2 278	2 882	64	105	929	1 331
6. Manufactured goods	314	647	4 294	5 332	245	263	4 234	5 909
7. Machinery and transport equipment	626	1 607	9 217	13 557	1 822	1 517	3 337	4 369
8. Miscellaneous manufactured articles	683	1 025	4 112	4 403	71	137	1 018	1 300
9. Commodities and transactions, n.e.s.	22	29	232	267	363	513	2 008	2 351
<b>Total</b>	<b>2 790</b>	<b>5 004</b>	<b>23 284</b>	<b>30 764</b>	<b>2 959</b>	<b>3 869</b>	<b>32 190</b>	<b>44 681</b>

	Imports share by commodities				Exports shares by commodities			
	From the world				To the world			
	Non-OECD countries (a)		OECD countries		Non-OECD countries (a)		OECD countries	
	1992	1997	1992	1997	1992	1997	1992	1997
0. Food and live animals	14.5	10.8	4.4	4.3	7.4	18.5	7.6	6.7
1. Beverages and tobacco	0.6	0.6	0.8	0.6	0.0	0.1	0.1	0.1
2. Crude materials, inedible, except fuels	21.3	15.3	5.0	5.3	0.9	1.2	2.6	1.8
3. Mineral fuels, lubricants and related materials	2.1	2.4	3.1	3.5	4.9	14.7	53.8	57.2
4. Animal and vegetable oils, fats and waxes	0.5	1.3	0.2	0.3	0.0	0.0	0.1	0.1
5. Chemicals and related products, n.e.s.	2.1	3.5	9.8	9.4	2.2	2.7	2.9	3.0
6. Manufactured goods	11.2	12.9	18.4	17.3	8.3	6.8	13.2	13.2
7. Machinery and transport equipment	22.4	32.1	39.6	44.1	61.6	39.2	10.4	9.8
8. Miscellaneous manufactured articles	24.5	20.5	17.7	14.3	2.4	3.5	3.2	2.9
9. Commodities and transactions, n.e.s.	0.8	0.6	1.0	0.9	12.3	13.2	6.2	5.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

a. Including residuals.

Source: OECD.

Table II-9. Exports

	Value			Share of total	
	(USD million)			(per cent)	
	1987	1992	1997	1987	1997
<i>Non-OECD countries by region</i>					
<b>Sub-Saharan Africa</b>	<b>230</b>	<b>662</b>	<b>265</b>	<b>1.1</b>	<b>0.5</b>
Liberia	119	495	106	0.6	0.2
South Africa	7	3	28	0.0	0.1
<b>North-Africa and Middle East</b>	<b>228</b>	<b>363</b>	<b>308</b>	<b>1.1</b>	<b>0.6</b>
Egypt	26	27	46	0.1	0.1
Israel	3	7	6	0.0	0.0
<b>Asia</b>	<b>558</b>	<b>844</b>	<b>1 913</b>	<b>2.6</b>	<b>3.9</b>
South & Central Asia	184	158	470	0.9	1.0
India	51	57	71	0.2	0.1
Russia	0	0	343	0.0	0.7
Far East	374	686	1 443	1.7	3.0
China	81	142	307	0.4	0.6
Chinese Taipei	47	78	434	0.2	0.9
<b>America</b>	<b>443</b>	<b>710</b>	<b>834</b>	<b>2.1</b>	<b>1.7</b>
North & Central America	323	553	471	1.5	1.0
Bermuda	0	59	176	0.0	0.4
Panama	287	173	106	1.3	0.2
South America	121	157	363	0.6	0.7
Brazil	56	94	232	0.3	0.5
Chile	14	26	46	0.1	0.1
<b>Oceania</b>	<b>11</b>	<b>1</b>	<b>7</b>	<b>0.1</b>	<b>0.0</b>
<b>Europe</b>	<b>53</b>	<b>250</b>	<b>419</b>	<b>0.2</b>	<b>0.9</b>
<b>Total Non-OECD countries</b>	<b>1 523</b>	<b>2 831</b>	<b>3 748</b>	<b>7.1</b>	<b>7.7</b>
<b>Total OECD countries</b>	<b>19 051</b>	<b>32 190</b>	<b>44 681</b>	<b>88.8</b>	<b>92.0</b>
<i>Residuals</i>	875	127	121	4.1	0.2
<b>Overall total</b>	<b>21 449</b>	<b>35 149</b>	<b>48 550</b>	<b>100.0</b>	<b>100.0</b>
<i>Non-OECD countries by income group (a)</i>					
Least developed countries	194	554	205	0.9	0.4
Other low-income countries	215	321	480	1.0	1.0
Lower middle-income countries	487	491	572	2.3	1.2
Upper middle-income countries	161	409	562	0.8	1.2
High-income countries	15	12	44	0.1	0.1
More Advance Developing Countries and Territories	354	903	1 267	1.6	2.6
CEECs and NIS	99	140	617	0.5	1.3

a. DAC list of aid recipients for resource flows in 1997.

Source : OECD.



## **PRESS RELEASE OF THE DAC PEER REVIEW OF NORWAY**

Norway's aid effort ranks second among the 21 Member countries of the OECD's Development Assistance Committee (DAC) in terms of the ratio of official development assistance (ODA) to Gross National Product (GNP) (0.91% in 1998). It is based on broad national consensus and public support in Norway for development assistance, underpinned by churches, a strong non-governmental organisations (NGOs) community and an ongoing development education effort.

At the Peer Review of Norway's aid policies held on 12 October 1999, the DAC commended Norway for this impressive record. The Chair of the DAC, Mr Jean-Claude Faure, summarised the Committee's findings:

- Norway's strong performance on the volume of aid is supported by strategic directions which are in harmony with the development partnership approach.
- There is a strong poverty focus in Norway's long-term development assistance, with aid flowing predominantly to poor countries with good policies, in a three-pronged approach: helping to foster economic growth; contributing to social development programmes of the partner country; and targeting aid on vulnerable groups. At the same time, as for many other donors, Norway's operational approaches and budget allocations for poverty reduction can be further strengthened as part of the overall international effort to reduce by one half the proportion of people living in poverty by the year 2015.
- Norway's high ambitions to contribute to development, human rights, democracy and peace, have created new frontiers of policy evolution as well as a number of pressing challenges at the strategic and organisational level. Under the new government, this agenda has generated a very active phase of policy definition backed up by the elaboration of implementation guidelines and mechanisms.
- Norway has for long been keen to concentrate its long-term bilateral assistance in twelve priority countries. But political and humanitarian priorities have emerged as a second element of Norwegian aid, leading to increased geographic dispersion. The proportion going to emergency aid has risen to 16%, well above the DAC average of 4%.
- With the broadening of the agenda to embrace the political foundations of development and conflict resolution, the Ministry of Foreign Affairs (MFA) is now playing a more important role in implementing the programme, in partnership with a number of key NGOs. As a consequence, the division of labour between MFA and the Norwegian Agency for Development Cooperation (NORAD) - the implementing agency - is evolving.
- The move from working at the project level to supporting programmes and sector-wide approaches in long-term development relationships creates a need for new roles and capacities for NORAD.

- Partnership also implies a transformation in the role of the Norwegian private sector, from being the recipient of export subsidies to being investors and partners in developing country enterprises.
- The more extensive agenda creates a more demanding set of policy coherence challenges.

The Norwegian authorities have been acknowledging and responding to these points and concerns in their aid policies and organisational arrangements:

- The MFA has been reorganised to better integrate foreign policy and the new development priorities, such as human rights and good governance, into an overall approach to development co-operation.
- NORAD is taking a larger responsibility for formulating country strategies and for the policy dialogue at country level in the designated partner countries.
- A new organisation, the Norwegian Risk Capital Fund for Developing Countries (NORFUND) has been set up to promote and take part in the establishment of sustainable and profitable businesses in developing countries.
- To help ensure transparency and coherence in dealing with human rights issues related to developing countries, a consultative framework between the authorities, the business communities and NGOs has been established (KOMPakt).
- The government has in the budget for 2000 proposed to Parliament a timetable for the achievement of the agreed 1% ODA/GNP target. The DAC welcomed this proposal and hoped that it will be agreed.

The Committee recommended to:

- Strengthen the capacities to actively contribute to sector-wide approaches and poverty-oriented programmes designed by partner countries.
- Strengthen the reform of the approaches to private sector development.
- Achieve greater policy coherence in agricultural trade.

The Norwegian Delegation was led by Ms. Tanja Heiberg Storm, Assistant Secretary General, Ministry of Foreign Affairs. The examiners were Australia and the European Commission.

## DESCRIPTION OF KEY TERMS

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information. Full definitions of these and other related terms can be found in the "Glossary of Key Terms and Concepts" published in the DAC's annual Development Co-operation Report.*

**ASSOCIATED FINANCING:** The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with any other funding to form finance packages.

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

**DAC LIST OF AID RECIPIENTS:** A two-part List of Aid Recipients was introduced by the DAC with effect from 1 January 1994. Part I of the List is presented in the following categories (the word "countries" includes territories):

**LLDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LLDC, countries must fall below thresholds established for income, economic diversification and social development.

**Other LICs:** Other Low-Income Countries. Includes all non-LLDC countries with per capita GNP less than USD 765 in 1995 (World Bank Atlas basis).

**LMICs:** Lower Middle-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) between USD 766 and USD 3 035 in 1995.

**UMICs:** Upper Middle-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) between USD 3 036 and USD 9 385 in 1995.

**HICs:** High-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) more than USD 9 385 in 1995.

Part II of the List comprises "Countries in Transition". These comprise: i) more advanced Central and Eastern European Countries and the New Independent States of the former Soviet Union; and ii) more advanced developing countries.

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

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

**EXPORT CREDITS:** LOANS for the purpose of trade and which are not represented by a negotiable financial instrument. Frequently these LOANS bear interest at a rate subsidised by the government of the creditor country as a means of promoting exports.

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

**GRANT ELEMENT:** Reflects the **financial terms** of a commitment: interest rate, maturity and grace period (i.e. the interval to the first repayment of principal). The grant element is nil for a LOAN carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a LOAN at less than 10% interest.

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

**OFFICIAL AID:** Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC LIST OF AID RECIPIENTS.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** GRANTS or LOANS to countries and territories on Part I of the DAC LIST OF AID RECIPIENTS (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are at concessional financial terms (if a LOAN, having a GRANT ELEMENT of at least 25%).

**OTHER OFFICIAL FLOWS (OOF):** Transactions by the official sector with countries on the DAC LIST OF AID RECIPIENTS which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID.

**PARTIALLY UNTIED AID:** OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all aid recipient countries.

**PRIVATE NON-CONCESSIONAL FLOWS:** Consist of the following flows at market terms financed out of private sector resources:

**Direct investment:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF AID RECIPIENTS.

**Bilateral portfolio investment:** Includes bank lending, and the purchase of shares, bonds and real estate.

**Multilateral portfolio investment:** This covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

**Private export credits:** See EXPORT CREDITS.

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

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

**UNTIED AID:** OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services may be fully and freely procured in substantially all countries.

**VOLUME:** Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. To give a truer idea of the volume of flows over time, some data are presented in **constant prices and exchange rates**, with a reference year specified. This means that adjustment has been made to cover both inflation between the year in question and the reference year, and changes in the exchange rate between the currency concerned and the United States dollar over the same period.

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