

DAC Peer Review

NORWAY

Development Assistance Committee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Examen du CAD par les pairs Norvège

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The Peer Review Process

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

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

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

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Japan and Spain for the Peer Review on 23 November 2004.

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

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

LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
CAP	United Nations Consolidated Inter-Agency Appeals
CDF	Comprehensive Development Framework
COMESA	Common Market for East and Southern Africa
DAC	Development Assistance Committee
DIDP	Department for International Development Policy
DFID	Department for International Development
DPNREA	Department for Trade policy, Natural Resources and Environmental Affairs
FAO	Food and Agriculture Organization
GDP	Gross domestic product
GIEK	Norwegian Guarantee Institute for Export Credits
GOVNET	Development Assistance Committee Network on Governance
GOZ	Government of Zambia
GNI	Gross national income
GSP	General System of Preferences
H&A	Harmonisation and Alignment
HIP	Harmonisation in Practice
HIPC	Heavily indebted poor countries
HIV	Human immunodeficiency virus
ICRC	International Committee of the Red Cross
IFRC	International Federation of Red Cross and Red Crescent Societies
IFI	International Financial Institutions
IHL	International Humanitarian Law
ILO	International Labour Organization,
IMF	International Monetary Fund
KOMPakt*	Consultative Body on Human Rights and Norwegian Economic Involvement Abroad
LICs	Low-income countries
LICUS	Low income countries under stress
LDCs	Least developed countries
MDGs	Millennium Development Goals
MFA	Ministry of Foreign Affairs
MFNP	Ministry of Finance and National Planning
MTEF	Medium Term Expenditure Framework
MOPAN	Multilateral Organisations Performance Assessments Network
MOU	Memorandum of Understanding

NCA	Norwegian Church Aid
NGOs	Non-governmental organisations
NHO	Confederation of Norwegian Business and Industry
NRC	Norwegian Refugee Council
NORAD	Norwegian Agency for Development Cooperation
NOREPS	Norwegian Emergency Preparedness System
NORFUND	Norwegian Investment Fund for Developing Countries
NUPI	Norwegian Institute of International Affairs
OCHA	Coordination of Humanitarian Affairs
ODA	Official development assistance
PCD	Policy Coherence for Development
PRSPs	Poverty Reduction Strategy Papers
SWAPs	Sector-wide approaches
TNDP	Transitional National Development Plan
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WHO	World Health Organization
WTO	World Trade Organization
ZNAN	Zambian National Aids Network

* Denotes acronym in original language

Exchange rates (NOK per USD) were:

1999	2000	2001	2002	2003
7.7969	8.7967	8.993	7.9856	7.0775

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

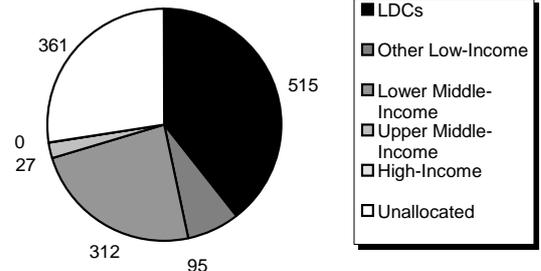
Gross Bilateral ODA, 2002-03 average, unless otherwise shown

Net ODA	2002	2003	Change 2002/03
Current (USD m)	1 696	2 042	20.4%
Constant (2002 USD m)	1 696	1 775	4.6%
In Norwegian Kroner (million)	13 544	14 457	6.7%
ODA/GNI	0.89%	0.92%	
Bilateral share	68%	72%	
Net Official Aid (OA)			
Current (USD m)	45	50	11.6%

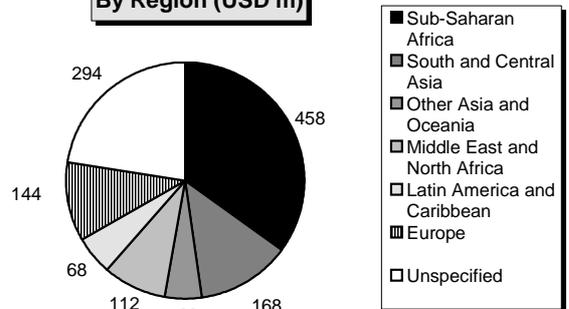
Top Ten Recipients of Gross ODA/OA (USD million)	
1 Afghanistan	65
2 Tanzania	57
3 Palestinian Adm. Areas	52
4 Mozambique	46
5 Iraq	38
6 Uganda	35
7 Serbia & Montenegro	33
8 Ethiopia	33
9 Somalia	33
10 Zambia	32

By Income Group (USD m)

Clockwise from top



By Region (USD m)



By Sector

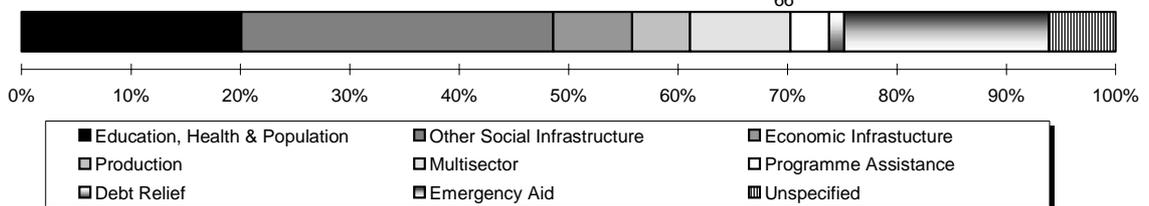


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DAC'S MAIN FINDINGS AND RECOMMENDATIONS

Norway is setting an example for the DAC

With an ODA/GNI ratio of 0.92% Norway ranked first among DAC members in 2003 and is approaching the 1% target set by the Norwegian government for 2005. It was the first creditor nation in 2000 to offer 100% debt forgiveness to LDCs involved in the initiative in favour of heavily indebted poor countries (HIPC), with debt forgiveness treated over and above ODA budgets. Norway has also become one of the major donors financing humanitarian action and stands out as a positive example on how to respond to humanitarian needs.

Since the 1999 Peer Review the government has strengthened its focus on the fight against poverty, with the Millennium Development Goals (MDGs) serving as the central point of reference. It has taken a leadership role with respect to donors' efforts to harmonise practices and align with the national poverty reduction strategies of developing partner countries. Norway is progressively moving towards the adoption of aid modalities that reflect increased donor co-ordination, aid effectiveness and national ownership in the context of strategies developed by partner countries. The government has also endorsed the principles and good practice of Good Humanitarian Donorship.

New developments and overall strategy

Fighting poverty is the main axis

On the policy front, major documents emphasizing the fight against poverty were issued since the last peer review. Foremost amongst them are *Fighting Poverty: The Norwegian Government's Action Plan for Combating Poverty in the South Towards 2015* (2002); and the recent White Paper *Fighting Poverty Together, a Comprehensive Development Policy* (2004). Three supporting policy documents papers were also produced, on HIV/Aids (2000), on education (2003) and on peace-building (2004); as well as two action plans (2004), one on debt relief and the other on agriculture. Those documents provide useful guidance regarding Norway's principles, policy orientations and objectives.

Norway is moving towards a rights-based approach to development in connection with the fight against poverty. It will assist partner countries to incorporate their obligations to deliver on human rights (economic, social and cultural as well as civil and political) within their national poverty reduction strategies. While it will continue to provide support to civil society organisations that act as watchdogs of government, the government will only support service providers that align their activities with national policy frameworks like the Poverty Reduction Strategy Papers (PRSPs).

The reorganised Norwegian aid administration: work in progress

In 2004, the planning, execution and administration of Norwegian development co-operation activities were integrated into the MFA and decision-making was further decentralised to the country level. In addition to being responsible for implementing development programmes, embassies now assume a central role to improve the co-ordination and coherence of bilateral and multilateral efforts. The Norwegian Agency for Development Cooperation's (NORAD) responsibilities were modified to cover evaluation, quality assurance, knowledge management; and the administration of grant schemes in favour of civil society organisations and the private sector. As a technical directorate under the Ministry of Foreign Affairs (MFA) it also provides advisory services to the ministry and the embassies upon request.

It is still too early to draw conclusions on the impact of the reorganisation. The reform was prompted by the recognition that linkages between policy, strategy and implementation needed to be improved and the division of labour between the MFA, NORAD and the embassies clarified. The Government also wanted to reduce the duplication and fragmentation of aid interventions; develop its ability to interact with all relevant actors at country level; and strengthen the focus on results. Furthermore, it was felt that a more holistic approach to poverty reduction and development was needed as well as an aid administration better adapted to new aid modalities and the trend towards more co-ordination and decentralisation.

Public support for development aid is intact

There is a strong national consensus in Norway regarding development co-operation, both with respect to funding levels and the priority given to the MDGs, and little disagreement in Parliament regarding the global role Norway is playing. Debates on development-related issues are widely reported in the media. Recurrent issues pertain to refugees and asylum seekers, debt cancellation, HIV/Aids, aid untying and the corporate social responsibility of Norwegian companies. Recently, the publication of the government's comprehensive development policy has stimulated consultations on development results, harmonisation, priority-setting and the role of NGOs.

Recommendations

- The Norwegian government should continue to reflect on how the implementation of its rights-based approach to development affects Norway's policy dialogue with its priority partner countries, including on locally-owned strategies.
- In the interest of mutual learning Norway's experience with respect to the reorganisation of the aid administration could be shared so that other donors may benefit from lessons learned.
- The Norwegian authorities should continue to strengthen their focus on results as part of donors' collective efforts, especially in light of the increased weight to be given to sectoral and budget support. This could contribute to ensuring public support for Norwegian development co-operation.
- Given the White Paper's strong emphasis on private sector development Norway could come up with innovative strategies that mobilise the full potential of the private sector, particularly in priority countries.
- Norway should explore ways of ensuring that its focus on gender equality is not dissipated as a result of mainstreaming. Other donors could be interested in learning from Norway's long term experiences.

Aid volumes and distribution

While Norway is excelling in terms of ODA/GNI ratio...

Norway ranks first among the 22 DAC member countries in terms of ODA/GNI. In 2003, total net ODA was USD 2.04 billion. After falling during the 1990s, in part due to methodological changes in assessing GNI, and again in 2000, Norwegian ODA increased from 0.76% of GNI in 2000 to 0.92% in 2003. The current government has expressed its intention to maintain the 1% target throughout the 2005-2009 parliamentary period and even beyond. Norwegian ODA well exceeds the 2003 DAC average of 0.41% but is below its previous level of 1.17% during the early 1990s.

... aid is still dispersed both geographically and sectorally

Bilateral aid constituted 72% of Norwegian ODA in 2003, spreading over 120 countries. Of those seven are “main partner countries” (all of them LDCs) as opposed to eleven up until 2001, and seventeen are “other partner countries” (five of them LDCs). Sub-Saharan Africa received 48%, South and Central Asia 17%, Europe 12%, the Middle East 13% and Latin America 6%. Contributions to LDCs represented 55% compared to the DAC average of 30%. Two of the seven main partner countries (Mozambique and Tanzania) were among the top five recipients in terms of volume in 2002-03.

The share of main partners’ bilateral ODA has decreased continuously during the last ten years. In 2002-2003, the top five recipients (three of which were LDCs) received 27% of total Norwegian bilateral ODA, compared to 30% in 1997-98. The top 20 recipients received 67%, compared to 68% also in 1997-98. During the last ten years the share of bilateral ODA going to other recipients has been high (60% in 2002), with the number of countries increasing. This percentage includes multi-bi support, emergency and distress relief (including the first year cost of refugees in Norway), peace-building, democratisation, transitional assistance as well as activities in countries in South East Europe, the Caucasus and Central Asia. The large number overall of recipient countries is explained by the geographic spread of NGO projects, foreign students and humanitarian action.

There is no formal strategy regarding the choice between the different aid channels (bilateral, multilateral, NGOs). The deciding factors are countries’ own efforts in reaching the MDGs “and other important development goals and rights”. Emphasis is placed on the quality of aid delivered and on achieving results; and whether the activity is supporting national poverty reduction strategies and strengthening national or local institutions and organisations. The selection of sectors also depends on the harmonisation processes that are put in place in a number of partner countries.

Norway prioritises support to areas where it can effectively contribute to poverty reduction. These are: education, health, HIV/aids, the follow-up to the WEHAB-initiatives (water, energy, health, agriculture and biological diversity) and the rights of vulnerable groups. In addition, Norway will also be guided to a certain extent by its ability to provide specialist competence in the form of national experts. This is believed to be found in areas such as governance, private sector development and trade, sustainable development and natural resources management, capacity strengthening and peace-building. In 2001-02, ODA volumes to social infrastructure and services were 55% of bilateral ODA, and 50% during 2003-04 compared to a DAC average of 35%. Despite strong positioning on trade and private sector development, little expenditure is reported under these categories.

Support to multilateral agencies is strong

Norway is a strong supporter of the multilateral system and plays an active role in the governing bodies of the multilateral agencies to which it belongs. In 2003, 28% of total ODA went to the multilaterals. Norway expects the UN agencies to respond to the reform agenda in light of the new, co-ordinated ways of doing development co-operation. Together with other donors, the government is exercising pressure on the multilateral agencies to change their procedures in order to participate in joint programming and to pool funds in the context of the PRSPs. In 2003, Norway was the largest contributor to the UN consolidated appeals for humanitarian action measured by contributions as a proportion of Gross Domestic Product.

The changing role and responsibilities of NGOs

A special feature of Norwegian ODA is the very large share allocated through NGOs: an estimated 22% of total Norwegian aid in 2002. Norway relies heavily on Norwegian NGOs for delivering humanitarian action.

The reorganization of the Norwegian aid administration and the trend towards donor harmonisation and alignment with national PRSPs have sharpened the debate on the dependency dilemma and the changing role of NGOs. A number of organisations have expressed concern regarding the extent to which they can exert influence in multilateral agencies. Some NGOs perceive their ability to realise their specific advantages as being constrained by ambitious structures such as the *Zambian Harmonisation in Practice (HIP)* framework. In the context of poverty reduction, the role of NGOs will increasingly consist in enhancing the ability of marginalised groups to fight poverty. A number of them are aware that they may have to adapt their approaches to fit the complex socio-economic and political circumstances to which the poorer sections of developing countries belong. Some Norwegian NGOs see this as a 'window of opportunity' and have begun to reflect on how they can acquire the capacity, knowledge and commitment needed to best assist those groups.

Recommendations

- The Norwegian Government is commended for its commitment to reach the 1% ODA/GNI target. It is encouraged to assess the possibility of multi-year funding commitments for the seven main partner countries so as to increase the predictability of flows for those countries.
- Norway is encouraged to increase the proportion of its long term assistance going to partner countries and to assess the comparative advantage of the different channels and modalities for delivering aid against the poverty reduction goals.
- An explicit strategy could be elaborated to cover the relationship between the Norwegian Government and NGOs. The strategy should encourage and reflect the diversity of roles NGOs fulfil in long term co-operation as service providers and advocacy entities. The criteria for allocating resources to and through NGOs could be clarified and properly conveyed to them. More efforts could be made to assess their contribution towards poverty reduction.

Policy coherence for development

On balance the ground for more effective policy coherence for development (PCD) is evolving positively. PCD is an explicit objective of the White Paper but could be anchored more firmly as a government-wide objective, with the central contribution of policy coherence to improving the effectiveness of Norwegian ODA clearly spelled out. A dialogue on policy coherence has recently been initiated among four ministries which will be expanded to others using the indicative checklist for PCD in conformity with *The DAC Guidelines: Poverty Reduction*. A network of key personnel across the administration has been established to address PCD issues.

The Norwegian Government is active in international fora to make multilateral debt relief schemes more effective and has developed debt relief measures for post conflict countries that make immediate relief possible. Norway also actively supports anti-corruption activities and promotes corporate ethical behaviour with new guidelines shunning companies because of behaviour that breaches human rights, involves corruption or environmental damage. It is reporting to the United Nations General Assembly in the context of the Millennium Declaration and intends to continue this

practice. Norway is also commended for its July 2002 decision to grant duty and quota free access to all products from LDCs to Norwegian markets and could extend this to other developing countries.

Recommendations

- The Norwegian Government should report regularly on its actions aimed at improving policy coherence and explore the possibility of integrating the Millennium Development Goals into relevant policy areas such as trade, agriculture, environment, security, migration and economics. It could also set up a ‘whole-of-government mechanism’ to strengthen PCD with those areas.
- Given its new responsibilities NORAD could be mandated in the future to conduct evaluations related to policy coherence for development.
- Norway should review the very high levels of agricultural protection to all but Least Developed Countries (LDCs) and its safeguard clauses associated with its general system of preferences to create more solid and durable export opportunities for developing countries.

Aid management and implementation

An increased political and strategic role for Norwegian embassies?

The reorganisation of the aid administration is perceived as an opportunity for the MFA to simplify its structure and improve its delegation procedures and the division of labour in the ministry and between the embassies and headquarters. As the new system falls into place, embassies should increasingly contribute to strategic planning and the monitoring of donor efforts at harmonization and alignment, as is already happening in Zambia. New topics could also be covered at embassy level (*e.g.*, budget support, peace-building, regional integration) and sensitive issues (*e.g.*, human rights, gender equality, humanitarian action). With increased responsibility the embassies could be made more accountable to both partner governments and Norwegian authorities.

New challenges for NORAD

Following the reorganisation, NORAD continues to have a critical mass of professional expertise. However, some gaps, particularly to provide advisory services to embassies, may be difficult to fill now that a number of highly qualified staff have moved from NORAD to the MFA. The evaluation, quality assurance and knowledge management functions should be clarified as well as the linkages between them to improve understanding of how these functions relate to each other.

Having an adequate skills mix

The reorganisation has resulted in a redeployment of staff, mostly from NORAD to the MFA and the embassies, with no net staff increase or lay offs. Following the ongoing reorganisation, continuing attention should be given to ensuring the proper match between NORAD’s responsibilities and the competence profile of its staff. A number of MFA jobs increasingly require substantive and sector-specific expertise, *e.g.* in private sector development and gender equality, in addition to competences in the areas of policy dialogue and reporting. Within the embassies, staff must combine strong diplomatic skills with macroeconomic and policy-level expertise as well as process skills to present Norwegian policy and discuss other countries’ positions in donor co-ordination and other fora. In Zambia, it seems that this has not been a problem: the integration of foreign policy and development work has functioned well to the present, though Norway might give more attention to the political dimension.

Towards building a results-oriented culture

The responsibility for monitoring results has moved to the MFA. This provides an opportunity for the ministry to sharpen its ability to track and link inputs to activities and outputs, to focus on impact and incorporate lessons learned into decision making processes. But it also presents limits in terms of taking into account NORAD's evaluation results in future policy and programme and project implementation, and more generally for enhancing systemic learning. This is a challenge facing both the ministry and NORAD, one that depends on sharing information and good knowledge management throughout the institutions.

Norway's new modes of operation in the context of harmonisation and alignment

As a member of the Nordic Plus group of countries¹ Norway has been a driving force in the promotion of donor reform to reduce transaction costs for partner countries and increase aid effectiveness. It has played, and still plays, a positive and constructive role bilaterally as well as multilaterally in the harmonisation of donor practices and alignment with national poverty reduction strategies.

Norway is planning to have an operational plan on harmonisation and alignment effective January, 2005. The plan will look into routines for information flows between the MFA and embassies in particular and collaboration and harmonisation initiatives with multilateral institutions. In Zambia, the Norwegian Government played a decisive role in the construction of a tailored plan for donor harmonisation, with a number of useful lessons emerging from the initial phase of the HIP process. The Zambian experience as well as other pilot cases will be presented to the High Level Forum planned for March, 2005.

The trend towards harmonisation and alignment with national PRSPs means that embassy staff increasingly consult with mostly higher level officials from the partner countries' Finance and Planning ministries and from other donor representations in-country, with less and less involvement in day to day operations. While this is commendable in terms of country ownership, in practice it means that embassies are challenged to maintain close touch with local conditions.

Norway's commitment to new modes of operation is making a difference

Norway is now engaged in sector-wide approaches and involved in direct budget support initiatives where the conditions are sufficiently sound. In Zambia it is pooling financial resources as well as technical assistance with other willing partners in the education sector without specific earmarking, although twinning arrangements are utilized. The guidelines on budget support for developing countries, approved in August 2004, provide a good indication of the conditions under which this aid modality can be used.

The government also keeps a portfolio of projects and increasingly uses silent partnership, *e.g.* in Zambia, or delegated partnership, *e.g.* in Malawi, as implementing mechanisms. Twinning arrangements between Norwegian and partner country institutions as well as framework agreements with Norwegian professional organizations which NORAD can solicit on an *ad hoc* basis, are also utilized. In the case of the silent and delegated partnerships, each individual donor's contribution is less visible when it is pooled with and disbursed by another donor. Reporting to the public on

1. The Nordic Plus group of countries includes: Denmark, Finland, Ireland, Norway, Sweden, the Netherlands and the United Kingdom.

achievements by results or impact, particularly in the context of the MDGs, is a big challenge for the Norwegian government, as for other donors.

Recommendations

- The Norwegian Government could clarify how the embassies will implement the rights-based approach to development.
- Norway should also clarify its results orientation. The challenge of enhancing systemic learning should be addressed by ensuring the continued sharing of information between the MFA and NORAD and good knowledge management throughout the institutions.
- The Norwegian government should ensure that the aid administration has the right mix of people and sufficient resources to provide effective advice and support on all issues which are high on the policy agenda, such as private sector development; and to build on Norway's strong support to gender equality. The recent *Plan of Action: Fighting Poverty through Agriculture* is an opportunity to experiment with innovative thinking and tools in both areas.
- The government should also allocate appropriate resources to allow NORAD to fulfil its new functions.
- Human resources management should evolve to reflect strategic requirements such as budget and sector support and the rights-based approach as well as the increasingly frequent and important policy dialogue with other donors and partner country governments. Incentives for staff to renew, update and develop their knowledge base, including through networking and using other people's knowledge as inputs, should be considered.
- Norway could engage all donors to support capacity development and locally available expertise to assist governments in monitoring harmonisation and alignment processes.

Humanitarian action

A good performance in humanitarian donorship...

Norway takes a leading role on humanitarian donorship and is a major contributor to the multilateral agencies through the UN Consolidated Inter-Agency Appeals and to the International Red Cross and Red Crescent movement. The UN, international organisations and NGOs view Norway as a provider of timely and flexible funding.

Norway's experiences with humanitarian action and involvement in peace processes have helped reinforce the relationship between peace and development and emphasized the need for a systematic approach to transitional assistance and peace-building. A special budget line to fill the financing gap during transitions has been established as a result. A strategic framework for peace-building within development co-operation has also been launched.

...but a comprehensive policy document is called for...

There is no comprehensive policy document explaining Norway's humanitarian policies other than the annual budget proposition to the Storting. This makes it more difficult to assess how Norway sets priorities and ensures that its support for humanitarian action adheres to the fundamental principles of humanity, impartiality, neutrality and independence in situations where conflicting objectives may be perceived.

...and co-ordination could be ensured...

Management structures and procedures involved in administering humanitarian action continue to be complex, placing high demand on efficient co-ordination. As for many donors, the administration of Norwegian humanitarian and transitional assistance poses particular challenges to optimize intra- and inter-ministerial co-ordination to ensure effectiveness and consistency.

...to better address emerging issues.

Humanitarian needs assessments are being improved at the international level to better inform decision makers on funding requirements for humanitarian action. This work in progress will enable donors to ensure funding will be provided according to need and to give a more objective basis for decision-making.

Beneficiaries' involvement in the design, implementation, monitoring and evaluation of humanitarian response needs to be more adequately addressed globally and better reflected in donors' policies and procedures.

Increased civil and military co-operation in Iraq and Afghanistan raises major concerns for all involved regarding impartiality, effectiveness and security. This must not compromise humanitarian objectives and principles and reduce the capacity to deliver an effective humanitarian response.

One finding from the Peer Review of Norway confirms that the lack of relevant DAC data makes it difficult to monitor donor performance in humanitarian action. The absence of a common definition of humanitarian action and vague reporting formats constitute a challenge for harmonised donor practices and improved efficiency.

Recommendations

- The government could consider elaborating a comprehensive policy document for humanitarian action, including actions in response to natural disasters (especially in relation to prevention and preparedness), to ensure consistency with the endorsed principles and good practice of humanitarian donorship. The policy document should also address issues related to beneficiaries' involvement.
- Norway must ensure intra- and inter-ministerial co-operation to optimise its humanitarian response and decision-making for funding humanitarian action.
- Norway could strengthen its procedures to ensure that the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies are respected. Given the fact that there is no good practice in the complex field of civil and military co-operation, Norway is well placed to take an active role in addressing these questions in international fora.
- To improve the financial tracking of global humanitarian action, Norway could engage in initiatives to improve accuracy and timeliness in donor reporting on humanitarian action.

SECRETARIAT REPORT

CHAPTER 1

STRATEGIC FRAMEWORK AND NEW ORIENTATIONS

Poverty reduction is the central objective of Norwegian development co-operation

Norway's commitment to development co-operation has recently been reinforced with the publication of several major policy statements and an increase of Official Development Aid (ODA) disbursements, now approaching the target set by the government of 1.0% of Gross National Income (GNI). Foremost amongst these statements are *Fighting Poverty Together, a Comprehensive Development Policy*, the recent White Paper presented to Parliament in 2003 (Norwegian Ministry of Foreign Affairs (MFA), 2004a) and *Fighting Poverty: The Norwegian Government's Action Plan for Combating Poverty in the South Towards 2015* (2002a). Three supporting policy documents papers were also produced, on HIV/Aids (2000), on education (2003) and on peace-building (2004); as well as two action plans (2004), one on debt relief and the other on agriculture. Those documents were published against a backdrop of growing international consensus on development co-operation, as seen at the Millennium Summit, the Monterrey Conference on Financing for Development, the Johannesburg Conference on Sustainable Development and the Rome Forum on Donor Harmonisation. They provide useful guidance regarding Norway's principles, policy orientations and objectives.

Box 1. Fighting poverty together: a comprehensive development policy

Poverty reduction is the central objective of Norwegian co-operation, with the Millennium Development Goals (MDGs) as the guiding framework. Particular importance is attached to a global partnership, *i.e.* the objective of MDG 8.

To achieve the poverty goals changes must take place in four areas:

- The international framework conditions - *i.e.* trade, technology transfer, debt relief - and policy coherence.
- Governance - *i.e.* a genuine willingness by the developing countries to put their own house in order.
- International development assistance – *i.e.* more and better development co-operation and putting recipient countries in the driver's seat.
- Mobilisation – *i.e.* of the private sector and civil society organisations.

Norway has a responsibility by virtue of its wealth, but a moral responsibility as well, to support the efforts of people in developing countries to improve their situation and future prospects. The multilateral policy system (especially the International Monetary Fund (IMF), the World Trade Organization (WTO) and the World Bank) should be more sensitive to developing countries' needs and allow them more say in shaping decisions. As service providers, non-governmental organisations (NGOs) should work in line with poverty reduction and sector strategies. Finally, donors and partner governments alike must be able to deliver measurable results.

The major risks/challenges to meeting the development goals include: conflict; HIV/Aids; corruption; and environmental degradation.

Source: MFA (2004), Fighting Poverty Together: A Comprehensive Development Policy, Report No. 35 (2003-04) to the Storting.

The most important priority for Norwegian development policy is to fight poverty, with the Millennium Development Goals (MDGs) serving as a central point of reference. Support for a meaningful global partnership to achieve the MDGs is a key objective of Norway's dialogue with other donors, including multilateral institutions, with NGOs and with partner countries.

Reactions to the White Paper have covered a wide range of views. Many comments have focussed on the aspects of the document regarding NGOs and the expectation that they should align their activities more with official programmes, without sufficiently acknowledging the value of their independence. Criticism has also been voiced about the emphasis on results without due recognition of the difficulty of specifying these results in the development co-operation context. There have been expressions of disappointment that the strategy is not forward-looking enough, lacking ambition with respect to desired outcomes *i.e.* on trade and debt (Hofsvang, 2004). Despite those comments, the White Paper has generated broad public support and has been commended in particular for its comprehensiveness, the reference to a rights-based approach to development and the commitment to increase ODA volume.

A new way of delivering on poverty reduction goals

In its bilateral development co-operation the Norwegian Government makes a distinction between two categories of recipient countries: main partner countries and other partner countries (see Chapter 2). To deliver its policy undertakings, Norway will maintain its tight focus on the seven main partner countries, all of which are Least Developed Countries (LDCs). It will target education, health, private sector development (with emphasis on agriculture), peace-building, environment and natural resource management, HIV/Aids, improved governance (with particular attention to anti-corruption actions) and respect for human rights, and employment creation. Of this list, no more than two or three sectors will normally be pursued in each main partner country.

With respect to improving aid effectiveness, Norway is already active in efforts on harmonisation and alignment (H&A) (see the Zambia Harmonisation in Practice framework in Chapter 6). Within the "Nordic plus" group of countries, it has led discussions in headquarters on scope for harmonisation, though the true test will lie in the partner countries through systemic behaviour change. The government has also taken steps to implement delegated or silent partnerships with other donors as well as using partner strategies [poverty reduction strategy papers (PRSPs) in particular] as its own country strategies, where the local conditions permit.

Though Norway's seven main partner countries are performing reasonably well, the situation can change rapidly. Thus attention is also given to poor performers and the role of donors with respect to Low income countries under stress (LICUS). The Norwegian approach is to help strengthen key institutions, including watchdog organisations that focus on government performance, and make common cause with other donors and international institutions in terms of monitoring trends in performance and outcomes. A high value is placed on the responsibility of the partner government in identifying priorities and setting standards, without necessarily holding out the promise of additional resources for doing the right thing. On the other hand, rather than risk 'losing' countries that are struggling to deliver the expected results, the Norwegian Government recognizes the importance of reassuring and supporting those which have begun building or re-building governance capacity.

Humanitarian affairs hold a distinct and prioritised position in Norwegian foreign policy. With respect to humanitarian action, conflict prevention, peace-building and support for transition to long-term development, Norway spelled out its commitment to helping meet pressing challenges to countries and populations in need of assistance. At the same time it is maintaining its policy of concentrating its long-term co-operation on a small number of countries. The government has played a

key role in several protracted conflict situations – Sudan and Sri Lanka to name but two – recognising the links between peace and stability and development; deploying political/diplomatic efforts along with humanitarian action; and maintaining important levels of support for key multilateral (UN) entities. Following-up on the Development Assistance Committee (DAC) Guidelines on *Helping Prevent Violent Conflict* and joint commissioned work within the Utstein Group² on peace-building, Norway has developed a strategic framework on how its development policy can contribute to peace-building (MFA, 2004c) (see Chapter 3). Since 2002, the government has a special budget line to address gaps in transition situations in which neither humanitarian assistance nor long term development co-operation measures seem adequate.

Norway is moving towards a rights-based approach to development in connection with the fight against poverty. It will assist partner countries to incorporate their obligations to deliver on human rights (economic, social and cultural as well as civil and political) within their national poverty reduction strategies. While it will continue to provide support to civil society organisations that act as watchdogs of government, the government will only support service providers that align their activities with national policy frameworks like the PRSP.

In April 2004 a major reorganisation of Norway's aid architecture (see Chapter 5), including a shift of responsibility for the delivery of development co-operation programmes from NORAD to the Ministry of Foreign Affairs (MFA), generated some concern among the officials affected, NGOs and academic and research institutions. The medium- to long-term impact of this restructuring, including the consequences in the loss of the NORAD "trademark" which has been associated for many years with the delivery of Norwegian assistance, will be difficult to assess for some time. Simply put, a number of observers are worried about the separation of expertise and delivery responsibility arising from the reorganisation. Questions have also been raised regarding the capacity to deliver an ambitious and wide-ranging policy agenda, especially as Norway places more emphasis on non-project modalities (sector and general budget support), national development strategies and the responsibility of the partner government for achieving development results. From the MFA's side, the development of new aid modalities and the need for greater coherence were main reasons why the reorganisation took place.

One important aspect of the reorganisation is the planned greater decentralisation of decision-making to embassies in priority partner countries, complemented by increased staff levels in those offices. This is generally perceived as a positive step. The management of humanitarian action in general has not been affected by the recent changes in the aid administration.

Political consensus and public support

There is a strong national consensus in Norway supporting development co-operation, both with respect to funding levels and the priority given to the MDGs. While there may be some differences in Parliament between the chief political parties with respect to the orientation of main assistance programmes, with some of the opposition expressing concern about the effects of corruption, attention to the poorest, and wanting to have enhanced reporting and more control, there is little or no disagreement in the global role Norway is playing.

The knowledge of the population about the specifics of Norway's co-operation programmes is quite modest, even given the role of the MFA in public information programmes and the awareness-raising activities of the RORG Network – a constellation of 25 NGOs. Nevertheless, Norwegians seem

2. The original Ustein group includes Germany, Norway, the Netherlands and the United Kingdom.

to be more aware of institutions responsible for development co-operation in their country than citizens in other DAC member countries (OECD, 2003a).

Recurrent issues in the public debate in Norway pertain to refugees and asylum seekers, debt cancellation, HIV/Aids, aid untying, the corporate social responsibility of Norwegian companies as well as the benefits earned by the private sector from its involvement in development co-operation. Debates on development-related issues are widely reported in the media and may involve the private sector. Indeed, a number of large Norwegian companies have begun funding NGO projects in developing countries where they conduct business. More recently, the publication of the government's White Paper has stimulated consultations on development results, harmonisation, priority-setting and the role of NGOs. The Millennium Goal Campaign sponsored in 2004 by the MFA, the Norwegian UN Association, UNICEF Norway, the UNDP Nordic Office and Fredskopset also generated a lot of interest among the Norwegian public.

Many development NGOs in Norway are heavily dependent on financial support from government, raising questions about the risk that these organisations may be reduced to the role of contractors rather than independent interlocutors on policy and programming issues. The debate covers a range of issues, including whether civil society has an entitlement to a significant share of the ODA budget; the kind of partnership it should have with southern civil society; and its monitoring of government policy and operational performance versus its role as contractor in delivering projects. A number of Norwegian NGOs have expressed concern that with the reorganisation of the aid administration there may be contradictions in the enhanced role of embassies with respect to relating to partner governments as well as working with local civil society: In certain partner countries the government may in fact oppose a significant nation-building role for NGOs.

Future considerations

- The Norwegian Government should be commended for its commitment to reach the 1% ODA/GNI level and to the Millennium Development Goals. The authorities may wish to prepare the public on the inevitability of setbacks and slow progress in partner countries and engage in a communication and information campaign to maintain high levels of support.
- The Norwegian authorities should continue strengthening their focus on results as part of donors' collective efforts, especially in light of the increased weight to be given to sectoral approaches and budget support.
- The Norwegian Government should continue to reflect on how the implementation of its rights-based approach to development affects Norway's policy dialogue, including on locally- based strategies, with its priority partner countries.
- An explicit strategy could be elaborated to cover the relationship between the Norwegian Government and NGOs. The strategy should encourage and reflect the diversity of roles NGOs fulfil in long term co-operation as service providers and advocacy entities. The criteria for allocating resources to and through NGOs could be clarified and properly conveyed to them. More efforts could be made to assess their contribution towards poverty reduction.

CHAPTER 2

AID VOLUME, CHANNELS AND ALLOCATIONS

Reaching the 1% target and moving forward on the MDGs

In 2003, Norwegian ODA flows amounted to USD 2.04 billion. Norway is approaching its target of an ODA/GNI ratio of 1%, thus ranking at the very top of DAC members. The intention of the current government to maintain ODA at least at 1% of GNI throughout the 2005-09 parliamentary period seems feasible given the country's strong economic outlook. Through its strong commitment to increasing ODA, Norway is responding to the MDG8 call for allocating more aid to developing countries.

After a falling ODA/GNI ratio during the 1990s, in part due to changes in the calculation of GDP/GNI, and again in 2000, Norwegian ODA increased from 0.76% of GNI in 2000 to 0.92% in 2003. In the government's budget for 2004, ODA has increased to 0.94% of GNI. Norwegian ODA well exceeds the 2003 DAC country average of 0.41%³ and the UN 0.7% target, but is below its previous top level of 1.17% during the early 1990s (see Graph in Table C.1).

According to the Norwegian White Paper on Development Co-operation Policy, the deciding factor in the choice between different channels (bilateral, multilateral, NGOs) is their respective comparative advantage in reaching the MDGs "and other important development goals and rights", such as good governance and the right to adequate food and to an adequate standard of living. Emphasis is placed on the quality of aid delivered and on achieving results; and whether the activity is supporting national poverty reduction strategies and strengthening national or local institutions and organisations. Norway submitted its MDG 8 report to the United Nations in October 2004.

Official channels of aid

Bilateral aid is still dispersed

In 2003, bilateral aid constituted 72% of Norwegian ODA, including country specific programmes distributed through multilateral channels. Sub-Saharan Africa received 48%, South and Central Asia 17%, Europe 12%, the Middle East 13% and Latin America 6% (see Table C.3).

Norway provides ODA to approximately 120 countries. In 2003, seven countries were classified as "main partner countries" (all of them LDCs) and seventeen as "other partner countries" (five LDCs) (see Box 2). Norwegian development co-operation has been criticized for being dispersed in terms of number of countries and sectors. According to the MFA, the large number of countries is explained by the geographic spread of NGO projects and humanitarian aid for countries in crisis, but also by the fact that first year refugee costs and grants to students from developing countries are being classified as bilateral ODA. Following a parliamentary review in 2001, the number of main partner countries was

3. Total DAC ODA amounted to 0.25% of DAC countries' aggregated GNI (see Table C.3).

reduced from eleven to seven (OECD, 2004). Approximately twenty of the 120 recipient countries were affected by complex emergencies and were included in the UN consolidated appeals.

The government is planning to further concentrate aid and to progressively shift from earmarked projects to sector programmes and basket funding. This will help create the conditions for making budget support possible. So far eight countries – Afghanistan, East Timor, Malawi, Mozambique, Nicaragua, the Palestinian Area, Tanzania and Uganda receive budget support from Norway. Programme aid is still very limited as a share of total Norwegian ODA.

Support to humanitarian action

Norway has become one of the major donors in financing humanitarian action: disbursements for emergency and distress relief have increased by 300% over the last ten years, from USD 113.21 million in 1993 to USD 304 million 2003 (17% of gross disbursements).⁴ According to Norwegian statistics another USD 53 million were disbursed as transitional support to countries emerging from conflict and/or natural disasters.

Since 1994 and in accordance with the DAC reporting directives, Norway includes expenditures for assistance to refugees in their first twelve months of stay in a developed country. In 2003, these amounted to 50% of Norway's reported emergency and distress relief.

Policies on allocation between multilateral and bilateral channels are not spelled out but Norway is a great supporter of the multilaterals, aiming at a 50/50 divide between bilateral and multilateral channels. Norway is a large contributor to United Nations Consolidated Inter-Agency Appeals (CAP) and the International Red Cross and Red Crescent Movement Appeals. In 2003, it was the largest donor to the CAP measured by contributions as a proportion of Gross Domestic Product (GDP), and the fifth largest donor measured by contributions in dollars (UN, 2004).

Rationale for allocation decisions

Main partner countries are selected on the basis of good governance and poverty orientation. In those countries Norway wants to engage itself more actively in the policy dialogue than in other countries. There is no formal strategy regarding the choice between the different aid channels (bilateral, multilateral, NGOs). The deciding factors are countries' own efforts in reaching the MDGs "and other important development goals and rights". Emphasis is placed on the quality of aid delivered and on achieving results; and whether the activity is supporting national poverty reduction strategies and strengthening national or local institutions and organisations. The selection of sectors also depends on the harmonisation and alignment (H&A) processes that are put in place in a number of partner countries.

4. DAC data do not have a statistical category for humanitarian action. In DAC reporting directives the term "*Emergency and distress relief*" includes emergency assistance, relief food aid and other emergency and distress relief.

Box 2. Net ODA disbursements to main partners and other partners in 2003

- **Main partners:** Bangladesh USD 12.15 million; Malawi USD 28.16 million; Mozambique USD 54.11 million; Nepal USD 20.22 million; Tanzania USD 67.37 million; Uganda USD 38.37 million and Zambia USD 35.6 million.
- **Other partners:** Angola USD 24.23 million; China USD 11.94 million; Eritrea USD 21.55 million; Ethiopia USD 37.18 million; Guatemala USD 12.38 million; India USD 8.11 million; Indonesia USD 6.57 million; Mali USD 7.48 million; Nicaragua USD 12.67 million; Nigeria USD 4.45 million; Pakistan USD 9.96 million; Sri Lanka USD 28.55 million; The Palestinian Area USD 53.54 million; South Africa USD 15.59 million; Timor-Leste USD 7.1 million; Viet Nam USD 11.53 million and Zimbabwe USD 6.85 million.
- In 2004, India and Zimbabwe were removed from the list of "other partner countries". Afghanistan, Kenya and Madagascar are going to be added to the list.

Of the seven main partner countries in 2002-03, only two belonged to the top five recipients (See Table C.4). Bangladesh, a main partner, is no longer on the list of the top twenty recipients. The number one recipient, Afghanistan, received an amount four times larger than the contribution to Nepal, a main partner. This reflects the scale of humanitarian action and peace-building interventions. It also highlights the fact that despite a satisfying good governance record, a number of countries receive comparatively smaller aid flows than countries that are in a state of emergency.

The share of main partners' bilateral ODA decreased continuously during the last ten years. In 2002-03, the top five recipients (three of which were LDCs) received 27% of total Norwegian bilateral ODA, compared to 30% in 1997-98. The top 20 recipients received 67%, compared to 68% also in 1997-98 (See Table C.4). During the same period the share of bilateral ODA going to other recipient countries has been high (60% in 2002), with the number of countries increasing. This percentage includes multi-bi support, emergency and humanitarian assistance, peace-building, democratisation, transitional assistance and the cost of first year refugees in Norway as well as activities in South East Europe, the Caucasus and Central Asia.

The current government is considering increasing ODA levels to partner and main partner countries as well as the share of ODA going to Africa and LDCs lagging behind in their efforts to reach the MDGs. It will present specific targets to the Storting following a discussion on the White Paper. In 2002-03, thirteen LDCs were amongst the top twenty recipients. Contributions to those countries were 53% of bilateral ODA in 2002 and 55% in 2003, thus by far exceeding the DAC 2002 average of 30%.

Aligning with national poverty reduction strategies

In principle Norway plans to limit its government-to-government interventions to two or three sectors in each partner country. This could be difficult to implement as much will depend on how sectors are defined as well as on partner governments' own sectoral and thematic priorities. Nevertheless this is an encouraging sign that is consistent with the government's move towards adopting new aid modalities, in particular in the context of donor harmonisation and alignment with national poverty reduction strategies.

As observed during the DAC mission to Zambia, Norway uses the national PRSP and the H&A process, when it exists, as the framework for allocating resources. Donor co-ordination mechanisms at country level also help Norway select sectors in line with poverty reduction strategies. Norway prioritizes support to areas for which it can effectively contribute to poverty reduction. These are: education, health, HIV/aids, the follow-up to the WEHAB-initiatives (water, energy, health, agriculture and biological diversity) and the rights of vulnerable groups. In addition, Norway will to a certain extent also be guided by its ability to provide specialist competence. This is said to be found in areas such as governance, private sector development and trade (agriculture and fishery included), sustainable development and natural resources management, capacity strengthening and peace-building. The government may have to resolve the tension between meeting the needs that arise out of the national poverty reduction strategies which it is supporting and the stance it has officially taken to concentrate its development efforts. Donor co-ordination mechanisms available in country should help resolve that tension. Increasingly, the government wants to link Norwegian NGOs' activities in service delivery to poverty reduction strategies as well.

As illustrated in Table C.5, Norwegian commitment towards poverty reduction is strong. ODA volumes to social infrastructure and services were 55% of bilateral ODA in 2001-02 and 50% during 2003-04, compared to a DAC (2002) average of 35%. Norway is engaged in most sectors of the DAC sector categorization but reports very little under trade and tourism. This is unexpected considering the government's commitment to trade as a condition for reducing poverty in LDCs. However, as Norwegian reporting to the Joint WTO/OECD Trade Capacity Building Database has been incomplete, it is difficult to form a judgement on the extent of the activities that are conducted in this field. Norway disbursed 15% of bilateral ODA for emergency and distress relief in 2002 and 17% in 2003, which is higher than the DAC average (see Table C.2).

Table 1. Norwegian bilateral ODA allocated to social infrastructure & services

	Per cent of bilateral ODA			
	1992-93	1997- 98	2002-03	2002 Total DAC
Basic education	0	3	5	2
Basic health	-	2	4	3
Population programmes	3	2	3	4
Water supply & sanitation	1	3	2	3
Government & civil society	1	8	20	8
Other social infrastructure & services	6	6	8	7

Financing for gender equality

Gender mainstreaming was formally adopted with the launch of the Norwegian gender strategy in 1997. Norway's commitment to gender is reflected in the data which is reported to the DAC using the gender policy marker on activities with gender as a "principal" or "significant" objective.⁵ According to the DAC creditor reporting system (CRS), during 1999-2002 on average 16% of reported interventions had gender as a principal or significant objective in addition to other objectives (see Table 2).

5. The DAC marker system was developed to facilitate monitoring and co-ordination of members' activities in support of DAC policy objectives for the 21st century. It also aims at building up shared experience over time as the system evolves.

Table 2. Contributions to gender-related activities (USD million)

Gender marker	1999	2000	2001	2002
Not screened	n.a.	99.1	n.a.	n.a.
Not targeted	919.8	607.0	996.7	841.4
Significant objective	177.2	60.4	65.0	204.0
Principal objective	58.4	28.5	23.0	56.4
<i>Gender-marked aid as % of total bilateral aid</i>	20%	13%	8%	24%

NGOs receive a big share of ODA

A special feature of Norwegian ODA is the exceptionally large share allocated through and to NGOs. Unfortunately Norwegian data do not distinguish between what goes to and what goes through those NGOs. In 2002, an estimated 22% of total Norwegian aid (37% of NORAD's aid) or 34% of bilateral aid was channelled to or through those organisations (MFA, 2004a). All allocations go to project activities. Recipients must cover at least 10% of the costs except for humanitarian action. Of the resources allocated to NGOs in 2002, 23% was channelled to Norwegian NGOs for emergency assistance and 65% to long term development projects. NGOs from developing countries as well as international NGOs received 12% of Norwegian support (MFA, 2004a).

Norwegian NGOs are constrained by a principle demanding religious and political neutrality (Bondevik, 2004). According to this principle aid is provided in a manner that does not discriminate on the basis of social background, gender, life philosophy, political opinion or ethnic and cultural affiliation. Only development-related activities based on these principles can be funded. In 2003, the top five organisations (see Table 3) received 44% of total support provided to the over one hundred Norwegian NGOs.

Funding and evaluation requirements concerning NGOs seem to differ according to whether they belong to the traditional and broad-based category of organisations active in development co-operation or the newer, more specialized ones with smaller membership. According to the White Paper, public support to the new organisations has to be assessed continuously and with a special emphasis on effectiveness and adherence to national strategies. In long term co-operation with the Norwegian Government, as well as in humanitarian action and regional projects, more emphasis will be given to the professional capacity of NGOs and less to the degree of popular support they receive in Norway (MFA, 2004a).

The Storting has recently requested a discussion on the criteria and guidelines for allocating funds to NGOs. The government is planning to establish a committee to consider a number of aspects related to the use of NGOs as a channel for development assistance. Those are welcome initiatives considering the high proportion of aid channelled to and through those organisations and the pressure for them to improve their performance and contribute to poverty reduction in developing countries.

Table 3. NGOs receiving support from NORAD in 2003

Top five recipients (NOK 1000/USD 1000)

Organisation	Allocation	
Norwegian Church Aid	NOK 211 265	USD 30 000
Norwegian People's Aid	154 377	22 000
The Norwegian Save the Children	147 693	21 000
Norwegian Interdenominational Office for Development Co-operation	140 416	20 000
The Norwegian Red Cross	57 025	8 000
Top five total	710 776	100 000
All NGOs total	1 628 190	230 000

Source: NORAD, Annual Report 2003.**Official aid**

Official aid⁶ amounted to USD 45 million in 2002, of which almost all was bilateral. The top five recipients in 2002 were: Russia (USD 22.70 million) Romania (USD 1.30 million), Poland (USD 1.06 million), Lithuania (USD 1 million) and Latvia (USD 0.81 million). The contribution to Russia exceeded contributions to several of the main partner countries. Norwegian unallocated bilateral contributions in 2002 were slightly above the DAC average – 26% (28% in 2003) vs. 22% of total bilateral ODA.⁷

Cancelling debt outside the ODA budget

In 1999 Norway set up a NOK 3.2 billion facility (USD 450 million) for the purpose of cancelling bilateral debt outside the ODA budget. Since 1999, 21 countries have been eligible for Norwegian debt reduction within the limits of the facility, and NOK 1.8 billion (USD 260 million) remain for further debt reduction, including claims on middle-income countries. Thus over the five years since the facility was established, USD 32 million have been used on average for bilateral debt cancellation each year.

A large share of developing countries' debt to Norway used to be private claims associated with Norwegian exports during the 1970s and the early 80s, mainly as a result of a campaign, backed up with export guarantees, to promote Norwegian ship exports. A number of these loans were forgiven using the special facility (MFA, 2004d).

In 2000 Norway was the first creditor nation to offer 100% debt forgiveness to LDCs involved in the HIPC initiative. Benin, Ghana, Senegal and Tanzania have already benefited from this initiative. Funds for multilateral debt cancellation are allocated over the ODA budget as support to multilateral organisations (MFA, 2003a). This is in line with the practice of other DAC members. Norway stresses

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6. Official aid corresponds to flows that meet the conditions of eligibility for inclusion in ODA, except that the recipients are in Part II of the DAC list of aid recipients.
 7. To avoid double-counting when describing allocation of bilateral ODA in the DAC statistics, bilateral activities that benefit several recipients are classified as "unallocated".

the need for a shared responsibility regarding multilateral debt cancellation and is very concerned that its own initiatives in this direction will not contribute to reducing incentives for other creditors to do the same.

Norway has recently launched a new action plan for debt relief (MFA, 2004b) in which it discusses the issue of “illegitimate debt”, a matter which was brought up by NGOs. Illegitimate debt is incurred and used by despotic rulers for ends that, to the creditors’ knowledge, are contrary to the interests of the people and a drawback to development. It can be argued that the burden of debt repayment should therefore not be transferred from the despotic regime to the population. The new action plan highlights a number of problems linked to illegitimate debt, for example the potentially negative impact of illegitimate debt cancellation on international capital flows to developing countries.

Support towards multilaterals is strong

Norway is a strong supporter of the multilateral system and plays an active role in the governing bodies of the multilateral institutions to which it belongs (see Table C.2. for the composition of Norwegian contributions to those institutions). The government’s active involvement is an important vehicle for enhancing the effectiveness of the United Nations (UN) and the International Finance Institutions (IFIs).

Since the last Peer Review the proportion of Norwegian multilateral ODA has increased slightly, from 26% in 1999 to 28% in 2003. This is close to the 2002 DAC average of 27%. Between 2002 and 2003 Norway reversed its trend of increasing multilateral ODA, which fell from 32% to 28%. Multi-bi ODA constituted an estimated 14.7% of ODA in 2002 (MFA, 2004a). According to Norwegian data, support to multilaterals is higher than is reported.

The “bilateralisation of multilateral aid” is a concern to a number of DAC members and multilateral organisations because bilateral support to multilaterals may get tied to the donor’s specific interests. Much of the Norwegian multi-bi assistance is aimed at supporting multilateral organisations in strategic areas like girls’ education, environment and gender. The trend is to move away from earmarking towards framework agreements and core contributions, in particular for UN organisations. The Norwegian Government may wish to engage the Committee in a discussion on multi-bi assistance in light of these developments.

Most of the assistance from the budget line for transitional assistance is channelled through the multilateral system, predominantly the UNDP and the World Bank. In 2002, their share totalled 76%. 24% of that form of assistance was allocated to Norwegian and international NGOs, of which the Norwegian Church Aid (NCA) dominated with 7% of the total budgeted resources. The Norwegian People's Aid received 4% and the Norwegian Refugee Council (NRC) 3%.

Norway’s position is that funding to multilaterals that comes on top of core funding should as much as possible be channelled through joint donor funds “without earmarking”. However, the White Paper states that the International Labour Organization (ILO), the United Nations Environment Programme (UNEP), the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre (ITC) will continue to get earmarked funds as they cannot manage other funding for the time being (MFA, 2004a). Increasingly, Norway is linking its contributions to the multilaterals’ efficiency and the degree to which they contribute to the fulfilment of the MDGs and the harmonization agenda (MFA, 2004e).

Norway’s overall commitment towards the UN system is strong. The government stresses the need to use experience from bilateral co-operation in the follow up of development issues at the

international level (MFA, 2004a). In co-operation with the Utstein group, it is promoting a reform of the UN development system within three areas: (i) more coherent and integrated activities at the country level; (ii) better management and policy development at the central level; and (iii) increased and more stable and predictable resources and funding. The government has taken the initiative to ensure the UNDP a yearly, stable inflow of money, and has increased allocations in the proposed 2005 budget. In the 2004 budget, support to several other central UN agencies remains stable.

Future considerations

- Norway's ODA disbursements have remained among the highest in the DAC in ODA/GNI terms. The government is encouraged to assess the possibility of multi-year funding commitments for the seven main partner countries so as to increase the predictability of flows for those countries.
- Norway has set itself an ambitious policy agenda for the years ahead against a backdrop of a programme that is still geographically, sectorally and thematically dispersed. It is encouraged to increase the proportion of its long term assistance going to partner countries and to assess the comparative advantage of the different channels for delivering aid against poverty reduction goals.
- Considering the wide variations in Norwegian support to gender activities, a more stable and long term financial commitment to gender is recommended.
- Given Norway's important contribution to humanitarian action, measures could be taken to further improve the transparency of funding decisions and the predictability of long-term funding arrangements for protracted emergency situations. In addition, more flexibility in using such funds could be granted to partners implementing humanitarian activities.

CHAPTER 3

MAIN SECTORS AND CROSS-CUTTING THEMES

This chapter looks at three specific areas of Norwegian development co-operation: (i) private sector development; (ii) gender equality; and (iii) humanitarian action. These topics were selected for their relevance to poverty reduction, sustainable peace and security; and because Norway's long term efforts in those areas have generated many valuable lessons that can be shared with the DAC. They also have received considerable amounts of resources from the Norwegian Government, in particular since the 1990s.

In the White Paper private sector development is said to be a main priority of Norwegian development policy; and the private sector is considered the bedrock for economic activity and the value creation required to fight poverty and achieve the MDGs. Norway has developed a strategy and practical tools to help provide a favourable climate for this value creation in developing countries, and its insights are useful in this respect. For its part, gender is not only important in the context of achieving MDG 3 focusing on promoting gender equality and empowering women, but also from the point of view of lessons stemming from Norway's long-term strategy of gender mainstreaming, a topic that will be addressed in the context of 'Beijing plus Ten' events. As for humanitarian action, the DAC agreed to incorporate this topic into the Norwegian Peer Review as part of an assessment process, with a view to considering the feasibility of expanding this coverage to other DAC members.

Addressing the needs of the poor in policies on private sector development

Recent Norwegian policy statements develop a vision for private sector development and for addressing the needs of the poor. The Norwegian Government's 1999 Strategy for Norwegian Support of Private Sector Development, the 2002 Action Plan for Combating Poverty, the 2004 White Paper and the 2004 Action Plan focusing on agriculture provide some guidance in this respect.

The strategy suggests that the authorities in developing countries and development assistance organisations work together with the private sector to create a framework that attracts both domestic and foreign investment. Since incentive schemes for promoting private sector investment in developing countries have become untied, the dialogue with the Norwegian private sector should focus on identifying new modes of co-operation and defining more clearly how Norwegian trade and industry can contribute to the realisation of the poverty reduction goals. The role of financial services is mentioned in relation to helping the poor overcome vulnerability from economic upheavals and inability to influence their own conditions. The emphasis is placed on legal and regulatory reforms to improve poor people's access to financial services, including in rural areas; and on applying a rights approach to gender equality and women's empowerment.

The White Paper devotes an entire chapter, albeit in general terms, to the role of private investment and trade to halve the proportion of people who live in poverty by 2015. It emphasises measures that contribute to the establishment of favourable framework conditions, facilitate the supply of venture capital and build capacities. Norway advocates common standards for health, environment and safety in international tender and bidding processes to create a level playing field for all actors in

the development market. New emphasis is placed on agriculture, agro-business and the informal economy. Norway is also concerned about the formalisation of property and user rights for the poor.

For its part, the government's Action Plan focusing on agriculture addresses marginalised and vulnerable groups using a rights approach; and proposes specific measures to promote market development and trade. The plan does not provide time-bound targets for achieving its objectives as the authorities believe that this can be done in consultation with the partner countries concerned.

The strategy on private sector development and a recent document produced by NORAD (NORAD, 2003a) further elaborate on the role of small scale production and microfinance interventions. These should be approached in a holistic and co-ordinated manner, making use of the experience Norway has gained in building financial systems in developing countries. It is hoped that the agency's knowledge and experience will not be lost as a result of the reorganisation, and that the MFA will take into account the lessons that have been learned in addressing the needs of the poor when making future policy decisions concerning private sector development.

Implementing the strategy for private sector development

The Strategy for Norwegian Support of Private Sector Development serves as the guideline for Norwegian efforts in this area to date and NORAD has been one of the important players in making the strategy operational. The Norwegian Investment Fund for Developing Countries (NORFUND) also plays a prominent role, placing risk capital in the form of equity or loans at the disposal of businesses in developing countries. The DAC mission found out that 10% of the beneficiaries were Norwegian companies operating in those countries. For its part and independent of NORFUND, the Norwegian Guarantee Institute for Export Credit (GIEK) intervenes to reduce the risk involved for Norwegian enterprises. Following a government assessment, NORAD and NORFUND were streamlined and the division of responsibilities between them was clarified. In addition, NORAD schemes and NORFUND activities were untied as of January 2002 and new guidelines for untied mixed credits were approved the same year (MFA, 2004f).

As part of a genuine effort to focus on private sector development in the South, NORAD has produced a number of country studies. In a first phase the studies looked at constraints for private sector development in 'priority' countries (main partners and some other partners), what needs to be done to improve the framework conditions and institutions in those countries and in which areas to strengthen co-operation. A second round of studies, undertaken for the Confederation of Norwegian Business and Industry (NHO), looked at how Norway could contribute to investment opportunities in co-operating partner countries. In addition to those studies, NORAD finances about 50% of the costs of feasibility studies that constitute the first step in the process leading to the establishment of a joint venture or a foreign subsidiary in partner countries.

So far the country studies have not generated many follow-up activities. A Phase Two, concentrating on direct private engagement, was undertaken in Angola, Sri Lanka, Uganda and Vietnam. A matchmaking programme was initiated in Sri Lanka; and in Uganda, several contracts and memorandums of understanding were signed between local and Norwegian companies. The follow-up to Phase I in Vietnam is being discussed within the government. The studies do not appear to have addressed the severe constraints that the HIV/Aids epidemic may impose on the expansion of the private sector in those countries, nor do they focus on the needs of women entrepreneurs. These are important topics for poverty reduction and they should be taken into consideration in any assessment of constraints and opportunities in the sector.

Although realism seems to exist among Norwegian private entrepreneurs regarding their contribution to the fight against poverty, the sentiment is that little has happened since the strategy was launched. Indeed, Norwegian investments in developing countries have been disappointing, and the companies which were to be the spearhead of the process have concentrated on markets other than LDCs (NHO, 2003). A number of Norwegian entrepreneurs have been critical of the phasing out of the 'tied' private sector support schemes which stimulated Norway's private sector involvement in the implementation of projects in developing countries before 2002. According to NHO new schemes need to be devised to compensate for the high political and financial risk investors and companies are facing in LDCs. Otherwise Norwegian firms may turn to new markets in fast growing economies in Asia, Eastern Europe or Russia.

NORFUND's risk equity affiliate AUREOS was established in Zambia, as in other developing countries, to promote private sector development, provide funds and manage local investment funds such as the local Zambia Investment Fund. By its own account, AUREOS has achieved moderate results there. Despite a "friendly" private sector development policy, a liberal economic policy and potential in both mining and agriculture, the Norwegian private sector is largely absent. The question arises whether AUREOS is a satisfactory substitute for the gamut of incentives (*e.g.*, cheap loans, mixed credits and parallel financing for road construction) that NORAD provided years back to Norwegian private investors. The DAC mission was also informed that women entrepreneurs had not been targeted by the company while it seems that HIV/Aids is now being addressed in a recent initiative involving the Department for International Development (DFID). A review of AUREOS' activities in partner countries could be undertaken to shed a light on its contribution to economic activity and hence poverty reduction.

The private sector studies illustrate the constraints that both domestic and foreign private investors often encounter in LDCs. Long-term investments in those countries are in fact penalized by high interest rates, poor infrastructure and an unreliable judiciary, among other things; and the development of small and medium-sized enterprises (SMEs) is not always encouraging (NORAD, 2002). If the private sector is indeed a key theme of Norway's co-operation for fighting poverty and instrumental for the development of poor developing countries, the Norwegian embassies should be adequately staffed to provide advice and support. More emphasis could be placed on the domestic private sector, assessing the impact of activities at that level, and options could be investigated to improve financial conditions for the informal sector, as is already happening in Tanzania. In addition, opportunities arising from national PRSPs could be seized, including engendering the regulatory framework for microfinance and SME development and providing targeted capacity building for women.

A closer look at NORFUND's investment scheme

NORFUND contributes venture capital and expertise in developing countries. It finances direct investments, investments in funds and investments in fund management companies. It is engaged on a 50/50 basis with a government-owned utility in the energy sector. In 2003, NORFUND was involved in 48 different projects. Through capitalisation from the Norwegian Government it has grown from total assets of NOK 231 million in 1998 to NOK 2.4 billion in 2004 (MFA, 2004a). The fund is eligible for ODA when invested, based on anticipated risk of loss equal to the required minimum grant elements of 25%.

An evaluation undertaken in 2002 after five years of operations found that NORFUND had a higher share (one-third) of activities in LDCs than comparable funds in other countries (MFA, 2003b), and that it had been instrumental in establishing and/or expanding private enterprises. The fund has helped develop viable organisations, *e.g.*, AUREOS and SN Power Invest that can act on business

opportunities. The establishment of AUREOS, together with the UK's Commonwealth Development Co-operation, has also allowed access to a network of developing country-based fund management companies. NORFUND's investments have in general been associated with the transfer of know-how and have adhered to high social and environmental standards. However, risk taking and investments in SMEs are deemed insufficient, and the connection between NORFUND's activities and other efforts within the Norwegian strategy could be improved. The evaluation also points out that the fund should increase its co-operation with Norwegian companies, especially SMEs.

Creating opportunities for private sector development: the NHO Secretariat on Development Co-operation

The government's strategy on private sector development was generally well received. Nevertheless, a number of Norwegian companies would have liked to see less untying and more incentives directed towards attracting Norwegian investments in developing countries. Since 2001, NHO has become involved in the work needed to provide the strategy with more and better follow-up mechanisms. A Secretariat, financed by NORAD, was established in 2002 to encourage greater involvement from the Norwegian private sector in development assistance. It employs two staff to help build long-term relations with organisations that may evolve into partners for Norwegian business and industry. A pool of advisory business professionals who may take short to long-term assignments in developing countries, was also set-up. The Secretariat facilitates links between NGOs and private sector companies involved in development activities. From being exclusively aid projects, some initiatives have turned into long-term development projects in which investments in private sector development are prioritised. Moreover, the Secretariat acts as the focal point for entrepreneurs who may wish to contribute to the studies evaluating options and opportunities for private sector development in partner countries.

Agriculture and private sector development

The Plan of Action on Fighting Poverty through Agriculture looks at agricultural development not only as a single well-defined sector but as a primary tool for the development of sustainable livelihoods and for environmental development. It contains fifty far-reaching measures grouped in seven priority areas. The plan has many interesting and ambitious features using a rights-based approach, such as the right to property and inheritance and access to land, water, basic and financial services. Among other things it discusses family life and the division of labour; influence, participation and empowerment; infrastructure development; knowledge and expertise and genetics. Finally, the plan gives indications that the Norwegian Government will use the WTO negotiations to improve developing countries' access to world agricultural markets; promote agricultural development through NORFUND; stimulate the creative spirit of private entrepreneurs in developing countries; contribute to infrastructure development, basic services and measures to increase productivity and product quality; and promote ethical trade.

The plan acknowledges that Norwegian support for agricultural development must be adapted to the recipient countries' strategies and priorities and that such assistance must be provided in co-operation with other donors and civil society. Ethiopia and Malawi have already been selected as pilot countries for implementing the plan. In Zambia, Norway has entered into a silent partnership in support of the agricultural sector with the Dutch Government and is planning to enter into a similar partnership with Sweden. It could address the concerns of small scale and commercial farming as these activities are severely constrained by a lack of financial resources (Republic of Zambia, 2004a). Furthermore, the *Zambian PRSP* identifies improving women's access to productive resources as a priority while the *Zambian Strategic Plan of Action for the National Gender Policy* also raises gender in relation to agriculture (Republic of Zambia, 2004b). The Norwegian Government could envisage a

number of options for addressing these topics and upgrade its efforts to address the impacts of HIV/AIDS on the agricultural/productive sector.

The need to re-focus on gender equality

Norway is justifiably proud of its long history as an active player in the struggle for gender equality. Norwegian development co-operation has mirrored Norwegian society in its focus on equal rights and opportunities for women and men in all areas of society. The ongoing commitment to women's equality in development has been an example to many donor countries over the past 30 years. The priority areas for action identified in the *Government's strategy for women and gender equality in development co-operation for 1997 to 2005* are rights; participation in decision-making processes; economic participation; education; health; and management of natural resources and the environment. This strategy is due for review in 2005.

For several years up to 2000, the Norwegian development budget included a specific line item for efforts to empower and mobilise women. This is no longer the case. The Government takes the view that rather than sidelining these issues as a separate budget item, the promotion of gender equality should be an integral component of all development co-operation activities. From NORAD's 2002 annual report, it appears that there has been a substantial increase in expenditure, with 34.8% of the bilateral budget directed towards women and gender equality. Similarly, for 2003 NORAD reports that about one third of the Norwegian bilateral development assistance budget was allocated for activities that target women and gender equality. Women constitute the main target group of NGO projects through civil society support totalling NOK 449 million according to Norwegian data. However, of the 13 000 activities reported to the DAC from 1999-2002, only 5.8% had gender equality as the principal objective, with 10.2% having gender equality as a significant objective (see Chapter 2).

A confusing picture emerges of the degree of Norway's current commitment to gender equality in its development assistance. Although NORAD's website states that one of the five goals of Norway's development co-operation **is** to contribute towards promoting equal rights and opportunities for women and men in all areas of society, the Action Plan for Combating Poverty published in 2002 states that this **was** one of Norway's priorities during the 1990s. *Fighting poverty* lists strengthening the focus on gender equality as one of Norway's priorities in relation to reaching the MDGs. It is one of the 17 priority areas identified, which may be an indicator of diluted commitment.

Whilst women are virtually invisible, or hidden within "the poorest", in the executive summaries of policy documents such as *Fighting poverty* and in the recent White Paper, the Minister consistently makes strong statements in international fora about the central importance of gender equality for achieving lasting change and sustainable development. Likewise, Norway consistently advocates strengthening the capacity of multilateral agencies, including the IFIs, to more effectively focus on gender issues and women's empowerment. This commitment is backed up with a high-level of financial commitment to the multilaterals. The DAC mission has, however, formed an impression that at the same time the level of gender expertise within Norway's own agencies has become weaker both at headquarters and in the field.

Given the numerous strong statements from the Minister of International Development there appears to be no lack of political commitment and will. It should also be noted that Norway decided to adopt a mainstreaming approach to gender equality after the Beijing Conference in 1995. Nonetheless, it is quite difficult to uncover precisely how Norway is now implementing those statements within its own institutions and operations. One must seriously question whether the administration has adequate institutional capacity to provide sound policy and technical advice on the gender dimensions of its development assistance programme. There appears to have been a loss of momentum and expertise

which could take some years to rebuild, both at headquarters and in the field. It is possible that this loss of institutional capacity may be an unintended consequence of gender mainstreaming when mainstreaming is the responsibility of everyone and no-one. This issue was identified during the 1999 Peer Review.

Saying the right things

Although there are few references to gender equality or women in some of the overarching policy documents, recent policy statements such as those on education and agriculture are excellent models of how to mainstream gender into sectoral plans (see Box 3).

Box 3. Strengthening women's rights and their participation in agricultural development: the Norwegian Plan of Action for Fighting Poverty through Agriculture

Fighting Poverty through Agriculture focuses strongly on women. One of the seven priority areas for action is "strengthening women's rights and their participation in agricultural development". The plan explicitly states that agricultural development measures must be targeted at women who produce most of the food and constitute the majority of farmers in LDCs. It includes specific measures aimed at (i) strengthening the rights and influence of women; (ii) encouraging multilateral organisations to give increased priority to agricultural development which takes account of women's interests and participation; (iii) encouraging the regional development banks to take account of women in major investment projects; (iv) supporting organisations of women small farmers; (v) seeking to ensure that women in rural districts especially in Africa, have access to land and livestock, including through amendments to inheritance legislation; (vi) improving women's participation in the development and operation of producer organisations and extension services.

The achievement of MDGs 2 and 3 is the focus of the 2003 *Education – job number 1: Norwegian Strategy for Delivering Education for All by 2015*. The strategy announced a doubling of resources for education, an increase of approximately NOK 1 billion in the period to 2005. It recognises that education for girls is the investment which yields the greatest return in a poor country. In 2004 Norway allocated NOK 275 million to the United Nations Girls' Education Initiative, twice the amount allocated in 2003 (MFA, 2003c). Funding for girls' education is also a priority of the programme co-operation agreements which the Norwegian Government has with the United Nations Children's Fund (UNICEF).

The *Norwegian Government's International Action Plan for Combating Female Genital Mutilation* (2003) is a follow-up to the Government's Action Plan for Combating Poverty in the South. The Action Plan contains measures for preventing female genital mutilation, strengthening social mobilisation against the practice, measures for treating and rehabilitating girls and women, and for building knowledge and competence. Norway is escalating its efforts to combat female genital mutilation through an active focus on the problem in the political debate, through intensified co-operation, and through increased support to local and international NGOs. By 2005 the Action Plan will have an annual budget of NOK 20 million (MFA, 2003d).

A focus on multilateral agencies

From 1985 onwards Norway has actively supported the institutionalisation of gender concerns within the UN system, including the IFIs, by taking the two-pronged approach of consistently raising gender issues in the governing boards and by providing strategic financial support. Norway has financed the establishment of gender units, gender trust funds and gender experts within various organisations as well as specific projects for the empowerment of women. It has also recognised that on-going support has been necessary to strengthen organisational capacity to address gender concerns

effectively. Together with the governments of Canada and Denmark, the government recently initiated a multi-donor fund to assist the Asian Development Bank to carry out its gender and development policy and action plan.

Norway's efforts to strengthen the institutional capacity of multilateral institutions are commendable. At present, however, there is little evidence that Norway is putting a similar level of effort into strengthening the capacity of its own development assistance institutions to more effectively address gender equality, both at headquarters and in the field.

The impact of restructuring and further decentralisation on gender

Gender at headquarters

One of the findings of the evaluation of the Norwegian aid administration which led to the new organisational arrangement was that technical knowledge was spread too thinly. Although it has been difficult to find out precisely how both NORAD and MFA now address gender issues, it appears that there is little in-house technical capacity.

NORAD's Department of Rights, Agents of Change and Civil Society is responsible for gender equality issues and will provide advisory services to the MFA, including embassies, on gender issues. As before the reorganisation gender policy is the responsibility of the MFA and is located in the Department for Global Affairs. It is of concern that neither the MFA nor NORAD now appear to have sufficient in-house expertise on gender to provide support, advice and training to programming and in-country officials.

There have been two recent positive changes. The upgrading of the women's rights and gender equality position within the MFA to ambassadorial level should serve to increase influence, and a new position has been created to coordinate the fight against trafficking. Whilst these changes may serve to ensure that Norway continues to be well represented in international fora, the positions may not meet the continued need for a dedicated stream of in-house technical advice.

When gender is "mainstreamed", specialist knowledge is still required to maintain and build capacity and capability. To be effective, mainstreaming generally requires a greater level of resources, not less. In a recent MFA annual report assessing progress on gender equality in its development co-operation, there is a recognition that gender work is resource demanding and requires long-term, continuous efforts in order to bring about both structural and attitudinal changes. The report also recognises that there are problems in integrating a gender perspective in a systematic way and that there is a need to strengthen knowledge about how gender can be better incorporated into development co-operation policies in specific areas and sectors. There is no indication about what plans there are to improve the situation, although as already noted, the recently published Plan of Action for agriculture is a good example of how to address gender equality in a specific sector.

The 1999 Peer Review found that gender equality had not necessarily been well integrated into Norway's development co-operation efforts. Overall it appears that the institutional capacity necessary to support gender mainstreaming has not been strengthened and that this has not been seriously addressed by the recent organisational restructuring. Indeed it seems as if the knowledge, expertise and experience which Norway has gained from its long experience may have dissipated somewhat.

Gender at field level

Although Norway's operations in partner countries are well-respected by local players, the 1999 Peer Review expressed doubts about how well gender issues were addressed at Embassy level and in the implementation of programmes in the field. There is no evidence that these shortcomings have been tackled. Further, there now seems to be little technical support at headquarters available to provide the necessary on-going advice and support to field and Embassy staff. We know little about how both diplomatic and development staff are now trained and prepared for postings or about the training on key policy issues which is provided to locally-engaged staff. It is simply not realistic to assume that staff will be able to address gender issues well without access to sound technical guidance to support their efforts in a sustained way.

The Zambia mission report (see Annex B) notes that Embassy staff tended to feel increasingly removed from day-to-day operations, with the risk of losing touch with the local conditions and context. This does not bode well for seriously addressing difficult or entrenched issues, such as the status of women, or women's access to and control over resources where a high level of mutual trust is a necessary pre-requisite for action to be effective. Likewise, it is not clear how the private sector or NGOs, responsible for the implementation of much of Norway's development co-operation, are supported or briefed on Norway's policy priorities.

New opportunities for Norway

Norway's aid programme is aligned with the Government of Zambia's PRSP (see Chapter 6). Although the document is widely regarded as one where a serious effort has been made to incorporate a gender perspective, there is some concern that insufficient funding has been allocated through the national budget process for the effective implementation and monitoring of those aspects which are directed towards improving the status of women. At a regional workshop, *Engendering PRSPs in Africa* (December 2003), government and non-government speakers from Zambia identified ways in which the implementation of the current PRSP could be improved. Given its well-established relationship with Zambia and with work well underway on gender budgeting (NORAD, 2003b), Norway might wish to consider how it could work with the Zambian Government to ensure that the gender-specific dimensions of the PRSP are fully implemented and its analytical and monitoring processes strengthened.

Currently there are two reviews underway concerning gender, the findings of which are likely to provide useful data and insights. The first is the review of development co-operation directed towards women and gender equality, which the Office of the Auditor General must complete by the end of 2004. The other is a comprehensive evaluation of the *Government's strategy for women and gender equality in development co-operation for 1997 to 2005*, which is being commissioned by NORAD. This evaluation will enable Norway to rigorously assess its contribution to efforts to achieve equality for women and men in its partner countries. Inevitably, the review will need to critically evaluate whether the existing organisational arrangements are appropriately designed and resourced to meet Norway's aims. Both reviews are expected to form the basis for the preparation of a new strategy for gender in development co-operation beyond 2005.

Norway is a leader in both implementing the Rome principles and in actively addressing gender equality in its development co-operation. Its commitment to align its development assistance with partner countries' PRSPs and harmonise aid procedures with other donors provide opportunities for demonstrating innovative leadership in how to effectively implement gender strategies in the context of changing aid modalities. There will be considerable interest in the approaches Norway adopts

within this context. The new gender strategy will be developed against this background and increased aid volume. Norway could clearly demonstrate commitment, innovation and leadership there.

Humanitarian action and conflict resolution

As one of the largest international donors firmly committed to multilateral co-operation, Norway has a long tradition of involvement in humanitarian action and conflict resolution. It has played an important and constructive role in support of peace negotiations and transitions, *i.e.* in Colombia, Guatemala, Sri Lanka, the Middle East and Sudan.

The Ministry of Foreign Affairs is responsible for the management, policy development and administration of humanitarian action before, during and in the aftermath of man-made crises and natural disasters. Emergency and distress relief account for more than 13% of Norway's ODA. This indicates the importance given to humanitarian issues in Norway's foreign policy.

Norway's approach to humanitarian action lacks a comprehensive policy

Notwithstanding the importance given to humanitarian issues, the objectives of Norway's support to humanitarian action are not found in any comprehensive policy document or strategy other than the annual budget proposition to the Storting. A valid representation of humanitarian policies is difficult to access since the *Strategy for Humanitarian Assistance*, presented in 1999, has not yet been adopted nor confirmed by the present Government, in office since 2001.⁸

In its approach to actions identified in relation to armed conflicts, the MFA refers to a concept of "*humanitarian affairs*" including "*humanitarian assistance*" and "*conflict resolution*". This classification is reflected in the organisational structure within the ministry. The Department for Global Affairs is responsible for humanitarian action in response to armed conflicts and natural disasters. The management and support for transitional assistance is managed by the Regional Department, and peace-building policy is placed within the International Development Policy Department as part of the portfolio of the Minister for International Development (see Chapter 5).

In the absence of an official and comprehensive presentation of the current government's humanitarian assistance policy, Norway refers to the priorities described in the annual budget proposals to the Storting. To manage humanitarian action in complex emergencies, the Department for Global Affairs drafts an internal document at the beginning of the budget year based on the annual budget. This document broadly outlines how the humanitarian assistance budget will be allocated during the year, including geographic, thematic and organizational priorities. The document gives general guidance to the Section for Humanitarian Affairs for further allocation of funds and is presented to the Minister of Foreign Affairs for comments and final approval. It is subject to continuous internal reviews as well as more general mid-term reviews.

Norway has endorsed the *1994 Yokohama Strategy*⁹ and is an active participant in the preparation of the 2005 World Conference on Disaster Reduction. It is also a major contributor to International Strategy for Disaster Reduction (ISDR) and a member of *ProVention*, a multi-stakeholder consortium for the prevention of natural disasters. Support for actions in relation to natural disasters is funded

8. This information was provided to the Secretariat by the MFA on 10 September 2004.

9. Yokohama Strategy for a Safer World: *Guidelines for Natural Disaster Prevention, Preparedness and Mitigation*, in particular its Plan of Action, adopted on 27 May 1994 by the World Conference on Natural Disaster Reduction.

through a separate budget line under the responsibility of the Ministry of International Development and managed through the humanitarian structures. The management functions and approaches to prevention and mitigation, such as the use of local capacities in response to natural disasters, could be developed further.

The nature of humanitarian action places special demands on budgetary systems and governments use different methods to ensure an appropriate response. These include annual allocations of ODA for multilateral, bilateral and NGO funding; reallocations of bilateral ODA; special institutional arrangements, including rapid response funds and special budgetary transition arrangements. Norway could consider making budgetary allocations for humanitarian action more transparent and sharing its experience in managing a large and complex humanitarian programme.

The absence of a strategy or policy document makes it more difficult to assess how Norway sets priorities and ensures that its support for humanitarian action adheres to the fundamental principles of humanity, impartiality, neutrality and independence in situations where conflicting objectives may be perceived.

In 2003 Norway endorsed the *Principles and Good Practice of Humanitarian Donorship* (GHD). Although most of these are not new to Norway, they could provide a relevant point of departure for developing a new strategy for supporting humanitarian action which should recognise and respect the specific objectives and role of humanitarian action.

...but strong performance

Although Norway's principles for financing humanitarian action are not spelled out, principles for funding remain solid. Funding levels are quite stable, but longer term funding arrangements are in reality limited and subject to parliamentary approval. Financing decisions usually relate to available needs assessments through the Office for the Coordination of Humanitarian Affairs (OCHA) and the CAP, in combination with the MFA's internal assessments and NGO applications. The DAC mission noticed from its briefings with MFA staff that an unspecified connection to "where a Norwegian contribution can make a difference" is often added which can include areas of specific interest, i.e. a potential role in mediation.

NGOs, international organisations and the UN view Norway as a provider of timely and flexible funding. However, it is unclear how Norway ensures that funding of humanitarian action directed to high profile crises does not adversely affect meeting the needs related to ongoing "forgotten" crises.

There is little evidence of how Norway ensures adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian response. Norway mainly depends on its implementing partners to provide needs assessments when applying for humanitarian funds and encourages them to involve the beneficiaries in the projects. Such "empowerment" policies may also include making the funding of Norwegian NGO projects dependent on co-operation with local NGOs when feasible. The government could elaborate further on measures to ensure beneficiaries' involvement.

To further strengthen Norwegian capacities to respond to emergencies, the MFA established the Norwegian Emergency Preparedness System (NOREPS) in 1991 in close co-operation with Norwegian humanitarian NGOs, the Norwegian Export Council and Norwegian suppliers of relief items. The purpose of NOREPS is to offer relief products, service packages and personnel in emergencies. Support teams were also established in co-operation with the UN, the Swedish Rescue Services Agency, the Danish Emergency Management Agency, the Finnish Rescue Department and

the British Department for International Development. They are used to provide services to humanitarian actors, including the UN, and can co-ordinate relief activities and conduct emergency assessments.

Norwegian practices point toward recognizing and supporting the role of the United Nations in providing leadership and co-ordination of international humanitarian action. Norway has long been a strong supporter of the UN's coordination efforts, including those of OCHA and the Consolidated Appeals Process. It is a member of the OCHA Donor Support Group and one of the co-organizers of the main donor coordination initiatives, the Montreux Process.¹⁰ In addition to its annual "core" contribution to OCHA (NOK 30 million in 2004), it is contributing to OCHA's coordination efforts in specific emergency situations through the CAP and Common Humanitarian Action Plans (CHAP). Norway is also an important partner to the International Committee of the Red Cross (ICRC) and the International Federation of Red Cross and Red Crescent Societies (IFRC). The role and mandate of the ICRC/IFRC are also well recognised and respected by Norway.

Norway is also an active member of the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP).¹¹

Emerging issues

Norway recognizes the primary position of civilian organizations in implementing humanitarian action. In situations where military capacity and assets are used to support the implementation of humanitarian action, it strives to ensure that such use conforms to IHL and humanitarian principles and recognizes the leading role of humanitarian organizations. Norway was an active participant in the drawing up of the *Guidelines for the use of military and civil defence assets in natural disasters and man-made disasters*, (MCDA). It has also established contacts with OCHA concerning possible co-operation on training and awareness-raising measures. These concern practical civil-military interaction in conflict areas based on the MCDA guidelines and the June 2004 Inter Agency Standing Committee (IASC) reference paper on civil-military relations.

Norwegian NGOs have criticized the government for using humanitarian funds for contractors operating under a military mandate, with particular reference to the Norwegian presence and policies in Iraq and Afghanistan. In these two situations regular Norwegian military personnel have been engaged in humanitarian action. Norwegian military have been involved in civil-military co-operation (CIMIC) activities in Afghanistan. In Iraq, they have been used for meeting humanitarian needs in the absence of civilian humanitarian actors. Norway has also contributed observers in Sudan and Sri Lanka. These, however, are not part of an armed military force.

Learning from the context of Iraq and Afghanistan, the MFA initiated a dialogue with the Ministry of Defence (MoD) to raise awareness of the dilemmas involved in relation to the interface between civilian/humanitarian and military action in armed areas. The MFA and the MoD have initiated a dialogue with major Norwegian humanitarian NGOs and international organizations, such as the ICRC, on these issues. There is also co-operation between the MoD, the MFA and the Norwegian Red Cross on training military forces in International Humanitarian Law. There is general agreement that Norwegian military peace contingents should have as their primary task the creation of

10. Since 2000, donor representatives, UN agencies, ICRC and NGOs have met in Montreux to discuss humanitarian policy development and donor coordination.

11. ALNAP, established in 1997, is an international interagency forum working to improve learning accountability and quality across the humanitarian sector. It has 51 full members and 370 observers.

a stable security environment to allow for civilian humanitarian action, reconstruction and development. However, the MFA also argues that in situations of extreme insecurity, military forces may be the only actor able to reach vulnerable groups with life-saving aid, adding that such provision of humanitarian assistance should be exceptional and limited in time.

Civil and military co-operation in humanitarian action raises a major dilemma regarding impartiality, effectiveness and security. One issue in this context is that of creating and maintaining “humanitarian space”.¹² It can be argued that merging humanitarian action with political/military roles is inevitable and constructive. On the other hand, there is a danger of bringing political, military and humanitarian objectives within the same framework. This could compromise humanitarian objectives and principles and reduce the capacity to deliver an effective humanitarian response. It can also be argued that these issues need to be approached on a case by case basis and in relation to the specific context of an emergency (Barry, J. and A. Jefferys, 2002). There are no recognised good practices in this field. With its experience and practice of humanitarian assistance in situations of armed conflicts, Norway is well placed to take an active role in addressing these questions in a constructive way.

Learning from experience

Norway’s broad experience in financing humanitarian action includes interesting approaches, for instance in bridging the transition from humanitarian action to development programming and addressing the relationship between humanitarian action and conflict management. It could provide useful references for learning and identify good practices that could be shared with the DAC.

The relationship between humanitarian assistance and development co-operation

Norway’s approach to humanitarian action and peace-building also recognises problems related to shortfalls and a possible vacuum of funds during transitions from conflict to peace. Although in general the MFA rejects a linear approach to phases of complex emergencies, it has developed an innovative system for addressing objectives related to the return to sustainable livelihoods and transitions from humanitarian relief to development. In 2002, a new budget line for transitional support (GAP fund) was introduced to cover assistance to countries and areas recovering from conflict and natural disasters against the background of difficulties in finding resources for this type of co-operation. Spending on transitional assistance totalled USD 42.3 million that year, with Afghanistan as the major recipient (USD 11.3 million), followed by the Democratic republic of Congo (USD 5.2 million) and Sudan (USD 5.1 million). Other recipients were Angola, Burundi, Eritrea, Guatemala, Madagascar, Rwanda, Sierra Leone, Somalia and Sri Lanka (MFA, 2003a).¹³ Such initiatives can be crucial to reinforce political agreements and facilitate development co-operation programming.

The transitional budget line represents a positive approach to fill the gaps between humanitarian assistance and long term development co-operation and could also contribute to peace-building activities. Following the recent reorganization of the aid administration a number of country “team groups” were established, involving the relevant departments within the Ministry and NORAD for the co-ordination. However, the effectiveness of the co-ordination between the various departments within MFA as concerns the management of the fund remains unclear (see Chapter 5).

12. “Humanitarian space” refers to a necessary state of security in which humanitarian agencies are able to conduct humanitarian action.

13. Norwegian Ministry of Foreign Affairs (2003a), *St.prp.nr 1 (2003-2004)*, GAN, Oslo, pp. 149-150.

Norway's experiences with humanitarian action and involvement in peace processes have helped reinforce the relationship between peace and development and emphasize the need for a systematic approach to transitional assistance and peace-building.

A new strategic framework for peace-building

In 2002, together with the original members of the Utstein group (Netherlands, Germany, UK and Norway), Norway launched a process to identify good practices for peace-building activities. Surveys were conducted to produce relevant policy recommendations. In the case of Norway, the survey covered activities financed between 1997 and 2001 in nine countries (Afghanistan, Angola, Bosnia, Cambodia, Guatemala, Mozambique, Rwanda, Sri Lanka and Sudan). The findings were summarised in two evaluation reports (MFA, 2004g). In 2004, the MFA presented its new Strategic Framework for Peace-Building from a development perspective (see Box 4).

Box 4. Norway's new strategic framework for peace-building

The strategic framework identifies the objective of peace-building as "lasting and sustainable peace" and underlines the recognition that peace and security are basic preconditions for development. It largely follows the *DAC Guidelines Helping Prevent Violent Conflict* and groups the instruments for peace-building into three dimensions: Security; political development; and social and economic development. The strategy emphasizes that peace-building should encompass all three dimensions at the same time. A sequential approach is not usually recommended.

The three dimensions identify the following components or areas of support:

1. *Security*: Disarmament, demobilization and reintegration of ex-combatants, including child soldiers; humanitarian mine-action; control of small arms and light weapons and security system reform.
2. *Political Development*: Political and administrative authorities and structures, reconciliation, good governance, democracy and human rights; civil society and the media; judicial processes and truth commissions.
3. *Social and Economic Development*: Repatriation and integration of refugees and internally displaced persons; reconstruction of infrastructure and key public functions; social development (education and health); economic development (private sector development, employment, trade and investment).

Source: Ministry of Foreign Affairs Norway (2004), Strategic Framework. Peace-building – a Development Perspective.

The strategic framework for peace-building identifies areas of special relevance in developing good donor practices. The role of multilateral organisations is emphasised along with co-ordination, harmonisation and national ownership. Women and children are given special attention and gender is considered a key dimension in conflict analysis, needs assessments and in the planning, execution and follow up of programmes. The framework notes that women remain underrepresented in most peace processes and negotiations and excluded from active participation in most peace-building activities. In this regard Norway intends to develop a plan for follow-up to the Security Council Resolution on Women Peace and Security.¹⁴ Similar recognition is given to children's needs and rights.

A study commissioned by the MFA and published in advance of the strategy focuses on Norway's role in the field of security sector reform (Tjonneland, Elling N., 2003). Rather than calling for major changes the author recommends sharpening the focus on a few components of the security

14. United Nation Security Council resolution 1325 (2000) on *Women, Peace and Security*, adopted by the Security Council at its 4213th meeting, 31 October 2000.

sector (e.g. policing and judicial reform) to improve the effectiveness of Norwegian assistance. The importance of maintaining a high level of support to multilateral and regional organisations is highlighted. Finally the author advocates focusing Norwegian bilateral assistance on governance and oversight of the security sector reform and identifying areas of comparative advantages.

In focusing bilateral assistance there is, nonetheless, a clear need for co-ordination with other donors engaged in security system reform. While this can be improved by working with, or through, multi-lateral organisations, there is a general tendency among donors to focus on issues relating to oversight and accountability of the police and judicial system. This can often be done to the detriment of other reform requirements, such as structural, procedural or management reforms. The experience of external actors, including Norway, in the Balkans illustrates the need to take a system-wide approach to security sector reform. Norway's recent experience with the national police could be used to apply lessons learned to their engagement in this area.

Future considerations

Support to the private sector

- The Norwegian Government could build on the innovative approaches developed by NORAD and others as well as on the lessons learned from experience with various private sector schemes implemented to date to elaborate on what works and what does not with respect to meeting the needs of the poor. This would complement the 1999 private sector strategy and the 2004 action plan on agriculture and be consistent with the high level declarations on meeting the poverty reduction goals.
- Zambia could be a good case for testing some of the measures advocated in the Plan of Action on Fighting Poverty through Agriculture, involving targets to evaluate progress with respect to the plan's objectives. Improving women's access to productive resources and addressing the impacts of HIV/AIDS on the agricultural/productive sector should be topics of particular concern in this context.
- The Norwegian Government should conduct more systematic evaluations of the impact of the different schemes provided through NORFUND and its affiliate AUREOS on the economic activity of partner countries to provide an indication of potential effects on poverty reduction.

Support to gender equality

- Norway has an opportunity to use the lessons learned from the current review processes to seriously rethink whether it has the right mix of people and resources to provide effective advice and support to fulfil its political commitment towards women's equality and empowerment in partner countries. It should consider strengthening its own institutional capacity both at headquarters and in the field to address gender more effectively.
- Norway is a leader in both implementing the principles of donor harmonisation and alignment with national PRSPs and in actively addressing gender equality in its development co-operation. In this context, it should seize the opportunity for demonstrating innovative leadership in how to effectively implement gender strategies in the context of rapidly changing aid modalities.

- Given Norway's leadership in gender mainstreaming, women's empowerment and rights, it would be valuable if the government could share with the DAC their assessment of lessons learned from their long term engagement.

Support to humanitarian action

- The government could consider elaborating a comprehensive policy document for humanitarian action, including interventions in response to natural disasters (especially in relation to prevention and preparedness) to ensure consistency with the endorsed principles and good practice of humanitarian donorship. The policy document should also address issues related to beneficiaries' involvement.
- In its support of humanitarian action, including the facilitation of safe humanitarian access, Norway could strengthen its procedures to ensure that the 1994 *Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief* and the 2003 *Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies* are respected.

CHAPTER 4

POLICY COHERENCE FOR DEVELOPMENT

The consensus on enhancing policy coherence for development

To attain the MDGs and reduce poverty in developing countries, the OECD recommends mutually supportive policies across the economic, social and environmental fields. Trade-offs and potential synergies across areas such as trade, investment, agriculture, health, education, the environment and development co-operation encourage greater policy coherence in support on the internationally agreed development goals (OECD, 2002). This view is supported by DAC members (OECD/DAC, 1996 and 2001) who make policy coherence for development the common denominator of all government policies.

Enhancing policy coherence for development involves taking account of the needs and interests of developing countries in the evolution of the global economy. This is a challenge to DAC members as specific policy coherence issues can generate negative reactions from domestic interest groups and the government departments whose primary responsibilities are not to reduce global poverty. In Norway, the drive for policy coherence is closely associated with the fight against poverty worldwide, a condition that is favourable to moving forward with a strategy on a variety of fronts.

Norwegian commitment to policy coherence for development

Policy coherence for development (PCD) is one of the main pillars of the White Paper: in order to reach the MDGs, the rich countries must increase their development assistance and ensure coherence in their policies, while poor countries must improve governance and combat corruption. Fair trade and debt relief, good environmental and resource management, the transfer of knowledge and technology and participating in decision-making in international fora are key aspects of policy coherence.

The White Paper establishes policy coherence for development as an explicit political goal, thus providing a sound basis for government actors to engage in other policy areas. Such statement needs to be owned widely in the government/institutions and reflected in policy commitments in different sectors and levels. Future documents presenting the strategic underpinnings of Norway's development co-operation could usefully give more prominence to policy coherence for development as a government-wide objective; and the central contribution of policy coherence to improving the effectiveness of Norwegian ODA could also be highlighted.

The Storting's Standing Committee on Foreign Affairs takes an active interest in Norway's development co-operation programme. The Committee could expand its deliberations to cover the impact of non-aid policies pursued by other ministries on global poverty reduction. Assessments could be carried out jointly with other committees directly concerned. Similarly, the Standing Committee's examination of Bills could be extended to include legislation referred to other committees that also has substantial potential impact on developing countries.

The reorganisation and policy coherence for development

Policy coherence for development goes beyond the MFA's traditional responsibilities to require forms of co-operation with a number of key ministries. In Norway the ministries most commonly involved in development co-operation are: Environment, through involvement in international processes related to sustainable development and bilateral agreements with a number of developing countries; Health and Education, through involvement in the World Health Organisation (WHO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO); Finance, through involvement in IMF and World Bank matters and the national Agenda 21; Trade and Industry through involvement in GIEK; and Agriculture through involvement in the Food and Agriculture Organization (FAO). Within the MFA links must also be created between the different departments, which appear compartmentalized from an operational point of view.

The MFA's Department for International Development Policy (DIDP) is the main body managing policy coherence for development. This is positive from the point of view of ensuring that sufficient priority is given to development issues vis-à-vis sectoral ministries. The DIDP reports mainly to the Deputy Secretary-General for International Development and occasionally to the Deputy Secretaries-General for Foreign Affairs and External Economic Affairs. Trade policy, natural resources and environmental affairs are now combined in the same department (DPNREA), with four sections dealing respectively with the WTO and OECD; trade and industry; energy and marine resources and environment and sustainable development. The creation of a unit for trade and private sector development in the South under the DIDP suggests the Government's keen interest in spearheading private investments in partner countries as a vehicle for alleviating poverty. Thus the potential for internal policy coherence exists within the MFA as long as communication between those different departments and units effectively takes place. The same comment may apply to the Department of Global Affairs, which covers the UN, Human Rights and Democracy, Humanitarian Affairs and Peace and Reconciliation.

The 1999 Peer Review noted that the MFA, Finance and a number of line ministries were closely involved in setting objectives and implementing the various components of policies towards the South. Inter-ministerial policy coherence was mainly established through informal consultative meetings. This continues to be the rule as no separate unit for monitoring PCD has been or will be set up (MFA, 2004f). Cabinet meetings arbitrate twice a week, including on topics of relevance for policy coherence. The DIDP draws up summary records and the Minister of International Development decides on further use of those reports.

Recently a number of initiatives were undertaken to stimulate PCD within government. A dialogue on PCD is taking place between the MFA and other ministries. So far, discussions have been held with Education, Health, Finance and Trade and Industry. Other ministries will join later as a result of a government decision made in 2002. There are plans to use an indicative checklist for PCD in relevant ministries in conformity with *The DAC Guidelines: Poverty Reduction* and to establish an international network of key personnel to address PCD issues. In order to encourage members of the network to make PCD an important item on their agenda, it may be necessary to provide specialised training in addition to incentives or specific instructions to empower them to monitor wider policies.

The Norwegian Government is able to consult and balance the interests of stakeholders in policy decision or change. What seems to be lacking is analytical capacity to define development issues as stake, gather data to fill information gaps and feed that data and analysis into policy processes. The authorities have suggested that the OECD act as a central institution for bringing out information of member countries' performance on policy coherence and become a hub in a network of research institutions to facilitate discussions of what is adequately covered (MFA, 2004f). While reliance on the

OECD for analytical research and consultations is justified, it should not replace Norway's own efforts to address more formally and systematically the effects of its own broad national government policies on developing countries' capacities to alleviate poverty. In this respect, Norway's reporting on MDG 8 is an important step in the right direction.

Norway is active on a number of fronts in favour of policy coherence for development

Corporate social responsibility: the Petroleum Development Fund

The Norwegian Government has decided to establish and implement ethical guidelines for the Norwegian Petroleum Fund (see Box 5). As one of the world's leading oil producers, Norway has funnelled money into the Fund since 1990 for long-term overseas investments to help finance future government spending when oil revenues decrease and the demographic burden of an aging population starts to increase. In 2003 (end of the first quarter) the value of the fund was USD 101 billion (EIU, 2004). The Fund already excludes companies producing weapons that are not in line with Norway's international law obligations. This includes makers of anti-personnel mines. With the new guidelines it can also shun companies because of behaviour that breaches human rights, involves corruption or environmental damage. This will have an impact on the Fund's investment profile.

Box 5. Ethical guidelines for the management of the Petroleum Fund

Management of the Petroleum Fund must meet two ethical obligations: to ensure that future generations receive a fair share of the oil wealth and to respect the fundamental rights of those who are affected by the activities of companies in which the Fund invests. The guidelines cover three main aspects:

- The exercise of ownership rights to promote long-term financial return. Long-term return will generally benefit from a portfolio consisting of companies that demonstrate respect for universally accepted norms of ethical behavior.
- Negative screening to exclude companies that produce weapons that are prohibited according to international law, such as chemicals and biological weapons; and weapons that are seen to be inconsistent with basic humanitarian principles such as anti-personnel mines, nuclear weapons and cluster bombs, all of which might violate international law.
- Exclusion of companies in which there is an unacceptable risk of contributing to violations of fundamental humanitarian principles, gross violations of human rights, gross corruption or severe environmental degradation.

The National Bank of Norway is responsible for the implementation of the corporate governance policy. The Finance Ministry is responsible for decisions regarding ethical constraints on the Fund's investments. It will establish an external council to advise the Ministry on negative screening and exclusion under the ethical guidelines.

Source: Memorandum of Norway, 2004

The 1998 creation of KOMpakt, a consultative body to enhance the dialogue between business organisations, labour unions, human rights and solidarity organisations and academic institutions in the context of globalisation, is yet another example of Norway's strong orientation towards promoting corporate ethical behaviour.

Promoting inclusive globalisation

Norway considers that the integration of developing countries into the global economy is a precondition for increased economic growth and poverty reduction: “A more open system of world trade with increased market access for developing countries and increased direct investment is more important for poverty reduction than development assistance” (MFA, 2002a). The government pursues this objective by promoting the establishment of a rules-based international trading system founded on the principles of non-discrimination. The WTO is consequently a central instrument for advancing the trade and development nexus.

Norway supports a range of multilateral agencies that provide trade-related technical assistance and capacity building and contributes to the Trust Fund of the Integrated Framework for Trade-Related Technical Assistance to the least developed countries.¹⁵ According to the WTO, Norway’s pledge to the trust fund – in total USD 3.8 million – is the largest among contributors.¹⁶ Activities in the trade area concern mostly trade policy and regulations and trade development, which embraces support to business services and institutions; public-private sector networking and e-commerce; trade finance, trade promotion strategy and implementation and market analysis and development (OECD, 2003b). Finally, through the ILO Norway is working to promote basic labour standards. Observers from the Norwegian research community have noted that development research on globalisation should integrate labour policies, standards and rights and job creation. This could be a challenge for the MFA to work with line Departments. Norway should intensify its efforts in this area.

Reducing the burden of debt of poor countries

Norway was the first OECD country to launch a separate debt relief strategy in 1998. An expanded action plan “Debt Relief for Development” was produced in 2004. Because of arrangements made when Norway’s loans were originally extended, much of the debt relief it offers today does not represent a charge to the aid budget and is not counted in Norway’s current ODA statistics.

The Norwegian authorities emphasize both multilateral and bilateral efforts and full financing of the multilateral debt scheme to contribute effectively towards achieving the MDGs. The government is active in making the multilateral debt relief schemes more effective in solving the debt problems of low-income, debt ridden partner countries and in securing long-term financing of debt relief by the IFIs under the HIPC initiative (see Chapter 2). Norway also participates in multilateral debt-for-development swaps. Within the OECD it is a strong advocate of reporting on aggregate inputs towards MDG8.

To be eligible for debt reduction under the HIPC, a country must display a good record on social and economic policy over a long period of time. Countries that have just come out of violent conflict cannot meet this requirement, while at the same time debt servicing may penalize their economic and political stabilization. Norway has developed debt relief measures for post conflict countries that do not live up to the HIPC criteria. In these cases the authorities do not require a long term record on social and economic policy, thus making immediate relief possible (MFA, 2004d).

15. The Integrated Framework is an initiative of six major multilateral organisations (WTO, World Bank, UNDP, International trading Centre, UNCTAD and the IMF) to assist the development and trade policy communities to achieve higher degrees of co-ordination and coherence, avoid duplication, share information and monitor the implementation of commitments registered in the Doha Ministerial Declaration.

16. See WTO Integrated Framework, www.integratedframework.org/status.htm.

Fighting corruption

Norway is regarded as being one of the countries in the world with the least corruption in society and business life (Transparency International, 2003). It has ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and has adopted implementing legislation. It has also signed the Council of Europe's Criminal and Civil Law Conventions on corruption and is planning to sign and ratify the UN Convention against Corruption in 2005. Furthermore, the MFA developed a national corruption policy in 2000 to be integrated into development co-operation.

Under the umbrella of the Utstein donor co-ordination, Norway participates in the Utstein Anti-Corruption Resource Centre, with NORAD representing Norway in the centre. The purpose is to provide an information management service supporting the Utstein countries' work in developing and transitional countries. Apart from training courses in partner countries the services offered include on-line training courses, a helpdesk and a database of "good practice" programmes. Part of the web-site is open to the public.

In 2002, the Government's effectiveness in fighting corruption was evaluated by GRECO, the Council of Europe's Group of States against Corruption (COE, 2002). GRECO reports that ethical standards within the public sector are high and the private sector seems firmly involved in the fight against corruption. There is good awareness of the potential threat of corruption in international business transactions and overseas development and corruption in the field of public procurement concerns the domestic arena mostly. Low levels of corruption and economic crime in Norway are due above all to the transparency of Norwegian institutions and the well developed Norwegian institutional framework for promoting integrity. So far this has also applied to NORAD.

NORAD provides technical advice on anti-corruption to Norwegian embassies and the MFA, offering capacity building activities in anti-corruption commissions or in the context of programmes where the topic is important, as in sector programmes and budget support. The directorate represents Norway in the DAC GOVNET Anti-Corruption Task Team. Its mandate does not cover money laundering, however. That responsibility rests with the MFA and the Ministry of Justice, which jointly finance a task force to help co-ordinate donor efforts and assist partner countries in playing a more active role in the development of international co-operation and conventions on anti-corruption.

Since the late nineties Norway has substantially increased its assistance to anti-corruption activities. Between 2000 and 2002 the assistance was organised as an anti-corruption project within NORAD (see Box 6). This involved extensive staff training both at headquarters and within embassies and the elaboration of anti-corruption strategies in each embassy. Commitments for projects that directly contributed to fight corruption represented less than 10% of NORAD's total support, however. When the campaign ended in 2002 anti-corruption was integrated into NORAD's work and organizational structure. The responsibility for pursuing the anti-corruption work now rests with the embassies and various departments within the MFA.

Malawi, Mozambique, Tanzania and Zambia have benefited from Norwegian activities linked to the fight against corruption. In 2002, together with other donors Norway signed a Memorandum of Understanding with the Zambian Government. NORAD has been very active in the Zambian Anti-Corruption Commission and the Task Force on corruption in the public sector aimed at finding and retrieving illegally gotten funds and assets.

Box 6. Increasing the aid administration's awareness on how to prevent corruption in all Norwegian-funded development co-operation

The results achieved in implementing the above objective within the framework of NORAD's anti-corruption project show that:

- Staff awareness was raised as well as attention to corruption and financial management issues as a result of training on how to prevent corruption in development-related activities. Whether the acquired knowledge is being applied was not assessed, however, nor was competence among staff appraised on recipient countries' governance and administration systems. Most, though not all, embassies held training courses on financial management for their staff, but only a few established a financial and management/controller function within the embassy.
- A concentration of the portfolio of Regional Departments on a number of countries in Africa took place, although the proportion of the total aid budget that was disbursed in a particular time period was not reduced.
- All standard treaties on bilateral projects and programmes, agreements on parallel financing with multilateral institutions and contracts on institutional co-operation were given anti-corruption clauses. A number of embassies have built such clauses into their 'local standard agreements' with national NGOs. Information on all grant agreements was published electronically on NORAD's home page and on the embassies' web page.
- The extent to which sanctions have been used when funds were not properly accounted for or were embezzled depends very much on the diligence of each head of station and/or development co-operation.
- Two small seminars on the implications of the OECD Convention and the monitoring of its implementation were held in NORAD. The Norwegian Business Association held a large conference on corruption in which NORAD and the MFA had prominent roles. Several meetings on corruption and anti-corruption work were held with selected Norwegian companies between 2000 and 2002.

Source: NORAD document handed to the DAC team in Zambia.

Norway can be commended for its initiatives on ethical standards and the fight against corruption. Regarding the latter, efforts could be complemented with targeted statistics and research on the various forms of corruption. A review of the current mechanisms on the reporting of information on corruption should also be conducted and guidelines for reporting on corrupt behaviour should be clarified.

Examples of policy coherence issues for Norway

Norway's policies are to a great extent coherent with its developmental objectives, although a number of policy areas raise difficult questions for the authorities in their effort to promote policy coherence for development. This is the case for Norwegian commodities – agricultural for the most part – which, according to the government, present “public goods characteristics” that justify government intervention (WTO, 2001). Another topic, linked to the increasing flow of people trying to escape from poverty, war and political repression, is attracting attention on the domestic front as well as internationally. Norway's policies, which distinguish between refugees seeking asylum and

immigrants fleeing economic uncertainty, are becoming more restrictive in this respect. The capacity of Norwegian society to absorb an ever increasing number of immigrants is another topic of concern.

Progressing on agricultural policies and trade to poor countries

Norway acknowledges that one of the most effective ways in which rich countries can support efforts to combat poverty is to open their markets to the products of developing countries, particularly agricultural products and textiles. The LDCs have enjoyed duty and quota-free access to Norwegian markets since 1995 for industrial goods and most agricultural products. Since July 2002, access to all products from LDCs except arms is granted duty and quota free without any exception or transitional arrangement. Norway has announced its willingness to lower tariffs for non-LDCs as part of a WTO negotiated agreement.

To further improve developing countries' market access to Norway the Government is willing to bend its Generalised Systems of Preferences (GSP) provided that other countries do the same and that satisfactory safeguard mechanisms are in place. The GSP grants trade privileges to developing countries, with differences between agricultural products and other goods. In accordance with WTO rules the current regime includes a number of safeguard mechanisms aimed at protecting the domestic sectors should they be seriously harmed by tariff-free imports from LDCs, textiles and clothing for the most part. Safeguard mechanisms are criticized by the OECD as they may result in abrupt and unpredictable restrictions on imports from developing countries (OECD, 2004). The Norwegian Government has initiated a comprehensive review of the GSP system, including the special safeguard mechanism.

Despite the most recent efforts that the Government has agreed to make towards developing countries, Norway still has one of the highest rates of agricultural protection in the OECD. This contradicts the government's development assistance goals by denying developing countries outside the LDCs access to the Norwegian market where they could be competitive. Exports subsidies averaged USD 78 million *per annum* in the period 1995-2000. In 2003, Norwegian exports accounted for 5% of agricultural production (OECD, 2004). According to the Norwegian Government agricultural exports go almost exclusively to other OECD countries.

Given the growing awareness in Norway of the development dimension of trade liberalisation in relation to agriculture in particular, there is a sound basis for building up a constituency for change that is sensitive to and takes account of the possible negative effects of agricultural policies on developing countries. The NGO community could be mobilised in this respect.

In contrast to the high official transfers, Norway's imports from developing countries only account for 9% of the total Norwegian imports (OECD, 2004). Trade with LDCs is particularly low, a mere 0.2% of non-energy imports, which is comparable to other small OECD countries. These figures suggest that Norwegian support to private sector investment and trade does not meet the expectations that are raised by the government's policy statements and declarations on this topic.

Quotas for refugees: an emerging issue

According to Norwegian statistics, immigrants constitute 7.6% (approximately 350 000 people) of the Norwegian population in 2004, a three time increase since the 1980s.¹⁷ One of the parliamentarians met by the DAC mission noted that Norway's immigration policy were restrictive, as in other neighboring countries.

17. See www.ssb.no/innvandring/.

Norwegian laws provide for the granting of refugee status or asylum to persons who meet the definition in the 1951 United Nations Convention Relating to the Status of Refugees and its 1967 Protocol. The Norwegian Government co-operates with the office of the UN High Commissioner for Refugees and other humanitarian organizations in assisting refugees. It provides protection on humanitarian grounds to many individuals who fall outside the definition of either the Convention or the Protocol.

As a result of increasing numbers of asylum seekers in recent years, Norway decided to cut resettlement quotas for refugees by 50% in 2002 (Amnesty International, 2004). The present government initially responded negatively to requests to increase this quota to 1,500 persons annually. In August 2004, however, Norway proposed to raise the number to 1,000, a step that some human rights and advocacy groups find insufficient. The government is now committed to further increase the quota in 2005. Norway should be encouraged to pursue this line.

Future considerations

- Official documents presenting the strategic underpinnings of Norway's development co-operation could usefully give more prominence to policy coherence for development as a government-wide objective, and to the central contribution of policy coherence to improving the effectiveness of Norwegian ODA.
- The Norwegian should report regularly on its actions aimed at improving policy coherence and explore the possibility of integrating the Millennium Development Goals into relevant policy areas such as trade, agriculture, environment, security, migration and economics. It could also set up a "whole-of-government" mechanism to strengthen PCD with those areas.
- The government could commission independent research and assessment of key policies to determine their impact on development prospects in developing countries. NGOs could play a part in this respect.
- Given its new responsibilities NORAD could be mandated to conduct evaluations related to policy coherence for development.
- Norway should review the very high levels of agricultural protection to all but LDCs and the safeguard clauses associated with its general system of preferences to create more solid and durable export opportunities for developing countries.

CHAPTER 5

ORGANISATION, STAFFING AND MANAGEMENT

The recent reorganisation of the Norwegian development aid administration

The rationale behind the reorganisation

Following the *Action Plan for Combating Poverty in the South towards 2015*, a major evaluation was conducted to look at the efficiency of the aid administration in terms of its contribution to poverty reduction. As the Government noted, “the changes in international development policies and the Norwegian Action Plan require changes in the way in which we are organised and in the way we work” (MFA, 2004f). In particular, the need for better linkages between policy, strategy and implementation and for a clearer division of labour between the MFA, NORAD and the embassies was stressed. Other areas for improvement included reducing the duplication and fragmentation of aid interventions, improving the ability of the Government to interact with all relevant actors at country level and strengthening the focus on results. Furthermore, a more holistic approach to poverty reduction and development was needed as well as an aid administration that was adapted to new aid modalities and the trend towards more co-ordination and decentralisation.

The evaluators recommended two options: Either NORAD should be given the authority to play a more complete role as the implementing agency, as in Sweden or Canada; or the MFA and NORAD should be integrated within the framework of the Ministry, like the Dutch or Danish model (ECON, 2003). In effect, the Government chose the “middle-ground” by transforming NORAD into a technical directorate under the MFA, with a substantially different mandate. Thus, as of April, 2004:

- The planning, execution and administration of Norwegian foreign and development work were integrated into the MFA. All country and regional competences were unified in that ministry.
- Responsibility for the implementation of development programmes was delegated to Norwegian embassies in an effort to further decentralise decision-making to the country level. In particular, embassies were given a central role to improve the co-ordination and coherence of bilateral and multilateral efforts.
- NORAD continues to be a separate directorate with major responsibility for providing technical advice to the MFA and the embassies and assisting them in assuring the quality of Norwegian development co-operation. The directorate is also in charge of initiating and implementing independent evaluations of allocations made under the development co-operation budget. It administers grant schemes in favour of civil society organisations and the private sector, in accordance with the MFA’s annual financial allocations. NORAD’s Director reports to the MFA’s DIDP.

Strong conclusions cannot be drawn on the impact of the reorganisation as it is still in the early stages of implementation. The Norwegian Government is planning to undertake an evaluation within the next two years.

The new organisational set up may help secure better unity of purpose, better focus and less overlap and fragmentation. It is also perceived as an opportunity for the MFA to simplify its structure and improve its delegation procedures and the division of labour in the Oslo-based part of the ministry and between the embassies and headquarters. Before the reorganisation, the unclear division of labour between departments within the ministry and several layers of authority had put some limit to decentralisation (ECON, 2003). As the new system falls into place, embassies should be able to increasingly contribute to strategy formulation and deal with new domains (*e.g.* budget support) and sensitive issues (*e.g.* human rights, humanitarian action) while implementing the activity plan. High priority should be given to streamlining the decision-making machinery so that embassy staff can be brought closer to top management and political leadership in Oslo. At the same time, with increased responsibilities the embassies should be made more accountable to both partner governments and Norwegian authorities.

Officials consulted at headquarters as well as embassy staff admitted that there could be some risks involved in separating NORAD's technical expertise from the rest of the organisation. In trying to adapt its competences to its new role, the directorate will benefit from the experience of a critical mass of professionals. Initially at least the level and types of skills available within the directorate may not be easily adaptable to its new functions, while others that are available may not longer be needed. Some gaps, particularly to provide advisory services to embassies, may be difficult to fill now that a number of highly qualified staff have moved from NORAD to the MFA. The DAC mission was informed that so far, no acute shortage of NORAD's advisory capacity had been registered relative to demand.

The fact that the redeployment of some professionals from NORAD to the MFA will not be compensated with new recruits, at least in the short to medium term, raises serious concerns within the directorate. For their part, a number of Norwegian NGOs consulted by the DAC review team see the reorganisation as a way for the MFA to strengthen its control over development policy and "mainstream" that community in the context of donor harmonisation and alignment with national PRSPs (see Chapter 6).

The main actors of Norwegian co-operation

The central player: the Ministry of Foreign Affairs

As before the reorganisation, the Ministry of Foreign Affairs has two ministers: one for Foreign Affairs, the other for International Development. One Secretary General answers to both ministers.

There are now 10 Departments as opposed to 11 before the recent reshuffling. All Departments report to both ministers. The DIDP deals with development policy, multilateral development banks, trade and private sector development in the South and a number of thematic priorities. It also co-ordinates and monitors all donor harmonisation and alignment work. At the initiative of the minister, a "harmonisation team" was established with staff from the relevant departments in both the MFA and NORAD.

Other departments are directly or occasionally involved in development-related matters: Global Affairs; the Regional Department, which offers services to the embassies as a "one stop shop"; Trade Policy, Natural Resources and Environmental Affairs; Administrative Affairs (Training Institute,

budget and Personnel) and the Press, Cultural Relations and Information Department. The Department for Security, Policy and Bilateral Relations will continue being involved in aid as some of the countries it deals with within the Community of Independent States are ODA eligible. The former Department for the United Nations and financial institutions is now split between the Department for Global Affairs, which covers the United Nations, human rights and democracy, humanitarian affairs and peace and reconciliation, and the DIDP.

One of the MFA's responsibilities at the country level is to approve the annual activity plan of each embassy. The plan is the central planning mechanism for delegating and allocating resources. In principle it is based on a log-frame linking specific objectives to inputs, activities, outputs and impact and includes a review of the previous year and a three-year rolling timeframe of future plans. This is in conformity with the guidelines and best practice of the development community.

A review of a number of annual activity plans reveals that they provide useful information on the national context and the operations of other major partners. As observed in Zambia, the government's own development strategies represent the point of departure for the plan based on analysis and fact finding on national development needs, institutional arrangements and donor co-ordination mechanisms. Nevertheless, annual plans tend to focus more on activities and processes than on results and sustained development impact and have limited use as a management tool (ECON, 2003). The Norwegian Government may wish to adapt those plans by making the link between resources, results and development impact more explicit. A new format for 2005 has already been distributed to the embassies.

Managing humanitarian action within the Ministry of Foreign Affairs

The establishment of the Department for Human Rights, Democracy and Humanitarian Affairs and of the sub-regional office in MFA for the Balkans, combined with the move from the regional desks of Afghanistan-related tasks and the peace process in Sri Lanka, contributed to a fragmentation of the organisation (ECON, 2003). This situation remains after the reorganisation. Although the MFA would prefer to place budget and policy responsibility within the same unit, management of humanitarian affairs and peace-building continues to be complex, indicating an organisational divide in relation to management, reporting structures and the budget.

Humanitarian affairs is a critical component of Norwegian foreign policy. Humanitarian assistance, conflict resolution and conflict prevention are placed within the Department for Global Affairs, which reports to the Minister for Foreign Affairs and the Minister of International Development. The support to these areas is handled by two sub-divisions: the Section for Humanitarian Affairs and the Section for Peace and Reconciliation. The Department for Global Affairs also manages the sections for Human Rights/Democracy and the UN; and is responsible for humanitarian action in response to natural disasters, which is treated as a separate issue with its own budget.

The budget line for transitional assistance (the gap fund) is administered by the Regional Department. The DIDP has the responsibility for the overall policy issues of peace-building, which it follows-up in the IFIs. The follow-up in countries and regions is the responsibility of the Regional Department, whereas the Department for Global Affairs is responsible for the follow-up in the UN. There is presently no formal co-ordinating function.

The organisation outlined above provides an unclear picture. Management structures and procedures involved in administering humanitarian action continue to be complex, placing high demand on co-ordination. As for many donors, the administration of Norwegian humanitarian and

transitional assistance poses particular challenges to optimize intra- and inter-ministerial co-ordination to ensure effectiveness and consistency. Furthermore, the structure for humanitarian affairs and peace-building does not correspond to the ambition and the agenda set by existing and recently introduced policies (see Chapter 3). Learning in relation to humanitarian action across departments and other arms of government could also prove difficult in the present set up.

Despite the constraints in analyzing data on humanitarian action based on the present reporting directives, Norway's report systems for humanitarian assistance are transparent and show a high degree of accuracy. The government could favour a more detailed format for humanitarian action and participate in work to improve accuracy and timeliness in donor reporting on this topic.

A new role, organisation and working methods for NORAD

The evaluation function

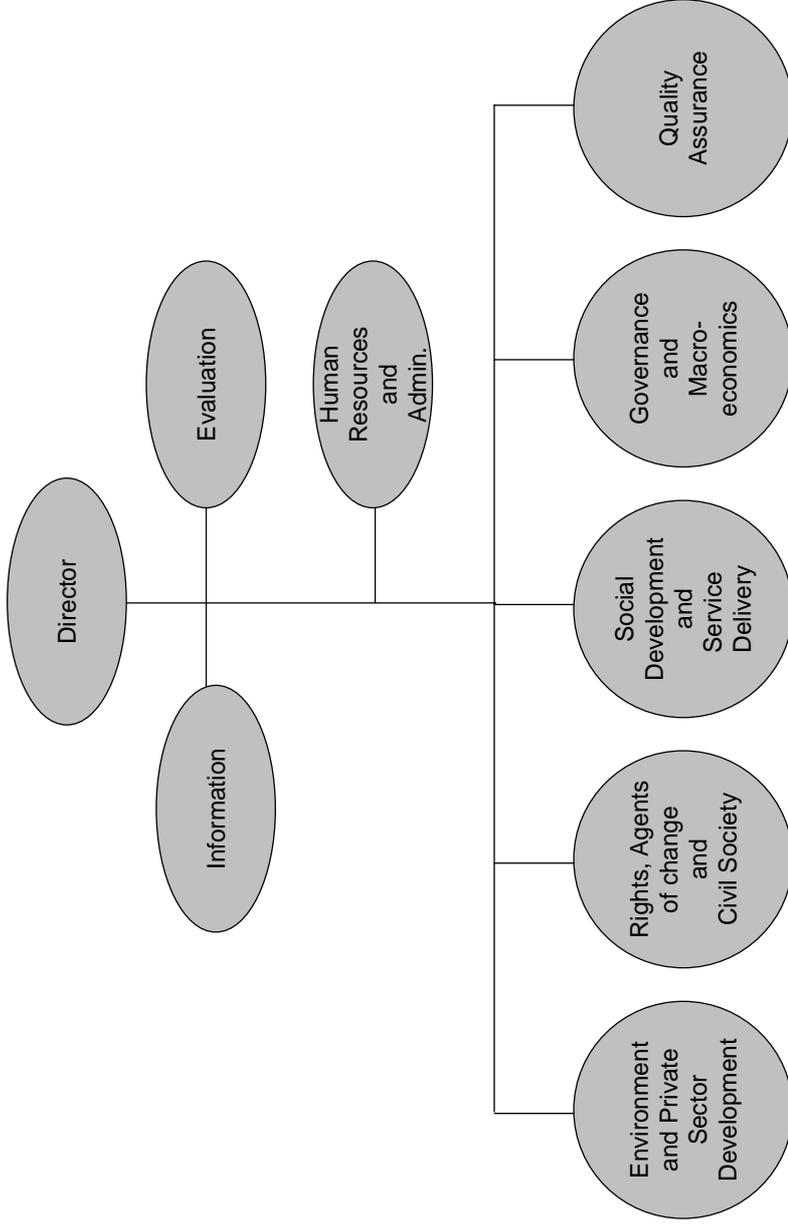
Until April, 2004 systematic reviews and evaluations were commissioned and carried out by the MFA, NORAD and the different implementing partners (NGOs, multilaterals, research institutions etc). The MFA was responsible for commissioning large external evaluations while NORAD was in charge of smaller reviews and completion reporting. The day-to-day planning, monitoring and review of activities and programmes were done within the respective administrative units responsible for the activity. This created some frustration among staff as the process between the different players was complex and time consuming (ECON, 2003).

In the new aid administration the Evaluation Department (six professionals) situated in NORAD is in charge of evaluating all development assistance activities plus development research (*e.g.* on poverty, global health, conflict and peace-building). This could be perceived as a positive step towards ensuring that the assessment of both policies and interventions at country level are independent. The department also evaluates NORAD's activities that have been or are being financed from the development assistance budget.

NORAD's new mission includes: (i) ensuring that the conclusions of evaluations are systematised; (ii) co-operating with international evaluation units and networks; (iii) participating in multi-donor evaluations; and (iv) linking with research institutions. The Evaluation Department initiates and organises evaluations and shorter reviews. It has a partnership agreement with the World Bank and can exert some influence at that level. Over the last two to three years Norway has sharpened its awareness on how multilateral institutions worked at country level, and a number of Ambassadors were instrumental in elaborating common comments on how they viewed the PRSPs. Those comments went to the governing bodies of the Bank and the UNDP.

All the evaluation reports were, and will continue to be, published in English (with the exception of those dealing exclusively with activities in Norway) in a separate report series distributed free of charge, and also via the internet. In 2002, 13 evaluations and large scale studies of international assistance were conducted. In the "old system" the MFA's management circulated the evaluation reports and recommendations for comments to the parties concerned and decided on the follow-up on the basis of the proposals drawn up by the evaluation section (MFA, 2002b). This arrangement may not change with the transfer of the evaluation function to NORAD.

Chart 5.2. Organigram for NORAD



The Evaluation Department undertakes separate NGO evaluations on a selective basis. Together with the MFA it supports a secretariat (Evaluation network) to help NGOs develop their own evaluation capacity and ensures quality control of their evaluation function. The format for NGO reporting as well as the guidelines and manuals regarding the management of resource allocations to NGOs have recently been revised to reflect the reorganisation. Annual NGO reports shall now explicitly explain any departure from the original project description at the time government resources were allocated to them. The government is also planning to establish a special committee for assessing the results of development assistance channelled through NGOs.

Since the last peer review the trend has been to conduct fewer evaluations of individual projects and more large-scale thematic evaluations. Still, both NORAD and the MFA can suggest specific project evaluations in the process of planning the evaluation programme for the next year. In this connection the Norwegian Government should envisage evaluating its governance activities across countries and analysing the impact these may have had on the local contexts as a sound basis for guiding its policy decisions in this area.

One of the Evaluation Department's main tasks is to determine the way forward in a context in which there will be more meta, sector and thematic evaluations involving a cluster of donors as well as partner countries. Joint evaluations, including in the context of budget and sector support, are likely to have a lasting effect on the evaluation function of each of the aid administrations involved as well as on partner governments. Some methodological clarification will be needed in this respect. Norway and the donors concerned should ensure that lessons are registered from the beginning of the learning process onward so as to build a sufficiently sound basis for comparison across countries. This would also be useful from the perspective of adjusting the evaluation processes and instruments to evolving needs.

The technical advisory function

NORAD's limited involvement in multilateral activities before the reorganisation was perceived as a serious weakness in the way in which the Norwegian development system functioned. The directorate has now extended its role as technical adviser on programmes and projects funded through the multilateral organisations as well as on general policy papers guiding the multilateral system and organisations.

To provide advisory services NORAD can rely on four technical departments (see Chart 5.2): Environment and Private Sector Development; Rights, Agents of Change and Civil Society; Social Development and Service Delivery and Governance and Macro-economics. Embassies' requests for such services must be sent to a First Line Service Desk with a designated e-mail address. All new orders will be distributed at a co-ordinating meeting of the Directors of the technical departments. They will then be processed through the above mentioned departments for follow-up.

NORAD's ambition is to be "an innovative centre of competence in the fight against poverty" and "at the forefront internationally on certain selected issues". The directorate will need to build competences in research and analysis in particular, which may take some time. It may appeal to a network of institutions to provide technical assistance in specific areas such as pollution control, public roads, water resources and energy, human rights, fisheries, education, maritime affairs, and health. Nearly twenty five agreements have been signed between NORAD and Norwegian technical and research institutions. The institutional co-operation between the Zambian Ministry of Education and its Norwegian counterpart is a good example of this kind of arrangement (see Box 7).

Box 7. Institutional co-operation in Zambia

Institutional co-operation between the Zambian Ministry of Education and the Norwegian Ministry of Education and Research was established in 2000 as a pilot project and later confirmed through a long term agreement in 2003. The Norwegian ministry provides technical assistance (TA) to support the reform of the education sector. The mutually agreed TA activities are undertaken within the framework of the Education Sector Programme (2003-2007) and implemented through working with colleagues at the same level and within the relevant areas of work. Study visits and exchange of experiences through workshops and meetings are the elements of a process based on the implementation of existing strategies and planning tools within the Zambian Ministry of Education.

Capacity building of senior management, multigrade teaching, information systems, decentralization, the twinning of schools and methods for communicating on HIV/Aids at school and community level are the main areas of co-operation of the Zambian-Norwegian partnership.

Source: Norwegian Ministry of Foreign Affairs.

The quality assurance and knowledge management function

NORAD is also responsible for quality assurance and knowledge management. A Quality Assurance Department has been set up to (i) provide support in connection with the delegation and decentralisation of responsibilities to embassies; (ii) improve working and co-operation methods, systems, rules and routines; and (iii) develop tools for evaluating, documenting and disseminating results. By combining the evaluation, quality assurance and knowledge management functions within one agency the government intends to increase the coherence and co-ordination of approaches to monitoring and evaluation and to systematize results at different levels. This is a big challenge for NORAD, with implications regarding how the MFA will operate in the new system.

Towards building an aid culture based on results

One of the planned objectives of the reorganisation was to improve the focus on results: “The donor community must become more results-oriented. Results must be achieved in the developing countries and for the benefit of developing countries. Thus it is essential to build up the capacity for quality assurance and to ensure a greater focus on performance in the developing countries themselves and to use this as a basis for donor co-operation and joint reporting of results. We will be judged by our ability to deliver measurable results” (MFA, 2004f).

Whilst NORAD is in charge of the overall evaluation function of development assistance the responsibility for results has moved to the MFA. This configuration provides an opportunity for the ministry to sharpen its ability to track and link inputs to activities and outputs, to focus on impact and incorporate lessons learned into decision making processes. But it also presents limits in terms of integrating evaluation results in future policy and implementation, and more generally for enhancing systemic learning. This is a challenge facing both the ministry and NORAD, one that depends on sharing information and good knowledge management throughout the institutions.

Norway has begun to address some of the challenges inherent to a results-oriented culture. As an example, the format of the Development Aid Bill for 2004 has been changed to increase the focus on measurable objectives for results-based reporting. The formulation of the 2005 budget document is being improved in the same spirit. The Government participates in the Joint Venture on Managing for Development Results and has also endorsed the Memorandum and the Core Principles adopted in Marrakech in 2003. The MFA has instructed NORAD to update its existing administrative toolkit for development co-operation, with a view to strengthening methods for results-based management,

among other things. By the beginning of 2005 the Development Co-operation Manual, the Legal Handbook and the economic management system for development co-operation will be revised to ensure simplification and standardisation. In relation to results-based reporting from agencies implementing humanitarian action, Norway encourages the development of harmonised and standardised formats.

Since 2002 Norway has been involved with seven other donors¹⁸ in the establishment of the Multilateral Organisations Performance Assessments Network (MOPAN). The network's objectives are to (i) improve the flow of information on multilateral performance from embassies and country offices to ministries and aid agencies; (ii) enable donors to be more effective stakeholders in the multilateral organisations; and (iii) improve donors' understanding of the work and priorities of the organisations concerned at country level. A pilot exercise conducted in 2003 to assess the performance of WHO, UNICEF, the World Bank and the regional banks in the health sector in eight countries found that multilateral agencies had contributed significantly to making national health policies more poverty oriented. However, these organisations could better co-ordinate between themselves and with other donors. They have not contributed in any significant degree to building local capacity (Jerve, A.M and Selbervik, 2003). Norway could address capacity building in the context of multilaterals' involvement in harmonisation and alignment since it seems to be a weak point of donor co-operation.

Challenges to human resources management

The reorganisation will in its first phase result in a redeployment of about 100 staff between the three major players: the MFA in Oslo, embassies at country level and NORAD. There will be no net increase in staff nor lay offs. NORAD will be reduced by 60 to 70 staff, including 10 to 12 who will leave upon retirement and 50 who have already been absorbed by the MFA. Approximately 35 staff will be transferred to the embassies overall. The redeployment will result in 239 staff in the MFA (headquarters); 198 in the embassies; and 190 in NORAD. The total aid administration thus includes 627 individuals as before the reorganisation (MFA, 2004f).

Incomplete staff redeployment makes it difficult at this stage to verify the extent to which the competences available within the MFA are both sufficient in numbers and relevant to the challenges of the government's policy directions focusing on strategy, aid effectiveness and poverty reduction. At present the competitive selection process in the Norwegian public administration, coupled with the system of rotation and outside postings, tends to favour strong generalist and foreign policy knowledge. Thus it appears that developing country knowledge is thinly spread out in the ministry and rarely given enough time to solidify (ECON, 2003). The situation could improve with the absorption of NORAD professionals within the MFA.

A number of MFA jobs increasingly require substantive and sector-specific expertise in addition to competences in the areas of policy dialogue and reporting. Within the embassies, staff must combine strong diplomatic skills with macroeconomic and policy-level expertise as well as process skills to present Norwegian policy and discuss other countries' positions in donor co-ordination and other fora. In Zambia, it seems that this has not been a problem and the integration of foreign policy and development work has functioned well to the present. Thus in some instances the mixed NORAD and MFA cultures have been a resource rather than a barrier. Nevertheless the Norwegian Government could emphasize more the skills needed in the evolving aid context.

18. The seven donors are: Canada, Denmark, Germany, the Netherlands, Sweden, Switzerland and the United Kingdom.

As there do not seem to be plans at this stage to recruit new, specialised staff, training courses may be needed in specific areas to supplement the existing courses on macroeconomics, budget support and the PRSP. In the past, NORAD trained employees in negotiating, budget issues and the conduct of international meetings, among others. The Foreign Service Institute (FSI) also organises courses, including via the internet, on HIV/Aids, good governance and anti-corruption. According to the MFA the institute has taken into account the harmonisation agenda as well as new demands on colleagues stationed in the embassies and at headquarters. Working closely with technical experts from within the ministry and NORAD, it has begun revamping its courses. Joint training courses with the Nordic Plus Group have been organised on the PRSP and follow-up courses are planned on sector wide approaches and harmonisation. In addition, a working group is looking into the present development related courses in order to ensure that they reflect the new organisational set-up and the international and Norwegian development agenda.

All courses offered by the FSI are evaluated continuously by the institute itself, by its advisers and by participants. The Norwegian Government may wish to ask an independent institution to assess whether the institute's mandate adequately reflects the aid administration's new requirements and the changing aid modalities and instruments.

Embassies will continue to draw lists of technical competences from NORAD but they will also have the opportunity to seek specialised expertise elsewhere on the market. This puts some pressure on the directorate to remain both competitive and relevant in terms of meeting the embassies' aid priorities for specific advisory services. At this stage most embassy staff coming originally from NORAD have a strong aid background, and a number of top positions have already been filled with NORAD's senior staff, as in Zambia. This is a positive step. Nevertheless, having an adequate skills mix at field level, including between expatriate and local professional staff, should be central elements of MFA's human resources management thinking. In addition to staff development programmes, the Norwegian aid administration may need to pay attention to incentives for staff to renew, update and develop their knowledge base and consider annual assessments, including for managers. This trend, which a number of aid administrations are following, would be in line with the Norwegian Government's use of local professional staff.

Other key official players

Although the MFA has the central leadership and management role with respect to development co-operation, a number of parliamentary bodies and government agencies are also involved: the Storting's Standing Committee on Foreign Affairs, which is in contact with the MFA to shape its programme in line with overall Norway political priorities; the Ministry of Finance which has the constitutional responsibility for Norway's relationship with the IMF and the Norwegian Central Bank, which handles the day-to-day relationship with the IFM; and the Office of the Auditor General which reports periodically on how the development funds are spent. The Environment, Health and Education ministries are also commonly involved in development policy (see Chapter 4).

The Volunteer Service Programme - Fredskorpset

Fredskorpset (the Norwegian Volunteer Service) was founded in 1963 as a sub-division of Norwegian Development Aid. In 1998-99 the Norwegian Government reorganised Fredskorpset as its original structure and operations were viewed as outdated. In 2000 a new organisational structure was launched with a new operational mandate including objectives and principles based on a "partnership for development" approach. This approach suggests a collaborative relationship with agreements between organisations and various enterprises in the South and Norwegian companies. The partnership arrangements include North to South and South to South interactions, with priority given to LDC

partners. The responsibility for identifying the content of the co-operation needed rests with the partners, with Fredskorpset financing the framework for partnership arrangements.

Fredskorpset was not affected by the recent reorganisation. Since 2000 it is a public body under the auspices of the MFA entirely funded through a separate chapter of the State budget. For 2003 the allocation totalled NOK 120 million. Fredskorpset is led by a Board and a Secretary-General. Operations are managed by a Secretariat and the Secretary-General. An executive committee, which consists of partners' representatives, advises the Board.

In 2003 an independent study by the Norwegian Institute of International Affairs (NUPI) examined a selection of Fredskorpset's exchange projects (Borchgrevink, 2003). The study concluded that the emphasis given to the partnership structure distinguishes the organisation from traditional volunteer programmes. Fredskorpset's reorganisation has succeeded in modernising the organisation's traditional volunteer structure.

Civil society and NGOs

The 1999 Peer Review noted the strong link between Norwegian public support for development co-operation and the heavy involvement of NGOs in aid programmes. It also raised important questions regarding the role of NGOs in sector wide approaches; the balance between maintaining the quality of aid and opening up to local and international NGOs; and the capacity of partner country NGOs. The report also discussed Norwegian NGOs' independence and autonomy given their heavy reliance on public funding. The reorganization of the Norwegian aid administration and the trend towards donor harmonisation and alignment with national PRSPs have sharpened the debate on the dependency dilemma and the changing role of NGOs. New issues are coming up that the Norwegian Government, and NGOs themselves, are beginning to address.

Norway considers NGOs to be important suppliers of humanitarian assistance and social services as well as key actors in political and advocacy work. While it will continue to support civil society organisations that have an advocacy role and act as watchdogs of governments, it will only support service providers that align their activities with national policy frameworks, *e.g.* the PRSP, other development or sector plans. This could have a positive impact in terms of harmonising NGO work. A number of NGOs have expressed concern regarding the extent to which they can exert influence in structures that involve bodies such as the World Bank and UN organisations; and their ability to realise their specific advantages when constrained by ambitious structures such as Harmonisation in Practice (HIP) frameworks. Working within the HIP increases layers of and time spent on co-ordination with donor government policies, with partner country policies and with other NGOs (MFA, 2002b). In addition, a number of NGOs are questioning the strong focus on results, including identifying those in the short term.

Many Norwegian NGOs are aware that they must assume new tasks and alter their perspective in the context of poverty reduction. If efforts to fight poverty are to succeed, Norwegian actors, including themselves, could work with or through individuals and organisations that represent and/or have ties with the poorer segments of partner countries' societies. Their role will increasingly consist in enhancing the ability of marginalised groups to fight poverty with a minimum transfer of costs. According to the Advisory Committee on Performance, Norwegian NGOs' expertise is not so developed when it comes to combating poverty over the long term. They may have to adapt their approaches to fit the complex socio-economic and political circumstances to which the poorer sections of developing countries belong (MFA, 2002b).

In Zambia, a number of Church-based NGOs are considering adopting a rights-based approach to the problems of poverty. This could become particularly sensitive if such efforts progressively translate into, for example, the poor gaining control over food production, claiming access to land, gender equality, etc. To successfully fight poverty marginalized groups must be mobilised and able to articulate their needs. Some Norwegian NGOs see this as a “window of opportunity” and have begun to reflect on how they can acquire the capacity, knowledge and commitment needed to best assist those groups. The Norwegian Government should ensure that their efforts towards poverty reduction are supported and systematically evaluated. It is also critical that NGOs be able to maintain their perspective. In this respect, the government may want to reflect on how to strengthen civil society in a manner that respects diversity in development work.

Norway relies heavily on Norwegian NGOs for delivering humanitarian action and tends to prefer them to local partners, particularly since general auditing requirements limit the authorities’ ability to use local NGOs. However, through Norwegian NGOs and the International Council of Voluntary Agencies Norway supports NGO capacity building in developing countries, with a view to increasing co-operation possibilities. Many of the Norwegian NGOs, including the “big five”, already work through local partners.

Five national NGOs (the Norwegian Red Cross; the Norwegian Refugee Council; Norwegian Church Aid; Norwegian Peoples Aid and Save the Children Norway) receive the largest share of funds available for NGOs. Of these the Norwegian Red Cross remains the largest recipient since it acts as the funding channel between the Government and the ICRC/IFRC and partner Red Cross/Red Crescent Societies. The available data may provide a distorted picture since the MFA channels its support to ICRC/IFRC through NRC.

How Norway ensures that Norwegian NGOs adhere to good practice and commit themselves to promoting accountability, efficiency and effectiveness is not entirely clear. It could be argued that they are given priority without a clear reference to their capacity to deliver or cost effectiveness. Systems to monitor the UN Inter-Agency Standing Committee’s relevant Guidelines and Principles on Humanitarian Activities, the Guiding Principles on Internal Displacement and the 1994 Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief could be promoted further. Norway could also consider strengthening its policies to avoid increasing the bilateralisation of humanitarian assistance and develop criteria to discourage the proliferation of NGOs involved in humanitarian action.

Future considerations

- The Norwegian Government could clarify how the embassies will implement the rights-based approach to development.
- The opportunity for tracking inputs, activities and outputs, focusing on impact and incorporating lessons learned into decision making processes has improved with the Ministry of Foreign Affairs now in charge of results. However, there may be limits in terms of integrating evaluation results into future policy decisions and more generally, for enhancing systemic learning. This is a challenge which the government may wish address by ensuring the continued sharing of information between the ministry and NORAD and good knowledge management throughout the institutions.
- The Norwegian Government should ensure that the aid administration has the right mix of people and sufficient resources to provide effective advice and support on all issues which are high on the policy agenda, such as private sector development; and to build on Norway’s

strong support to gender equality. The recent Plan of Action on: Fighting Poverty through Agriculture offers the opportunity to experiment with innovative thinking and tools in both areas.

- The government should also allocate appropriate resources to allow NORAD to fulfil its new functions.
- Human resources management could evolve to reflect new strategic requirements such as budget and sector support and the rights-based approach as well as the increasingly frequent and important policy dialogue with other donors and partner country governments. Incentives for staff to renew, update and develop their knowledge base, including through networking and using other people's knowledge as inputs, should be considered.
- Norway must ensure intra- and inter-ministerial co-operation to optimise its humanitarian response and decision-making for funding humanitarian action.

CHAPTER 6

PARTNER COUNTRY OPERATIONS

The Norwegian Government is beginning to put into practice some of the principles which are at the core of its development co-operation. It is (i) levelling the playing field for partner governments by emphasizing ownership and putting more responsibility for results in their hands; (ii) adopting aid modalities that have a potential for limiting transaction costs for Norway and its development partners; and (iii) exerting more influence over multilateral institutions. These trends should increase the role and responsibilities which Norwegian embassies already have at country level.

Levelling the playing field for partner countries

Focusing on partner governments' responsibility for achieving the poverty goals

The Storting decides on the main objectives of Norway's overall development co-operation and on financial allocations for the major partner countries. Embassy staff and senior MFA officials from headquarters are responsible for negotiating the Memorandum of Understanding (MOU), the programming document that officially formalises Norway's co-operation with its partners. The MOU sets the objectives and principles of Norway's development co-operation in a specific country. It used to be complemented by individual country strategies. Those were abandoned in 2001. In Zambia, the 2001-05 country strategy published by NORAD in 2001 describes the overall context in the country; the political, economic, social and regional challenges the Government has to face; the role of the major players; and current and future Norwegian activities. It is now replaced by the PRSP and the MOU.

NORAD used to have a prominent role in the programming exercise. Among other things it was responsible for drafting country strategies and the mandate for annual consultations with partner governments as well as the terms of reference for reviews of the MOUs (OECD, 1999). MOUs will now be drafted by embassy staff, which may seek NORAD's advice in doing so. Consultations with partner governments, civil society organisations and other bilateral and multilateral donors on the programming processes have already started in some cases, as in Zambia. This is a definite quality change since the last Peer Review, one that holds real potential for improving the quality of country programming and donor co-ordination. Norway also welcomes joint assistance strategies and participates actively in such processes in Tanzania and Uganda.

Country MOUs must be in line with the priorities of national PRSPs whenever those are of acceptable quality. In Zambia, the recent mid-term review of the MOU resulted in a revision of Norway's priorities to reflect the PRSP's emphasis on agriculture and private sector development. The Norwegian Government also decided to move out of the water and health sectors in order to avoid duplicating what other donors were doing. Thus limited evidence from the field tends to illustrate some of the qualities of the Norwegian development co-operation: flexibility, readiness to respond to changing needs and the ability to leave areas where it no longer has a comparative advantage. It also highlights the need for Norway and other donors to streamline and even align their programming and

planning documents to minimize transaction costs for themselves and partner governments. This topic is on the Harmonisation in Practice agenda in Zambia.

Norway's policy is to provide development assistance to partner countries that are able to plan, implement and report on goals and outputs. The emphasis that the authorities put on partner governments' responsibility for showing results should take into account the impact of external factors, including WTO rules, low integration into the world trade system and insufficient debt relief measures. Another concern should be the speed and degree to which partner governments are able to strengthen their financial systems and elaborate viable indicators for measuring performance with respect to poverty goals. In Zambia for example, despite substantial donor assistance the Ministry of Planning is struggling to set up a sound monitoring and evaluation system within the framework agreed with the donors. Together with other DAC members and partner governments, Norway could better assess the government's capacity to set up appropriate monitoring systems and contribute to capacity building programmes adapted to the government's expressed needs. They could also realistically assess the circumstances that are found in each country and revise the time frames for achieving the poverty goals accordingly.

Norway has made good governance another criterion for partner governments to access Norwegian development aid; and political statements increasingly address the economic, political, social and cultural rights of the poor. In general, stipulations regarding good governance imply some degree of involvement in the political affairs of partner countries. Norwegian interventions in this sphere are multifaceted. By removing Zimbabwe from its list of main partner countries for example, the government has sent the message that it will not support countries which exhibit negative governance trends, such as human rights abuses.

In Zambia, Norway contributes to strengthening the Office of the Auditor General, with plans to emulate the experience of Mozambique (see Box 8). Although progress has been slow, the initiative demonstrates the degree to which donors are exploring new ways of working together in partnership.

Box 8. DAC members' auditors-general support to partner countries

Interest is growing among auditors-general and national audit offices in DAC member countries to support development-related activities which their governments finance in partner countries. A number of fairly un-coordinated missions of national auditors have taken place, including in Mozambique, thus raising some transaction costs for the authorities there. More could be done to promote greater harmonisation of standards and norms used, as is occurring with evaluations. The Nordic Plus Group is working to address those issues by promoting greater harmonisation of standards regarding financial, procedural and legal requirements. These could include agreement on legal frameworks for pooling funds and on mutually acceptable audit standards and reporting requirements. Ultimately the use of audits carried out at country level by the audit offices of DAC member countries could significantly reduce the administrative burden on partner countries.

Source: OECD/DCD study on Aid Management (forthcoming).

Norway's commitment to new modes of operation is making a difference

A look at the trend concerning aid modalities

Norway is now fully engaged in sector-wide approaches (SWAPs) and involved in several direct budget support initiatives where the conditions with respect to financial management are sufficiently sound. The guidelines on budget support for developing countries, approved in August, 2004, provide a good indication of the conditions under which this aid modality can be used (MFA, 2004h). As

mentioned elsewhere in this document, budget support in particular bears on the policy dialogue with both partner governments and other donors.

The government also keeps a portfolio of projects which it progressively manages according to the principle of 'silent partnerships' as in Zambia, or delegated partnership as in Malawi (see Box 9). Silent partnership means that Norway pools financial resources for a particular programme under the umbrella of a single donor acting as the counterpart for the partner country government. The 'silent' donor relies on the active donor for implementation, reporting and monitoring. In Zambia, Norway finances 60% of a project in applied agricultural research for which the Dutch Government is the 'active' partner, whereas Norway is the 'active' partner with respect to support to the Auditor General project. In both cases it seems that the donor is still in the driver's seat, an arrangement that somewhat contradicts Norway's strong positioning in favour of partners' responsibility and local ownership.

Each individual donor's contribution is less visible when it is spent through another donor. This could become a problem in the context of budget support. One way to overcome this would be to report to the public on achievements by results or impact, particularly in the context of the MDGs. In Norway the DAC mission found out that parliamentarians were very interested in how Norway contributed to development results.

Box 9. Principles of delegated partnership for Norwegian co operation

Delegated co-operation is when a 'lead' donor acts with authority on behalf of one or more other delegating donors. The level and form of delegation may concern specific appraisal, or a complete sector or country programme. The lead donor may be given the authority to disburse funds and/or responsibility for the dialogue with the partner country. Thus delegated partnership is flexible, with different organisational models.

To achieve real benefits from such arrangements the collaborating donors should make use of the partner country's administrative systems for accounting, auditing, statistics, etc. whenever possible. If these are not sufficiently well developed, capacity building should be prioritised. The donors should harmonise their administrative requirements around one set of procedures. Only the lead donor should maintain a direct dialogue with the partner country's authorities. The interaction between the donors should be described in the agreement between them.

The partner country should be responsible for identifying possible needs for technical assistance, and such assistance should be subject to competition. On their side, the collaborating partners must assure that the group of donors together has the necessary capacity and competence to carry out their obligations. The individual donor is responsible for fulfilling its designated role in the delegation agreement with regards to its own capacity and competence.

The legal and administrative requirements of the collaborating donors must be assessed prior to delegating.

Source: NORAD (2002), Principles for delegated co-operation, NORAD Report 2003/02.

Streamlining NGO support

Chapter 5 addresses a number of issues regarding the ways in which the relationship between the Norwegian Government and NGOs is evolving as donor harmonisation and alignment with PRSPs is progressing. Other concerns have been brought to the attention of the DAC team. In Zambia for example, Norway is putting more responsibility in the hands of civil society at country level by channelling funds to selected local umbrella bodies, such as NGOCC, a network of women NGOs specialising in advocacy work (see Annex B). This has the advantage of reducing Norway's own transaction costs while potentially empowering NGOCC and strengthening its sustainability over the

longer term. On the other hand, the change has in effect divided the movement by creating competition for funding between the network and the organisations it used to support. The embassy should assess whether the network is able to maintain the quality of its advocacy work while handling sub-granting in an efficient and transparent way. It should also take an interest in verifying the extent to which the transfer of competences has strengthened the network's capacity over the long term and contributed to diversifying its range of skills.

Norway's own commitment to the fight against HIV/Aids is illustrated by its support to the Zambian National Aids Network (ZNAN), another umbrella organisation that is 100% dependent on donor financial assistance. Although this condition may be due to the nature of the work which generates high level of generosity in Norway and elsewhere, it raises the question of the network's sustainability over the longer term. The fact that about 24 donors in Zambia are funding all activities related to the epidemic leaves little incentive for the government to assume its responsibilities, including through specific budgetary allocations. Furthermore, there is little space for the private sector to mobilise itself and also contribute to the fight against the epidemic.

The DAC mission was told that donor attention to HIV/Aids had not significantly modified Zambian society's behaviour with respect to prevention. Other factors related to culture, tradition and power relationships may be involved. Norway could engage the donor community to assess all assistance to this sector and squarely address the issue of aid dependency versus societal responsibility with the Zambian government. The Norwegian authorities could also more forcefully engage all partners in taking a more gender sensitive approach to the epidemic. This would involve responding to the differing needs of both women and men, including access to information, prevention services, treatment and care.

In any case a continuous assessment of the quality of NGO work in this domain as well as in others related to poverty reduction is in order. The government could increase its efforts to link support to NGOs to their ability to meet results, with the embassies and NORAD playing an important role in this respect.

Taking an active role in joint donor frameworks for harmonisation and alignment

As a member of the Nordic Plus countries Norway has been a driving force in the promotion of donor reform to reduce transaction costs for partner countries and increase aid effectiveness. It has played and still plays a positive and constructive role, bilaterally as well as multilaterally, in donor harmonisation and alignment.

Based on a genuine commitment to move the harmonisation agenda forward, the Directors-General of the Nordic Plus countries approved a concrete joint plan of action (JPA) in November 2003 which was submitted to the DAC Task Team on Harmonisation and Alignment. The plan is ambitious. It includes efforts to conduct joint programming and evaluations and PRSP training, and pool technical assistance. It sets very specific targets to promote donor co-ordination at all levels, including in international fora, and to allow embassies at country level to make final decisions on a number of issues.

Norway is also planning to have an operational plan on H&A which will be effective as of January, 2005. The plan will look into routines for information flows between different parts of the Norwegian system (the MFA and embassies in particular) and collaboration and harmonisation initiatives with multilateral institutions (MFA, 2004f). In Zambia, the Norwegian Government played a decisive role in the construction of a tailored plan for donor harmonisation which is attracting a lot of attention from the DAC (see Box 10).

Box 10. Harmonisation in practice: the case of Zambia

How the process was initiated and what it means

A pilot programme started in Zambia in September 2002 in the form of an HIP framework, first with Sweden and the Netherlands taking the lead in the initial phase of the programme, followed by Norway and DFID. Denmark, Ireland and the World Bank replaced them as lead donors in April, 2004. A Memorandum of Understanding was signed between the Zambian Government and the seven Nordic Plus countries which Canada, Germany, Japan, the UNDP and the World Bank have also signed. The European Commission and the United States have not signed the Memorandum but are nevertheless actively involved in the HIP.

The HIP agreement includes a 23-point action plan with four major components: (i) Programming; (ii) funding mechanisms; (iii) human resources and (v) housekeeping issues. Each component is assigned specific objectives, time frames, success indicators and lead donors. To reduce overlaps and un-coordinated support to NGOs, common contract templates are being envisaged, and a technical assistance pool could be established.

The framework is far reaching: Donors will provide aid in accordance with the Zambian Government's own priorities as reflected in the PRSP and align with the government's budget cycles and financial systems. It should be noted, however, that existing bilateral agreements will take precedence over the MOU signed by the Government. This was agreed to accommodate donors that are unable to join the agreement on every aspect, and is likely to slow the process of harmonisation. Over the longer terms it will be interesting to see how the harmonisation efforts can be balanced with the ability and scope of action of the different players, including NGOs, to maximise their comparative advantage.

Initial lessons learned

A number of lessons have emerged from the initial phase of the HIP process. To begin with, the HIP has created a platform for policy dialogue that was non-existent before, although this originally generated a gap between HIP and non-HIP donors. More efficient working methods are being practiced, as illustrated by silent partnership arrangements. The engagement of non-like minded donors is also a positive step.

The framework has been assimilated to a peer review pinpointing donor "bad" behavior but also stimulating self-censure. The sharing or co-production of analytical and other material has been a timesaver that should be mirrored at headquarters and at the multilateral level; and an agreed-upon code of conduct on remuneration (on consultants' fees, topping-up, per diems, etc.), outsourcing and procurement is recommended. Finally, a monitoring system must be established in order to measure progress or else the focus of the HIP will remain on processes, procedures and structures.

If conditions are adequate for it budget support is the ultimate "harmonization highway". However, once they agree on a division of labor based on their respective comparative advantages, donors must sacrifice visibility and tracking their own specific inputs.

The risks and uncertainties

A number of donors still have inflexible systems that will not be easily modified in the foreseeable future. Thus harmonisation may take place *a minima* and/or at a different pace depending on the donor or group of donors. This condition is unlikely to make a big difference in the way in which aid is delivered overall and could also exacerbate the Zambian Government's capacity constraints. So while donor pressure on the Government to conform to the HIP requirements is great, with often political and other costs in the short and medium terms, the system does not offer any guarantee that it will be advantageous to the Zambians. Another concern is that too much harmonisation could lead donors to crowd into the same sectors and programmes. Finally, sufficient attention must be devoted to aligning with the Government's own systems and procedures or the whole purpose of the HIP will be lost.

Source: Norwegian embassy in Zambia and DFID.

Together with its partners the Norwegian Government should reflect on ways in which to put more pressure on donors that are lagging behind in the implementation of the HIP, including the multilaterals. Given the acknowledged difficulties the Zambian Government is facing in making human resources available to monitor the framework, Norway could also play a stronger role in encouraging its partners to financially support locally available expertise to help the Government manage the process. Training may also be needed on the donor side and could be a joint effort.

The Zambian experience as well as other pilot cases will be presented to a High Level Forum planned at the margin of the DAC High Level Meeting in March 2005. The Government of Norway is moving further with the World Bank in favour of harmonisation by using the Comprehensive Development Framework as a tool for improving the division of labour among donors and avoiding individual strategic plans. This work in progress could have a substantial impact on donors' resource allocation among sectors or sub-sectors and on the predictability of funding, a key issue for the Zambian Government.

The Norwegian embassy's own effort to concentrate its interventions on fewer sectors and engage in a division of labour with other donors is illustrated by the number of agreements it has signed with the Zambian Government: in November 2002 there were 142. By the end of 2004, only 29 agreements remained. However, Norway's annual budget commitments as well as other donors' limit the predictability of funding over longer timeframes. Donors are aware of the impact this has on the Government's own planning mechanisms, such as the Medium Term Expenditure Framework, and the topic of multi-year funding is on the HIP agenda. The Norwegian authorities may wish to make the Storting aware of the way in which multi-year funding could be specified to partner countries.

A closer look at the multilaterals and development banks

The same pressure which the Norwegian Government applies to NGOs to perform and align with national poverty reduction goals and strategies also applies to Norway's expectations of the performance of multilateral institutions at country level. In this context Norway urges the UN agencies to respond to the reform agenda in light of the new, co-ordinated ways of doing development co-operation. This contributes to increasing their support for fulfilling the MDGs and harmonisation goals. Together with other donors, Norway exercises pressure on the multilaterals to change their procedures in order to participate in joint programming and to pool funds in the context of the PRSPs in particular. This constitutes a key element of the paper on UN reform prepared by the Utstein Plus group.

Together with the Utstein partners Norway is putting pressure on the IFIs to develop and use poverty and social impact analyses as tools. Norway could also play a role, individually or with others, to ensure that the performance and reform criteria stipulated by the IFIs in conjunction with the granting of development assistance or loans do not come into conflict with or counteract the countries' own priorities for poverty reduction.

More generally, Norway should uphold its policy of improving the process of gathering information from Norwegian embassies in preparation for relevant boardroom discussions of the multilaterals. Efforts could also be made to promote the influence of partner countries vis-à-vis those institutions and to upgrade knowledge of the international financial system in partner countries. Influencing the multilaterals, including the IFIs, will require a careful mix of financial contribution and positioning on substance. This calls for a well-anchored strategy with the Nordic countries and other like-minded countries. The potential for feedback on multilateral agency performance from embassy level could be better exploited and in any case, more systematic communication links should be developed between embassies and the MFA in Oslo, as the case of Zambia illustrates.

An increased political and strategic role for Norwegian embassies?

The last Peer Review of Norway noted that Norway's aid system was 'highly decentralised', with the embassy ensuring the interface with partner countries and compliance with the procedures described in the *Manual for Government-to-Government Co-operation on Programme and Project Cycle Management*. According to staff from the MFA the manual is still valid, with the exception of the changes that follow directly from the revised guidelines that were passed in March, 2003. A revision to significantly simplify procedures is underway and will take effect in 2005.

The policy orientations encapsulated in the White Paper as well as the trend towards harmonisation and alignment, SWAPs and budget support are likely to have a lasting impact on embassies' role with respect to both partner governments and other bilateral and multilateral donors. More emphasis will be placed on the political dialogue in this context, as opposed to technical issues. The frequency, shape and content of bilateral annual consultations could also progressively give way to a multi-donor dialogue based on the PRSPs. This has begun to take place in Zambia as in other countries.

Visiting Zambia only two months after the reorganisation, the DAC team found that the division of labour between the MFA in Oslo and the embassy was not entirely clear as concerns the policy dialogue, including on issues such as budget support and good governance. As mentioned in Chapter 5, the reorganisation provides an opportunity for the Norwegian Government to settle on the respective roles of the MFA in Oslo and the embassies, sharpen the streamlining of information flows between the two and develop mechanisms for quality control. Those changes will have lasting effects on the operating mode of those institutions. The supplementary guidelines defining a new role for embassies will provide some useful insight in this respect.

As from 1 April 2004 ambassadors have the authority to approve all projects within the allocated budget and annual activity plan. This does not apply to final decisions on providing budget support. However, participation in budget support programming, the elaboration of financing frameworks and monitoring is the embassies' responsibility. Given Norway's new policy directions the government may envisage giving Ambassadors more policy and strategic authority for developing, revising and implementing Norwegian strategy. In Zambia, the quality of the staff (25 embassy staff, of which 8 are diplomats and 3 are locally employed programme officers) speaks in favour of more responsibility to embassies. The plan to recruit one additional diplomat to look after political and regional issues is a positive step towards strengthening the political dialogue. One topic that is currently being discussed in Oslo is the level of representation that should be given to locally-employed staff. The outcome of the debate will be interesting to other donors within the DAC.

The trend towards harmonisation and alignment may mean that embassy staff will increasingly consult with mostly higher level officials from the partner countries' Finance or Planning Ministries and from other donor representatives in-country, with less and less involvement in implementation. While this is commendable in terms of country ownership, in practice it means that embassy staff as well as other donors involved are increasingly removed from day to day operations and realities. Thus the tie to local conditions and people may be lost, a change that some embassy staff in Zambia regret. Norway is aware of the need to maintain contacts with the realities in partner countries. This should be done by working with or through local organisations and institutions as well as by conducting field visits to activities supported by local partners, Norwegian NGOs and sector programmes. Another concern is that donor pressure to show results on poverty reduction and other goals within strict time frames seldom respects local conditions. Norway should be sensitive to local circumstances and capacity constraints and ensure they are not overlooked by the donor community.

Technical assistance, aid untying and procurement

The share of Norwegian ODA channelled to technical co-operation (TA) has remained about 10% since the last Peer Review (11% in 2003). This figure is much lower than the DAC total average of 24% (see table C.2). Norway has begun to pool TA in a number of sector programmes. In Zambia, one technical advisor remains on a long-term basis compared to 150 seven or eight years ago.

Traditionally Norway has also resorted to twinning arrangements to strengthen national institutions in developing countries (see Chapter 5). Twinning arrangements usually come as a response to a Ministry's request for assistance. The most recent evaluation of this form of assistance dates back to 1998 (MFA, 1998).

Norway has untied bilateral aid, including procurement through private consultancies, thus exposing Norwegian firms to international competition. However, the Minister of International Development made a concession to the Norwegian private sector when she authorised the tying of certain types of aid-financed technical consultancy contracts. This applies to free-standing technical assistance which is not covered by the DAC rules on untying. It may cover feasibility studies, analyses of project design, impact assessments, etc. The Norwegian Government is urging other OECD members to fully implement the DAC recommendations and is advocating common standards for health, environment and safety in international tender and bidding processes (Storting, 2004).

Norwegian aid to the multilaterals is untied with the exception of food aid which is channelled through the World Food Programme, to be phased out in 2007. Together with the World Bank the Government is also discussing the possibility of untying assistance to the Consultancy Trust Funds of the IFIs.

Future considerations

- Aid modalities such as budget support are demanding and require relevant competence and capacity in embassies and at headquarters as well as technical backstopping from NORAD. The Norwegian Government could ensure that staff is properly trained in handling them. It should actively participate in the international co-ordination and debate on budget support issues.
- Norway could engage all donors to support capacity development and locally available expertise to assist partner governments in monitoring harmonisation and alignment processes.
- The Norwegian authorities are commended for their support to empower local civil society organisations, although this must be carefully assessed and accompanied with training. They could encourage a NGO culture based on results and help civil society organisations build capacity while respecting their diversity. The problems some NGOs may experience in connection with harmonisation and alignment and with national poverty reduction strategies should be recognized.
- Norway could increase its efforts to translate its country experiences into policy inputs at multilateral level. Similarly, embassies also need to be updated about developments in multilateral fora. Finally, multilaterals and the **IFIs** in particular should be sensitized more about the negative impact of some of their policies on the efforts of partner governments to meet the poverty reduction goals.

ANNEX A

THE 1999 DAC PEER REVIEW AND NORWAY'S ACHIEVEMENTS

Key issues	Concerns expressed in 1999	Progress achieved
Volume of aid	Norway should set a timetable for reaching the target of 1% ODA/GNI	Norway is approaching its target of 1%, to be reached in 2005. It should be maintained throughout the 2005-09 parliamentary period to be consistent with Norway's high level policy declarations on MDG8 in particular.
Humanitarian assistance and long-term relationships with selected countries	The dual commitments to humanitarian assistance and long-term partnership-based relationships 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.	Norwegian commitments to humanitarian assistance are mainly based on needs. The Principles and Good Practice of Humanitarian Donorship have been endorsed. A new policy on peace-building is available. A special budget line for transition support has been set up. Norway's 2004 comprehensive development co-operation policy tabled in Parliament (the White Paper no. 35) integrates peace building, human rights, corruption and democracy.
Strengthening the capacities of the Norwegian development co-operation system	Strengthening capacities for implementing sector-wide approaches (SWAPs), designing poverty-orientated programmes and participating in partnership.	The 2004 reorganisation of Norway's aid administration, combined with the focus on the MDGs, the use of new aid modalities and harmonisation and alignment with national PRSPs are modifying the way in which the government is implementing its development co-operation. More emphasis is now placed on silent or delegated partnership with like-minded donors and supporting recipient governments in their efforts to implement the poverty reduction goals. Capacities for dealing <i>inter alia</i> with budget support, gender equality, the right-based approach and the policy dialogue, including on political and regional issues, are needed in addition to technical skills for SWAPs. In this context, NORAD's ability to provide technical expertise and advisory services to Embassies will need to be assessed in light of the demands emerging at the country level.
Reform of the private sector.	The reform of approaches to private sector development needs to be carried further.	A new division of responsibilities between GIEK (guarantees), NORFUND (investments) and NORAD was established with NORFUND taking over the administration of NORAD's former loan portfolio. The private sector support schemes and the mixed credit scheme which stimulated private sector involvement in the implementation of projects before 2002 were untied. New guidelines for untied mixed credits were approved.
Policy coherence	Achieving policy coherence in agriculture remains a challenge.	Since July 2002 access to all products from Least Developed Countries except arms is granted duty and quota free without any exception or transitional arrangement. The current general system of preferences regime still includes a number of safeguard mechanisms to protect the Norwegian domestic sectors.

ANNEX B

REPORT ON LUSAKA MISSION

Introduction

A DAC team made up of representatives from Japan and Spain and staff from the OECD/DCD Secretariat visited Zambia between 19 and 25 June, 2004 as part of the Norwegian Aid Review. The mission met with officials from the Royal Norwegian Embassy, representatives of the Zambian Government and civil society and bilateral and multilateral aid agencies. The present report reflects the team's understanding of Norway's aid system as it is implemented in Zambia.

Zambia today: some key features

Zambia is a landlocked country in Southern Africa about the size of Texas. It has a population of 10 million, 60% of which live in rural areas. The country is well endowed with natural resources such as copper, cobalt, zinc, hydropower, and has vast but largely unexploited arable lands. Prospects for tourism are good due to wildlife resources, national parks and Victoria Falls, the natural wonder which it shares with Zimbabwe.

Following multiparty elections in 1991, the government initiated a comprehensive reform programme and reinforced civil and political rights. The economy was also liberalised with the privatisation of major state mining and other companies. The country has reasonable economic prospects but is facing daunting challenges: the HIV/Aids epidemic that affects about 16% of the population between the age of 15 and 49; a crippling foreign debt (USD 6.5 billion); evident human rights violations and cases of corruption; and low private sector investments due in large part to an unfavourable business environment. With donor support civil society is becoming more articulate in its demands to government, though this is creating some tension as the process of a constitutional review currently illustrates.

From being one of Africa's most prosperous countries thirty years ago Zambia has turned into one of the poorest, with 77% of the population living below the poverty line. This has compelled the Government of Zambia (GOZ) to negotiate debt relief under the HIPC initiative, beginning in 2000. In May 2002 the first PRSP was signed but has not gone to Parliament for approval despite some consultations with individual parliamentarians. Civil society seems to have been largely involved in consultations concerning the PRSP.

Context for development co-operation

The mission was informed that the PRSP may be extended for one more year in order to synchronize the document with the government's strategic plan - the Transitional National Development Plan (TNDP) - and the Medium Term Expenditure Framework (MTEF). The PRSP's main purpose is to promote sustainable economic growth through investment in agriculture, tourism, industry and mining; and to improve social services and infrastructure. The PRSP identifies HIV/AIDs, gender and the environment as cross-cutting themes that affect other sectors. It promotes good governance and improved public sector management to provide an enabling environment. The government is in the process of developing monitoring indicators for implementing the PRSP linked to the MDGs.

The PRSP is but one of a series of strategic or planning documents that GOZ has prepared in recent years. In addition to the TNDP and the MTEF, other documents include the Comprehensive Development Framework (CDF), Programme Implementation Plans and sector plans in health, roads and education, to name a few. The government is also considering the elaboration of an aid policy that would combine both external and domestic resources and serve as a reference for all stakeholders. Norway is part of the reference group for the establishment of this policy.

Donors' different aid procedures and time frames have taken their toll on government capacity. Since 2003 several donors have engaged in a new initiative called Harmonisation in Practice to improve co-ordination and aid effectiveness. In April, 2004 a second Memorandum of Understanding (MOU) on harmonisation laying out an ambitious plan for pooling resources and sharing information was signed between the Zambian Government and a number of donors. DFID and Norway were instrumental in developing the MOU within the Nordic Plus countries. The plan includes strong efforts to reform Zambia's public sector, in particular the Ministry of Finance and National Planning (MFNP) and the Auditor General's office. The HIP framework will help monitor donors' and the government's progress focusing on a number of clear objectives, success indicators, time frames and responsibilities. The HIP initiative is open to all donors and Germany, Japan, the UN system and the World Bank have recently joined in. Denmark, Ireland and the World Bank have replaced Norway and DFID as lead donors.

Within the Zambian Government, a deputy minister from the MFNP has been given the responsibility for overseeing the HIP process. The ministry's limited capacities pose a challenge for co-operating partners as the HIP process is considered to be a labour intensive activity. Its impact is not likely to be visible in the short term but prospects look good in the long term.

A good co-operating partner that takes initiatives

Norway's presence in Zambia dates back to the period following Zambia's independence in 1964. Support to the Zambian Government has been consistent despite shifting political and economic circumstances in the country. According to its partners, Norway's interventions have been focused and adaptable, with a long-term perspective. Its aid programme, expressed in the 2001-05 Memorandum of Understanding with GOZ, is aligned with the country's PRSP. Following a mid-term review of its MOU Norway changed its programming priorities to reflect the PRSP's emphasis on agriculture and private sector development. As part of the MOU, the Norwegian Government also decided to concentrate its efforts and avoid duplicating what other donors were doing by moving out of the water and health sectors. Norway's willingness to lower the flag and be accommodating generates high esteem on the part of its co-operating partners.

GON's programming rationale is to maintain a critical mass of resources in a limited number of sectors, focusing on Norway's comparative advantages and practicing a division of labour, mostly with like-minded donors. Together with the United Kingdom it played a key strategic and mobilising role during the initial stage of the HIP and the Norwegian Embassy was highly commended for the quality of its leadership and reporting to all members. Given the GOZ's capacity problems in handling the HIP, Norway could discuss with other donors how to build the government's capacity in a co-ordinated way.

The Norwegian Embassy and the World Bank are engaging other donors to use the CDF as a tool to improve the division of labour amongst them and avoid individual strategic plans. This work in progress could have a substantial impact on donors' resource allocation among sectors or sub-sectors and on the predictability of funding, a key issue for the Zambian Government. The Norwegian Embassy's own effort to concentrate its interventions on fewer sectors and engage in partnerships with

others is illustrated by the number of agreements it has signed with Zambian partners: in November 2002 there were 142. Currently only 29 remained at the end of 2004. At the same time, the country financial envelope has increased. Norway's annual budgeting approach as well as that of other donors limits the predictability of funding over longer timeframes, however. The embassy is aware of the impact this has on the government's own planning mechanisms, such as the MTEF. Norway could introduce this important topic on the HIP agenda considering that all together donors provide 45% of the state budget.

Norway's commitment to harmonisation and alignment is making a difference

Norway's commitment to harmonisation has changed the way in which it manages its own development co-operation. This is particularly visible with respect to aid modalities.

- Norway is now engaged in sector-wide approaches (SWAPs) while remaining open to direct budget support (DBS). In the education sector for example, it is pooling financial resources as well as technical assistance with other willing partners without specific earmarking. In Zambia, only the European Union is involved in budget support but other donors, including Norway, may follow suit when the national financial accounting system is sufficiently sound. While the trend towards joint donor approaches is commendable and can contribute to improving aid effectiveness, in practice it means that embassy staff are increasingly removed from day-to-day operations and tend to interact mainly with high level government officials and like-minded donors. This contains an inherent risk: that the staff lose sight of the local, grass-roots context and focus on results without due respect to local conditions.
- Norway maintains a portfolio of projects (about 53% of ODA), mostly outside the education, roads and energy sectors. The Norwegian authorities would like to increasingly use "silent partnership" as a basis for projects in the future. This aid modality means that Norway pools financial resources for a particular project under the umbrella of a single donor acting with the Zambian counterpart. This is the case with the Dutch in the field of applied agricultural research for example. In the area of good governance Norway supports the Auditor General's office as the 'active' partner. It is also the active partner with respect to support to NGOCC, a network of women NGOs specialising in advocacy work.
- At present 14% of ODA goes through Norwegian NGOs and 15% through 20 local NGOs. To improve the capacity and sustainability of local NGOs Norway is progressively channelling funds to selected umbrella bodies such as NGOCC and the Zambian National Aids Network (ZANAN). This arrangement has had unforeseen consequences for NGOCC. It temporarily divided the movement by creating competition for funding between the network and the organisations it used to support and shifting power relationships. Though Norway may consider the switch as an empowering tool and a positive step towards improving aid effectiveness, the network was disrupted for a year. Members of NGOCC feel that they were not sufficiently informed and prepared for the change even though an accounting and management structure for handling grants was put in place with some Norwegian-financed local technical assistance (TA). A challenge for the embassy will be to monitor NGOCC's performance in handling the grant and its effectiveness in meeting its objectives in a sustainable way. As a first step, bi-annual meetings with NGOCC are planned in which the network will present comprehensive narrative and financial reports.
- Another challenge is to relate individual Norwegian NGOs' applications for grants to the priorities of the Zambian government, at least for those in the service sector. The embassy could help ensure that NGOs contribute to the realisation of important poverty reduction

goals and human rights in Zambia. A number of NGOs are concerned about being aligned with the government's priorities, *e.g.* in the field of human rights, governance and constitutional reform. In order to preserve the comparative advantage of civil society, it is important to maintain a healthy distance from government. A mechanical application of harmonisation would not be appropriate in this respect.

- Norway has drastically reduced the number of earmarked Norwegian TAs from about 150 eight years ago to one technical advisor today from the Norwegian Public Roads Administration. Norway also contributes to the cost of one expert from the ILO. Unlike the ILO, Norway does not have a systematized way of measuring the capacity building impact of TA as this is done in connection with reviews of the Zambian Roads Department programme. In parallel, however, Norway has put in place a number of twinning arrangements with Norwegian organisations to strengthen national institutions. Such assistance can be long term and involves mutual visits and targeted short-term technical assistance, to provide methodological advice for the most part. Twinning arrangements usually come as a response to a government request and are evaluated by the Norwegian Ministry of Foreign Affairs and NORAD, which has taken over the evaluation function.

Ideally the embassy's portfolio could be divided as follows: 20 to 30% for budget support, 30% to sector support and 30% for projects channelled through NGOs or other partners.

Aligning with the Zambian PRSP and the White Paper

In 2003, Norway's programme in Zambia was approximately USD 35 million, one of the largest in the country. This represents an increase compared with the levels in 2001 and 2002 (USD 21 million and USD 28 million respectively). The future level of resources made available for Zambia will depend on the government's capacity to meet the International Financial Institution's (IFI) reform agenda and the Millennium Development Goals which are encapsulated in the PRSP.

Four sectors were originally selected in the 2001-2005 MOU in close co-operation with the Zambian Government: basic education, infrastructure (roads), natural resource management (wildlife conservation management) and good governance. HIV/AIDs and gender are in principle integrated throughout Norwegian co-operation. Private sector development and agriculture are emphasized in connection with economic growth and vocational training, although activities in this area have not yet started. Since regional programmes are managed from headquarters and other embassies in the region, the Lusaka embassy has limited involvement in regional integration, except through its modest contribution to the Common Market for East and Southern Africa (COMESA). The Norwegian Government could reflect on options for helping the Zambian Government develop a regional approach to early warning systems, something that the latter government sees as a need.

The mission was able to obtain detailed information on a number of activities implemented through Norwegian co-operation, mainly gender, private sector development, road development, applied agricultural research, HIV/AIDs and education. Some of the key features are described below.

Gender equality

The Norwegian Government's support to national gender institutions and to the PAGE programme for girls' education dates back to the 1990s. Its involvement has taken a new turn following the sub-contracting agreement with NGOCC. Institutional support to GOZ is now provided by the Netherlands, though the policy dialogue on gender still involves Norway. One of the risks of this new arrangement is that the embassy may lose out in terms of direct contact with individual

NGOs. This could be mitigated if embassy staff (one diplomat and two local professionals dealing with gender, HIV/Aids, cultural and human rights issues) made regular visits to projects implemented by those members. Despite its achievements, such as the national gender policy and engendering the PRSP, NGOCC admits that the empowerment of women in Zambia has not taken place, and maternal mortality rates and the prevalence of HIV/AIDs among women and children are still high. Norway could use its influence to ensure that the next iteration of the PRSP, including its gender component, is the roadmap for poverty reduction for all donors. With other bilateral donors, it could also document the impact of the IFI's macroeconomic policies on poor women and children. More generally, the dialogue on gender equality should be updated to take MDG3 into account and efforts should be made to integrate the gender dimension in key economic sectors where women are active.

Private sector development

Norway's support to the private sector comes in different forms, including through AUREOS, a risk equity player that manages the Zambian venture capital fund, among others. By its own account AUREOS has achieved moderate results in terms of investment in tourism, agro-processing, mining, pharmaceuticals and financial services. Success is not outstanding given the difficult enabling environment in Zambia as illustrated by the very limited number of Norwegian investors. AUREOS may have some positive impact in employment creation, increased government tax revenue and technology transfer. The lack of documented evidence on achievements makes it difficult to measure the extent to which it has had an impact on growth and poverty reduction. Gender has not been a criterion for doing business while it seems that HIV/Aids is being addressed in a recent initiative with DFID.

Since 1991 Norway has also been involved in NORFUND, a public financial institution funded originally by a one-time grant from Nordic countries to increase economic development in SADC member States. It provides long-term financing (7-year loans with a 2-year grace period), with variable interest rates based on the level of risk in the borrowing country. As of May 2004 NORFUND had 33 projects in the sub-region. 32% of those projects are located in Zambia but their impact has not been measured. By NORFUND's own acknowledgment, its running costs are high compared to returns. Although its mandate is to support SMEs its success has been limited, given that the minimum loan size is EUR 200,000.

The mission was unable to assess whether the above activities indicated that Norway has a comparative advantage in private sector development in Zambia and has helped reduce poverty or increase economic growth. It seems that NORFUND, and its risk equity affiliate AUREOS, were established as a substitute for the gamut of incentives (*e.g.* cheap loans, mixed credits and parallel financing for road construction) that NORAD provided years ago to Norwegian private investors. The new instruments have not made up for the loss of those incentives as a result of aid untying in the late 1990s. From the perspective of the Norwegian private sector, and consistent with the conclusions of NORAD's private sector strategy for Zambia, the business environment in the country does not offer good enough incentives for attracting Norwegian private firms. Promoting agricultural diversity and commercial farming through such funding as the one benefiting the Golden Valley Agricultural Research Trust (GART) may prove more efficient. If the private sector is indeed instrumental for the development of Zambia and a key theme of Norway's co-operation, the embassy could be more active with advice and support to the domestic private sector, assessing the impact of its activities at that level. It might also investigate options to improve financial conditions for the informal sector and be more systematic in considering women's role in agricultural development.

Education

Education accounts for about 47% of total Norwegian ODA to Zambia. The first basic education sub-sector programme (BESSIP) paved the way for a sector programme now involving ten co-operating partners. One element in the sector programme is a twinning arrangement between the Ministry of Education and its Norwegian sister ministry. Although there is no report specifically focusing on the capacity building impact of that arrangement, in the Southern Province it appears that it had been most useful in terms of (i) multi-grade teaching; (ii) strengthening a limited number of district Board members; and (iii) curriculum development. It seems that some awareness-raising on HIV/Aids, directed at teachers mostly, has begun as an integral part of that arrangement. The stigma attached to the epidemic and cultural practices are said to slow progress. In its dialogue with GOZ and together with other donors, Norway could emphasize the need to follow-up on the national HIV/Aids policy and help co-ordinate donors' interventions in this area.

Norway also supports the Norwegian Church Aid (NCA) whose main goal in Zambia is the realisation of the MDGs. NCA works primarily through faith-based structures such as the Council of Churches and the Church of God as well as Afronet, a governance and human rights network and Women for Change, an advocacy NGO. Since the 1980s the faith organisations have organised courses for children in Southern Africa to make up for the States' deficiency in providing education. NCA Zambia is considering taking on human rights as a new topic, which would add to its education portfolio. This would allow it to finance proposals addressing gender-based violence for example. The organisation is also considering adopting a rights-based approach to education and is asking its partners to increasingly link their activities to the MDGs and the PRSPs in the countries in which they operate. One of its greatest challenges is to engage the Ministry of Education to look beyond basic needs in education to address quality as well as structural constraints. Finally, NCA wants to reach out to youth organisations and specific support groups in the fight against HIV/Aids. This is particularly recommended given the conservative stance of local Zambian churches towards the epidemic.

Infrastructure

The major thrust of Norway's support to infrastructure is through specific training and the provision of roads, particularly for the national parks. In the roads sector procurement procedures are untied and donors use the Government's guidelines. Joint reviews of the sector involve Norway, the World Bank, the European Union and Denmark. According to the embassy, there is a specific HIV/Aids programme in this sector.

HIV/Aids

Norway's sub-granting to ZNAN has helped the network strengthen its capacities and qualify as a direct recipient of the Global Fund for Aids, Tuberculosis and Malaria. The network relies 100% on foreign assistance. It distributes funds to 120 members (there are currently 24 different donors and NGOs involved in the fights against HIV/Aids). According to a small survey conducted by ZNAN, Norway has showed foresight and strategic vision as one of the first donors to be involved in the fight against HIV/Aids in Zambia in the 1990s, integrating a gender dimension in the form of support groups to ease the burden of care for women. It also has had the longest and most significant NGO assistance programme in this sub-sector. The Norwegian Government is also supporting the National Aids Council through annual contributions. The Council is co-ordinating the response to HIV/Aids throughout the Zambian Government but internal political strife is said to make this particularly difficult. Other Norwegian support to the fight against HIV/Aids goes through the Zambian office of Save the Children. Norway is clearly putting emphasis on the fight against the epidemic through

targeted interventions but whether this component has been successfully integrated throughout its development co-operation in Zambia is not clear.

How the Norwegian embassy works

It is still too early to judge the level of decision-making authority that the embassy will enjoy as a result of increased decentralisation. Embassy staff were consulted with respect to the reorganisation of the Norwegian aid administration, and the division of labour between the Ministry of Foreign Affairs, NORAD and the embassy is clear. The process so far has resulted in reducing the amount of time headquarters spends on processing new appropriations presented by the embassy. Embassy staff are prepared to help NORAD personnel establish themselves as technical supporters.

There are 25 embassy staff in Zambia, with a good gender mix: 9 diplomats, including one in the Swedish Embassy, 2 locally recruited Norwegians in the administration, 1 Norwegian programme officer and 13 Zambian professional and support staff. Three of those are locally employed Zambian programme officers. All Zambian staff have access to pension and health schemes. One additional diplomat will be assigned to political and regional issues. This is important considering the increased need for policy dialogue on sensitive themes in Zambia, including human rights, gender, regional co-operation, security and peace-building. One issue that is currently being discussed in Oslo is the level of representation responsibilities that should be given to locally-employed staff. The outcome will be interesting to other donors within the DAC.

The dialogue with the Zambian authorities has been, and continues to be, open, transparent and mutually respectful. Norway's desire to collaborate with other like-minded donors has already had some impact on the level and quality of the dialogue with government. The dialogue with co-operating partners is operationalised by way of agreements, including on gender and human rights issues.

The embassy is willing to take an active role vis-à-vis the multilaterals and development banks operating in Zambia. Feedback and instructions are received from headquarters on an *ad hoc* basis, for example preceding or following an important international meeting, and the embassy occasionally receives a summary of Board meetings. Using its knowledge of local conditions, Norway could exert some pressure on the International Financial Institutions (IFIs) in particular to increase their support for implementing the PRSP and fulfilling the MDGs and harmonisation goals. It could influence the World Bank to change procedures in order to participate more in joint financing of sector programmes. It could also support poverty and social impact analyses of the IFIs macroeconomic policies. Information sharing between the Norwegian Ministry of Foreign Affairs and the embassy could be systematised with the introduction of a special arrangement to this effect.

Monitoring and evaluation are conducted jointly with other donors in the case of multi-donor programmes, the embassy following normal reviewing procedures (mid term and end reviews) for bilateral projects. The Zambian Government is responsible for monitoring the PRSP using a performance measurement system the Planning Directorate is currently developing. Norway intends to rely on this system to measure the performance of the national authorities in meeting poverty reduction goals. A special effort could be made to assess the extent to which the Zambian Government has sufficient resources to conduct this work. This could be a topic to be discussed within the HIP initiative.

ANNEX C
OECD/DAC STANDARD SUITE OF TABLES

Table C.1. Total financial flows

USD million at current prices and exchange rates

Norway	<i>Net disbursements</i>						
	1987-88	1992-93	1999	2000	2001	2002	2003
Total official flows	929	1 357	1 398	1 294	1 380	1 741	2 093
Official development assistance	938	1 144	1 370	1 264	1 346	1 696	2 042
Bilateral	550	735	1 007	934	940	1 145	1 462
Multilateral	388	409	363	330	406	551	580
Official aid	n.a.	70	28	27	32	45	50
Bilateral	n.a.	51	28	27	29	43	48
Multilateral	n.a.	19	-	-	2	2	2
Other official flows	- 8	143	0	4	3	0	1
Bilateral	7	143	0	4	3	0	1
Multilateral	- 15	-	-	-	-	-	-
Grants by NGOs	61	130	168	179	210	452	-
Private flows at market terms	- 81	45	1 078	1 289	471	1 215	1 673
Bilateral: <i>of which</i>	- 81	45	1 078	1 289	471	1 215	1 673
Direct investment	19	63	888	1 221	419	1 105	1 614
Export credits	- 100	- 17	190	68	52	110	-6
Multilateral	-	-	-	-	-	-	-
Total flows	909	1 532	2 644	2 762	2 061	3 408	3 766
<i>for reference:</i>							
ODA (at constant 2002 \$ million)	1 228	1 299	1 559	1 400	1 496	1 696	1 775
ODA (as a % of GNI)	1.11	1.09	0.88	0.76	0.80	0.89	0.92
Total flows (as a % of GNI) (a)	1.08	1.27	1.32	0.87	0.88	1.19	1.49

a. To countries eligible for ODA.

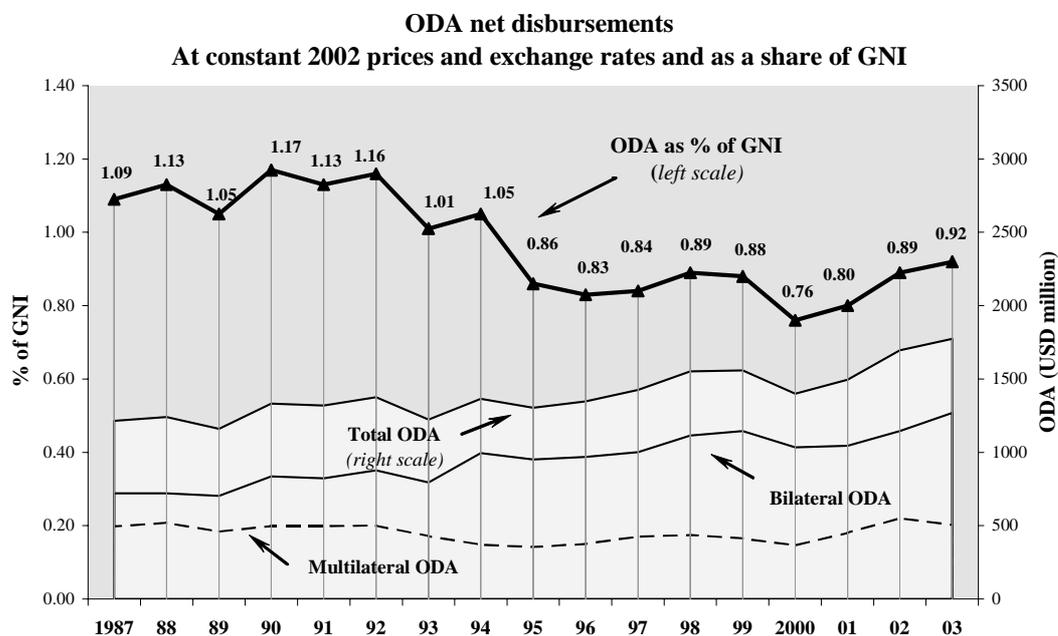


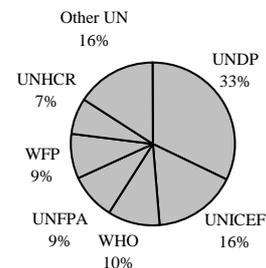
Table C.2. ODA by main categories

Norway	Constant 2002 USD million					Per cent share of gross disbursements					Total DAC 2002%
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	
	Gross Bilateral ODA	1 151	1 041	1 050	1 150	1 277	74	74	70	68	
<i>Grants</i>	<i>1 129</i>	<i>1 025</i>	<i>1 042</i>	<i>1 143</i>	<i>1 265</i>	<i>72</i>	<i>73</i>	<i>69</i>	<i>67</i>	<i>71</i>	<i>61</i>
Project and programme aid	567	574	560	592	598	36	41	37	35	34	12
Technical co-operation	153	120	167	178	205	10	9	11	10	11	24
Developmental food aid	-	-	-	-	4	-	-	-	-	0	2
Emergency and distress relief	278	226	200	252	304	18	16	13	15	17	6
Action relating to debt	27	10	23	13	19	2	1	2	1	1	8
Administrative costs	77	71	74	82	86	5	5	5	5	5	5
Other grants	28	25	19	26	48	2	2	1	2	3	4
<i>Non-grant bilateral ODA</i>	<i>22</i>	<i>16</i>	<i>8</i>	<i>7</i>	<i>12</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>12</i>
New development lending	10	4	-	-	-	1	0	-	-	-	10
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	1
Acquisition of equity and other	12	12	8	7	12	1	1	1	0	1	1
Gross Multilateral ODA	413	366	451	551	504	26	26	30	32	28	27
UN agencies	263	230	273	303	313	17	16	18	18	18	7
EC	-	-	-	-	-	-	-	-	-	-	9
World Bank group	62	37	89	112	107	4	3	6	7	6	6
Regional development banks (a)	47	55	52	62	62	3	4	3	4	3	3
Other multilateral	41	44	37	74	22	3	3	2	4	1	3
Total gross ODA	1 565	1 407	1 501	1 701	1 781	100	100	100	100	100	100
Repayments and debt cancellation	- 6	- 7	- 5	- 5	- 6						
Total net ODA	1 559	1 400	1 496	1 696	1 775						
<i>For reference:</i>											
<i>ODA to and channelled through NGOs</i>	<i>381</i>	<i>311</i>	<i>8</i>	<i>369</i>	<i>386</i>						
<i>Associated financing (b)</i>	<i>10</i>	<i>8</i>	<i>1</i>	<i>9</i>	<i>-</i>						

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.

Contributions to UN Agencies
(2002-03 Average)



Contributions to Regional Development
Banks (2002-03 Average)

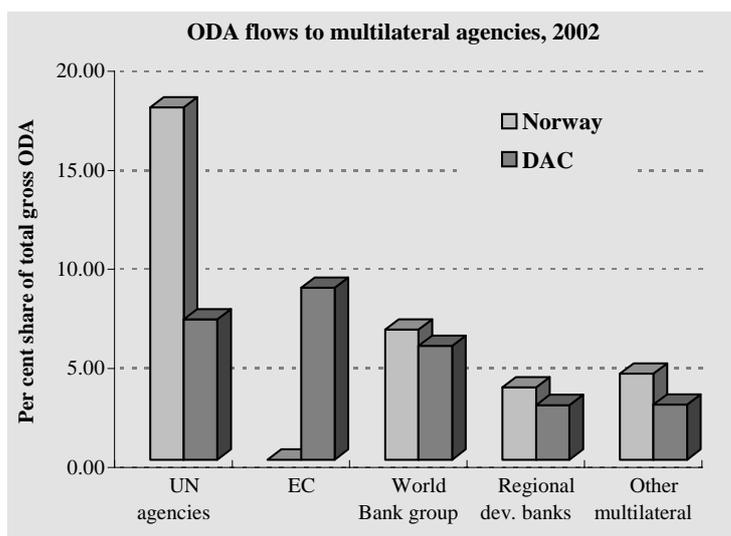
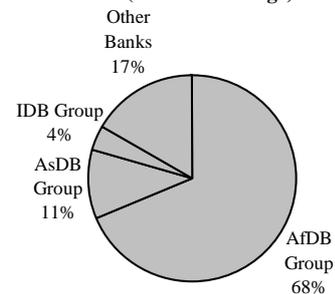


Table C.3. Bilateral ODA allocable by region and income group

Norway	Constant 2002 USD million					Per cent share					Total DAC 2002%
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	
	<i>Gross disbursements</i>										
Africa	356	326	298	386	439	42	45	41	45	48	37
Sub-Saharan Africa	353	323	294	381	435	42	45	41	45	48	31
North Africa	3	3	3	4	4	0	0	0	0	0	6
Asia	163	147	185	208	198	19	20	26	24	22	35
South and Central Asia	103	91	132	156	153	12	13	18	18	17	17
Far East	60	55	53	52	46	7	8	7	6	5	19
America	65	55	82	47	55	8	8	11	6	6	13
North and Central America	45	32	60	28	28	5	4	8	3	3	5
South America	20	23	22	19	27	2	3	3	2	3	8
Middle East	71	62	66	83	115	8	9	9	10	13	4
Oceania	0	0	0	0	0	0	0	0	0	0	2
Europe	186	132	95	125	106	22	18	13	15	12	9
Total bilateral allocable by country	841	721	726	848	913	100	100	100	100	100	100
Least developed	380	344	350	452	502	45	48	48	53	55	30
Other low-income	93	80	89	86	90	11	11	12	10	10	25
Lower middle-income	350	278	252	283	296	42	38	35	33	32	41
Upper middle-income	17	19	35	27	25	2	3	5	3	3	5
High-income	-	-	-	-	-	-	-	-	-	-	0
More advanced developing countries	-	0	0	0	-	-	0	0	0	-	-
<i>For reference:</i>											
<i>Total bilateral</i>	1 151	1 041	1 050	1 150	1 277	100	100	100	100	100	100
<i>of which: Unallocated</i>	311	320	324	303	364	27	31	31	26	28	22

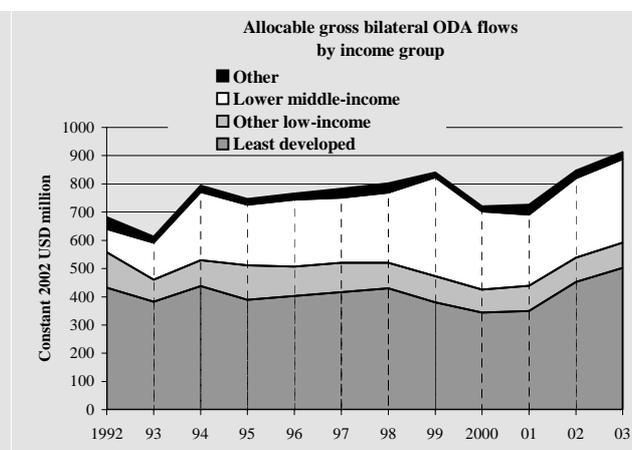
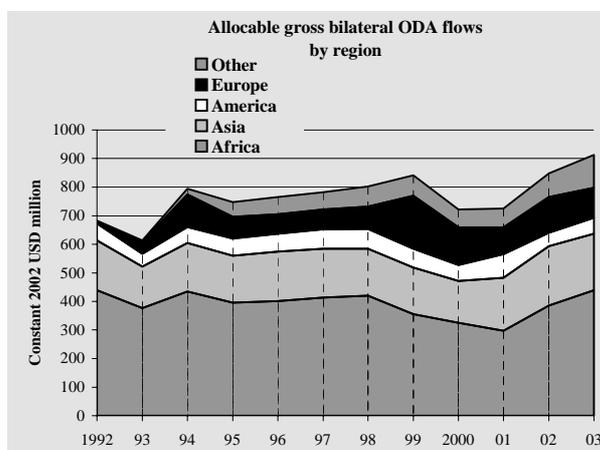


Table C.4. Main recipients of bilateral ODA

Norway	1992-93			1997-98			2002-03		
	Current USD million	Constant 2002 USD mn.	Per cent share	Current USD million	Constant 2002 USD mn.	Per cent share	Current USD million	Constant 2002 USD mn.	Per cent share
Tanzania	75	86	13	52	59	7	65	60	7
Mozambique	66	75	12	48	54	7	57	53	6
Zambia	42	47	7	41	46	6	52	49	6
Bangladesh	36	41	6	35	39	5	46	43	5
Benin	24	26	4	34	39	5	38	34	4
Top 5 recipients	242	274	43	209	237	30	259	239	27
Nicaragua	22	25	4	31	35	4	35	33	4
Zimbabwe	21	24	4	30	34	4	33	30	3
Sis Ex-Yugoslavia unsp.	19	23	3	28	31	4	33	30	3
Botswana	19	21	3	24	27	3	33	30	3
Ethiopia	18	20	3	21	24	3	32	30	3
Top 10 recipients	342	387	60	343	388	49	425	393	45
India	17	19	3	18	20	3	29	28	3
Pakistan	16	18	3	15	17	2	28	26	3
China	14	15	2	15	17	2	25	23	3
Sri Lanka	13	15	2	14	16	2	23	22	2
Namibia	12	13	2	13	15	2	23	21	2
Top 15 recipients	413	468	72	418	473	60	553	513	58
Uganda	12	13	2	13	15	2	22	20	2
Afghanistan	9	10	2	13	14	2	18	16	2
Mali	8	9	1	11	13	2	17	15	2
Indonesia	8	9	1	11	13	2	17	16	2
Nepal	8	9	1	10	11	1	15	14	2
Top 20 recipients	457	518	80	476	539	68	641	593	67
Total (101 recipients)	570	648	100	700	792	100	949	880	100
Unallocated	166	189		238	271		361	333	
Total bilateral gross	736	837		937	1 063		1 310	1 213	

Table C.5. Bilateral ODA by major purposes
at current prices and exchange rates

Two-year averages

Norway	1992-93		1997-98		2002-03		2002 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	99	17	207	31	624	50	35
Education	20	4	47	7	129	10	9
of which: basic education	2	0	19	3	66	5	2
Health	17	3	28	4	86	7	5
of which: basic health	-	-	12	2	49	4	3
Population programmes	17	3	10	2	43	3	4
Water supply & sanitation	7	1	21	3	23	2	3
Government & civil society	5	1	57	8	248	20	8
Other social infrastructure & services	34	6	43	6	95	8	7
Economic infrastructure & services	99	17	75	11	93	7	13
Transport & storage	38	7	5	1	13	1	6
Communications	13	2	4	1	4	0	0
Energy	43	8	57	8	50	4	4
Banking & financial services	0	0	6	1	11	1	1
Business & other services	5	1	2	0	15	1	1
Production sectors	71	12	35	5	68	5	7
Agriculture, forestry & fishing	43	8	20	3	58	5	5
Industry, mining & construction	27	5	13	2	5	0	1
Trade & tourism	1	0	2	0	6	0	1
Other	-	-	0	0	-	-	0
Multisector	92	16	77	11	118	9	8
Commodity and programme aid	43	7	2	0	46	4	5
Action relating to debt	27	5	21	3	18	1	13
Emergency assistance	90	16	205	30	240	19	8
Administrative costs of donors	43	7	56	8	50	4	6
Core support to NGOs	9	2	0	0	-	-	6
Total bilateral allocable	572	100	679	100	1 257	100	100
<i>For reference:</i>							
Total bilateral	579	59	696	65	1 285	69	74
of which: Unallocated	7	1	18	2	29	2	3
Total multilateral	409	41	381	35	566	31	26
Total ODA	988	100	1 077	100	1 851	100	100

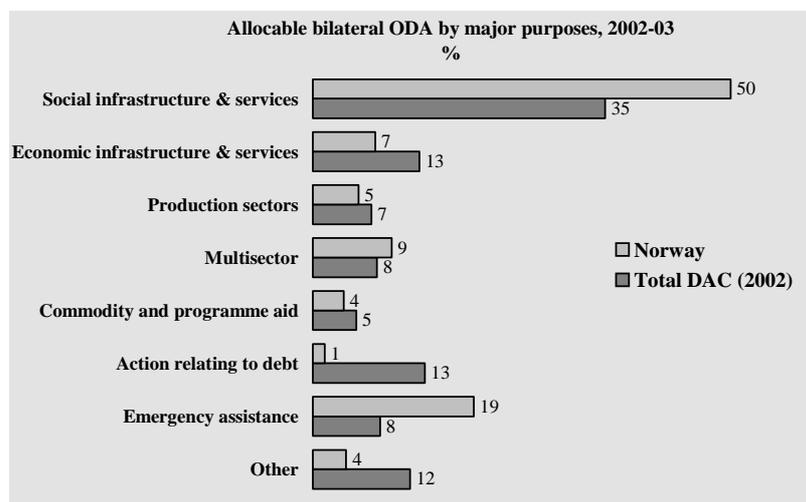


Table C.6. Comparative aid performance

	Official development assistance		Grant element of ODA (commitments) 2002	Share of multilateral aid 2002			ODA to LDCs Bilateral and through multilateral agencies 2002		Official aid 2002	
	2002			% of ODA (b)	% of ODA (c)	% of GNI (c)	% of ODA	% of GNI	USD million	% of GNI
	USD million	% of GNI								
			96-97 to 01-02 Ave. annual % change in real terms							
Australia	989	0.26	2.4	21.8	0.06	0.03	19.4	7	0.00	
Austria	520	0.26	7.1	30.0	11.2	0.08	32.6	196	0.10	
Belgium	1 072	0.43	7.2	33.6	14.1	0.15	32.9	97	0.04	
Canada	2 004	0.28	-0.6	25.1	0.07	0.06	17.4	104	0.01	
Denmark	1 643	0.96	2.8	36.8	30.2	0.35	33.3	167	0.10	
Finland	462	0.35	5.2	45.6	31.9	0.16	33.3	67	0.05	
France	5 486	0.38	-2.7	34.1	10.7	0.13	29.6	1 464	0.10	
Germany	5 324	0.27	-0.4	37.5	13.9	0.10	25.0	780	0.04	
Greece	276	0.21	9.6	61.3	15.8	0.13	13.4	16	0.01	
Ireland	398	0.40	14.4	32.8	17.0	0.13	52.8	26	0.03	
Italy	2 332	0.20	4.6	56.8	24.2	0.11	44.8	
Japan	9 283	0.23	3.0	27.9	0.06	0.06	19.5	99	0.00	
Luxembourg	147	0.77	13.3	21.2	11.5	0.16	39.6	10	0.05	
Netherlands	3 338	0.81	3.7	26.6	20.4	0.22	35.3	211	0.05	
New Zealand	122	0.22	3.5	24.7	0.06	0.06	25.0	1	0.00	
Norway	1 696	0.89	2.9	32.5	0.29	0.29	36.9	45	0.02	
Portugal	323	0.27	6.6	42.3	19.6	0.11	37.3	33	0.03	
Spain	1 712	0.26	9.5	41.7	17.4	0.11	14.7	11	0.00	
Sweden	2 012	0.84	5.4	36.8	32.7	0.31	31.3	107	0.04	
Switzerland	939	0.32	2.3	18.6	0.06	0.06	26.6	66	0.02	
United Kingdom	4 924	0.31	6.8	28.8	10.0	0.09	23.4	494	0.03	
United States	13 290	0.13	6.8	20.5	0.03	0.03	22.7	2 313	0.02	
Total DAC	58 292	0.23	3.5	30.1	20.3	0.07	26.0	(6317.2)	(0.03)	
Memo: Average country effort		0.41								

Notes:

a. Excluding debt reorganisation.

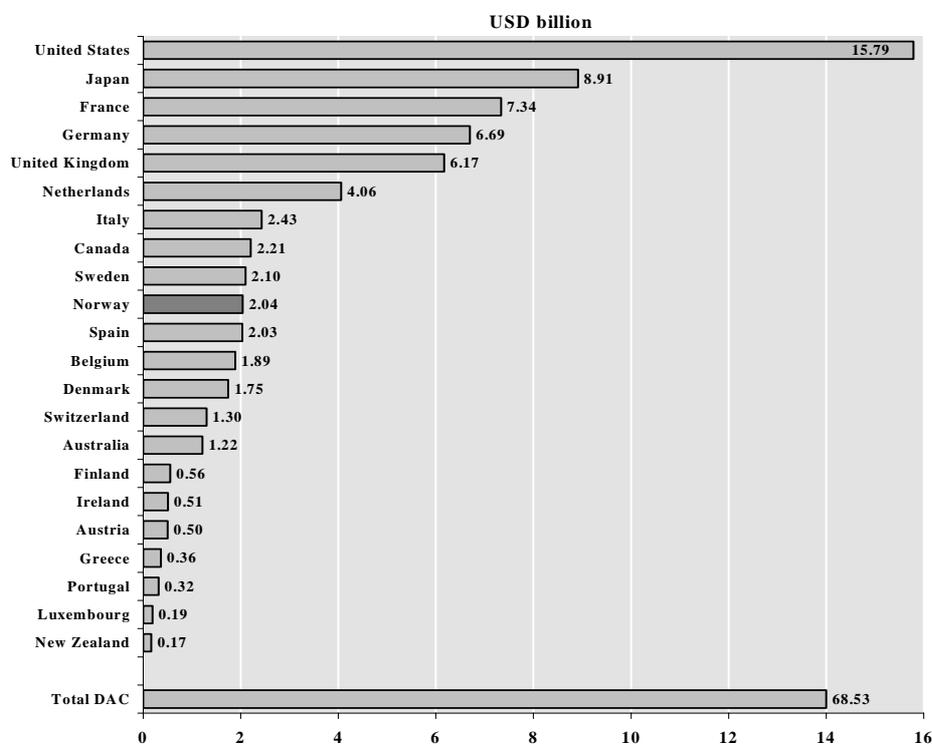
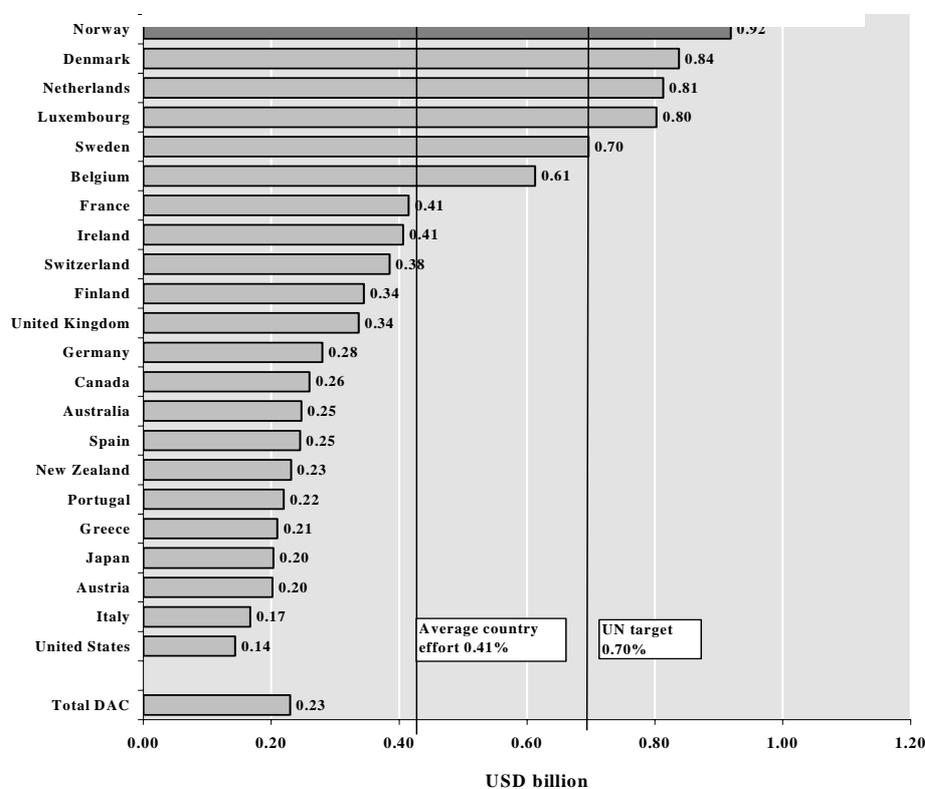
b. Including EC.

c. Excluding EC.

.. Data not available.

Graph C.1. Net ODA from DAC countries in 2003

(preliminary data)



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PRESS RELEASE OF THE DAC PEER REVIEW OF NORWAY

NORWAY SETS AN EXAMPLE WITH HIGH AID LEVELS AND STRONG FOCUS ON FIGHTING POVERTY

Norway's net official development assistance (ODA) was USD 2.04 billion in 2003, making it the world's ninth largest donor in terms of aid volume. With ODA of 0.92% of its Gross National Income (GNI), the highest among OECD donors, Norway is approaching the government's promised 1% target set for 2005 and beyond. This high level of funding reflects a broad consensus within Norwegian society that funding levels and the Millennium Development Goals (MDGs) are important.

The DAC Peer Review commends Norway's impressive record. The Norwegian government is actively involved in the work to harmonise donor practices and aligning its programmes with the national poverty reduction strategies of developing country partners. Norway was the first non G7 creditor nation to offer 100% debt forgiveness to Least Developed Countries (LDCs) involved in the initiative in favour of Heavily Indebted Poor Countries (HIPC), with debt forgiveness treated over and above ODA budgets. Norway is also one of the major donors to humanitarian action.

As a further step, the DAC encourages Norway to assess the possibility of future, multi-year funding commitments for the seven main partner countries so as to increase the predictability of flows for those countries.

Norway's aid volume is supported by strategies focusing on the fight against poverty, with priority going to education, health, HIV/aids, the follow-up to the WEHAB-initiatives (water, energy, health, agriculture and biological diversity) and the rights of vulnerable groups. Sub-Saharan Africa receives 48% of total bilateral ODA and LDCs 55%. The deciding factors for allocating resources are countries' own efforts to reach the MDGs as well as Norway's ability to contribute to development results. The Committee encouraged the government to increase the proportion of its long term assistance going to partner countries.

A special feature of Norwegian ODA is the large share - an estimated 22% of all development aid in 2002 - channelled through NGOs, most of which are Norwegian. Norway supports civil society organisations that play an advocacy role, but the government will only support NGOs as service providers if their activities are aligned with partner countries' national policy reduction strategies. This approach has generated a debate within the NGO community in Norway.

The DAC took note of the recent reorganisation of the Norwegian aid administration. The planning, execution and administration of development co-operation activities were integrated into the Ministry of Foreign Affairs in April 2004, and decision-making further decentralised to the embassies. This important change should allow the government to focus on priority countries and strengthen its results orientation. The government should ensure that the aid administration has the right mix of people and sufficient resources to provide effective advice and support on all issues which are high on the government's policy agenda, such as private sector development; and to build on Norway's strong support to gender equality. The recent Action Plan on Fighting Poverty through Agriculture is an opportunity to experiment with innovative thinking and tools in both areas.

The Committee also urged the government to explain how its rights-based approach to development will work in the field and be reconciled with the priority Norway gives to local strategies, and how it will address partner countries' human rights challenges. In responding, the Norwegian delegation emphasised that partner countries are reminded to incorporate their obligations to deliver on human rights (economic, social and cultural as well as civil and political) as part of their national poverty reduction strategies, and that Norway will assist in this regard while continuing the dialogue on human rights.

While Norway is commended for its debt relief measures, anti-corruption work and promotion of corporate ethical guidelines, it should review the very high levels of agricultural protection to all but Least Developed Countries and its safeguard clauses associated with its general system of preferences. This would be consistent with increased policy coherence for development.

The DAC also commended Norway for its leading role on humanitarian donorship, *inter alia* as a major contributor to the multilateral agencies, while recommending that the government present its policies related to humanitarian action in a comprehensive policy document. Good co-ordination within and between the departments involved in the administration of humanitarian action will enable Norway to continue to safeguard humanitarian principles and address emerging issues, such as beneficiaries' involvement, as well as ensure effective planning and improved reporting.

DAC Chair Richard Manning led the DAC Peer Review of Norway's development co-operation policies and programmes on 23 November 2004. The Norwegian Delegation was headed by Ms. Hilde F. Johnson, Minister of International Development. The examiners for the Peer Review were Japan and Spain.

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.

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

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

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

DAC LIST OF AID RECIPIENTS: The DAC uses a two-part List of Aid Recipients which it revises from time to time. Part I of the List comprises developing countries (eligible to receive official development assistance). It is presented in the following categories (the word "countries" includes territories):

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

Other LICs: Other Low-Income Countries. Includes all non-LDC countries with per capita GNP less than USD 760 in 1998 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between USD 761 and USD 3 030 in 1998. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between USD 3 031 and USD 9 360 in 1998.

HICs: High-Income Countries, *i.e.* with GNP per capita (Atlas basis) more than USD 9 360 in 1998.

Part II of the List comprises "Countries in Transition"; assistance to these countries is counted separately as "official aid". These comprise (i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and (ii) more advanced developing countries.

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

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

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

EXPORT CREDITS: Loans for the purpose of trade and which are not represented by a negotiable financial instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

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

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

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

OFFICIAL AID (OA): 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%).

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

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

TECHNICAL CO-OPERATION: Includes both (i) grants to nationals of aid 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 aid recipient countries.

VOLUME (real terms): 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. These data show the value of aid in terms of the domestic purchasing power of a US dollar in the year specified.

THE DEVELOPMENT ASSISTANCE COMMITTEE



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