

Facing the Resource Curse: Norway's *Oil for Development* Program

Final Report



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This Report is the responsibility of the consultants and does not necessarily reflect the views of Norad's Evaluation Department, Norway's Ministry of Foreign Affairs or their staff, or any other organization or informant referred to. Any remaining errors of fact or interpretation are the responsibility of Scanteam.

Acronyms and Abbreviations

ANP	<i>Autoridade Nacional do Petroleo</i> (National Petroleum Authority, Timor Leste)
BPA	Banking and Payment Authority (TLE)
CD	Capacity Development
CDRF	Capacity Development Results Framework (WBI)
CPA	Comprehensive Peace Agreement (Sudan)
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DCM	Development Cooperation Manual
DN	Norway's Directorate for Nature Management, <i>Direktoratet for Naturforvaltning</i>
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
ENH	<i>Empresa Nacional de Hidrocarbonetos</i> (National Hydrocarbons Company, Mozambique)
EPA	Environmental Protection Agency (Ghana)
GFI	Global Financial Integrity
GNGC	Ghana National Gas Company
GNPC	Ghana National Petroleum Corporation
HSE	Health, Safety and Environment
IA	Impact Assessment
IMF	International Monetary Fund
INP	<i>Instituto Nacional de Petroleo</i> (National Petroleum Institute, Mozambique)
IOC/s	International Oil Company/ies
IPAN	International Petroleum Associates of Norway
Klif	Norway's Climate and Pollution Agency
MDTF	Multi-Donor Trust Fund
MEM	Ministry of Energy and Mines (Nicaragua)
MEMD	Ministry of Energy and Mineral Development (Uganda)
MICOA	Ministry of Environmental Affairs (Mozambique)
MIREM	Ministry of Mineral Resources (Mozambique)
MNRMEP	Ministry of Natural Resources, Minerals and Energy (TLE)
MoE	Ministry of Energy (Ghana)
MoU	Memorandum of Understanding
MoPF	Ministry of Planning and Finance (TLE)
MOU	Memorandum of Understanding
NCA	Norwegian Coastal Administration
NDR	National Data Repository (Ghana)
NGO	Non-governmental Organisation
NMFA	Norway's Ministry of Foreign Affairs
NMoE	Norway's Ministry of the Environment
NMoF	Norway's Ministry of Finance
NMPE	Norway's Ministry of Petroleum and Energy
NOK	Norwegian <i>Kroner</i>
NPD	Norwegian Petroleum Directorate
NPRA	National Petroleum Regulatory Authority (TLE)

NPSA	Norway's Petroleum Safety Agency
NRC	Natural Resource Charter
OfD	Oil for Development
PEPD	Petroleum Exploration and Production Department (MEMD, Uganda)
PFCC	Petroleum Fund Consultative Council
PFM	Public Finance Management
PSA	Petroleum Sharing Agreement
PWYP	Publish What You Pay
RF	Results Framework
RBM	Results Based Management
RWI	Revenue Watch Institute
SC	Steering Committee (OfD)
SEA	Strategic Environmental Assessment
SEMA	<i>Secretário de Estado do Meio Ambiente</i> (State Secretary for the Environment, TLE)
TA	Technical Assistance
TfD	Tax for Development
TLE	Timor Leste
ToR	Terms of Reference
WBI	World Bank Institute
WWF	World Wild Fund for Nature
YFPB	<i>Yacimientos Petrolíferos Fiscales Bolivianos</i> (Bolivia's state oil company)

Executive Summary

Oil for Development: A Significant and Successful Program with Strategic Potential

Oil for Development (OfD), begun in 2005, is a comprehensive program addressing resource, financial and environmental dimensions with a focus on capacity development in the public sector but including larger sector governance concerns. It is a flagship program in Norway's development cooperation as it addresses a strategic sector at high policy, institutional and organisational levels; has built a network of international partners; allowed Norway to play a more visible role in a number of countries around the world, in large part because Norway is in fact the most important player in this field, which also means that OfD is one program where Norwegian support produces documentable and attributable results.

Results have been most important in the resource sector by strengthening institutional frameworks and key public sector actors. In the finance sector, when Norway has committed sufficient resources, important achievements have been produced, but the reach has so far been limited. Environment often suffers from lack of local capacity and will, and by not investing enough in building larger local partnerships with non-state actors. Organisational development may be fragile as capacity building has been too limited to specific actors rather than addressing larger labour-market imbalances, and the governance concerns have been too public sector focused.

The petroleum sector is increasing in importance world-wide: the number of producer countries is growing, including in poor states with weak governance systems, and prices remain high. The threat of the "oil curse" where private companies and corrupt elites capture most of the benefits for themselves is posing global governance challenges, including to democracy and gender gains. The importance of OfD is thus greater than ever, and should be supported and developed in light of this.

OfD should have the "oil curse" as its main concern, and build strategic alliances and its own program around this. Sector governance issues should have a societal and not just public sector focus. Country programs should maintain the three "pillars" of resource, revenue and environment but be more inclusive of aspects such as safety, and governance performance should be important when deciding on the entry/exit of countries to the program. Capacity development should have a broader scope, based on clear needs-assessments, probably longer time-horizons, exploit regional collaboration, peer learning, closer alliances with non-Norwegian knowledge centres to overcome capacity constraints in the Norwegian public agencies that today are the key skills providers.

Oil for Development: Background to the Evaluation

Norway has assisted the petroleum sector in several countries since the early 1980s. In 2005 the Government decided to reorganize the aid into an *Oil for Development* (OfD) program to broaden the support from petroleum management to also include revenue and environmental issues, inclusion of civil society and strengthening anti-corruption efforts, and later on more attention also to gender. To manage this program an OfD-secretariat was established in Norad with responsibility to coordinate and quality assure the work.

While disbursements in 2005 were around NOK 43 million, in 2012 the foreseen expenditures will be around NOK 340 million. In 2011 OfD was active in eight core and 11 non-core countries. While more countries would like to join, OfD believes it may have reached its limits, and has reduced the number of OfD countries over the last years.

Norad's Evaluation Department decided that after about six years of activities OfD should be evaluated, with a focus on assessing the results of the approach OfD provides, but also to see if there are areas where the program ought to adjust its operations. This report provides the main findings, conclusions and recommendations of the team contracted to carry out the study.

Key Findings and Results

OfD as a program: innovative with many added dimensions. Oil for Development (OfD), with its formal establishment in 2005, introduced a much broader program (added environment, finance/revenue) that was more ambitious (poverty reduction as stated objective), better structured (institutional and organisational capacity as consistent focus areas), governance based (gender, civil society, anti-corruption) when compared with the previous petroleum sector support. It was intended to be more strategic in its thinking and more profound in its approach, and has largely succeeded in this.

OfD is a high-profile program delivering results in an economically and politically critical sector. OfD's overall objective is poverty reduction through "economically, environmentally and socially responsible management of petroleum resources which safeguards the needs of future generations" (OfD's operational objective). But recent studies note the severe problems large petroleum resources pose to the politics and economics in developing countries, and especially in so-called fragile states. The World Bank's 2011 World Development Report "Conflict, Security and Development", defines the existence of natural resource wealth as one of the main stress factors leading to conflict and violence. Assessing OfD's strengths and weaknesses must thus be done taking into consideration these overarching aspirations and constraints.

OfD as continuity and change: building on success. While the approach of OfD is more holistic regarding management of petroleum resources, it is based on the achievements that 20 years of petroleum support had built. Focus remains on petroleum as a non-renewable public asset that generates significant economic rent, and hence a need for strong and transparent public administration. This is to ensure a level playing field for the actors in the sector while making sure the public purse receives its fair share of the wealth. On the operational side, activities and systems begun under the previous period have in some cases continued as before (Mozambique, Timor Leste), while in others more strategic planning has been undertaken, at program level (Uganda) or more devolved pillar level (Ghana).

Developing institutional frameworks, building organisations. The most consistent achievement has been helping countries put in place appropriate frameworks for sector development: legislation, oversight institutions, monitoring systems, allocation/ concession policies, and has helped implement/make these operational. The organisations that are to manage sector issues have generally improved structures, capacities and performance, but many gains remain fragile, in part because OfD has concentrated on building skills of staff in post, leaving the organisation vulnerable to loss of key staff with little or no back-up.

Governance should be a priority for OfD. The number of countries that are finding viable gas and oil resources is increasing, including in poor countries with weak governance systems. At the same time studies note a tendency for some companies and local elites to collude to capture the benefits from the petroleum resources. Yet one finding is that OfD has generally not given the governance problems sufficient attention, with Ghana being the most positive exception. The need to put a focus on governance of the petroleum sector is thus greater than ever. A more concerted and strategic effort that is systematically integrated in the larger OfD work program in-country will be necessary if lasting results are going to be produced. OfD is furthermore uniquely placed to do this, as it currently appears to be the best-funded petroleum sector program globally.

The pillar approach creates rigidities. The organisation of OfD around three pillars largely defined by how Norway's public sector is currently structured, is rigid. It has the advantage of making revenue and environmental aspects of the petroleum sector visible, has allowed OfD to tap into these sectors' knowledge base, and helped the policy discussions in partner countries increase their attention to these dimensions. But it also creates "barriers to entry" for other dimensions such as safety and risk management. The resource pillar does not fully address the business points in the value chain (midstream/downstream), which is an increasing issue in partner countries. Norwegian agencies, responsible for quality assuring pillar advice, have limited knowledge of overarching issues like governance, anti-corruption, gender, non-state actors in oversight and accountability in the development context. They are also to deliver services in fields like organisational development and training, which are areas these same bodies often contract out when they themselves require capacity building. And the pillar structure with its demands on technical quality assurance makes it difficult to establish broader partnerships with international actors.

Strengths and weaknesses of twinning. The twinning arrangements have largely been successful in the sense that arrangements have been agreed to fairly quickly and flexibly, largely due to the long experience of the Norwegian institutions with such arrangements. Local partners are satisfied with the support provided, its relevance and timeliness, which has largely been in line with programming and expectations. But institutional twinning imposes some constraints: with the exception of the Norwegian Petroleum Directorate and Petrad, twinning partners rely for the most part on own staff for providing services; the range of skills within Norwegian public agencies may not cover the needs on the local partner side (basic training and mentoring, local language and cultural context sensitive analyses etc); peer learning can be more relevant and effective than transfer of world-class knowledge. Regional collaboration and alternative skills centres are already part of OfD's international network and they could be used more.

OfD can be expanded as a program. OfD is flexible as it distinguishes core and non-core countries, and funds more general capacity development through Petrad courses, CSOs and multilateral agencies. While the concept of "core country" should be kept, OfD can clearly extend its reach through a variety of means, since for emerging petroleum economies, OfD funding may be critical to establishing a viable public management system. While there is a need for prioritising OfD support, this does not stem from a financing constraint since OfD represents only about 1% of Norway's development assistance and hence can be scaled up if this is a political priority. There is also not a lack of available skills, since current constraints are self-imposed by limiting the skills base largely to Norwegian public agencies. The binding constraint is more how Norway decides to structure OfD, since OfD interventions are skills- and policy intensive and thus require considerable management. The current approach is for a centralised secretariat in Oslo. In countries where Norway has embassies, much of the administration should be handed over as with other programs. OfD can also exploit regional collaborative arrangements, contract coordinators on the ground in key countries, find partnering arrangements with other strategic actors.

OfD is a unique instrument in Norway's fight against poverty. As long as countries show genuine interest in addressing the governance concerns in the petroleum sector and thus are willing to become partners in a global effort to address the resource curse, Norway should show its own commitment by making its own program as broadly available as possible.

Recommendations

The following are the *strategic recommendations* regarding the OfD. A number of *operational recommendations* are made throughout the report and are not repeated here.

- (1) *Oil for Development should remain a priority program for Norwegian development cooperation.* Funding should be expanded to the extent necessary to cover increased demand from the countries admitted to the program; a separate budget line in the State budget could be considered to improve visibility of commitment, predictability and ability to plan over time and across countries, programs and thematic sub-fields.
- (2) *OfD should maintain its main objective of contributing to poverty reduction and its operational objective of economically, environmentally and socially responsible management of petroleum resources that safeguards the needs of future generations.* The larger *political* objectives for OfD must be maintained and a public administration bias contained. Embassy involvement is important for this.
- (3) *The Oil Curse should be a key concern for OfD.* The program should produce an operational understanding of how it can contribute to “turning the resource curse into a blessing” that should be reflected in OfD’s overarching Results Framework (see also Recommendation 8). This may include a *governance study* (alone or with others) that provides a vulnerability or risk assessment of the petroleum value chain in terms of governance challenges and what can potentially be done to address/mitigate the threats; a *petroleum sector assessment* that maps out key actors and identifies possible partners for OfD collaboration; a *revenue/expenditure distribution* with a review of the forces and mechanisms that shape the current one, preferably linked to other exercises (public expenditure and financial accountability reviews; open budget surveys; etc).
- (4) *OfD should strengthen international strategic partnerships for petroleum sector governance.* OfD is partnering with some of the strongest pro-governance actors in the sector. The World Bank’s *Petroleum Governance Initiative*, some bilateral programs, UN governance bodies, international non-state actors like Revenue Watch Institute and Publish What You Pay, and research and knowledge centres are crucial actors for improving transparency/ accountability. But alliances can be strengthened, visibility enhanced and financial support increased for agreed-upon and achievable targets.
- (5) *Good Governance (GG) should be a visible cross-cutting concern in core country programs.* GG might have separate budgets and performance criteria, should contain support for increased resource transparency (such as local EITI or Natural Resource Charter processes), should track state accountability in these fields, have a clear gender dimension, and support actors that promote and strengthen petroleum sector GG.
- (6) *Country selection should concentrate on governance achievements.* The current size and composition of the OfD should be accepted as the starting point for future changes in the country portfolio. For new members or current non-core countries wishing to receive core country support, OfD should concentrate on states where the potential for good governance and pro-poor policies are greater, i.e. countries where predatory structures have not yet established themselves or are being challenged. If policies and practice move away from agreed benchmarks and policy dialogue fails, expedite decisions to leave should be taken – OfD should thus develop an explicit exit strategy.

- (7) ***More regional collaboration and South-South learning.*** Regional initiatives should be supported, as a supplement or substitute for national efforts. While OfD can provide standard forms of technical advisory services, in regions with own experience peer-learning and South-South collaboration should be strengthened.
- (8) ***Restructure OfD program, governance and administration.*** OfD should continue a focus on petroleum resource, revenue and environmental management, but as key dimensions rather than as formal “pillars”. The program should further strengthen the more inclusive program concept that embraces safety, risk prevention and preparedness, etc. Good governance as an overarching and separate concern has been noted. The Steering Committee might become an advisory body, since OfD clearly benefits from the senior expertise in these strategic fields. The OfD Secretariat should then look for advice and support in the other fields within NMFA or Norad. The OfD program should be based on a transparent policy statement, and the grant scheme rules for OfD (“Lex Lomøy”) be rescinded or restricted to countries where Norway does not have a presence on the ground. Large parts of program implementation can be delegated to the field where Norway has embassies with development expertise (additional local staff may have to be contracted or country coordinators hired), responsibilities shared with like-minded partners, or contracted out to implementing bodies. The OfD Secretariat should focus on strategic program development and country program design, monitoring and results reporting, and thus have a size and professional mix that covers these key fields.
- (9) ***Resource management: extend support along the complete value chain.*** OfD should find ways to support emerging petroleum economies to also handle their commercial interests based on principles of international best practice. Public funding for petroleum related investments – infrastructure, own-shares in fields etc – are among the most important decisions a state will undertake, and senior advice on how best to handle such decisions are extremely valuable.
- (10) ***Revenue management: expand delivery capacity.*** Revenue management along the entire chain – revenue assessments, collections, management, reporting etc – is critical to good governance of petroleum resources. OfD needs to find ways of addressing the broad needs across countries and developmental stages, as again many countries trust Norway to provide politically neutral and technically sound options.
- (11) ***Environmental management: wider reach, strategic approach.*** Capacity needs assessments should be carried out in all core countries to identify the full range of actors that could be included in an environmental capacity development program: public sector offices, CSOs, media, youth groups etc. Clarity should be reached with national authorities regarding appropriate use of key instruments like Strategic Environmental Assessments (SEA) and Environmental Impact Assessments (EIA) to both rationalise approval processes while strengthening compliance monitoring and “polluter pays” prosecution in cases of accidents.
- (12) ***Train staff going abroad for OfD.*** OfD (Petrad?) should develop a capacity building program for experts being sent abroad as advisers under the OfD, to ensure that they understand context, their role, and have appropriate inter-personal and cross-cultural communication skills for more efficient and effective knowledge transfer.

1 Introduction and Background

Evaluating results, looking ahead. The Oil for Development program (OfD) became operational in 2006. Norad's Evaluation Department decided that after about six years of activities it should be evaluated, with a focus on assessing the results of the particular approach to development cooperation that OfD provides, but also to see if there are areas where the program ought to adjust its operations. This report provides the main findings, conclusions and recommendations of the team contracted to carry out the study.

Establishing a broader petroleum program, increasing the funding. Norway has assisted the petroleum sector in several countries since the early 1980s. In 2005 the Government decided to reorganize the aid into the OfD program while doubling the funding over the coming five years. OfD was to broaden the support from a focus on petroleum management to also include environmental and revenue management, paying more attention to cross-cutting issues such as gender, inclusion of civil society and strengthening anti-corruption efforts. To manage this more complex program an OfD-secretariat was established in Norad with responsibility to coordinate and quality assure the work.

Sharing the Norwegian experience, using public agencies. The purpose of OfD is to "transfer Norwegian experience with petroleum governance/ management in a way that contribute to lasting reduction of poverty in developing countries, and that the extraction of resources is done in an environmentally friendly way" (UD Prop. 1S (2010-2011) p. 52). In order to do so, the program has relied heavily on the services and technical advice from Norwegian public agencies that are involved in the petroleum sector in Norway.

Building capacity, focusing on governance. The OfD as a program provides funding and technical support for building the public sector's capacity to manage its oil and gas resources according to principles of "good governance". This was the reason for moving to a more comprehensive concept of the petroleum sector that takes into consideration environmental externalities, the management of the revenue streams, and ensuring enhanced democratic control through the inclusion of civil society and other stakeholder groups.

1.1 Objectives of the Evaluation

Three main purposes and four sub-objectives for the evaluation. The Terms of Reference (ToR) states that the evaluation has the following main **Purposes**:

- Assess the quality of the Norwegian assistance (the input) and the results (output and outcome) of the Oil for Development program in general and at project/program level.
- Assess suitability of the organisation of OfD, performance of the actors, choice of partner countries and relevance of the OfD-program for different types of partner countries.
- Outline lessons that can be used in designing and implementing OfD-policy, programs and projects in the future in new and old partner countries within a variety of contexts.

Sub-objectives:

- Document and assess the contents and achievements in the three pillars of OfD (natural resources, environment and finance) and OfD as a foreign policy instrument with a focus on instruments used for developing regulatory frameworks (policies, laws and regulations) and building institutional capacity and competence. Specifically:
 - The allocation on strategic level of resources to the different pillars and types of partner countries over time, including the money flow to and between the actors involved.
 - The main types of activities (content of input) involved, and to what degree the assistance has been demand driven.
 - The planned results for the partner countries and institutions and to what degree the desired results were achieved.
 - Identify unplanned results (positive or negative) for the involved stakeholders.
 - Identify reasons why interventions were successful or not, and especially whether and how the use of Norwegian experiences and thinking (“Norwegian model”) has influenced the results achieved.
- Assess the relevance, quality and cost-effectiveness of the assistance given by the Norwegian actors and their cooperation, including the OfD-secretariat itself. Specifically:
 - The value added of the OfD organising model and the OfD-secretariat itself by comparing content and quality of the assistance after 2005 with the Norwegian assistance before (i.e. 1994-2004) and by getting the stakeholders perceptions.
 - The quality of the aid delivered by the implementing Norwegian actors regarding relevance, their ability to plan, implement and follow-up, and cost-effectiveness of their operations.
- Analyze reasons for successes and failures to different types of countries and contexts.
- Analyze the potential for improving the assistance and give both strategic and operational recommendations for the policy makers and actors involved.

Broad approach but focus on bilateral assistance using DAC criteria. Focus is on bilateral assistance to public institutions, but support to CSOs and through multilateral agencies is also to be assessed. The team is to look at other donors’ support if such exists in the study countries. The evaluation is to assess results against the standard DAC evaluation criteria:

- **Relevance:** the extent to which the projects, programs or policy instruments were in line with the Norwegian priorities and guidelines, and the needs and requirements of the beneficiary countries;
- **Effectiveness:** the extent to which the selected interventions have attained or are likely to attain their objectives;

- **Efficiency:** assessing outputs or outcomes in relation to resources/inputs. If available the expected benefits/costs in appraisals (ex ante) or project documents should be compared with the observed realities ex-post.

Impact and **Sustainability** are to be assessed where appropriate.

1.2 Addressing the Key Questions

Results are to be recorded along different dimensions. Using the sample countries defined in the ToR, cases were selected such that all the *results dimensions* of the evaluation were adequately covered.

- **Capacity development** – what the ToR refers to as changes to *regulatory frameworks and institutional development* – is an overarching dimension that is explained in chapter 3. It is used to assess results in the three pillars of the OfD:
 - **Resource (oil and gas) management** (chapter 4);
 - **Environmental resources management** as related to the petroleum sector (chapter 5);
 - **Financial or revenue resources management** as related to the petroleum sector (chapter 6);
- **Cross-cutting issues** represent key dimensions of the OfD compared with the previous petroleum sector support. Good governance (transparency and accountability), anti-corruption work, gender, and the role of civil society are reviewed in chapter 7.

OfD: delivering the Norwegian experience. The evaluation is to assess the inputs and the management of the program. The reason is that OfD, as a governance and capacity development program, is heavily technical assistance (TA) based, relying largely on Norwegian expertise, and there is a need to take a fuller view of the delivery chain, to see to what extent this form of tied aid influences relevance, efficiency and effectiveness of results.

Assessing the Norwegian actors, identifying trends. When reviewing the performance of the main Norwegian implementing actors, the key questions posed are (chapter 8):

- *How has the assistance been organized and performed by the main implementing actors, and to what degree have the actors been cooperating or activities coordinated with other Norwegian actors and other donors?*
- *How does the quality of the work of implementing actors compare with the assistance before OfD, and have the actors given more attention to the weaknesses identified in the 2006-evaluation as the lack of building administrative capacity?*
- *Have the quality, results and cost-effectiveness been different when comparing Norwegian implementing actors?*

Looking at the management model, assessing roles and responsibilities. The ToR asks the evaluation to look at the organizational model for the OfD, and in particular the Norwegian actors that make up this model (chapter 9):

- *What has been the value added by the involvement of the Norwegian Ministries, the OfD-secretariat and the assistance through the embassies compared with the Norwegian petroleum assistance before 2005 and compared with recent petroleum assistance given by other actors as the World Bank? To what degree and how has the involvement of the Norwegian Ministries contributed to increased results?*
- *Has the secretariat model increased the relevance, quality and efficiency of the Norwegian petroleum assistance? Have the secretariat and embassies had the required capacity and competence, and what have been the other challenges and costs according to the perception of the involved partners?*
- *Could the achieved results have been significantly increased if the OfD-program had limited the number of partner countries and focused on selected types of partners?*

Oil for Development as a foreign policy tool. Oil for Development is a high-profile part of Norway's development cooperation, and the OfD as a foreign policy tool was thus to have been a particular issue. The field work foreseen for Sudan was primarily to address this issue. Because the field work had to be cancelled due to the circumstances on the ground at that time, this question could therefore not be dealt with as originally hoped for.

Summing up and looking ahead. Chapter 10 summarises the key findings and conclusions reached in the evaluation before looking ahead and considering options for the future direction of *Oil for Development*.

2 Oil for Development: The Program over Time

Petroleum sector assistance: focus on resource management. Norway has provided petroleum sector development assistance since the early 1980s. This was geared towards petroleum resource management with emphasis on support to establish or improve legal and regulatory systems, strengthen institutions such as ministries, directorates, regulatory authorities and state oil companies, and enhance staff skills and capacity.

Oil for Development: an ambitious program. In 2005, the out-going government launched the idea of a more comprehensive program that would include financial and environmental dimensions, based on the Norwegian experience in developing and managing the petroleum sector. The basic thinking, as expressed by Norway's Minister of the Environment and Development Cooperation in OfD's first annual report, "Oil should be a blessing, not a curse. This means that petroleum revenues should be used to provide essential services for the many, and not be allowed to disappear into the pockets of the few; local communities should experience new economic opportunities from petroleum activities and not have their environment threatened..." (OfD 2008, p. 3). This is formulated in OfD's operative goal as "economically, environmentally and socially responsible management of petroleum resources which safeguards the needs of future generations" (see www.norad.no/en/thematic-areas/energy/oil-for-development). In order to achieve this ambitious agenda, attention to governance and anti-corruption work, gender equity, and a stronger role and voice for civil society were added as integral parts to OfD.

A demand-driven and popular program in a contested field. OfD is quite different from most other Norwegian development cooperation programs. It addresses what is often a central part of a country's economy and offers assistance in key governance areas such as legislation and regulatory frameworks and thus involved in core state politics. It provides technical but also governance advice in a field that can be hugely contentious. It can potentially bring Norway into conflict with other actors with large commercial and political interests in the sector. At the same time, OfD as a program has proven to be highly popular: more countries ask for assistance than OfD can cover. In order to ensure that resources are spent wisely, a set of criteria for selecting countries to include in the program were developed (see Box 2.1). But because of the complex set of challenges, there has been a need for clear oversight and quality assurance of OfD. This has led to a series of decisions and practices that this evaluation believes are most in need of discussion and reform (see in particular chapter 9).

Box 2.1: Criteria for OfD Country Inclusion.

- Cooperation must be demand driven.
- The country must be eligible for aid assistance under the OECD/DAC, or other financing must be supplied.
- Significant petroleum production or potential must be present.
- Norwegian experience and expertise must be relevant.
- There must be an identified need for capacity- and competence building in public petroleum sector institutions.
- The country must be committed to implementing program activities which improve governance of the petroleum sector.

While a number of countries have left the program – Vietnam as a successful “graduant”, others because it was felt OfD was not contributing as hoped for or the country itself was not performing as expected – there are so far no explicit criteria for when a country should exit the program.

2.1 Oil for Development: A Norwegian “Model”?

“The Norwegian model” or just sharing experiences? A key statement by OfD officials is that Norway is offering other countries a possibility to learn about Norway’s experience with developing a successful petroleum sector, but that OfD is not trying to impose any “model” on partner countries. This is in line with Norway’s general approach to development cooperation, where recipient responsibility for decisions and implementation is key. OfD also notes that it now emphasises “international best practice” and not just the Norwegian experience. This is among other things reflected in an increasing focus on South-South collaboration. Even the idea that there is such a thing as a “Norwegian model” is dismissed by many in Norway, yet is seen by some stakeholders in partner countries as a key value-added aspect of OfD, and in fact is important for understanding the structure of the OfD.

Natural resources as public assets. When Norway developed its hydropower potential over 100 years ago, a legal framework encouraged foreign capital to invest on the basis of concessions with limited duration, increasing use of local labour and industry, and a return of the waterfall rights to the public sector at the end of the concession period. With the discovery of petroleum resources off the Norwegian coast in the 1960s, this approach was further elaborated with a stronger, more sophisticated public sector involvement: a ministry setting policy; an independent regulatory body monitoring adherence and performance; and a national oil company (Statoil) engaged in commercial operations to maximize public benefits. But the approach contains a number of other dimensions as well (see also Box 2.2):

- a) *The ability to tax international oil companies and ensure a fair ‘government take’:* An income regime that strikes the balance between the two critical elements: ensuring that the public sector largely captures full ‘economic rent’ from a non-renewable resource, while providing incentives for investment in this high-risk sector.
- b) *Concessionary system for allocation of exploration and production rights:* This relies on civil servants’ assessments, skills and integrity, and is not necessarily fully transparent and is one dimension Norway is reticent about recommending to other actors.
- c) *Gradual entry into the industry of national technological and financial actors (“local content” concern):* Building on Norway’s shipbuilding and engineering firms, the Norwegian petroleum industry gradually built its skills in exploration, production and petroleum-related services, building the most dynamic and successful industrial sector in the national economy.
- d) *Strict regulation of the sector:* Most of the legislation regarding the petroleum sector is based on safety and environmental concerns, where “polluter pays” principles based on tough standards pushes all responsibility onto the producer and thus forces self-enforcement.
- e) *Public sector management of the financial resources:* Norway has multiple controls for ensuring that all petroleum revenues enter public coffers as they should, in order to minimize possibilities for corruption.
- f) *De-coupling public spending from revenue streams: the establishment of a petroleum fund:* Due to the immense scale of petroleum revenues compared to the rest of the economy, Norway had to design a mechanism to manage both the cyclical price

swings in the oil market, but also to avoid the problems of “Dutch disease”. This led to the establishment of a sovereign wealth fund (“*Oljefondet*”) into which the oil revenues flow. The state over time is only to spend the return on the capital – set to 4% - in the annual budget, thus in principle ensuring a perpetual fund so that future generations also benefit from this non-renewable resource.

- g) *Social democratic purpose of the petroleum incomes: creating jobs, reducing inequalities – turning the resource curse into a blessing:* A fairly strong consensus across the political spectrum regarding the objectives for the oil wealth has ensured a stable evolution of the sector and strong democratic control. This has both benefited from and contributed to further development of a largely social-democratic societal model.

Box 2.2: “The 10 Oil Commandments”

The *10 Oil Commandments* are a declaration of principles underpinning Norwegian oil policy, submitted by the Standing Committee on Industry in a Parliament White Paper of 14 June 1971. These principles clarify how to ensure that the oil activities would “benefit the entire nation”:

1. National supervision, control of all activity on the Norwegian Continental Shelf must be ensured.
2. The petroleum discoveries must be exploited in a manner designed to ensure maximum independence for Norway in terms of reliance on others for supply of crude oil.
3. New business activity must be developed, based on petroleum.
4. The development of an oil industry must take place with necessary consideration for existing commercial activity, as well as protection of nature and the environment.
5. Flaring of exploitable gas on the Norwegian Continental Shelf only allowed in limited test periods.
6. Petroleum from the Norwegian Continental Shelf must, as a main rule, be landed in Norway, with the exception of special cases in which socio-political considerations warrant a different solution.
7. The State involves itself at all reasonable levels, contributes to coordinating Norwegian interests within the Norwegian petroleum industry, and to developing an integrated Norwegian oil community with both national and international objectives.
8. A state-owned oil company be established to safeguard the State’s commercial interests, and to pursue expedient cooperation with domestic and foreign oil stakeholders.
9. An activity plan must be adopted for the area north of the 62nd parallel which satisfies the unique socio-political factors associated with that part of the country.
10. Norwegian petroleum discoveries could present new tasks to Norway’s foreign policy.

Source: St.Mld. 28 (Parliament White Paper) (2010-2011), p.8

“The Norwegian model”: a menu or integrated package? A key question is the extent to which the petroleum sector contributes to broader welfare gains or increased wealth and power concentration benefiting a small elite. Both kinds of results are claimed, but where the OfD objective is clearly to contribute to the first. The issue is to what extent OfD has the analytical tools and operational instruments to achieve its objective, or if Norway runs the risk of assisting a corrupt elite in a partner country to only pick those aspects of the Norwegian experience that suits it. How can Norway ensure that not only will a country be enabled to collect its “fair share” of the petroleum resource stream but also that transparency and democratic control are improved such that society at large benefits from these increased funds? This is the concern of the overarching objective for OfD, and thus a problem that the evaluation will return to in the last chapter.

2.2 Oil for Development Partner Countries

Increasing demand, concentrating focus. While the criteria for inclusion in OfD were to limit eligibility, OfD started off with a large number of countries with petroleum assistance. There has been pressure on OfD to accommodate countries that were considered interesting partners for other reasons, such as political considerations (some Middle East states), as a means of strengthening collaboration in new geographic areas (Latin America) or as part of larger geo-political contexts (Afghanistan, Iraq etc). In 2007 OfD reached a peak in terms of geographic outreach with ten “core” countries and a further 16 countries with limited cooperation, while four years later the list was reduced to eight “core” and 11 non-core. Since the establishment of the OfD, it is its Steering Committee that has the mandate to approve new countries into the OfD program, or to reject a request or even eject an existing partner country from the program (see chapter 9).

Table 2.1: Change in OfD Participating Countries, 2007-2011

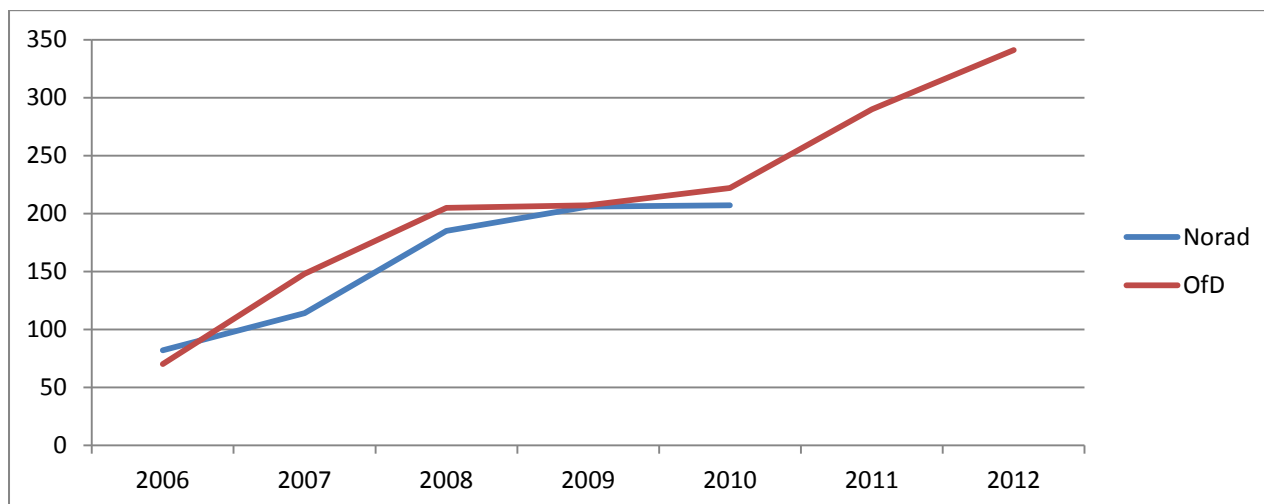
2007	2010	2011
Core countries		
Angola	Angola	Angola
Bolivia	Bolivia	Bolivia
Iraq	Ghana	Ghana
Madagascar	Mozambique	Mozambique
Mozambique	Nigeria	Sudan
Nigeria	Sudan	South Sudan
Sudan	Timor-Leste	Timor-Leste
Timor-Leste	Uganda	Uganda
Uganda		
Vietnam		
Other Countries		
Afghanistan	Afghanistan	Afghanistan
Bangladesh	Bangladesh	Bangladesh
Cambodia	Cambodia	Cuba
Ecuador	Cuba	Iraq
Ghana	Ecuador	Ivory Coast
Indonesia	Iraq	Lebanon
Ivory Coast	Ivory Coast	Mauritania
Kenya	Kenya	Nicaragua
Lebanon	Lebanon	Palestinian Territory
Mauritania	Mauritania	Sao Tome & Principe
Nicaragua	Nicaragua	Tanzania
Palestinian Territory	Palestinian Territory	
Sao Tome & Principe	Sao Tome & Principe	
South Africa	Tanzania	
Tanzania	Zambia	
Zambia		

Source: OfD annual reports, OfD web site.

2.3 Oil for Development Funding and Disbursements

OfD funding: continued rapid increase. In 2006, the first full year of operations, OfD disbursements were NOK 70 mill, and then grew steadily to around NOK 200 mill in 2008. In 2011 disbursements shot up to around NOK 290 mill, and expected budget for 2012 is just over NOK 340 mill. Total expenditures during these first seven years of operations thus will total nearly NOK 1.5 billion (see figure 2.1). Annex D provides break-downs of the various dimensions of OfD funding and expenditures.

Figure 2.1: Disbursements and Allocations, OfD/Norad Data, 2006-2012 (NOK mill)



Sources: OfD Annual Reports, Norad Aid Database. The Norad database records all disbursements with details on funding source, agreement partner, objective, but since OfD is not a separate budget line and till 2008 was not a separate expenditure category, some payments were not recorded as OfD. OfD recorded all payments but with less detail, so while the latter is more accurate in the aggregate, the Norad dataset contains much more information and is thus the basis for most of the data analysis, though only covers up to 2010. See Annex D.

Funding sources, partners, objectives and recipients provide a complex picture. Funding for OfD activities comes from more than half a dozen chapters in the state budget, is channelled through about 100 different actors and is to fund a series of objectives:

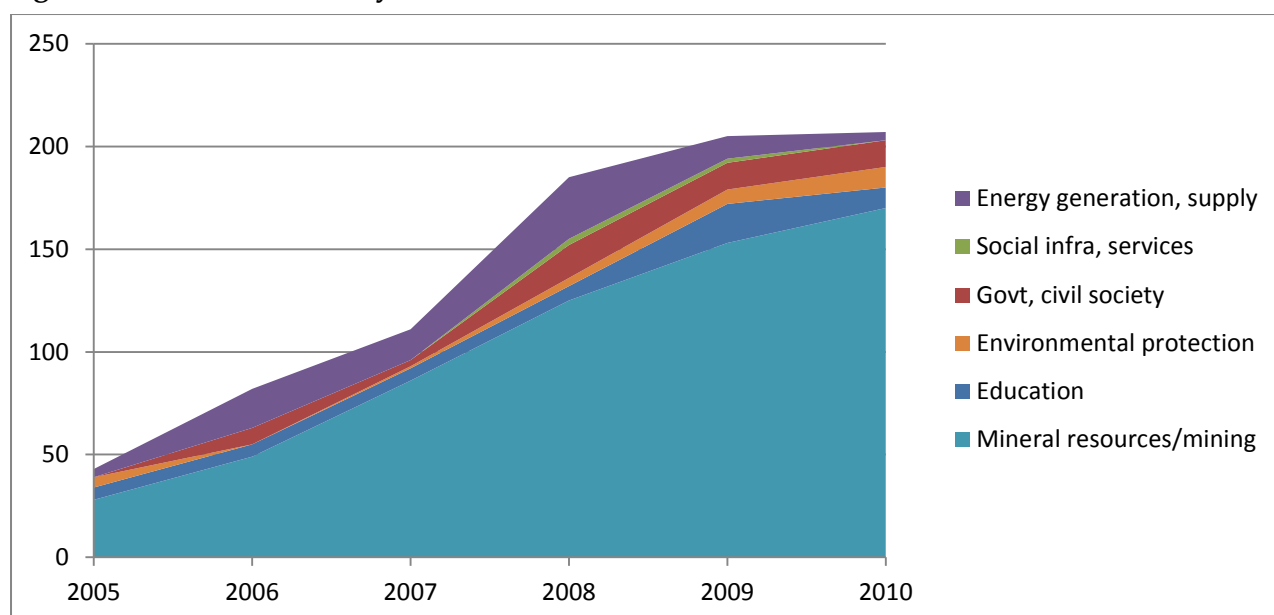
- **Agreement partners** sign for the funding and are answerable for the use of funds and results. While a few Norwegian actors dominate the picture (see chapter 8), OfD has signed agreements with around 100 actors in all. These have been grouped into eight categories here (see table 2.2). The most important is public sector actors in partner countries – ministries, agencies, state companies – which accounts for over 40% of all funding, while Norwegian public sector agencies handled a further 30%.
- **Funding** can be for specific geographic areas or for thematic areas. Annex D table D.1 shows financing from eight chapters in the public budget. While geographic allocations are important, thematic budget lines have in fact increased in importance: “Research, capacity development and evaluation” accounted for over half the funding during the last three years. The large number of budget lines and dependence on thematic budget lines poses a challenge for the predictable funding for OfD since there are strong competing interests for the financing under such generic thematic chapters.

Table 2.2: Share of total disbursements by group of agreement partners, 2005-2010

Agreement partner groups	Grand Total	Share of total (in percent)
Multilateral institutions	79 775,8	9.5%
NGO International	30 868,6	3.7%
NGO Local	5 706,2	0.7%
NGO Norwegian	49 922,8	6,0%
Norwegian private sector	61 671,9	7.4%
Norwegian public sector	257 381,0	30.7%
Public sector in partner countries	341 501,2	40,7%
Other, Unknown	10 541,70	1.3%
Grand Total	837 369,1	100.0%

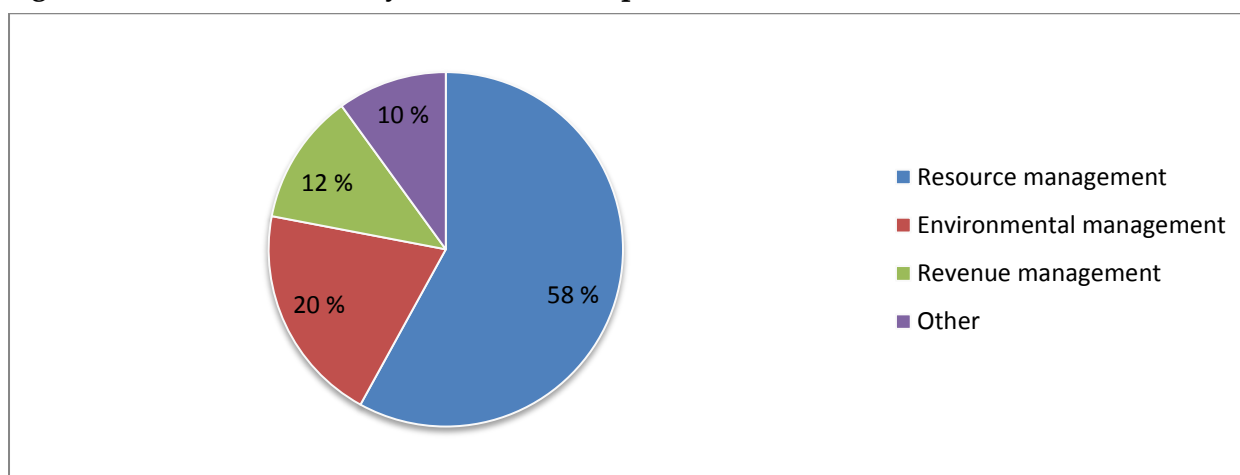
Source: Norad aid database

- **Objectives for OfD funding** are identified in three ways in the database: (i) by sector according to DAC sector classification scheme; (ii) an end-use system used by Norway to track allocations according to its policy priorities, (iii) according to interventions funded. Using six DAC sector classifiers, figure 2.2 shows that the mineral resources/mining sector accounts for the overwhelming share (73%) while OfD, using knowledge of the activities inside each project, show a much higher share for the environmental (20%) and the financial/revenue pillars (12% - see figure 2.3). This picture is also more in line with the importance accorded these pillars when using the Policy Markers to identify what OfD focuses on (see Annex D).

Figure 2.2: Disbursement by DAC Sector Classifiers, 2005-2010 (NOK mill)

Source: Norad aid database

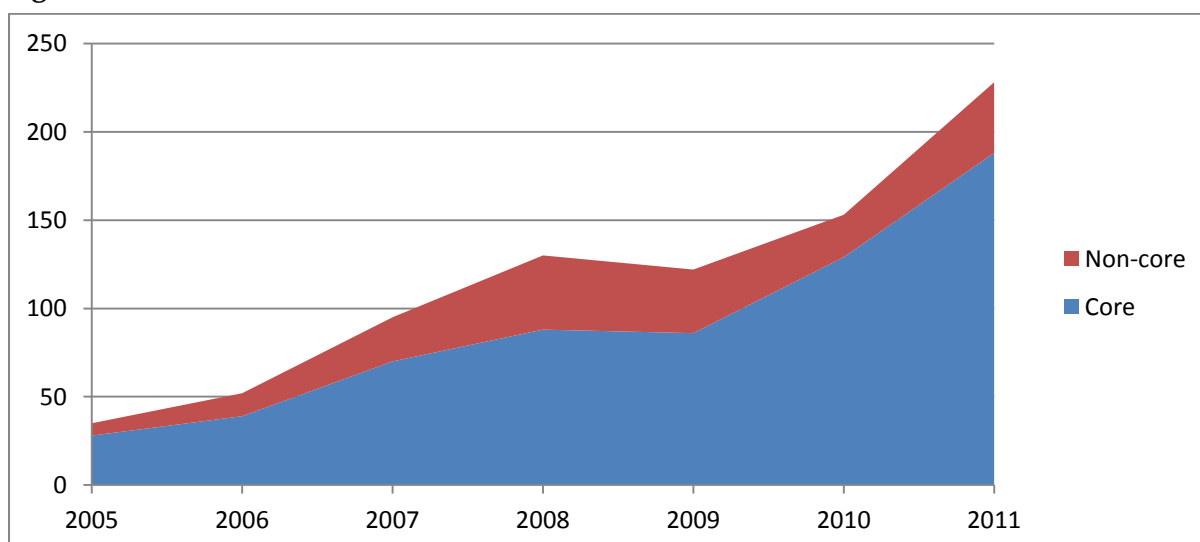
Figure 2.3: Share of Funds by OfD "Pillar" as per OfD Estimates, 2010



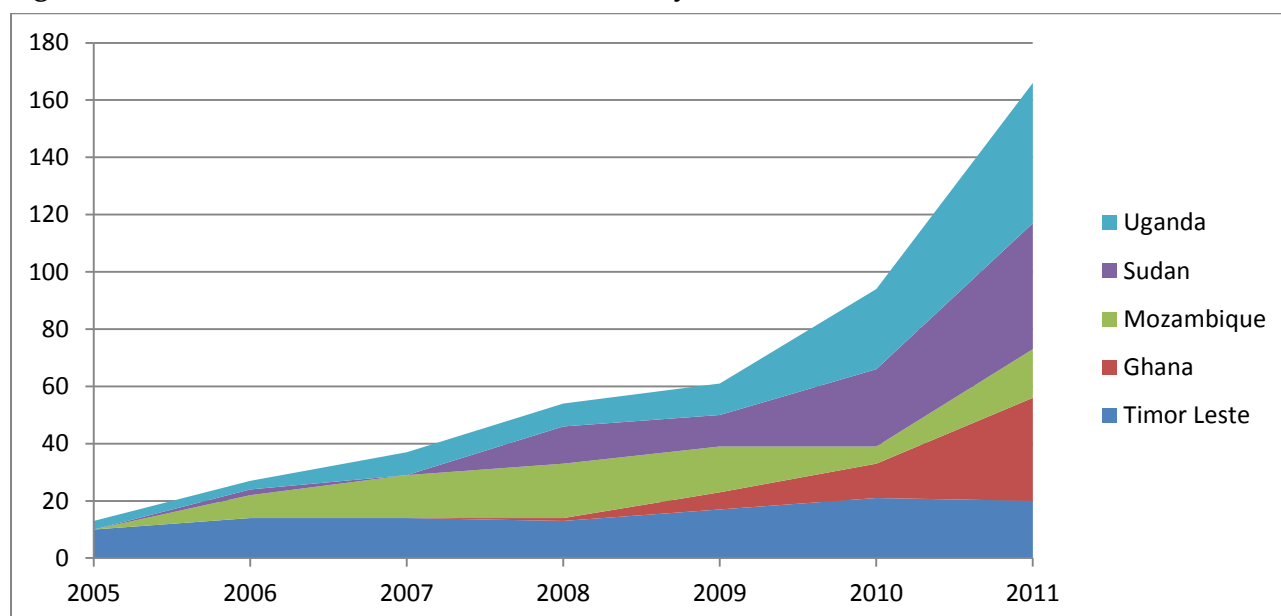
Source: OfD Annual Report 2010, figure 6 p. 15

Core countries increasing their share. When it comes to funds to core versus non-core countries, the trend is for a larger share to go to core countries (see figure 2.4 and Annex D table D.3). Among the core countries, the team was to focus on Ghana, Mozambique, Sudan/South Sudan, Timor-Leste and Uganda. Figure 2.5 shows that for Timor-Leste, funding has been consistent across the period. Mozambique has received funding the longest, and while there was a decline in 2010, this was because one funding period was coming to an end and a new one started up in 2011. In Ghana, Sudan/South Sudan and Uganda, funding is increasing quite rapidly as Norwegian support deepens. In Ghana and Uganda, Norwegian support began before or as the countries discovered petroleum, so the OfD program has been there as the sector itself evolved. Sudan/South Sudan is a mature petroleum economy, but the independence of South Sudan has created particular challenges that Norway has helped address, leading to nearly a doubling of OfD support from 2010 to 2011 in these countries.

Figure 2.4: Annual Disbursements, core versus non-core countries, 2005-2011 (NOK mill)



Source: Norad aid database, OfD Annual Report 2011 various figures

Figure 2.5: Annual disbursements, five main study countries, 2005-2010 (NOK mill)

Source: Norad aid database, OfD Annual Report 2011 table 2

2.4 Country and Partner Level Disbursements

Country data in some cases reveal a different picture. In countries like Mozambique, the agreements with the different partners are according to standard sector classifiers and thus country-level data and the Norad database match. In Timor-Leste, however, where all funding is registered in the Norad database as for “mineral resources”, data 2008-2011 show that 35% went for the resource pillar, 26% to finance, 9% to environment and the remaining 30% was for human resources development/training, not sector specific (see Annex D). Overall, the country level data show that the OfD pillar allocation appears quite accurate.

Two biggest Norwegian actors: budgets do not change overall picture. Detailed data on the large funds going through the Norwegian Petroleum Directorate (NPD) and Petrad do not change this picture. While most of the funding through NPD is for external consultants, this is all within the resource pillar. When grouping Petrad’s 100 largest sub-contractors by substance field, the sector-identifiable actors represent the resource pillar (66%), the environment pillar (8%) and the legal sector, which largely is resource pillar as well (26%) (see Annex D).

2.5 The 2006 Evaluation

OfD: Building on petroleum sector support evaluated in 2006. Norway has provided support to the petroleum sector in a number of countries since the 1980s. An evaluation done in 2006 pointed to a number of successes, but also provided suggestions for improvements to the planned-for subsequent *Oil for Development* program (Danish Energy Authority 2007). The overall findings against the common DAC criteria are shown in table 2.3.

Success with institutional frameworks, less with organisational development. Support was important in “new” petroleum countries, ensuring that basic frameworks were put in place, such as laws and regulations. Too little emphasis was put on the development of managerial

and administrative capacities. With a focus on one main partner institution in each country, the opportunity was also missed of developing the capacities of the full range of institutions needed for national management of the petroleum resources.

Flexibility and partner demand. The flexibility of Norwegian assistance allowed for a demand-driven approach. This was constructively used in “new” petroleum countries (Mozambique, Timor-Leste) while in mature petroleum economies (Bangladesh, Angola) it postponed needed decision-making and led to less efficient program implementation.

Table 2.3: Findings, DAC Criteria, petroleum sector partner countries, 2006 Evaluation

Issue	Mozambique	Angola, Bangladesh, Timor-Leste
Relevance	Needs-driven, stepwise approach developed a holistic and complete institutional set up for petroleum management	Angola has focussed on relevant but no holistic elements. Timor-Leste has built up according to needs – very relevant. Bangladesh: the scope for BPI was too narrow and relevant intentions with HCU never materialised.
Impact	The long-ranging and relatively large support to Mozambique ensured a well-functioning institutional and legal framework and feasible gas production	Angola had the legal and regulatory framework adjusted. Timor-Leste has had six production sharing agreements signed and a substantial petroleum fund established. Bangladesh had minor technical impacts (resource assessment)
Effectiveness	The overall aim of developing all the regulatory elements of institutional petroleum management capacity has been achieved	Angola only completed a minor part of the planned activities. Timor-Leste is a new program, but first steps have been successfully completed. Bangladesh program has had little effectiveness, missing the institution-building.
Efficiency	The support has been well timed to local needs and development, but work plans and budgets have been neglected. NPD administration costs have been high.	Angola had over-spending on administration and under-spending on implementation. Timor-Leste has so far been cost-effective, but lack of continuity of advisers form a threat to the future efficiency. Bangladesh has seen little efficiency and high administration costs.
Sustainability	INP is very well established: solid ownership to achievements and solid competences, financial source of income and freedom for management. ENH is actually in a financial squeeze that may threaten the sustainability	Angola: Institutional sustainability of MinPet cannot be assessed, and the sustainability of the Sumbe school is dubious, as the school depends on voluntary contributions. Timor-Leste is financially sustainable but depends on TA. They claim to be ready to take over in 2011. Bangladesh: Neither BPI or HCU were sustainable institutions when the assistance stopped.

Source: Norad Evaluation Report 1/2007, p. 3

Recommendations focused on “good practice” development principles. Six areas were the focus for suggested improvements:

- *Adhere to Norwegian development policy:* There should be more focus on overarching objectives, in particular poverty reduction and good governance of the sector.
- *Good Governance:* A wide-ranging set of actors and tools should be employed in pursuit of this objective, including political conversations at the highest level.
- *Local ownership:* There needs to be genuine commitment and ownership of the support at the highest political level – if not, support should be reconsidered or redesigned.

- ***Embassy staff must be empowered:*** In order for activities to function well, embassy staff should be provided more tools and support, and the annual meetings need to focus on results achievements and analyses of deviations.
- ***Quality of capacity development support:*** Objectives, plans for support required, and the source for advise, whether public or private, should be clearer and case-defined.
- ***Institutional twinning:*** While twinning with institutions like NPD is recommended where appropriate, a flexible mix of advisory sources is needed for the OfD to address the variable needs on the ground.

2.6 Findings and Conclusions

- *Oil for Development* is a highly sought-after Norwegian development program. The objective is to share Norway's experience of successfully developing and managing a large petroleum sector with more recent or emerging petroleum countries, with a focus on strengthening their petroleum sector governance and capacity.
- While OfD is built on making Norwegian skills and experience available to the partner countries, the claim is that OfD does not promote a "Norwegian model" but rather focuses on providing "international best practice" experiences.
- Disbursements have grown rapidly from NOK 43 million in 2005 to NOK 290 million in 2011 and a budget of NOK 341 mill in 2012. OfD distinguishes between *core* and *non-core* countries. The number of both has fallen the last couple of years. Half of OfD funding has gone to core countries, and this share has recently been increasing, so there has been a greater attention to a smaller number of core countries.
- OfD is not a separate line item in the public budget but comes from as many as eight geographic and thematic budget lines. The number and disjointed structure of budget lines appears confusing and not helpful for long-term planning and predictability.
- The actual classification of levels, actors and thematic objectives of OfD funding in the Norad database has improved, though a program with a single-theme objective like OfD clearly will reveal limited variability across some of the classic analytical categories. Actual disbursements show that the overwhelming share of resources has gone to the petroleum pillar, while funding for cross-cutting themes like gender and governance are difficult to discern but remain limited, as is funding for civil society support. Detailed budget data from major implementing partners does not change this picture, but expenditure data at country level reveal a somewhat more complex reality.
- The 2006 evaluation was positive on Norway's historic petroleum sector support but pointed to weaknesses in the way this support was planned, owned, and implemented – concerns that will be returned to in the last chapter of the present evaluation.

3 Approach and Methodology

Mapping achievements: pillars, chains and triangles. The evaluation is to document results with a focus on capacity building (see section 3.1). Different conceptual tools will be used to clarify the delivery chain and identify results:

- The OfD is built around providing support through its three constituent **Pillars**. In line with the TOR these will provide the key analytical dimensions for the task (chapters 4-6), but will also be subjected to a discussion regarding usefulness for achieving the OfD Objective (chapter 10).
- A **triangle** is often used to visualise the three key roles of the public sector in Norwegian petroleum management: policy development; policy oversight (regulatory functions); and management of the state's commercial interests. OfD has focused on the first two sides of the triangle by building the capacity of the public sector. It has largely stayed away from engaging on the third dimension, to avoid Norway being accused of using OfD as a means of promoting Norwegian commercial interests: in addition to Statoil Norway has a large petroleum supply industry which is quite active in a number of OfD countries¹.
- Standard **Results chains** will be used to identify suppliers of Inputs, especially on the Norwegian side (chapter 8), and these need to be linked to the capacity Outcomes identified in the Pillar chapters.
- The classic petroleum sector **Value chain** (figure 3.1) reveals some issues regarding the pillar support because the technical/advisory assistance in the *resource (petroleum) pillar* has been focused mostly on *upstream activities*, from the mapping process to field development. In the *revenue (financial) pillar* attention has been on financial flows, so while there are early payments such as signature bonuses, the large revenue flows only start once commercial production has begun. Finally, the *environmental pillar* follows the entire value chain, as impact assessments of different scopes are required at different stages such as allocation of concessions/opening of new fields, while monitoring of environmental consequences is not really finished till the field has been successfully decommissioned. There may thus be a disconnect between the concerns of the different pillars depending on where on the larger societal version of the value chain the country finds itself. This should be borne in mind when looking at inter-linkages of the activities across the three pillars

The evaluation is also to assess the actors engaged in OfD governance on the Norwegian side, and how they have affected the results: the OfD Steering Committee, the OfD Secretariat, the Embassies, and the relations between these (chapter 9).

¹ The key example of this danger was a set of articles in the Financial Times in May 2006 accusing Norway of supporting Bolivia's nationalization of its oil industry as part of the OfD initiative. This concerned Norwegian officials considerably as it both questioned the independence of OfD, but also could potentially damage the reputation of Norwegian private companies. A policy of ensuring a "firewall" between Norway as a development partner and Norwegian commercial interests was thus established.

Figure 3.1: Value Chain for Petroleum Sector



Source: Several – e.g., “Environmental Manual for Petroleum Activities”, Norwegian Ministry of Environment

3.1 Capacity Development

Capacity development: understanding the terms, operationalizing the definition. The TOR give prominence to the concepts of *institution building* and *framework developments*, which the capacity development (CD) literature would classify as “organisational development” and “institutional development”, respectively. Human resources development can largely be subsumed under organisational development, since much of what OfD classifies as organisational development is in fact skills upgrading. The team has applied an analytical framework that is in line with international “best practice”, using the following definition of capacity: “*the ability of individuals, organisations and institutions/societies to perform functions, solve problems and set and achieve objectives in a sustainable manner*”. This definition thus lays out the societal levels of capacity development: *institutional/societal* (“frameworks”), *organisational* (improving organisational structure, focus, priorities and management) and *individual* skills. The definition identifies the complexity of the tasks to be completed, which is important for assessing the kind of external assistance that is required. The definition is made operational in the capacity development matrix below.

Table 3.1: Capacity Development Matrix

Societal Level	Task Complexity		
	Perform Functions	Solve Problems	Set/Achieve New Objectives
Individual			
Organisational			
Institutional/Societal			

World Bank Institute’s Capacity Development Results Framework (CDRF): “international best practice”. When it comes to tracking results at organisational and institutional levels, the World Bank Institute (WBI) has developed a CDRF that is applied here. It is based on the World Bank’s lessons from many years of CD funding. It looks at the three Outcome dimensions of *policy instruments, organisational arrangements and local ownership* (figure 3.2). This is in line with the OfD program, where CDRF “policy instruments” are the same as Norad’s “framework conditions”, and “organisational arrangements” are equivalent to the “institutional development”. The fact that the WBI CDRF includes civil society and private sector in the larger analytical framework is also in line with OfD’s broader sector approach. Finally, “local ownership” is a fundamental principle for all Norwegian development cooperation and thus is included as part of the evaluation (see Annex E).

Figure 3.2: WBI Conceptual Model for tracking CD Outcomes



3.2 Pillar Achievements

Focusing on achievements by pillar. The team used the three dimensions of the WBI CDRF in each pillar, so the structure of the analyses is the same in all cases:

- Institutional development: structure, legislation, policies and regulations.** When discussing *institutional development*, the team focused on to what extent key roles and responsibilities in the sector – policy formulation, regulation, oversight and control – became better defined, if national legislation, policies and regulatory frameworks have been improved and are implemented. The team looked at OfD's contribution to the current situation (*Output*), and then consequences of these changes to the sector's needs for role and responsibility clarity, whether new laws, policies and regulations are implemented, and satisfaction rates with the implementation (*Outcome*).
- Organisational development: national agencies and their development.** The team looked at key sector bodies (ministry, regulatory authority, directorates/agencies, national oil company/ies) and identified OfD's contribution to improvements, and the extent to which number and quality of skills to address key responsibilities are now in place (*Output*), and the extent to which new or transformed organisations are in place and performing their assigned tasks in a satisfactory manner (*Outcome*).
- National Ownership: political and popular commitment to sector structure and performance.** The team reviewed whether changes to the structure and organisation of the sector have been legislated and approved by the national assembly, whether change processes were driven by national actors and appear to have addressed national actors' concerns, to what extent there is parliamentary oversight or other public accountability mechanisms in place. The team assessed to what extent the OfD contributed to the current situation (*Output*), and whether OfD (Norwegian) actors, through their actions and approach, have contributed to increased national ownership and feeling of empowerment (*Outcome*) (see Annex E for a more detailed pillar-by-pillar assessment structure).

3.3 Cross-cutting Issues

Addressing cross-cutting issues, assessing their importance. Three cross-cutting issues are integral to the OfD: (i) *good governance*: enhanced transparency and accountability in decision making and resource management, (ii) *gender equality*: the situation and role of women in the sector is assessed and any steps taken to ensure enhanced equity of access and opportunities are identified; and (iii) *anti-corruption*: the analysis and understanding of the issues and whatever program has been undertaken to address corruption risks is assessed.

Good Governance in the petroleum sector: improving transparency and accountability. The team looked at whether steps have been taken to improve transparency, answerability and controllability of decision making along the petroleum value chain, both on the physical production and financial flows sides, and OfD's contribution to this (*Output*). The team tried to identify principles of enhanced transparency and accountability that have been put in place, the extent to which relevant actors (state oversight and control bodies) have been strengthened to carry out their expected roles due to OfD (*Outcomes*).

Gender Equity: access and equity. The team looked at what kinds of analyses regarding gender in the petroleum sector have been carried out with OfD support, and which follow-on steps this insight might have (*Output*), and the extent to which OfD-supported changes have led to improvements in women's situation, own perceptions and empowerment (*Outcome*).

Anti-Corruption: identifying weaknesses, addressing problems. The team sought out any analyses and understandings of corruption or corruption threats that the OfD might have supported regarding risks along the value chain and what, if any concrete steps were taken (*Output*) and subsequent *Outcome* that could be attributed to OfD.

3.4 Assessing Management, Partners and Instruments Used

Assessing structure, actors and management of the OfD program. OfD governance and administration covers the Steering Committee, the Secretariat, the Embassies, their relations, and the rules and procedures applied for managing the overall program. The team began by looking overall leadership, the strategic positioning of the program, the outreach and country selection issues, results and risk management, and then program structure, governance and administration, in particular looking at the performance of the central actors, the Steering Committee and the Secretariat.

Assessing Norwegian actors, looking at alternatives. The evaluation looked at relevance, quality and – where possible – the cost-effectiveness of key Norwegian partners since a particular aspect of the OfD is the heavy use of Norwegian actors (see table 2.2). The team looked at how some of the other implementing actors that have been employed by OfD have been used as well, in particular the Bretton Woods institutions and Revenue Watch Institute.

Looking at instruments, assessing "fitness for purpose". In addition to looking at OfD partners, the team looked at the instruments used for the capacity development activities. An important issue was to verify how participatory the instruments have been: to what extent have tools contributed to empowering local counterparts and thus what is likely Ownership, Sustainability and probability of longer-term Impact.

3.5 Countries and Cases for Study

Field work in seven countries. Following the TOR, seven countries were selected for field work: the five core countries Bolivia², Ghana, Mozambique, Timor-Leste and Uganda, with shorter visits to Ecuador and Nicaragua. Sudan was to have been included but due to the situation on the ground had to be cancelled. Table 3.2 provides an overview of the five core countries showing eligibility for OfD funding under the DAC income criteria, degree of engagement by OfD (how many of the three pillars are in place in the country), when petroleum sector support began, and performance along some key governance dimensions:

- **Country income eligibility.** Bolivia and Ghana, are low middle income countries while the others are in the Least Developed Country category, so all fulfil the OfD criterion for inclusion by being eligible for development assistance according to DAC standards.
- **Characteristics of the country's petroleum economy.** The next two columns look at whether the petroleum sector is considered Mature or Emerging. Among the five, only Bolivia has a history of production and management that is considered Mature, while the others are in different stages of Emerging. Timor Leste has nearly a decade of petroleum sector development and oil exports are a high share of total exports, but local institutions and capacities are still weak so the sector remains Emerging.
- **Norwegian sector support scope and history.** Mozambique received Norwegian petroleum sector support more than 20 years before any of the others, while three only received support as of the establishment of OfD. The table shows the scope of the support Timor-Leste and Uganda have the most comprehensive ones currently in place.
- **Governance performance.** Four commonly used indicators regarding overall governance are used to assess the current situation in the five countries (that is, these indicators do *not* address the petroleum sector specifically or in particular). The first one is Transparency International's *Corruption Perceptions Index*, which shows that four of the countries scored extremely poorly (less than 3.0), and over the following five years their indexes *worsened*. The best performing country, Ghana, is the only one where the CPI improved. The very low score of Bolivia on both the *Open Budget* and the *Doing Business* indexes ought to be of considerable concern, while Ghana again is "best in class", though recent PFM reforms in Uganda gives it a good score on the OPI. Especially because the petroleum sector generates so much public revenue and at the same time is dependent on a healthy and competitive private sector for developing a transparent and accountable sector, these indexes are significant. Finally, the *Global Integrity* scoring is interesting in that it shows that most of the countries have quite good legal frameworks – Uganda even scoring an amazing 98 out of 100 possible – but *implementation* is problematic. That is, the institutional development may be good, but if laws and procedures are not used, this is of limited value. Part of this is related to capacity levels. Mozambique but Timor Leste in

² Bolivia was not identified as a core country in the TOR, but was suggested as one of the four Latin American countries that could be included for study. While the TOR suggested visits to two of these, Scanteam suggested that the three countries Bolivia, Ecuador and Nicaragua be included, and this was accepted.

particular have less skilled labour. In Timor Leste the institutions are also much younger, so *ability* to implement is a constraining factor.

Cases selected and data provided for the evaluation. All activities funded by OfD in the core countries were listed in the Mapping Study produced at the beginning of the evaluation. From this list it was clear that there are a limited number of projects that accounted for almost all expenditures in these countries, so most of these were in fact included in the case universe for this evaluation. Table 3.3 lists the projects looked at for this study. It should be noted that the field visits to the three Latin American countries were much shorter and did not go into the specifics of those projects. The table shows the extent to which the projects provided data relevant to the various dimensions of the evaluation, ranging from none (0) to very high (***) . It thus reflects the unevenness in the information universe, with for example only four projects with data directly relevant to the gender dimension.

Disparity in projects, unclear representativeness. The history and scope of OfD activities and project/pillar progress turned out to vary considerably by country. The key reason was the differences in country contexts, part of which is reflected in table 3.2. One country had long-established industries but somewhat unstable political conditions (Bolivia), to stable conditions and fairly developed institutional and human capacities but so far only minor oil finds (Ghana and Uganda), to significant petroleum resources being exploited (Timor Leste) or about to be developed (Mozambique), both with limited capacities but relatively stable governance contexts. When looking at the larger universe of OfD countries – Angola, South Sudan, Afghanistan, Lebanon, to name a few – it is clear that country context varies even more. The countries/projects looked at do therefore not provide a “representative” and perhaps not even a “typical” sample of OfD interventions. The variety of country contexts thus confounded the analyses of OfD attribution, so the team has had to exercise considerable caution when drawing causal conclusions.

Table 3.2: Dimensions of Core OfD Countries Visited

	DAC eligible (1)	Petroleum economy	Petroleum export dependency	Year support began(4)	Pillars in country (2)			CPI 2007-2011 (5)	Open Budget Index (6)	Doing business (7)	Global Integrity Indicators (8)		
					Petroleum	Finance	Env't				Overall	Legal framework	Implementation
Bolivia	Yes: LMI	Mature	High	2006	**	*	*	2.9 ⇔ 2.8	13	153	69	78	56
Ghana	Yes: LMI	Emerging	Low	2007	***	Not yet	***	3.7 ⇔ 3.9	54	63	67	79	54
Mozambique	Yes: LDC	Emerging	Low (3)	1983	***	0 (9)	**/*	2.8 ⇔ 2.7	28	139	59	72	40
Uganda	Yes: LDC	Emerging	Low	1995	***	**	***	2.8 ⇔ 2.4	55	168	72	98	51
Timor-Leste	Yes: LDC	Emerging	High	2003	***	***	**	2.6 ⇔ 2.4	34	123	58	74	45

- (1): One of the six core criteria for acceptance into OfD is whether a country is eligible for official development assistance (ODA) under the DAC criteria. DAC revises its list of eligible countries every three years, with the current list covering 2011-2013. **LDC**: Least Developed Country, with Gross National Income (GNI)/cap under USD 1,005 in 2010; **LMI**: Low Middle Income country, GNI/cap between USD 1,006 and USD 3,975 in 2010. Both categories of countries are eligible for ODA.
- (2): Level of activity of respective OfD pillars in the country: ***: Very active; **: Active, *: Weak but present, 0: No pillar activity under OfD.
- (3): This is expected to change considerably in the years to come due to large-scale natural gas discoveries in the north of the country.
- (4): The year in which Norwegian support to the petroleum sector began, whether under OfD or the previous Petroleum sector support program.
- (5): *Transparency International's* Corruption Perceptions Index (CPI) rates countries along a scale of 0.0 (worst) to 10.0 (best). The CPI for 2007 and 2011 are given, where an *increase* in the value shows *improvement* in perceived corruption levels in the country. Norway's values for the two years were 8.7 (2007) and 9.0 (2011).
- (6): The *Open Budget Index* shows the extent to which a country provides full budget and expenditure information on public finances. The figures here are from 2010, where Norway scored 83 out of 100 possible.
- (7): *The World Bank's* "Doing Business" index ranks 183 countries based on scores on ten indicators. The best score is "1", the worst "183". Rankings are for 2011. Norway was ranked number 6 that year.
- (8): *Global Integrity* provides a rating of a country's overall governance situation as reflected in procurement processes, media freedom, asset disclosure rules, etc. Scores range from "0" (worst) to "100" (best). The overall rating is de-composed in **legal framework** and **implementation**. The table provides the data for the most recent year for which a rating was performed: Bolivia: 2010; Ghana: 2011; Mozambique: 2007; Timor-Leste: 2007; Uganda: 2011.
- (9): As noted later in the study, the main reasons for no finance pillar activities in Mozambique are (i) the large international public finance management (PFM) program that is addressing this and where Norway is an active member, and (ii) Norway's Tax for Development is engaged in the Ministry of Finance.

Table 3.3: Countries/Cases Selected and Key Dimensions of the Evaluation

CASES	Resource Pillar	Environ'l Pillar	Finance Pillar	Foreign Policy	X-cut: Governance	X-cut: Gender	Ownership, Empowerment
EAST TIMOR: MinFin	*	0	***	0	**	0	*
Central Bank	0	0	***	0	**	0	*
SERN	***	*	0	0	*	0	0
Nat Petroleum Regulatory Auth (1)	**	0	0	0	*	0	*
EIA capacity	*	***	0	0	0	0	0
GHANA: Resource Prog	***	*	0	0	**	0	*
Env'l Prog	*	***	0	0	*	0	0
MOZAMBIQUE: Support to INP	***	**	0	0	**	*	**
Support to ENH	**	*	0	0	*	*	**
Support to MICOA	*	***	0	0	*	0	0
Civil Society Capacity Dev't	*	**	0	0	**	*	*
UGANDA: MEMD	***	*	0	0	*	0	0
PEPD	***	*	0	0	*	*	**
MFPEd	0	0	*	0	**	0	*
Min Env	*	***	0	0	0	0	0
BOLIVIA: MHE	**	*	*	*	*	0	*
YPFB	**	*	*	*	*	0	*
ANH	**	*	*	0	0	0	*
ECUADOR: MRNNR	**	*	*	0	0	0	*
NICARAGUA: MEM- Petrol Directorate	*	*	0	*	0	0	0

(1) The Timor Sea Authority was merged into the National Petroleum Regulatory Authority, though the project supporting the former was looked at separately.

3.6 Sources of Information

The team relied on four sources of information for the evaluation:

- *The document base* is extensive, ranging from general policy and country level documents to program and project reports (see Annex C for bibliography).
- *Informants interviews* were key to identifying results. Informants can largely be grouped into five categories: (i) Norwegian decision makers at policy and administrative levels, (ii) Staff at the OfD Secretariat and embassies, (iii) Norwegian OfD partners: public bodies, private companies and CSOs, (iv) Multilateral and bilateral donor staff knowledgeable about OfD programs, and (v) National informants and stakeholders. – Conversation guides with semi-structured questions were prepared and sent to informants before the meetings (see Annex B for complete list of informants, Annex E for the conversation guides).
- *Expenditure data* were used to document resource flows. This included the Norad database as well as country and project/actor budget data – see Annex D.
- *The field work* focused on informants' assessments of Output and in particular Outcome results, verifying/ triangulating information collected before the field work.

Documenting the data without country reports: Because country visits were central to the evaluation, the team would normally prepare country reports that would be sent to local informants for comments and then attached to the main report as annexes. In order to contain the size of the reporting, Norad decided this was not required for this exercise. Both presentation of the projects and documentation of the findings have thus been kept to a minimum, with specific references largely provided only for contested findings or quotes.

3.7 Findings and Conclusions

- Oil for Development is primarily a *Capacity development* (CD) program, and in line with the TOR the evaluation focused on institutional and organisational dimensions as well as local ownership results. This is in line with current “good practice” approaches.
- OfD has focused on building the capacities of public administration bodies and avoided the commercial concerns of the public sector so as not to be accused of a conflict of interest with regards to Norway's own private sector actors.
- The three pillars concentrate their advice on different steps in the petroleum value chain and thus their technical assistance may not fully complement each other (discussed in later chapters).
- OfD cross-cutting dimensions include *actors* (civil society, public accountability bodies) and *dimensions* (governance, gender), but *Good Governance* is the overarching concern.
- The universe of countries is limited, not necessarily representative of the OfD program, and highly variable country contexts. At the same time CD and governance Outcome results in a contested and evolving sector are likely to evolve slowly and unevenly.

4 The Petroleum Resource Pillar

Managing petroleum resources better: the backbone of OfD. Norway's support to the petroleum sector began in the 1980s as traditional sector assistance to the institutions responsible for the development and management of the countries' physical resources. The 2006 evaluation coincided with the start-up of OfD, and the intention was to incorporate its conclusions and recommendations into the various OfD country programs as they evolved. This chapter describes the status of the resource management at the onset of OfD in the four core countries (section 4.1). Section 4.2 looks at achievements and results for all the seven countries visited, with findings and conclusions presented in the last section.

4.1 Country Program Situations

The petroleum resource pillar: focus on upstream activities. In the value chain shown in figure 3.1, the resource pillar focuses on the regulatory regime and on strengthening the first steps in the value chain: help the mapping process, the access to new areas as well as early exploration work and subsequent development work. However, where oil and gas is found in a country the OfD support has been limited to theoretical advises regarding processing, transportation and sale of especially gas. This in spite of the heavy impact the administration of this phase has for the country's economic and social development.

Key instrument: twinning focused around the Norwegian Petroleum Directorate. The main instrument to ensure the fulfilment of the goals in the resource pillar has been *institutional twinning* between Norwegian government institutions: Norway's Ministry of Petroleum and Energy (NMPE) and its Petroleum Directorate, NPD. When the Petroleum Safety Authority (PSA) was established as a separate agency in 2004 after having been a unit within the NPD till then, the PSA has also been used for addressing its particular field of expertise, though it now is a directorate under the Ministry of Labour. Countries have often asked for twinning with commercial partners (State Oil Companies). This has been rejected not to hamper OfD's impartial status. Outside the direct twinning the foundation Petrad has had a considerable advisory and administrative role.

Identifying counterparts, being flexible in the use of instruments. During long periods of time relevant counterpart institutions did not exist in all partner countries. Country programs were decided between ministries and national oil companies. Until all relevant structures of a country were established, support was given in form of workshops, various training activities, on-the-ground mentoring or gap filling (see chapter 8). Table 3.2 provides an overview of the countries and cases looked at, but where the focus here is on the four core countries visited.

4.1.1 Mozambique

Early collaboration has evolved slowly since the 1980s, building solid foundations: The support to Mozambique is the longest-running continuous assistance Norway has provided in the petroleum sector. It began supporting the state oil company *Empresa Nacional de Hidrocarbonetos* (ENH) in 1983 by strengthening internal skills and the database of the country's geological structures. In 1992 the regulatory function was separated out of ENH. In 1995 a new petroleum law was drafted with Norwegian legal advice that formalised the

new roles. This law was finally promulgated in 2001 as a Mozambican umbrella law supplemented by a number of regulations addressing various issues in the sector. Norwegian assistance thus focused on building the regulatory body while also helping ENH become a more efficient downstream (commercial) actor. In 2004, the National Petroleum Institute (*Instituto Nacional de Petroleo*, INP) was established as the sector's regulatory body while remaining a department within the Ministry of Mineral Resources (MIREM).

A sector with core institutional arrangements in place at the time of OfD. By the end of 2005, INP and ENH had clear mandates under the petroleum law. Standard contracts and agreements for private sector exploration and exploitation were in place that were seen as transparent and fair by the industry. INP was managing the national data centre well, providing required geological data to prospective investors, and had conducted two licensing rounds for oil and gas exploration concessions. The one well-known gas reserve, the Pande-Temane field in the south of the country, was being developed based on contracts with South Africa for both production and transportation through an 850 km pipeline, with production starting up in 2004.

Long-term relations with both public and private actors in Norway, building trust and confidence. NPD has been the key actor involved since the beginning in 1983, providing a continuous program of support first with the ENH and later with INP. This *institutional* relationship has been strengthened by the fact that key *individuals* on both sides of the collaboration have remained the same. But this continuity has also been true of some of the collaboration with private sector actors, such as Petroteam (sector strategy development, petroleum reserve estimates, both with ENH and INP), Simonsen (law firm), Hartmark (strategy and business development consultants). According to all stakeholders, a culture of trust developed as Norwegian actors showed that they understood and respected the Mozambican priorities, and built their support around these. As the sector evolved in recent years, further *regulations* have been passed with OfD advisory inputs.

Recent gas finds increases the relevance of the OfD program dramatically. During 2011 and 2012, international operators reported huge gas finds off-shore in the Rovuma basin in northern Mozambique. One leading gas executive believes Mozambique may be among the five to ten largest gas producers in the world once these fields come on-line. Mozambique is furthermore close to some of the most important gas markets in the world in eastern Asia. The sector challenges the country faces will increase by leaps and bounds, making the capacity and integrity of the public sector critical to how these sudden large resource flows will be managed and how they may benefit different stakeholder groups

4.1.2 Ghana

Ghana program: started up shortly after discovery of petroleum resources. In October 2007, the national oil company, Ghana National Petroleum Corporation (GNPC) applied for assistance from the OfD, a request supported by the former Secretary General of the United Nations, Mr. Kofi Annan. A later exchange of letters between Chief Advisor to Ghana's President and Norway's Minister of Environment and International Development started the process of Ghana's inclusion in the OfD, with a needs assessment seminar already in February 2008. A Memorandum of Understanding (MOU) was signed between Ghana's Ministry of Energy and Norway's Ministry of Foreign Affairs (NMFA). The MOU was to last for five years and had a broad agenda to support the development of Ghana's petroleum

industry. On 10 December 2010, an institutional cooperation agreement was signed between Ghana's Ministry of Energy (MoE) and Norway's NMPE, based on a more general agreement signed the same day between the NMFA and the Government of Ghana regarding strengthening resource management of the oil and gas sector in Ghana. Unlike the case of Mozambique where support pre-dated the OfD program, the Ghana program has been based on OfD policies and guidelines from the very beginning, and the experience from earlier collaboration such as in Mozambique and Uganda.

Getting frameworks in place. OfD support has focused on getting a legal framework in place for establishing relevant institutions. But also practical matters, such as advice and training in license evaluations, field development and gas export has been supported. The support in drafting the Petroleum Commission (PetroCom) Bill was an important basis for establishing institutions with proper regulatory functions. The Petroleum Directorate of Ghana was the technical arm of the Ministry of Energy (MoE) that dealt with all issues related to oil and gas, but in reality it was the Ghana National Petroleum Corporation (GNPC) that managed the sector. Other institutions involved are listed in table 4.1 below.

Table 4.1: Dimensions of OfD Support and Local Institutions Involved

Policy, Legal Institutional functions & framework	Data management (NDR)	Subsurface & Development	Resource Assessment	Gas Export Project	HSE Regulations Management Systems	Human Resource Development
MoE, Attorney General's Office, GNPC	GNPC, MoE	GNPC, MoE	GNPC, MoE, Min. of Finance Economic Planning	GNPC, MoE	EPA, GNPC, MoE, MEST	MoE, GNPC

Source: Organigram from Ministry of Energy, Ghana

Sector restructuring: clearer roles, stronger state control. After the restructuring of the petroleum sector in accordance with the PetroCom Law and the subsequent Petroleum (Exploration and Production) Bill, the central institutions have been defined to be the MoE, PetroCom, National Data Repository (NDR), Ghana National Gas Company and GNPC. This means that all activities that in reality were led by GNPC now are to be taken over by these various institutions. For the mid- to downstream sector a restructuring also had to take place. To establish the needed structure of the natural gas sector a Presidential Gas Task Force was established and supported by OfD. In March 2011 recommendations concerning organization of the upstream gas sector, commercial model for gas transportation and processing and project implementation, were sent to the Government.

GNPC: early technical support mostly directed towards GNPC. OfD assistance was provided to GNPC and MoE to build their capacity in resource redetermination, including advice on work processes, and international practices. The Jubilee petroleum field was used as a case study. The results achieved were a better understanding of the roles of Government and an understanding of the set up of international oil companies (IOCs), which led to identification of Government areas to focus on and gaps to be closed. Various computer programs to evaluate the potential for oil and gas resources and exploitation were supplied and training on relevant Ghanaian discoveries and prospects were carried out. A working session was held to transfer know-how and experience on technology and governmental supervision of upstream oil and gas metering activities. A report was sent to MOEn and GNPC, covering the main findings with recommendations for mitigating measures and

future actions in order for the fiscal metering system on the Jubilee field to be in compliance with internationally accepted standards. The report also identified the need to clearly define the authority's roles and responsibilities with respect to fiscal metering in general, and the need to establish a regulatory framework.

The National Data Centre: strengthening the IT management of sector resources. The NDR is a new institution, and has received support in a range of fields, from practical support in formulation of tender documents to buildings to IT management of archives.

The Petroleum Commission (PetCom): a key institution. PetCom is now finally formally established, though the director was only appointed late 2011. Ahead of the establishment of the PetCom, an orientation training program was organized in Oslo and Stavanger. The objective was to present, discuss, and to share relevant experience on how typical petroleum commission functions have been organized in Norway.

Ghana National Gas Company, GNGC: only indirect support. In line with OfD's policy of not funding commercial companies, OfD has not provided any support to GNGC, though it has been boosted through the assistance provided to the Presidential Gas Task Force (GTF).

4.1.3 Uganda

Support begun as petroleum sector assistance restructured as OfD program in 2006 and 2010. Petrad began petroleum sector support to Uganda in 1995, assisting the Petroleum Exploration and Production Department (PEPD) in the Ministry of Energy and Mineral Development (MEMD), eventually leading the PEPD to become "*clearly a competent petroleum resource management institution with a high level of expertise ...in particular within geology and geophysics .. related to exploration activities*" (see also box 8.5). With the introduction of OfD in 2006, the task of managing the program was transferred from Petrad to Norad, in line with the general policies for OfD, with the Norwegian Petroleum Directorate, NPD, taking a particular lead since the resource pillar was the most important and the focus remained on developing competent institutions within the MEMD. Once the first phase program ended it was replaced in 2009 by a broader program with a more holistic approach that included also to the Ministry of Water and Environment and the Ministry of Finance Planning and Economic Development (MFPED). As part of this program approach, OfD supported and encouraged the parties to produce one overarching program logic with one joint logframe. This turned out to become a time demanding and ultimately not a successful exercise. This was basically because Ugandan authorities did not manage the petroleum sector in this way. Work programs and monitorable objectives were set by the priorities and policies of the ministries themselves. Accommodating the kind of cross-ministerial coordination that the OfD logframe implied was thus an OfD imposition more than a locally-generated demand. This political reality imposed itself in other ways as well. Already during the first phase it had been decided to draft a new petroleum Law that could regulate the petroleum sector in a transparent, safe and environmental friendly way. The 2009 draft Petroleum Bill was later split into three bills to cater for resource management, revenue management and oil production management separately. The three bills were before Cabinet at the time this Evaluation visited the country late 2011.

4.1.4 Timor-Leste

Support has been holistic with resource, environment and strong finance components: Within the resource pillar, the support has covered all upstream activities: mapping, opening fields, exploration, and operation. The petroleum assistance and the activities carried out within the first phase of the OfD program, formulated with the initial Timorese government, thus contributed to putting in place fundamental institutional arrangements in terms of a legal framework, production sharing contracts and helped carry out the first bidding round. With the change in government after the elections in 2007, considerable restructuring of government took place that had as one consequence that it took time to re-establish a dialogue and agree on a second phase of OfD support. While a new program only was put in place in 2008, OfD advisers were operational during this entire period, and in fact with one of the highest activity levels. The new government changed the institutional set-up for the petroleum sector, so the joint administration of off-shore petroleum resources established with Australia, the Timor Sea Designated Authority (TSDA), was merged into a new *Autoridade Nacional do Petroleo* (ANP) established by decree in 2008. In addition to the area jointly managed with Australia, ANP is responsible for managing and regulating the Timor-Leste Exclusive area. There are thus two different legal and regulatory frameworks for Timor Leste's petroleum activities, both of which are administered by ANP.

4.2 Achievements and Challenges

Different starting points mean results vary. Because the history of collaboration with Norway and Norwegian institutions is quite different across the seven countries, the results produced during the first five years of OfD history also differ considerably.

4.2.1 Mozambique

Institutional frameworks strengthened through further developments. As the sector evolved, further *regulations* have been passed with Norwegian advisory inputs: model exploration and production concession contract 2005; fiscal law on petroleum activities 2007; petroleum off-shore installations 2009; environmental regulations for petroleum operations 2010 (annual project reports). The petroleum law itself is now being revised. But the relative importance of Norwegian advice is falling as local capacity has improved, INP lawyers noting that (i) they now are familiar with international petroleum law, (ii) they know the overall Mozambican legal framework, (iii) they see where current legislation is insufficient and thus which specific issues need to be addressed. Norwegian advice is therefore requested when Mozambique feels they need it, and can at times be sought simply with a phone call.

INP organisational capacity is improving but vulnerable to future staff losses. INP believes it has more or less the size and skills required for the country's current level of activity. It has a traineeship program that it uses to recruit top graduates from the University Eduardo Mondlane. It is paying more attention to safety issues and is training staff in this area and is carrying out more own-inspections in the field. But the institution is clearly vulnerable to loss of limited skills in key fields, and in particular does not have much of a skills buffer in case key staff disappear, for example due to hiring away by private companies, or the possible loss of life due to HIV/Aids, a problem that remains severe in Mozambique.

ENH has stronger organisation and staff skills but weak financial foundations. In ENH, the establishment of subsidiary companies to handle upstream and downstream activities in

connection with the gas pipeline and gas production in the south has made for a more streamlined organisation. It has been supported in the development of its new business strategy. The company still feels vulnerable in terms of ability to act as the representative of the country's commercial interests in oil field development, but is receiving considerable training opportunities from a number of the foreign oil companies. The major challenge is the high cost of mobilizing financial resources to fund its participation in field development – a key task if the country is to defend its direct commercial interests. A key complaint by ENH was that OfD does not fund exposure to the commercial experience of Statoil as a state oil company, due to the perceived conflict of interest that OfD believes would arise since Statoil is a competitor for commercial ventures in many of the OfD countries.

Organisations are better prepared and more strategic. As reflected in documents from annual meetings and the views of staff at the embassy, both INP and ENH now develop more detailed budgets, work plans and development strategies for their key areas, and the reporting and forward looking plans have increasingly better specified targets. Overall, the organisations appear better led and with more attention to medium-term objectives and clarity on achievements and short-comings.

4.2.2 Ghana

Approval of Petroleum Commission (PetroCom) Bill and promulgation of Petroleum (Exploration and Production) Bill: important achievements. With these key framework laws in place, supplementary legislation within resource management is to be the focus in the time to come.

Setting up institutions and their capacities is a key challenge. Establishment of PetCom and NDR with adequate corporate culture and formal legal mandates will be a great challenge for OfD support in the years to come. The new institutions will need trained staff, though this can be modelled on the support that was successfully given to GNPC under the MOU from 2008-11, because lack of skilled people within the sector might be a show stopper. During the early years Ghana has had ample possibilities in getting Ghanaians working abroad to return and to train already educated technicians to GNPC. GNPC clearly expressed that they cannot support new government institutions with personnel, and think they were very generous when they provided the director of GNC.

Data management: rebuilding when the archives are taken over from GNPC. The GNPC is taking over a fairly successful data centre from the NPD, and thus needs to have its own structure and skills put in place. This involves all from regulations on reporting to education of personnel and proper internal structure of the institution.

GNPC and MoE: independent capacity to assess sub-surface resources and development issues? These two central institutions have received substantial training in these aspects both as demand driven projects and as in using various relevant technical programs. Once the PetCom is fully established a substantial training and support effort is envisaged.

Utilization of Gas: OfD's role in gas resource management has been sporadic. Ghana has chosen to utilize the natural gas for domestic purposes. NMPE has been involved in a Gas Task Force established by the President in 2011. The Task Force recommendations of March 2011 concern organization of the upstream gas sector, commercial model for gas transportation and processing and project implementation, were sent to the Government.

NPD has given advice on how to manage the associated gas in the Jubilee Field, but Ghana has chosen their own solution involving reinjection of associated gas until it can be used on-shore. GNPC has also constructed a gas pipeline from Jubilee Field to the shore. GNGC is now responsible for the transportation and utilization of natural gas in Ghana. The institution was established by decree of parliament in July 2011 and is presently staffed by personnel seconded from GNPC.

Health, Safety and Environment (HSE) regulations and management systems: not clearly anchored. According to the law on the Petroleum Commission the responsibility for Health, Safety, and (Work) Environment lies within the Commission. These matters have to a large extent been managed by GNPC till now but will have to be transferred to PetCom. The NPD plans to use PSA as subcontractor in matters regarding HSE.

Human resource development: early focus on management awareness. A series of courses for leaders in all the institutions even with a remote connection to petroleum activities were given by Petrad. Giving leaders an understanding of this sector's special challenges and combining information with leadership training has proven very useful in smoothing the lack of vision in other administrative units and given the participants a basis for an understanding how to interact with each other in a positive manner. Also the Petrad 8-week course have proven to be beneficial in using students as local resource persons.

4.2.3 Uganda

Formulation of 2008 bill key achievement. In the cooperation between Norway and Uganda capacity building efforts began in 2004 with both general and theme specific Petrad courses, featuring both the fundamentals of the oil sector and more thorough studies of sub-sector issues. The purpose was to strengthen the State petroleum administration with regard to policy, institutional framework and administrative functions, to strengthen the planning and regulatory functions in PEPD and to study the conditions necessary for commercial development of oil and/or gas in Uganda. The assistance contributed to the formulation of the National Oil and Gas Policy in 2008 and Petroleum [Exploration, Development and Production] Bill 2011 and Petroleum [Refining, Gas Processing/Conversion, Transportation and Storage] Bill 2012 (progress reports and informant interviews).

Program shifting towards more demand-driven and collegiate forms. While courses at Petrad as well as at other international centres of learning are still being offered, the 2010-2014 programs more often includes shorter study tours to specific Norwegian counterpart institutions or staff exchanges between the two countries or with third countries. The current program has increasingly stronger elements of a collegiate relationship, as the Ugandan oil administration benefits from advice and on-site training by short-term visits by Norwegian officials or consultants. They then also provide comments or inputs into draft Ugandan documents as and when called for by Uganda.

Norway funded mid-stream (storage, transportation, processing and sale) activities, but with general country program resources. Uganda had requested assistance for an appraisal of the establishment of an oil refinery and the review of prospects for increased linkages between the oil resources and potential supply services by Ugandan industry (local content). Due to the policy of focusing on upstream activities in the sector, OfD could not finance this work, but the Embassy found own resources to do this, as it felt these activities were highly

relevant, given the objectives of the Uganda oil and gas policy. As noted in project reports and interviews, the support has contributed to attain Uganda's policy objectives.

4.2.4 Timor-Leste

Resource pillar frameworks have improved, pace slowed in second phase of OfD support.

The Petroleum Act/2005 and Petroleum Fund Law/2005 were a result of the Norwegian assistance, so the basic legal frameworks including the Model Production Sharing Contract were in place when the second phase of OfD became operational in 2008. The previous Norwegian assistance had an instrumental role in carrying out a first licensing round in 2006. Since OfD was initiated, drafting of regulations to supplement the legislation is taking place, but the pace has been somewhat slower, in part since according to plan there was no longer a resident legal advisor but also as a function of interests within the ANP to maintain more discretion for negotiation between commercial agents/actors and the regulator. OfD has only to a limited extent addressed sector governance issues, where key concerns are clarity on roles and responsibilities and avoiding conflicts of interest situations.

Attributable organisational development with some governance questions. Due to changes in government in 2007, a lot of restructuring took place. Within ANP, based on OfD advice, a reorganization has been successful which included the establishment of *one* legal department responsible for all legal and regulatory issues regardless of value chain. ANP is an autonomous institution that offers better conditions than other parts of the public administration, so recruitment has been successful and trained staff are being retained. The ANP *organisation* is functional and the increased level of skills among the staff have produced better Outcome in terms of better performance of core functions: as it has a critical mass of competent staff it is seen as a professional and competent regulator, which is attributed to the long-term assistance from the NPD supplemented by specific legal advice. The scholarship program (and similar programs by other donors) is contributing to improving the academic levels of key offices in government that is contributing to providing a more sustainable foundation for petroleum sector governance in general. At an *institutional* level there have so far been limited changes in Outcome since fundamental structures were already in place, and issues like assistance to establish a *National Oil Company* is not part of the OfD. On the governance side, informants note some missed opportunities where a key one was the creation of the ANP by decree and not by law, with weak accountability structures. Similarly Timor-GAP was established as a public enterprise by decree and not by law. There are potential conflicts of interest between key senior officials at Timor-GAP and ANP, and CSOs are concerned about both institutions having poor checks and balances.

4.2.5 Bolivia

Supporting framework changes in a mature petroleum economy. Bolivia has the second largest natural gas reserves in South America and the fifth largest oil reserves. At the time of the visit by this evaluation at the end of 2011, the new Petroleum Law (*Ley de Hidrocarburos*) was to be finalised by the Ministry in close partnership with the regulatory unit, *Agencia Nacional de Hidrocarburos* (ANH), with significant support from OfD. Another important OfD support is to the re-structuring of the ANH, where the team setting up the new ANH structure and mandate considered the OfD experts to have been crucial advisors. ANH only recently established direct links with NPD, in what is seen by the Norwegian representative in La Paz as "a perfect match". There have been frequent contacts with NPD, Petrad has

held several courses, and OfD advisors have been visiting Bolivia. Collaboration has focused on training in upstream regulation. The key Bolivian counterparts have limited knowledge about what Norway can offer, and OfD has never carried out a needs assessment.

Transforming a regulatory body, ANH taking on upstream responsibilities. The present OfD program in Bolivia is governed by a three-year agreement for the period 2011-2014, signed in July 2011. ANH is already a large institution, with a staff of 350, but until now exclusively responsible for downstream regulation. With the change from the previous *Superintendencia* to the present ANH, the institution will also get responsibility for upstream regulation and supervision. OfD also provided significant support to the state oil company, *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB), where the justification may have been that YPFB has also had upstream regulatory functions that will now end with the passing of the new law. The support has three components: training, advice to the re-structuring of the company (vision, mission, values, code of conduct), and the management (through workshops and training) of petroleum data through the build-up of the *Centro de Información Petrolera* in Santa Cruz, the principal petroleum database in the country. This data centre is proposed to be moved to ANH as part of the restructuring of the sector.

Norwegian support is important but not unique. While national authorities appreciated the Norwegian support, it has been limited. Canada was first in supporting the digitalization of previously existing data, before OfD came in with support to GIS and satellite information, and training people to manage the new digital archives. In preparation of the new law, both Canada and Norway have been involved, and the Canadians believe that the two countries should define a clearer division of responsibilities and synergies between them, based on the two countries' respective comparative advantages. Canada has more technical experience as an onshore gas producing country, and the Canadian view is also that Bolivia needs to offer more incentives to foreign companies in order to attract investments. Norway, according to this view, has most to offer in terms of developing a strong institutional public structure, particularly developing the ANH as an autonomous and technically capable institution to regulate the oil, though the lack of stability in the public sector is an impediment.

4.2.6 Ecuador

An OfD partner with limited linkages. At the onset of the OfD program, Ecuador was a logical country to include: Ecuador has a long history as an oil-producing country and is a member of OPEC. With the coming to power of a new government in Ecuador, interest in collaboration with Norway was expressed, but Norway has had no official/diplomatic presence in Ecuador. In practice, the OfD cooperation with Ecuador has been driven by Petrad. An MoU was signed in February 2009, and for the period up to 2010 a budget of NOK 7 million was approved, basically for seminars and workshops. In 2010, a seminar on resource management and petroleum-related environmental issues was held. Furthermore, workshops were held for *Petroecuador*, one of two national oil companies, and Ministries, on subjects of waste management, data management, resource management, Improved Oil Recovery (IOR) and gas management. Meetings were held between Ecuadorian universities and the University of Stavanger, where 2011 was to be an active year with a total budget of NOK 3 million. Activities included a delegation to Norway to learn about the institutional reality, a gas seminar with 40 participants, a regional seminar in Quito on Petroleum Data Management with 60 participants including from Bolivia, Colombia, Peru, Cuba, Nicaragua, Venezuela. An advisory mission with two experts on petroleum data bank management was

also fielded to Ecuador. The 2011 budget was cut in half, however, and at the end of 2011 the OfD Steering Committee decided that Ecuador would no longer be part of the OfD program.

4.2.7 Nicaragua

Petroleum sector assistance to Nicaragua, the longest-running in Latin America. Norway's assistance to the petroleum sector has been running through four phases, from 1989 until today. This is the only assistance in Latin America that started before the OfD program was launched. The purpose of the program has been to contribute to secure an environmentally sound exploration and possible exploitation of petroleum resources by creating capacities at Nicaragua's government level. A total of NOK 14.2 million were spent during the period 1989-2004 previous to OfD. This support included (i) geological and geophysical studies needed to establish an attractive technical database for the oil industry, (ii) training and preparation of Nicaraguan staff to deal with the promotion and negotiations in an international bidding process, and (iii) continued technical assistance provided by the NPD to the Nicaraguan technical team.

Institutional development: largely a success story. Twinning arrangements between NPD and the *Dirección General de Hidrocarburos* (DGH) of the Nicaraguan Ministry of Energy and Mines (MEM) have survived the changing political conditions. To date, the eleven staff members of the DGH/MEM have received comprehensive training through Norwegian assistance, and nine are still in service, which is in fact quite remarkable in a country where even technical staff are often changed when governments change. With the Norwegian assistance, the Nicaraguan authorities have until now been able to open five concessions inland and offshore in the Atlantic and Pacific waters. The core training has provided the essential background needed to oversee the industry. In addition, the seminars conducted by Petrad have provided tailored training, adapted to the state of institutional development. It has been crucial for the preparation of staff for negotiations with the companies and for concession and license preparation

But if success comes, will Nicaragua be ready? One company is seriously considering to start exploitation activities over the next five years. However, despite the progress of the subordinate Directorate, the Ministry as such is far behind and not well prepared to handle the oil industry if and when actual oil or gas production starts. The ongoing support from Norway can be supplemented with expertise from other countries in the region. Such support coming from countries with long experience in petroleum development, the legislative input will be in line with international 'good practice' standards for petroleum activities.

4.2.8 Summing Up

Important results produced, building on previous successes. Table 4.2 summarises the achievements produced in the various OfD countries regarding organisational and institutional capacities, and the resultant national ownership/empowerment from this. What is noteworthy in Mozambique and Nicaragua is how OfD has ensured continuity and further strengthening of initiatives that began under the former petroleum sector support.

Table 4.2: Outcomes from OfD Support, Resource Pillar

Resource - Management Pillar	Mozambique	Timor-Leste	Uganda	Ghana	South America
Institution level Structure of sector clear Laws, policies and regulations in line with good int'l practice in place	Structure in sector good Frameworks – laws, regions – largely ok being updated by Moz staff with only some NPD support	Ok, Started , but regulations are still missing	Structure Formed Revising Pet. Law, most regulations missing, not passed	Structure formed Pet. Law in Parliament – Regulations missing	Bolivia: New Pet Law in parliament Ecuador: no legal effect. Nicaragua: Legal framework established 1998
Organisation level Appropriate public sector bodies in place with adequate structure, staff, resources, mandate and contact to OfD program	Public sector bodies in place, staffing and mandates ok. Twinning with NPD working well	Ok, but uncertain sustainability, Minimum critical mass of staff in place, but vulnerable. Still huge task in staff training, and in securing resources	Ok More staff than TL and better recruiting ground. Twinning ok	New law on Petroleum supervision, only head appointed no staff Very good recruiting possibilities compared to other countries.	Bolivia: ANH in place, twin with NPD, depending on passing Petroleum Law. Ecuador: Run by TNCs, wish to change. Nicaragua: Twin to NPD, lack capacity in production phase
National ownership Strong national political commitment to structure and functioning of sector National actors feel in charge of sector dynamics	Positive Confidence strong but now huge finds in north means actors, forces rapidly changing	Positive Confidence strengthened, but still dependent on advisors	Positive National actors feel quite confident	Positive National oil company Yes, but gov. Bodies no	Bolivia and Ecuador: Companies try to maintain power Nicaragua: Positive Yes

4.3 Findings and Conclusions

- The OfD has continuously focused on the public sector and in its technical advice on the upstream parts of the sector value chain. This has provided a consistent programming approach across countries, also ensuring that twinning arrangements with Norwegian public bodies, particularly the NPD, have remained relevant.
- The content of the programs have evolved over the years, but has always had a component of a legislative framework, of structuring of the sector and capacity building within key public institutions. Legislation appears to have been consistently in line with international “good practice” principles, including concerns of building transparency and accountability dimensions along the steps in the value chain addressed (concessions, bidding rounds, etc).
- The programs in all countries appear driven by national authorities, with clear ownership to program contents. What has varied is speed of progress, which has to a large extent been conditioned by local skills pool available and institutional solidity already in place (Timor-Leste starting from scratch, Ghana having a fairly well developed public sector, Mozambique a long slow history of building).
- OfD has been fast and pragmatic in responding to requests for support (Ghana, Mozambique): some preliminary activities have often started up in parallel to the

planning and needs assessments being carried out, and in particular training of various kinds has started up quickly, something that has been appreciated by local partners.

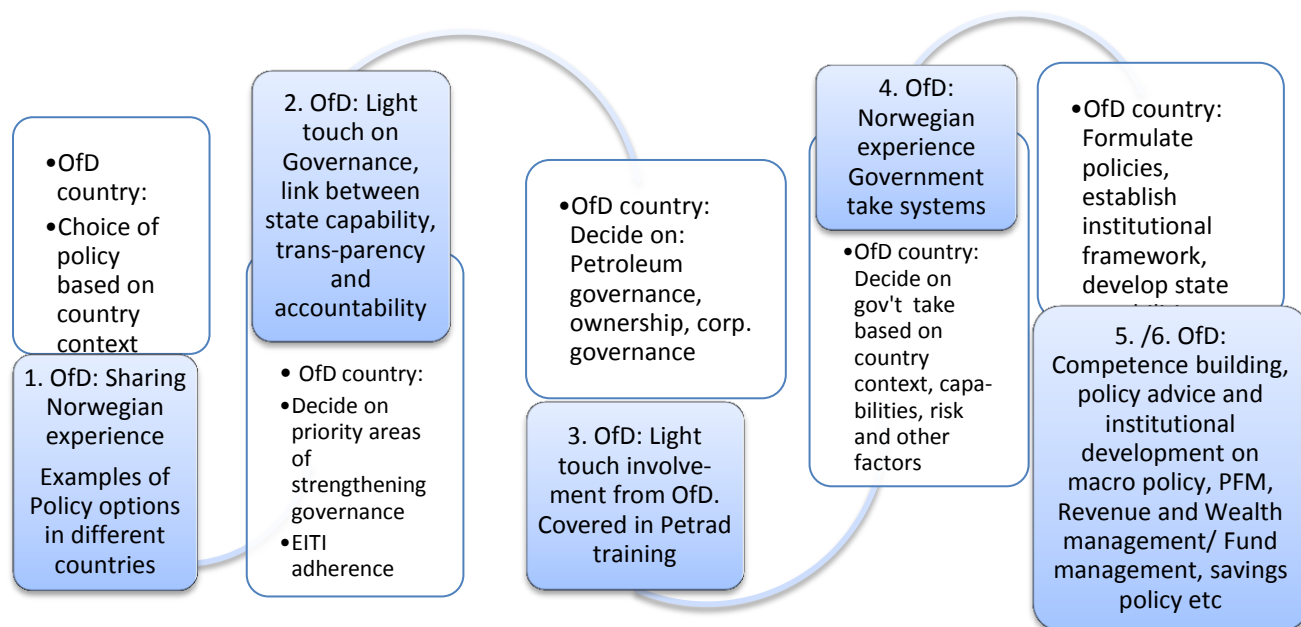
- Attributable results over the period are incremental improvements in organisational and institutional solidity, competence and self-confidence rather than any qualitative or quantitative leaps, but also with no case of deterioration/regression. This is in line with long-term capacity development thinking and thus validation of the solidity of the processes. The qualitatively different results with the introduction of OfD is the more broad-based inter-linked approach in Ghana and Uganda, pioneered in Timor-Leste, but with no discernible differences in Mozambique.
- As the sector matures and oil and gas become economically important, the needs change towards ability to negotiate, make economic analyses for investments in mid-stream and down-stream activities, re-assess terms and conditions for new entrants to the sector, etc. OfD has so far not strengthened the public sector's capacities in the commercial parts of the value chain in a systematic way, yet without this the link between the revenue pillar and the resource pillar is missing and the overall value of the assistance may be lessened.
- While country support has paid attention to both institutional and organisational development, not all countries have carried out careful needs assessments, nor has there been a critical review of the appropriateness of the supply institutions. One particular question is if Norwegian public bodies that understand institutional frameworks are also good at organisation building and skills development. The recent attempts at addressing this by NPD and Petrad establishing formal agreements regarding divisions of labour (Ghana, South Sudan) is a positive step but could be systematized across the program.
- The twinning arrangements have largely been successful in the sense that arrangements have been agreed to fairly quickly and flexibly, largely due to the long experience of the Norwegian institutions with such arrangements. Local partners are satisfied with the support provided, its relevance and timeliness, which has largely been in line with programming and expectations.
- OfD focuses on providing capacity development. Hardware and infrastructure have been supplied by other actors, which has been a source of delays and some frustrations with program progress, such as the laboratory facilities in Ghana.

5 The Revenue/Finance Pillar

Strengthening revenue management, increasing government share. Within the Revenue Pillar: “OfD aims at strengthening institutional capacity on revenue management. The assistance focuses for instance on government take, tariffs, fees, auctions, production sharing agreements, state ownership and tax treaties, and petroleum funds. Assistance includes both economic and legal expertise” (Oil for development, web-page). Figure 5.1 provides an overview of the key thematic areas defined as part of the Revenue Pillar and is based on Petrad’s course, where the blue boxes indicate what kind of input OfD provides at different stages:

- (1) oil and development,
- (2) good governance and transparency,
- (3) organization, ownership and corporate governance,
- (4) government take systems,
- (5) macroeconomic policy and public financial management, and
- (6) management of petroleum funds..

Figure 5.1: Thematic overview of Revenue Pillar



5.1 Country Program Situations

Oil and gas are central to the Bolivian economy, and state control has increased considerably over the last several years. Since the first section of the Bolivia-Brazil Gas Pipeline (GSA) entered into operations in 1999, Bolivian exports of natural gas have increased dramatically, and there are prospects of significant natural gas reserves and exports in coming years. Since President Evo Morales and his *Movimiento al Socialismo* (MAS) party assumed power in January 2006 Bolivia has asserted greater state control over the energy sector and issued a nationalization decree in May the same year. The state-owned oil company, *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB) controls, oversees, or executes all activities in the country's oil and gas sector. YPFB has absorbed various private firms that

were nationalized and now act as subsidiaries of the national oil company. While YPFB leads the oil and gas sector, private companies often act as operators and lend important expertise, services, and capital. For those firms that were not nationalized, the government imposed significantly higher royalties and eliminated the “risk-sharing” contracts that conferred ownership rights over resources to private companies. Instead, private companies surrender production to YPFB in exchange for a fee. The *Ministerio de Hidrocarburos y Energía* (MHE) is the planning and policymaking body that has overseen the industry's restructuring, augmented state control over the energy sector, and attempted to revitalize hydrocarbon exploration, production, and processing. The ANH, which has received considerable OfD support (see previous chapter) now has regulatory oversight over the supply and disposition of oil and gas.

Ghana's Jubilee oil field is significant, but with a modest upstream oil industry. The main drive behind the oil and gas industry in Ghana is the need to reduce the country's dependence and reliance on hydroelectricity. Although the oil industry as of now has no crude oil production, Ghana is one of four West African countries with an oil refinery. The Tema refinery operated by the Tema Oil Refinery Corporation has an operating capacity of 45,000 barrels per day running on crude imported from Nigeria. The state oil company GNPC is responsible for importing crude and refined petroleum products. The *downstream* oil industry is key as increasing power demands by industry and domestic consumption has set in motion projects relating to the importation of gas via pipeline from Nigeria and Cote d'Ivoire. Overall responsibility for control and direction of the oil industry rests with the Ministry of Energy. In late 1998, the Ministry established a seven-member Energy Commission, responsible for regulating and managing the utilisation of energy resources in the country and coordinate policies. It also includes the granting of licenses for the transmission, supply and sale of natural gas.

The hydrocarbons have so far represented a limited share of Mozambican exports but will boom in coming years. Mozambique has produced natural gas from onshore reserves since 2000, which has been exported to South Africa. But confirmed large reserves in the off-shore Rovuma basin in the north will dramatically increase natural gas production and liquefied natural gas (LNG) investments. Downstream activities, beyond LNG, will become increasingly important. The downstream oil industry has so far relied on imports, mostly from South Africa. Distribution and marketing of fuel products and lubricants is carried out by the state-owned oil company Petromoc.

Uganda's estimated oil reserves are increasing and oil production is variously expected to start 2014-2016. By the early 2000s, Uganda was seeking domestic petroleum reserves in response to rising oil prices. The first exploratory well was announced in September 2002. In the initial years Uganda's policies were characterized “an open door policy”, since the opinion was that the Uganda oil resources were presumed to be small pockets of oil. The country hence issued licences to oil companies on a first-come first-serve basis. Currently the identified oil resources are at 3.5 billion barrels of oil from 32 wells in exploration areas along the Albertine Graben but other exploration areas have now also been opened. Nearly all exploratory drilling efforts have struck oil reservoirs and the known reserves are very likely to be higher, some estimates are as high as 8 billion barrels. In addition considerable gas resources have been found that are commercially viable. Due to the increased finds and the need for more deliberate oil and gas development efforts, the country has over the last

few years been finalizing its oil policies and legislation. At the time of this evaluation, there was a halt on issuing new licences in anticipation of new petroleum acts of Parliament.

Since 2002, Timor-Leste has developed own institutions and is a significant oil and gas nation. The country has a long history as a petroleum province, and revenue from oil represents more than 90% of domestic revenue. It is thus one of the most petroleum-dependent economies in the world. Total estimated petroleum reserves are limited and expected to be exhausted within the next 30-40 years. A national oil company, Timor GAP, was established as a public enterprise in 2011 but has yet to become operational. According to its Decree, Timor GAP will be responsible for business activities regarding upstream exploration and production, including provision of services, to be carried out onshore or offshore, within or outside of the national territory. The new company is entrusted with downstream business activities, including from natural gas, and also the industrial processing of petroleum by-products and the carrying out of other activities in the petrochemical industry. The regulatory authority ANP has oversight and supervisory function with regards to Timor GAP.

5.2 Achievements in Timor-Leste

Results in the field of revenue/finance management differ sharply. Within the OfD revenue pillar, by far the largest program has been with Timor-Leste (though within the Timor Leste program, the resource pillar support has been larger). In line with the TOR, this chapter hence focuses on Timor Leste with supporting material from other countries.

Considerable support over 5-6 years. Timor-Leste has received substantial support during the OfD period, with a comprehensive program with 2-3 resident advisors within revenue management, supported by short-term expertise for the Investment Advisory Board of the Petroleum Fund. There has been one resident full-time advisor to provide capacity building within macro-policy and revenue/wealth management, including investment strategy. Another resident advisor within tax management and tax audits is in place, and as of February 2012 with 40% funding from Timor Leste. A further resident advisor supported the fund administration within the Central Bank. The support has been predictable, there has been an institutional agreement between Timorese institutions and Norway's MoF and a mechanism for technical backstopping of the resident advisors and other quality assurance and monitoring mechanisms in place. Norway has also contributed with financing through a MDTF administered by the World Bank on broader PFM reform. With reference to Figure 5.1, the support has been provided mainly in areas (5) and (6): developing frameworks and state capabilities related to macroeconomic policy and PFM, and management of the petroleum fund. The Timorese institutions and other stakeholders find that the advice has been of high quality and represent "*one of the few credible programs in Timor-Leste*".

Timorese structures for a fiscal regime are in place, but are complex. The Petroleum Taxation Act, the Petroleum Agreements and general tax legislation are all elements of the fiscal regime, but part of pre-independence legislation is also valid. It is thus difficult to get a complete overview, so case-specific information is required for effective tax management, and there is broad support of the need to increase availability and user-friendliness of the current legislation. For effective checks and balances to be in place, the different actors – oil companies, ANP, Petroleum Revenue Directorate – need to play their roles. The two

administrative regimes (see chapter 4.2), for the Joint Area with Australia and the Exclusive Area, add to the complexity. Beyond the fiscal regime, the institutional context, voids and weak capacity represent constraints for both horizontal and vertical checks and balances.

Country context with general lack of oversight institutions represents a barrier to effective scrutiny and accountability. Timor-Leste was the first country in Asia to adhere to the Extractive Industries Transparency Initiative (EITI). This has contributed to strengthened revenue transparency for petroleum activities and paved the way for increased vertical checks and balances, from the state administration to the public. The Constitution provides for a supreme audit institution in the form of the High Administrative, Tax, and Audit Court. This Court has yet to become effective together with a functional external audit in Timor-Leste. The Timor-Leste's justice system has extremely limited resources. Parliament has yet to play a substantial oversight role. This is due to capacity constraints, lack of institutions and, at least in part, limited understanding of corruption and oversight concepts. Language barriers and low formal education leave the Timorese institutions with limited capacity to draft and review legislation. However, positive elements such as the creation of a special anti-corruption sub-commission in Parliament, a strong opposition party that engages actively in budget review are worth mentioning. Despite the challenging country context OfD has contributed to putting structures in place for strengthened transparency and accountability and strengthen scrutiny and oversight such as the Petroleum Fund Consultative Council and annual Petroleum Fund reports subject to external audit and assistance to produce regular EITI reports, which are discussed and assessed and are openly available to the public. Moreover, the OfD program has contributed with some activities to strengthen awareness and empower parliamentarians and Petroleum Fund Consultative Council members to promote accountability.

Tax Audits, once carried out, are effective. Primarily due to weak capacity and capabilities, controls and enforcement of the fiscal regime have been limited and not until recently have some systematic tax assessment and audits taken place. The OfD program has made tax audits possible and as a first step contributed to the Timorese tax authorities getting copies of the financial statements and necessary documentation to carry out tax assessments, controls and audits. However recent, this is a good illustration of the current weakness of tax management and provides an example of OfD achievements. At present there are several tax disputes, but substantial tax revenue has been collected largely due to the OfD program's recent emphasis on audits. Although tax management and enforcement is still weak, the OfD program has contributed to strengthen awareness of high-level officials of the need to enforce tax legislation, has directly increased tax revenue, and send signals to the oil companies of strengthened enforcement. This has not been without controversy and business representatives and other stakeholders have pointed out the need for stability and predictability of the fiscal regime and that the new practices revealing a more hard-line approach is not necessarily conducive to the business environment.

ANP functions as an autonomous regulator and supervisor of Timor GAP, but both face questions of accountability. Both ANP and the state oil company were created by Decree Laws and were not subject to parliamentary debate and approval. Limited consultations took place. There is a perception of both institutions providing limited transparency on policies, strategies and priorities. The accountability structures that have been put in place to provide the necessary checks and balances are weak. One specific area pointed out in the

EITI validation reports is the service fees and commissions financing the ANP activities. The fees have increased as have the costs of ANP. Its budget is not part of government's budget proposal as ANP is net-financed through a transfer whereas the majority of financing comes from the fees. Representatives of the business community, civil society and parliamentarians have pointed out the lack of supervision and external scrutiny of ANP. For TIMOR GAP there is no law on public enterprises providing clarity on the legal and regulatory framework the company is subject to. These broader governance issues have only to a limited extent been addressed by the OfD program and fall thematically between the Resource pillar and the Revenue pillar.

Managing revenue through a sovereign wealth fund. From the outset, following independence, Timor-Leste decided to establish a sovereign wealth fund. The Petroleum Fund Act was already in place in 2005, and the IMF contributed to development of the policies for the Fund, including the initial set-up of the frameworks such as the economic modelling and the calculation of the Estimated Sustainable Income (ESI). However, Norwegian expertise was instrumental in setting up the petroleum fund and an advisor was financed by Norway. The Petroleum Fund Act was recently amended, with significant OfD assistance. In relation to the amended Petroleum Fund the Norwegian advisors encouraged a change in investment policy to exploit the investment universe. These amendments have been subject to controversy but were endorsed by Parliament. Concerns raised by key civil society representatives and parliamentarians include: too high risks related to the broadened investment strategy, less accountability and transparency related to justifications for spending more than the stipulated ESI, opening up for external funds administrators which would be less subject to oversight and control, opening up for borrowing using the petroleum fund as collateral. An Investment Advisory Board including international experts and independent members, publicly available minutes from meetings, outreach activities and oversight from a Consultative Council of the Petroleum Fund and active parliamentarians are all structures that have been put in place to monitor activities, and these have been reinforced. Wealth management structures are in line with Generally Accepted Principles and Practices - Santiago principles, and are considered state of the art. OfD support, based on the foundations created by prior Norwegian assistance, has led to important achievements at an institutional level on revenue management. Frameworks as the petroleum fund and the amended Petroleum Fund Act have been put in place. These institutions are state of the art and their effectiveness is only limited by contextual factors such as some organisational constraints, overall capacity constraints, demand and real access by broader groups of the population.

Spending or savings policies? Spending beyond the Estimated Sustainable Income is subject to debate in the Timorese society and since 2008 budget expenditure has increased considerably, to a large extent financed by the Petroleum Fund. The 2012 budget represents a 35% increase compared to the 2011 budget which again was 56% higher than in 2010. There are two different camps in these discussions, one supporting spending to stimulate social and economic development and another that believes that the absorption capacity is limited and support a more prudent budgetary policy. Budget data show that investments in social sectors are limited with the lion's share of resources allocated to large infrastructure projects. Resource allocation and budget policy is beyond the scope of the OfD program, but

OfD is associated with the more conservative approach, which is politically controversial in some quarters and seen as not in line with OfD's poverty reduction objective.

The OfD assistance had an instrumental role in Timor-Leste achieving EITI compliance.

Outside these areas the OfD has not contributed to broader Public Finance Management (PFM) reform, but Norway has provided financing through a Multi-Donor Trust Fund (MDTF) administered by the World Bank. Timor-Leste was the first country in the region to become EITI compliant and a lot of political prestige and resources have been channelled towards this process. The OfD resident advisor(s) were instrumental in enabling a successful finalization of the reconciliation process and report and for meeting the requirements for validation. There are clear synergies between the EITI outreach, empowerment activities and the civil society empowerment and engagement related to the OfD program.

Timorese institutions responsible for revenue management are defined with clear mandates and roles, and OfD has focused on safeguards to avoid conflict of interest.

The organizations assessed include the Timor-Leste Ministry of Finance represented by the Petroleum Revenue Directorate, the Macroeconomic and Tax policy unit, the State Secretariat for Natural Resources, the National Petroleum Authority (ANP), the Consultative Council for Petroleum Fund and the Investment Advisory Board. OfD faces challenges as there is no general system for asset disclosure by high government officials and no implemented rules governing conflicts of interest. There is limited understanding of these concepts in the public discourse, no broad code of ethics applicable to civil servants, and limited systematic provisions for public participation in government decision-making. Within the Revenue pillar the OfD program has put safeguards in place to avoid conflict of interest – one example is that members of the Investment Advisory Board should provide an asset declaration. Within its area of responsibility, OfD has contributed with frameworks and structures to increase transparency and accountability, and avoid conflicts of interest, but enforcement and compliance remains challenging.

Anticorruption work needs strengthening. Anti-corruption work has been on the agenda but a more systematic approach is needed for results in this field. There is a growing concern of an increase in future corruption related to development of both upstream and downstream petroleum-related activities. The Norwegian petroleum assistance to Timor-Leste included a resident governance advisor addressing crosscutting governance issues, and local NGOs as well as national authorities noted this as an example of “good practice”.

Civil society is active but not fully consulted.

CSOs actively engage in monitoring of government policies and strategies relevant to petroleum resource management, petroleum fund management, public finance and environmental issues. Furthermore there is a Petroleum Fund Consultative Council (PFCC) engaged, but with limited clout. Parliament, and particularly the commission responsible for Economy, Finances and Anti-corruption, are actively engaged. The overall impression is that there is a critical mass of competent civil society representatives with space for public debate. But CSOs and the PFCC feel that they are only to a limited degree heard and that they are consulted at a late stage in the decision-making processes. This can be linked to the lack of instruments for systematic civil society consultations. OfD advisors have in earlier stages of the program been active in sharing information and providing capacity building to civil society and parliamentarians.

Capacity development to Timor-Leste has been considerable with 3-4 resident advisors. OfD has put a great emphasis on capacity development in Timor-Leste with 3-4 resident advisors. One resident advisor has supported the Petroleum Revenue Directorate, another the Petroleum Fund Directorate in the Ministry of Finance (MoF), responsible for the investment policy and the petroleum tax policies of those of the petroleum fund. Furthermore the Investment Advisory Board is supported by a part-time advisor. Until December 2011 the Fund administration in the Central Bank was supported by one resident advisor. Comparison between these areas of capacity development reveal that the challenges have been greatest within the Petroleum Revenue Directorate largely due to the serious skill gaps. From the outset the OfD program has provided technical assistance to strengthen the capacity and capabilities of the Petroleum Revenue Directorate in a broad range of areas. Lately the emphasis has been put on tax audits. The support provided has been highly praised by the MoF though the very low own capacity at the beginning of the program period meant that resident advisors in long periods have been gap fillers and only recently did the Timorese identify more suitable counterparts. On the whole, tax management and administration has so far been the least successful area of capacity development within the pillar. Previously international advisors financed through other programs were appointed to the Petroleum Revenue Directorate. This support has been discontinued. The Petroleum Revenue and Petroleum Fund Directorates also faced challenges related to a lack of skilled counterparts, but two national consultants and three staff members with adequate skills have been recruited, something project management noted facilitated transfer of knowledge and capacity development. One of these holds a Master's degree from Norway, financed through the OfD scholarship component. Compared to other units within the Ministry of Finance, the unit has considerable capabilities, where staff retention represents the greatest challenge. National ownership, sponsorship and commitment at the highest political level has been strong on all aspects related to the investment policy and the sovereign wealth fund/ petroleum fund. On the whole the capacity development has delivered according to expectations and policy advice has been seen as relevant and of high quality.

Until December 2011, a full time resident Petroleum Fund Adviser was provided to the Central Bank to assist in handling the petroleum fund and its investments. Although employed by IMF, his work was funded by Norway and was closely related to the overall efforts to ensure sound management of petroleum revenues. This position is no longer financed by Norway. The Central Bank has expressed satisfaction with the assistance provided but would have preferred continued support. The OfD also supports the MoF with a Petroleum Fund Investment Adviser to MoF who works on a part-time basis. The work included attending the meetings in the Investment Advisory Board in Dili approximately each quarter, advising the authorities on the investment strategy and other issues related to the management of the petroleum fund and assisting in assessment of the strategic asset allocation of the Fund.

OfD has not provided financial support to civil society organizations (CSO), but several CSOs in relevant areas are active and exist, such as the Catholic Church, Evangelistic churches, Lao Hamutuk ("Walking Together"), Luta Hamutuk and Haburas. Strengthening of CSOs has taken place as part of the EITI processes, through participation in the multi-stakeholder group.

Peer learning through EITI and initiatives on going beyond EITI on fiscal accountability. In August, Timor-Leste hosted the EITI Conference “Beyond the EITI”, bringing together 28 countries. This marked the launch of the Timor-Leste Transparency Model, five pillars which extend the principles of EITI for better, more inclusive, resource management. Timor-Leste was able to begin the global dialogue on how the EITI principles can be expanded to a 360-degree value chain of fiscal accountability, promoting good governance and better results for the people of resource rich countries.

National ownership and political commitment to “good governance” and a fiscal regime and revenue management in line with good international practices was strong from the outset. The Timorese government immediately after independence decided to adapt a Norwegian administrative model including the set-up of the transparent administration ending in disbursement of revenues from a sustainable petroleum fund called The Norwegian+ Fund. A legal framework for this was established in 2005/6. The OfD program survived the political conflict and unrest and the transition to a leading to a new government in 2006, although with some delays and new approaches.

The OfD approach is highly welcomed. All Timorese seem to appreciate the approach and roles played by Norwegian actors, including the quality of the technical assistance within the revenue management pillar. This is especially true for the government institutions, but also CSOs and to a large extent also other development partners are overall positive. Moreover there is broad consensus on a need for continued support and a recognized need for stronger incentives for national leadership and a more arms-length approach to support in the core areas.

5.3 Achievements in other Countries

Norway's only other institutional twinning agreement is with Uganda, but with major differences. In Timor-Leste there have been several resident full-time advisors from Norway's MoF whereas in Uganda the support consists of short-term missions, technical advice through correspondence and workshops, mainly in Oslo. In other countries, the support to activities that fall under the revenue/finance pillar were more *ad hoc*.

5.3.1 Uganda

Uganda OfD support has already provided important policy advice in key areas. One important achievement was the finalisation of an Oil Revenue Management Policy (ORMP) that was submitted to Cabinet. Capacity building was undertaken in areas of taxation, transfer pricing legal systems, fundamentals of oil and gas, project finance, taxation treaties, petroleum economics, oil and gas key standards, and petroleum policy. A draft Public Finance and Accountability (PFA) Bill were submitted to Cabinet in December 2011 which caters for oil revenue management and provides for petroleum funds management. A Capacity Needs Assessment for the Revenue Management Pillar was undertaken and a final report submitted. The first draft of the Fiscal and Monetary framework paper was prepared and comments from MoF Norway were incorporated in the draft. These OfD activities have been important contributions towards establishing a legal and regulatory framework.

5.3.2 Bolivia

Analytical work clarifying policy options for decision-making in Bolivia. In Bolivia, OfD activities within the revenue pillar have been short-term and targeted towards specific areas but regarded as highly relevant. Several OfD contributions have enriched discussions on issues at the centre of political controversy: choice between two opposite perspectives for petroleum policies in Bolivia: *should the petroleum exploitation be seen as a source for a broader development model, or simply for generating optimal revenues which may be handed out as social benefits ("bonuses")?* Critics claim that the Morales government has subscribed to the latter perspective, confirming Bolivia's status as that of a "rentier state". While there is no doubt that government take has increased substantially as a consequence of the Morales government measures, critics claim that government is exaggerating the share it receives. If the incentives proposed in the new draft Petroleum Law are approved, this percentage may fall substantially.

Study points to governance risks as transparency and accountability structures are weak. A study sponsored by OfD and carried out by Publish What You Pay (PWYP) comes to the following conclusions: "In the facts it can be verified that the official discourses of 'recovering our natural resources' is completely opposite to the reality: the prevalence of the hydrocarbons activity's monopoly by the MNCs in Bolivia. Although the Bolivian government's tax income has increased considerably since Hydrocarbons Law No. 3058 and Supreme Decree No. 28701, it is observed that YPFB has not developed the institutional capacity to allow it to control the oil business. This means that the MNCs continue to use the corporate strategies defined in their 'tax planning' that allows them to continue avoiding and evading their tax responsibilities, a situation that implies the elimination of better opportunities and living conditions for the Bolivian society as a whole."

Strengthened negotiation power in Bolivia. The OfD program has provided input regarding restructuring of the state oil company. Furthermore some advice on economic modelling has been provided to the Hydrocarbon Ministry. Stakeholders assess that this advisory role at certain points has provided the government with an important negotiation edge vis-à-vis the foreign companies.

5.3.3 Ghana

Some policy advice on taxation issues has been provided to Ghana. A Petroleum Revenue Management Act (PRMA) was passed in April 2011. The PRMA provides a framework for the collection, allocation and management of petroleum revenues, and Ghana has as part of its management regime established a Stabilization Fund and the Heritage Fund. The OfD involvement in these early framework processes was limited.

5.3.4 Mozambique

Structured and continuous donor support for public finance management reforms in Mozambique. Since the first Public Expenditure Review (PER) in 1987 uncovered basic problems with the planning and management of the country's public finances, the donor community has provided continuous support and monitoring of public finance management (PFM). Mozambique has in fact for many years been one of the African countries that is in the forefront regarding donor coordination in this important area. A first joint donor review of budget support took place in 1999 where Norway was one of the four countries involved.

Mozambique was the first country to carry out a comprehensive Public Expenditure and Financial Accountability (PEFA) review in 2005, which has been followed by three subsequent PEFAs. By 2005, 19 donors and international financial institutions had joined the so-called Budget Support Group, both providing untied budget support but also participating in larger joint studies and policy discussions with the authorities. Beginning around 2000, this also included large-scale funding for the introduction of more modern PFM systems and procedures by introducing an integrated financial management information system (IFMIS) that was based in the Ministry of Finance but was subsequently rolled out to all line ministries and from there down to municipalities. The IFMIS is to cover the entire budget cycle, from planning, budget allocations, cash management, expenditure control/accounting to audit. Macro-economic concerns are addressed through three-year rolling medium term expenditure frameworks that include key distributional dimensions, census data are used to track income shifts and review the impact of budgetary allocations, and increasingly detailed public account audits are presented to the national parliament for debate.

Tax for development provides some support in targeted areas based on the Tax authorities' own strategic plan 2011-2014, so support is demand based and fitted into larger efforts of increasing revenue from mega-projects and large-scale tax payers.

Supporting the local Extractive Industries Transparency Initiative (EITI). Norway has been a strong supporter of EITI at both global and local levels. It was among the countries that most strongly encouraged Mozambique to join, and has provided continued assistance to the local Multi-Stakeholder Group (MSG), which is the body's decision making body. It includes strong civil society organisations, in particular *Instituto de Estudos Sociais e Económicos* and the local member of Transparency International, *Centro de Integridade Público*. These want more transparency along the value chain by publishing all contracts and revealing in particular the revenue sharing and tax arrangements that have been agreed to. They noted they would have appreciated more active support from actors like Norway in this battle with the authorities.

5.3.5 Relevance, Efficiency and Effectiveness

As noted above, and documented in project progress reports, minutes from annual meetings, and interviews with local stakeholders, the support provided through the Revenue pillar is seen as highly relevant and the areas of intervention, particularly in Timor-Leste, are seen as effective responses to the expressed needs of the authorities.

In Timor-Leste the reliance on primarily resident advisors and a part-time advisor to the Investment Advisory Board has been seen as the only viable option, both within the former petroleum assistance and within the current OfD program.

As illustrated in Table 5.1 there are significant contributions from the OfD program in Timor-Leste at both an organisational and institutional level and the revenue pillar has clearly been effective in Timor-Leste. The efficiency has, to some extent, been hampered by weak institutional capacities and capabilities and a complex country context and institutional environment in general.

Compared to the former petroleum assistance in Timor-Leste, the revenue pillar of the OfD has become more efficient in some aspects: (i) the Norwegian institutions' (read: NMoF)

capacity to deliver relevant and adequate policy advice and (ii) more systematic back-stopping. However, assessing the revenue pillar in broad, there is an excess demand and overall capacity of the NMoF is limited in view of the OfD level of ambition related to outreach.

Table 5.1: Outcomes from OfD Support, Revenue Pillar

Revenue Management Pillar	Mozambique	Timor-Leste	Uganda	Ghana	Latin America
Institution level Structure of sector clear Laws, policies and regulations in line with good int'l practice in place	OfD has not contributed.	Significant contribution from OfD although tax management needs further strengthening. Weak institutions and governance context represent challenges.	Too soon to see significant contribution from OfD.	OfD – no significant contribution.	OfD has had no significant contribution.
Organisation level Appropriate public sector bodies in place with adequate structure, staff, resources, mandate	OfD no significant contribution.	Significant contribution within MoF, Central Bank, some achievements in petroleum tax unit. High vulnerability to turn-over and critical mass of adequate counterparts still not in place.	Limited support towards specific activities. First step taken to define needs.	No significant contribution from OfD.	Some useful policy advice and analytical work.
National ownership Strong national political commitment to structure and functioning of sector	Strong	Strong	Strong	Strong	Not assessed

5.4 Findings and Conclusions

- Inclusion of revenue management activities have taken time. In most OfD countries support has been limited, with the exception of Timor-Leste. This is also the only country where Organizational and Institutional change can be attributed to OfD activities, although even here results are uneven in terms of sustainable capacity development due to weak local capacities to begin with.
- In Timor-Leste the assistance established in 2002 included revenue management. In Uganda, broadening the program to include revenue management was agreed in 2009 covering the period 2009-2014. In Mozambique, a large PFM program was already in place so OfD offered limited value-added. In Bolivia, a stronger revenue management pillar was at one point a potential but never fully exploited, while in Ghana there is interest in the component though it is not clear if Norway has the resources to respond.
- In Timor-Leste frameworks have been developed based on *good practice* and not only the Norwegian experience. Solutions have been inspired by collaboration with IMF and through use of resident advisors with experience from other contexts than Norway. Support has been demand-driven on choice of instruments, with a mix of in-country and regional training, education through scholarships, technical assistance through resident full-time advisors, short-term missions, seminars and Petrad-courses.
- NMoF does not have sufficient internal capacity to respond to all requests that have come in, though stakeholders are satisfied with the assistance and policy advice provided. Still understanding country context is an area for improvement.

- There has been insufficient attention to the governance dimension: strengthened transparency, accountability and responsiveness. The need for emphasis on information, empowerment and collaboration with civil society such as research institutions and CSOs has been noted in several core OfD countries. Furthermore, activities under this pillar are little known outside the pillar institutions yet have a crucial role in responding to public concerns regarding accountability and transparency in sector transactions.
- OfD represented a change from previous support as Revenue Pillar support became an institutional twinning arrangement between Timor-Leste's MoF and NMoF. Resident advisors strengthened revenue management in agreed areas. NMoF put mechanisms for back-stopping in place that have worked well. In early years advisors were mostly gap-fillers while currently capacity development is emphasized more, though challenges related to recruitment and retention of adequate counterparts remain a key obstacle.
- In Timor-Leste the OfD was the preferred option to the alternative of more support from Bretton Woods-institutions. OfD was seen as a way of maintaining a nationally managed reform process. The former Prime-Minister was the undisputed champion of the Petroleum governance reforms through OfD. National ownership is still strong, however weak institutional framework and the political governance situation represent a challenge and limits sustainability.

6 The Environmental Pillar

Environmental Pillar most recent component of OfD. The environmental pillar was only fully added to the OfD program when Norway's Ministry of Environment (NMoE) was appointed to be on the OfD Steering Committee in late 2007.

6.1 Country Program Situations

Petrad training and facilitation important in early stages. In the initial years of the OfD program the environmental issues and cooperation were part of the general Petrad eight-week courses and specific seminars on data management and health, safety and environment (HSE) in Uganda and Ghana. Petrad organized a series of regional seminars on data management for the petroleum sector, one regional workshop on environmental management in Istanbul and exchanges through delegation visits with Uganda, Ghana and Bolivia that also included some environmental officials.

Environmental Pillar most recent in OfD. The environmental pillar was added to OfD when Norway's Ministry of Environment was appointed to be represented on the OfD Steering Committee in late 2007. The Norwegian Ministry of Environment (NMoE) and its directorates, the Climate and Pollution Agency (Klif) and the Directorate for Nature Management (DN), began their activity planning in 2008-2009. The early discussions with counterpart environmental institutions focused on the scope and content of the future cooperation. The Norwegian institutions started to offer training activities in the form of shorter workshops

More direct engagement as of 2009. The forms of cooperation initiated around 2009-2010 were regional and national workshops, exchanges of delegations, posting of Norwegian environmental advisors in cooperating countries' environmental departments and contributions via telephone and email towards the drafting of policies, regulations, methodologies and standards. The posting of Norwegian advisors in environmental institutions in Ghana and Timor Leste has helped to ensure a quicker progress in the cooperation. Norway declined the request for an advisor in Uganda, which in the view of the team was unfortunate since progress in implementation has been very slow. Mozambique has repeatedly made requests for an advisor, also as part of an intensified cooperation proposal to be started in early 2013.

6.1.1 Mozambique

Establishing relations with environmental authorities. In 2010 Norway's Ministry of Environment (NMoE) and its two agencies, the Climate and Pollution Agency (Klif) and the Directorate for Nature Management (DN) initiated cooperation with Mozambique's Ministry for Environmental Coordination (*Ministério para Coordenação da Acção Ambiental*, MICOA). MICOA was regarded as a relatively weak institution, but improving. By the end of 2011 two activities had been initiated:

- Strengthening the department in MICOA responsible for its environmental impact assessment (EIA) work regarding off-shore petroleum activities,
- Strengthening the department in MICOA responsible for compliance monitoring.

Much environmental legislation is in place. The general environmental legislation for on-shore activities is in place, and the laws are clear about the obligation of firms to carry out EIAs. Every project owner has to forward the project to MICOA with a proposal as to what classification the project falls into regarding an EIA. If it requires a full-scale EIA – such as in the gas sector – MICOA is (i) to ensure that the oil company prepares a TOR for the EIA which warrants approval, (ii) to verify that the EIA is carried out by a certified body, (iii) to receive, distribute and comment on the full EIA report. The decision of whether the project can move ahead is made by a technical committee (CTA - *Comissão Técnica de Avaliação*) consisting of several ministries, including the National Petroleum Institute (INP) for the petroleum sector.

Direct Embassy support. The Norwegian Embassy has been managing long term support to MICOA from before, however, including funding of a Strategic Environmental Assessment (SEA) for the coastal areas in the north where the large gas finds are. The SEA is to cover fisheries, sea transport, oil and gas, beach tourism, heavy sands minerals mining, agriculture and environment/protected areas, and thus provide the basis for a more comprehensive and long-term sustainable management of the coastal resources.

Creating an environmental management database. Laws and regulations regarding off-shore activities are being revised, and will evidently be part of a larger revision of the petroleum law and its underlying regulations. Another important task is to create a database for environmental management (SIGA), where MICOA is to ensure that the online database is accessible to all

Cooperation with environmental NGOs. The Embassy has funded two contracts with environmental NGOs to complement the environmental component of the OfD program:

- Awareness raising for civil society, media, civil servants and local communities through four-day informational workshops in Maputo, Beira and Pemba in 2007-2008/9, run by the local environmental NGO *Impacto*,
- Support to building a civil society platform on oil and gas sector development and the environment through World Wide Fund (WWF) Mozambique. This includes a range of organizations from local grass roots bodies to national organizations that have international links and thus also participate in the international debate.

Environmental NGOs. The Embassy funding for activities by environmental NGOs is important because it is within the environmental pillar that the civil society is most active. The NGO platform has enabled different groups to come together, sign joint letters on key issues, and they have been invited by the Government to be heard on important matters such as a new mining law. This is a structured and coherent approach to capacity development, though currently with only two years' duration.

Framework agreement being prepared. Preparations are under way for the next OfD phase with a comprehensive framework agreement between MICOA and NMoE, Klif and DN. The request which was recently submitted to the Norwegian Embassy includes six components: (i) basic knowledge and understanding of the petroleum industry, (ii) an EIA reviewing of oil and gas issues, (iii) compliance monitoring, (iv) environmental management information systems, (v) emergency response and contingency planning, and (vi) other technical support and visits.

6.1.2 Ghana

Environmental cooperation as of 2010. Subsequent to finds of five off-shore oil fields, Ghana applied for Norwegian assistance, and was included as a core country in the OfD program in February 2008. The proposal for cooperation in the field of environment was submitted by the Ghanaian Ministry of Science, Technology and Environment (MEST) in August 2010. The cooperation partners are MEST and EPA (Environmental Protection Agency) on the Ghanaian side and NMoE, Klif (coordinator) and DN on the Norwegian side. Ptil is the Norwegian partner regarding safety issues.

Strong organisational framework. The Environmental Protection Agency (EPA) dates back to 1974, overseeing the adherence to more than 50 environmental laws in the country. MEST has a special responsibility for land use and settlement planning in the areas where the oil terminal and an oil refinery will be built. It is assisted by NMoE.

Very comprehensive collaboration. Norway's assistance to EPA began with a needs assessment, and while the cooperation with Ghana started later than the other OfD core countries, it has progressed very well. The scope of cooperation is wide and includes (i) policy, legal and institutional frameworks, (ii) environmental data, monitoring and information system, (iii) environmental assessment, (iv) spatial and land use planning/coastal zone management, (v) environmental standards, regulations and permits, (vi) compliance monitoring and enforcement, (vii) waste management, (viii) community issues, including co-existence of oil and gas with fisheries, (ix) health and safety, (x) risk assessment and emergency response, (xi) regional cooperation, and (xii) program management.

Improving frameworks. During 2011 EPA developed a set of guidelines for monitoring gas activities. With the assistance of the Norwegian research vessel *Dr. Fridtjof Nansen* it completed a technical baseline survey of the maritime environment in the oil fields. The EPA has established a Petroleum Department within its organizational set-up to meet the challenges from this sector. In 2012 there is an emphasis on spatial and land use planning and developing environmental regulations and standards, as well as enforcement policy.

Focus on capacity development. The partners work closely together. Each program component includes activities by both Ghanaian and Norwegian counterparts. During 2011 a very large part of budget is constituted by training components of large number of EPA staff (10 in several components and 40 to PETRAD's leadership course). It is evident that the EPA is aiming to meet the challenge of getting the appropriate skilled personnel to carry out all of its functions and tasks.

Overall assessment. The Relevance of the program is clearly High. Efficiency, Effectiveness and Impact will only become visible over time.

6.1.3 Uganda

Early collaboration with Uganda. The first Norwegian capacity building program for "Strengthening the State Petroleum Administration in Uganda" took place from 2006 to 2009 as a cooperation essentially between Petrad and the Petroleum Exploration and Production Department (PEPD). The goal was to build an efficient state administration of the upstream petroleum sector, capable of planning, promoting and monitoring oil company investments in petroleum exploration and production, and managing state interest and state revenues. In

a mid-term review of the project it was proposed that the cooperation should also include the Ministries of Finance and Environment.

Building the three-pillar program. The expansion into the three pillar model took place as part of the planning of the 2010-2014 cooperation program. The contracting party for all pillars is the Ministry of Energy and Minerals, which administers also the finance and environmental components. The environmental activities are implemented by the National Environment Management Authority (NEMA) assisted primarily by the Directorate of Water Resources Management and the Directorate of Environmental Affairs in the Ministry of Water and Environment, and the National Forestry Authority, the Uganda Wildlife Authority, and the Department of Fisheries Resources. The Norwegian partners for the environmental activities are DN and Klif.

Ambitious program. The objectives of the environmental program are (i) prepare an SEA for the *Albertine Graben*, (ii) develop capacity development in all relevant institutions under the pillar, (iii) review environmental and biodiversity related policies, (iv) review existing acts, (v) review management plans for protected areas, (vi) establish an environmental monitoring system, (vii) develop environmental regulations and standards, (viii) strengthen the hazardous waste management system, (ix) strengthen compliance monitoring and enforcement, and (x) develop and operationalize a national oil spill contingency plan.

Civil society. Norad's Department for Civil Society supports the work of WWF's OfD Programme in Uganda, Kenya, Tanzania, Mozambique and Madagascar with NOK 13.5 million in the period 2010-2012. Under this support WWF/Uganda has worked both with local community groups, other national NGOs/CSOs, regional organizations as well as NEMA, PEPD and other oil-related public institutions. The project has four Outputs:

- Promoting knowledge about petroleum and the environment;
- Capacity building for holistic and integrated oil and natural resource management;
- Supporting partnerships for engaging in policy and decision making processes;
- Development of better practices in advocacy strategies on oil and natural resource utilization.

6.1.4 Timor-Leste

Weak environmental capacity. Timor Leste has faced a lack of environmental capacity from the start of the OfD program in 2005. The OfD environmental program agreement partner is the State Secretariat of the Environment (SEMA), which is part of Timor Leste's Ministry for Economic Development. NMoE has had an environmental advisor in SEMA since 2010. A main objective of the cooperation is to create environmental capacity to enable substantive cooperation between SEMA and the government's petroleum administration.

Focus on capacity building. Capacity building has been the central component of the environmental support. Till 2008 only a limited number of activities, primarily workshops, were carried out to train a core group of staff members responsible for Impact Assessments (IAs), inspections related to exploration drilling activities and other topics.

Environmental laws uneven. EIAs were carried out for the first two drilling activities in 2010. The EIA decree law in Timor-Leste has been found weak. However, there is now a basic environmental law in place (Lei de Base) with regulations especially for the oil

companies' environmental licensing, which have been enacted in 2012. These include procedures for IAs.

Strengthening off-shore framework. The environmental legislation is applicable to on-shore activities. The requirement for environmental assessments of off-shore activities is included in the Model Production Sharing Contract, and is part of the Development Plan, which is to include an EIA and proposals for environmental management covering the life of the project. With OfD support Timor-Leste has defined the requirements for EIAs and participation in EIA processes.

Strengthening emergency response. The National Petroleum Authority/*Autoridade Nacional do Petróleo* (ANP) has prepared a blue-print for emergency response. It is also responsible for HSE activities, which are likely to be pursued in cooperation with Australia.

6.1.5 Bolivia

Lack of programming and institutional agreements. There were contacts at the political level between Bolivia and Norway as early as 2006 and preparations for entering into a cooperation program. From the Norwegian side it was envisaged that the work programme for 2008 would focus on (i) environmental management, (ii) environmental impact assessment, (iii) regulations and guidelines, (iv) strategic planning and environmental data management. Bolivia's organizational capacity for cooperation was institutionalized in 2008 with the establishment of a Vice Ministry of the Environment. However, the envisioned cooperation agenda was not settled, and activities have been implemented in a sporadic way. OfD organized an EIA workshop in 2011 through the Dutch petroleum sector program which also included assistance on SEA training. In 2012 Klif advised the environmental office of the state-owned oil company YPF on the clean-up of contaminated soil. Ptil gave advice on risk aspects related to the wells.

Support to civil society oversight. Outside the OfD program Norway has supported the NGO *Observatorio Boliviano de los Recursos Naturales*, which has contributed to increasing public oversight of the petroleum sector through facilitating debates around the country, as well as through various publications.

6.2 Achievements and Challenges

Achievements only slowly being produced. Since the environment pillar is the last one to be put in place and made operational, and since capacity development takes time to develop, there is less results reporting so far regarding the environment pillar.

6.2.1 Mozambique

Environmental authorities weak. In spite of several training activities at MICOA, supported by the Norwegian Embassy since 2004, MICOA suffers from chronic lack of technical skills in the oil and gas field because staff that have received appropriate training are constantly leaving to work for NGOs, donors or other actors. However, MICOA is putting collaboration agreements in place. The cooperation with INP is seen as exemplary, and this is critical because it may take a long time before MICOA has its own capacity in some of these more technical fields.

New focus on capacity development. The Norwegian environmental authorities initiated support activities in 2010 to strengthen MICOA's capacity for environmental impact assessment and compliance monitoring. A new upcoming agreement between MICOA and the Norwegian environmental authorities in 2012 will address a range of pressing issues in a more systematic way.

Strategic Environmental Assessment underway. MICOA has awarded a contract to carry out a Strategic Environmental Assessment (SEAs) to the NGO *Impacto*. The first SEA is to be done in the northern region where the major gas finds are. This is a major undertaking that had too short a time horizon, and where *Impacto* has brought in expertise also from South Africa to carry out this comprehensive piece of environmental analysis. If the results are as hoped for, this will mark an important step in the direction of more coherent and comprehensive analyses of the environmental dimension of large-scale petroleum activities in sensitive eco-system regions of the country.

First steps in awareness raising. The *Impacto* workshops brought together participants from the surrounding districts in three key regions of the country. They were fairly intensive and useful for the purpose of general awareness raising, but there has not been any follow-up.

The NGO platform working. The WWF-managed NGO platform has enabled different groups to come together and among other things discuss issues of common concern and sign joint letters to the government some key issues. The NGOs are regularly consulted by the Government on important matters, such as a new mining law. Overall, the support through the embassy to create a platform for cooperation between the government institutions and local CSOs and NGOs on research and advocacy work has been productive.

6.2.2 Ghana

Good progress. Part of the reason for the good OfD start is the placement of a residential environmental advisor in Accra. The planning of the activities seems relevant and realistic. The progress of work in 2011 was good and implementation covered most of the planned tasks, with the exception of the compliance monitoring and enforcement; health and safety; and regional cooperation. Expenditures were close to what had been budgeted.

Unclear institutional framework. As of 2011, the organizational structure of the Ghanaian petroleum administration includes an independent Petroleum Commission, which is charged with regulating and managing the utilization of the country's petroleum resources. There is some uncertainty as to how the EPA and the Commission roles will play out as the Commission has the view that the EPA's oil and gas department should be under its oversight. EPA views the role of the Commission as essentially complementary and not with an oversight function. It would be important that the authorities define these overlapping issues.

6.2.3 Uganda

Slow progress. Prior to program start it was known that NEMA had insufficient capacity. The Ministry of Water and Environment (MoWE) had requested the posting of an external advisor to the program, but this was not approved by the OfD's Steering Committee. The implementation is far behind schedule due to lack of institutional capacity, insufficient administration of contracting and disbursement systems, and lack of coordination between NEMA and MoWE. For the year 2011 only 44% of the budget for the pillar was used.

Progress was particularly slow regarding environmental regulation, strategic environmental assessment, framework for compliance monitoring and the national oil spill contingency plan, where disbursements ranged from zero to one-third of the budget. The largest expenditures were in capacity development, compliance monitoring, and especially pillar management which spent almost double its approved budget. It is important to analyse the reasons for the delays and partial overruns of sub-items and propose remedies.

New regulation required. In early 2012 draft up-stream and mid-stream petroleum bills were tabled before the Uganda Parliament, which would empower the Minister of Energy and Mineral Development to ensure that initial assessments of geological, geophysical, geochemical data as well as the pollution risks are made. Assessments would also be required of impacts of the prospective petroleum activities on trade, industry, economic, social and environmental conditions. The assessments are to be made available to the public. The provisions in the new acts go beyond of NEMA's current EIA regulation. This could fundamentally change NEMA's future role. It seems important that the environmental authorities are well prepared to address these issues in the context of new regulations. Also, Uganda's environmental "polluter-pay-principles", which are not fully taken on board in the draft laws need to be firmly established in new regulations. Uganda is not a member of EITI, but claims that it honours the EITI principles. This is not well documented.

Waste management a challenge. One of the most urgent environmental challenges is waste management in the form of oil drill cuttings and waste water. The evaluation team observed efforts to stock pile wastes in containers and temporary waste pits by the oil companies, pending the approval of longer term waste disposal plans. It seems that this will contribute to increase the outlays of the oil companies, which will be deducted from taxable incomes as "cost oil".

NGO/CSO support. The support to inform and engage civil society participation has been very useful. WWF has found a good balance between its information and advocacy roles, and has contributed towards creating a public space for discussions about Oil for Development issues.

6.2.4 Timor-Leste

Weak environmental capacity. The OfD program has to a higher degree than in other countries faced lack of environmental capacity from the start of the OfD program in 2005. The legal and regulatory framework is very recent. SEMA as part of the Ministry for Economic Development has limited focus on environmental issues and SEMA is still very weak compared to the other institutions involved/engaged in the OfD programme such as ANP and the Ministry of Finance (MOF). Key constraints are: language barriers, lack of adequate levels of basic education of staff posing challenges to the transfer of knowledge, no prior experience with petroleum activities- making it difficult to create awareness of environmental impacts of the activities. So far TL has only off-shore activities.

Poor regulatory framework. The EIA decree law is weak and the requirements are more in line with baseline studies than real EIAs. When the power plant project in Hera started, no proper EIA was carried out. The issue was perceived as politically too sensitive to pursue the matter further within the legal system. There are several civil society organisations engaged, but few arenas for real consultations as no IA has been carried out.

6.2.5 Bolivia

Weak formalization of pillar. The programming within the environmental pillar has not been properly formalized and programmed due to factors such as frequent shifts of key public officials in Bolivia and the lack of an agreement of a program of cooperation. Norway's embassy section in La Paz, which answers to the Embassy in Argentina, was founded only in 2007 on the initiative of Norway's previous Minister for Development Cooperation, but its role is not yet clearly defined vis-a-vis the program.

6.3 HSE and National Oil Spills Response Systems

HSE with diverse institutional foundations. Norway's Petroleum Safety Authority (PSA) has a broad regulatory role which "covers all phases of the industry, from planning and design through construction and operation to possible ultimate removal of installations. 'Safety'... embraces three categories of loss: human life, health and welfare; the natural environment; and financial investment and operational regularity" (www.ptil.no/about-us/category89.html). The PSA reports to the Ministry of Labour, which is not represented in the OfD Steering Group. In most partner countries, 'safety' would fall under the resource pillar, 'health' under a ministry of health or labour, while environmental concerns in the petroleum sector in some countries fall under the resource ministry as much as the environmental authority. Addressing HSE in a systematic way has thus been a challenge. In Uganda and Ghana the environmental agencies are involved in setting and overseeing some HSE standards, as well as training. However, the HSE institutionalization issues require more attention.

Oil spills preparedness variable, largely weak. Governments in all five cooperating countries emphasize the oil companies' responsibilities to plan and maintain efficient systems to prevent and/or reduce harmful effects of oil spills, including the measures required to return the environment to the condition it had been in before the potential accident occurred. **Ghana** has had a National Oil Spill Contingency Plan since the 1980s. Under the OfD one simulation exercise has been conducted to test the comprehension of the various roles assigned to participating institutions. OfD will support the preparation of more detailed geographic plans for its central and western regions in 2012. As of now, staff members of the environmental institutions in **Uganda** and **Ghana** are being trained in contingency planning and responses. Their counterpart is the Norwegian Coastal Administration, which has the relevant authority in Norway. There have been delays in its involvement, which has caused some frustrations, and some preparatory work may have been lost. For this reason, in **Uganda** only a third of the oil spill contingency budget was used in 2011. **Mozambique** does not yet have a national oil and gas spill contingency plan in place. In **Timor-Leste** the ANP has prepared a blueprint for emergency responses and established an emergency response team, which includes staff from the Ministry of Social Solidarity and SEMA. In **Bolivia** the NMoE and Klif are to conduct two seminars on oil spill remediation during 2012.

6.4 Risk Sharing and Recourse

Risk assessments and risk sharing: unclear picture. The issues of risk sharing and recourse for pollution damage under potential emergency situations has not been systematically dealt with in OfD. Uganda's draft exploration, development and production law (2012)

establishes that the licensee (the oil company) is “*liable for pollution damage, without regard to fault*”. However, the current draft presents a narrow definition of “*pollution damage*”, which is restricted to “*effluence or discharge of petroleum...*”, whereas other pollutions like hazardous wastes in drilling fluids and cuttings/mud are not mentioned. Another issue is whether oil companies in the case of a disaster may seek recourse for pollution costs under their Production Sharing Agreements (PSA) with stabilization clauses. One PSA in Uganda that was leaked to the press indicates that the Government’s stand on responsibilities for pollution damages was not clearly formulated. The PSA reads: “*In the event of protest from responsible concerned third parties within or outside Uganda regarding the conduct of Petroleum Operations in any National Park or Game Reserve and the consequent effects upon the environment or wildlife, the Government and Licensee shall meet to determine what if any action should be taken.*”

Need for much tougher implementation. The evaluation team finds that this matter should be more fully addressed in the context of the work on supplementary environmental regulation to the bills, as well as in the modal PSA which are scheduled to be reviewed in 2012. In other countries evaluated, bills and acts appear to be vague on this issue. However, subsidiary environmental regulation is still pending in several countries. In **Bolivia**, license holders are fully responsible for any environmental damage, but rules for costing are unclear and state capacity to supervise limited. Environmental NGOs believe considerable damage has already occurred in some areas.

6.5 Non-Government Capacity Development

OfD principles in support of capacity development of oversight bodies. The Norwegian cooperation principles point to the value of engaging civil society and also parliamentarians in environmental and governance issues. As a supplement to the OfD program there have been extra Norwegian budgetary provisions of support to such bodies, partly from general embassy and civil society budgets. A general finding is that there is considerable scepticism in government circles regarding the advocacy and oversight roles of civil society bodies in general.

SIVSA support. Norad’s Department for Civil Society (SIVSA) finances the World Wild Fund’s (WWF) regional OfD program that covers Uganda, Kenya, Tanzania, Mozambique and Madagascar with NOK 13.5 million for the three years 2010-2012. The support is related to four outputs: (i) Promoting knowledge about petroleum and the environment; (ii) capacity building for holistic and integrated oil and natural resource management; (iii) supporting partnerships for engaging in policy and decision making processes; and (iv) development of better practices on oil and natural resource utilization. Under this support, WWF/Uganda has worked with other NGOs/CSO in the country and the region as well as with NEMA and PEPD. It has participated in the preparation of the Uganda Environmental Sensitivity Atlas, advocacy work and convening public dialogues in the oil-producing areas. Further, WWF has organized study visits to other African oil-producing countries and convened the first Africa Oil and Mining Conference. There has been no Norwegian funding of environmental NGOs in Ghana and Timor-Leste due to lack of applications from Norwegian NGOs. However, Ghana’s EPA says there are plans to demand that oil companies should involve CSOs/NGOs in EIA processes right from the onset. Currently such organizations only have the opportunity to participate in the public hearing of the EIAs.

Parliamentarian training in Uganda. The Norwegian Embassy has supported the training of Ugandan Parliamentarians on environmental and revenue aspects of petroleum development. This has clearly been welcomed and seems worthwhile as a means to strengthen environment and public governance, but has not been carried out either as a general rule within OfD, nor do other embassies seem to have provided similar capacity building activities for national assembly members in other countries.

Other non-state capacity building. As noted above, in Mozambique the embassy has used own funds to finance environmental initiatives related to the petroleum sector through local CSOs, and the support in Bolivia to the *Observatorio Boliviano de los Recursos Naturales* since 2009 has had the same effect.

Table 6.1: Outcomes from OfD Support, Environmental Pillar

Environmental Pillar	Mozambique	Timor-Leste	Uganda	Ghana	Bolivia
Institution level Structure of sector clear Laws, policies and regulations in line with good international practice in place	Environmental regulation reasonable. SEA/IEA/compliance monitoring systems still inadequate	Legislation in place. Subordinate regulation is lacking.	Special environmental policies/ legislation/ regulation have not been drafted/ amended.	Current regulations inadequate for environmental protection of Agency's oil and gas functions.	Quite good legal framework but very limited implementation
Organisation level Appropriate public sector bodies in place with adequate structure, staff, resources, mandate and contact to OfD program	Capacities weak in view of large off-shore finds. OfD support integrated into wider frame of CD co-ordinated by MICOA and Netherlands	Lack fundamental environmental capacity.	Capacity overburdened; Weak co-ordination between Ministry and Environmental Commission and Norwegian agencies.	Relatively strong administration. Ambitious program coordinated with Klif.	Frequent shifts in administration. Only sporadic Norwegian cooperation/ follow-up
National ownership Strong national political commitment to structure and functioning of sector	Joint new co-operation agreement to be developed.	Long term OfD advisors in place.	Weak government participation. Extra efforts need to be made.	Long term OfD advisor helped to push program forward. Roles of official bodies to be clarified	Role of Norwegian Embassy section to be clarified/ specified

6.6 Findings and Conclusions

- The environmental pillar is the weakest due to limited capacities in the partner countries, the relative lack of political support for environmental action, and the late introduction of environmental activities in OfD compared to the other pillars.
- Work to update or revise environmental acts/regulation is urgent since some petroleum bills and production sharing agreements (PSAs) between governments and oil companies are partly contradicting current environmental regulation.
- Training in reviewing Environmental Impact Assessments (EIAs) has been a core activity in all countries except Uganda. The oil companies' focus in EIA processes tends to be directed more towards approval of oil and gas exploration projects and less attention on environmental issues/risks. For this reason Strategic Environmental

Assessments (SEAs) should be promoted in OfD.

- The resident advisors have contributed to better program progress in Ghana and Timor Leste. A request for an advisor in Uganda was rejected in 2010, which is likely to have been a factor in program slow-down. Mozambique's recent request for an advisor should be thoroughly considered.
- The environmental compliance monitoring systems have not been well defined. In several countries only initial efforts have been made to create accessible databases for storage and retrieval of environmental data for licences, PSAs, EIAs/SEAs and compliance monitoring.
- HSE responsibilities are typically divided between several government ministries. In some countries their institutional foundations have still not been determined.
- Ghana has prepared oil spill contingency plans. In other countries there have been some delays in contingency planning, especially in determining the division of institutional responsibilities.
- In some but not all countries, oil exploration and production licensees are obliged to carry insurance to compensate against damages in case of oil spills. But it is not always clear what kinds of pollution or accidents are covered, and the degrees of coverage. This uncertainty is particularly serious where contractual obligations in PSAs are not made public. The demand for greater transparency in accordance with EITI principles is therefore also very important for environmental reasons.
- Capacity development to support more informed involvement by civil society and Parliamentarians in environmental issues has been supported by Norway through separate funding sources. However, the OfD and CSO support is not well coordinated under the current OfD approach.

7 Cross-cutting Dimensions of *Oil for Development*

A broader program, much greater challenges. With the establishment of OfD as a separate program, a wider range of concerns were formally to be addressed as part of the support to managing national petroleum resources. The main concerns have been good governance, meaning greater transparency, accountability and efforts to combat corruption; attention to the gender dimension; and in general stronger involvement of civil society to take these concerns on board. All of these are meant to ensure that OfD truly contributes to reducing poverty, as laid out in OfD's results framework (see figure 9.1) While these dimensions are general objectives for Norwegian development cooperation, they enlarge the range of issues and actors that OfD has had to engage with, constituting additional challenges in terms of supporting the right kinds of activities and identifying the results produced.

7.1 Good Governance

General concern, specific problems. *Good governance* understood as transparency in decision making and accountability for results lies behind much of what OfD is promoting through its support in the three pillars. In the resource pillar, legislation and regulatory regimes are focused on open and equitable processes for access to resources, standardised rules and contracts to ensure predictability and fairness in sharing costs, risks and benefits. The revenue pillar, supported by other initiatives such as Norway's *Taxes for development*, is to ensure that the host country gets its fair share of the resource stream, and that this is fully accounted for in publicly available budget and expenditure documents. The environment support is to provide the country with safeguards, policies and instruments to prevent and address environmental disasters, help decision makers balance opposing interests and concerns when deciding on petroleum exploitation, and in general ensure that interventions are as benign as possible. "Polluter pays" principles are to be in place and enforced.

The paradox of plenty: why Norway's experience is important. The petroleum sector clearly produces dilemmas of a scale unrivalled by other sectors. The "resource curse" was an important starting point for OfD: natural resources ought to represent a blessing to a poor country and not a curse (see Box 7.1). A key element of the Norwegian experience was exactly how a country with no petroleum history was able to ensure that this resource became a positive factor in the country's socio-economic and political development. Yet

Box 7.1: The Resource Curse

In the late 1990s it was claimed that countries with an abundance of minerals and oil generated less economic growth and worse development outcomes than other countries. The reasons were thought to be partly political, partly economic. On the political side, governments either were not able to manage resources well, including the volatility of revenues due to global commodity market swings; or they were weak, unstable or corrupt, and thus directed resources into private pockets rather than activities for the public good. The problem of corruption in particular was seen as an issue in a number of these countries. On the economic side, a rapid growth in revenues from natural resources often led to increases in the value of the national currency ("exchange rate appreciation"), making other exports more expensive abroad, thus undermining the national manufacturing sector, leading to what became known as the "Dutch disease". The claim was thus that both national politics and economics became distorted, threatening democratic development and long-term broad-based economic growth – and that these two dynamics were mutually reinforcing.

recent studies on the effects of the petroleum sector paint a rather stark picture regarding the forces at play.

“The Oil Curse”: a real threat. In a major study, it is noted that there are four aspects of the petroleum sector that contribute to this sector representing a particular problem³: (i) the size that these revenues may represent compared to the overall economy; (ii) the fact that oil-funded governments are not financed by taxes on their citizens but instead by the sale of public assets—the country’s petroleum wealth - making them less susceptible to public pressure; (iii) the world prices that can fluctuate wildly and thus makes petroleum incomes difficult to predict and plan around; and (iv) the secrecy surrounding the oil business where governments often collude with international oil companies to conceal the transactions. These four structural features of the sector - ***scale, source, volatility and secrecy*** – have led to a range of problems: “...since about 1980, oil-producing countries in the developing world have become less democratic and more secretive than similar states without oil. These countries have grown more likely to suffer from violent insurgencies, and their economies have provided women with fewer jobs and less political influence. They have also been afflicted by a more subtle economic problem: while they have grown at about the same rate as other countries, most have not grown as quickly as they should, given their natural resource wealth” (Ross 2012, p. 3-4). The author goes on to note that instead of calling this a natural resource curse, it is a mineral curse, since renewable natural resources such as fresh water do not generate these kinds of problems. And petroleum accounts for more than 90% of the world’s minerals trade and produces the largest problems for the greatest number of countries. Therefore, “*the resource curse is overwhelmingly an oil curse*” (ibid p. 4). The link between petroleum revenues and authoritarian rule had been presented ten years earlier, where the argument based on empirical evidence was that a ruling elite would use the revenues to repress or bribe opposition and provided powerful incentives for holding on to power⁴.

The other half of the governance coin: rent-seeking actors in the petroleum sector. OfD focuses on building a stronger, more competent and accountable public sector in order to address the resource curse challenge. And this is no doubt required: in a series of studies, *Publish What You Pay (PWYP) Norway* points to a global mining- and petroleum industry that is taking increasingly sophisticated steps to minimize local taxation and maximize its own share of revenues from the non-renewable resources taken out of the ground. While a lot of the governance discussion regarding the resource curse has focused on the problems related to corruption, this clearly is only one part of the picture, and according to the data provided by bodies like *Global Financial Integrity (GFI)*, it is in fact a very small share of the picture as far as illicit capital flows are concerned: it is various forms of intra-firm pricing and financial schemes that is the greatest contributor to local tax evasions (see box 7.2). Assisting national authorities to get their “fair share” of the petroleum resources may thus become an increasingly difficult task – and this includes the legitimate share from national oil companies controlled by predatory elites in their own countries.

³ Michael L Ross, “The Oil Curse: How Petroleum Wealth Shapes the Development of Nations”. Princeton University Press 2012.

⁴ Leonard Wantchekon (2002), “Why do Resource Dependent Countries have Authoritarian Governments?”, *Journal of African Finance and Economic Development*, Vol. 5 no. 2, pp. 57-77.

Box 7.2: Publish What You Pay Reports

PWYP Norway, with funds from Norway's Ministry of Foreign Affairs, during 2011 and 2012 published a series of reports that show how important members of the international mining and petroleum industry avoid paying all the local taxes they are expected to:

- *"Piping Profits"* examines how big multinationals set up subsidiaries in tax havens (jurisdictions with lax standards for accounting, auditing and reporting, and low or zero tax rates) and legal havens (jurisdictions that shield companies from insight into ownership structures and contractual arrangements) such that it becomes impossible for countries to trace intra-company transaction flows and figure the extent to which transfer pricing is reducing taxable profits in-country (BP had, according to its 2010 annual report, 2850 subsidiaries around the world) (PWYP 2011).
- *"Lost Billions"* takes the previous report one step further by examining transfer pricing, using mispricing of crude oil in the US and EU from 2000 through 2010. This is one of the easiest forms of transfer pricing to detect since it uses the actual petroleum transaction. The conclusions are that profits were moved from source country to the oil companies, with over USD 110 billion lost from taxable income records (PWYP 2012a).
- *"Protection from Derivative Abuse"* looks at how oil companies use sophisticated financial instruments like derivatives to avoid local taxation. Extractive industries are seen to be big users of derivatives, and use them among other things to transfer out pre-tax profits. The study notes that in some cases this allowed companies to reduce local taxes by over 10% (PWYP 2012b).
- *"An Extended Country by Country Reporting Standard"* provides a suggestion on how the international community can ensure that these kinds of abuses by transnational companies can be reduced through more open and detailed reporting. By publishing actual production and tax payments and showing profits (for example in tax havens where the company has no activity), it becomes much easier to see whether firms are in fact behaving in good faith or not (PWYP 2012c). This proposal builds on the law passed by President Obama in 2010, the "Wall Street Reform and Consumer Protection Act" (known as the Dodd-Frank Act) which is a financial regulatory reform that among other things requires extractive companies registered on US stock exchanges to provide basic country-by-country reporting. A somewhat tougher law is being discussed in the EU, and Norway has also prepared such legislation, though not with the level of detail suggested in the PWYP Norway report.

It is noted by a number of actors that for companies that adhere to "good practice" standards, getting such international codes in place is important, because markets otherwise become distorted: firms that can report high profits due to tax avoidance will attract more investor capital, for example. At the same time, it is also clear that the international advisory services provided by the big four audit companies – PwC, KPMG, Ernst&Young, Deloitte – with their 650,000 staff world-wide focus a lot on what may politely be called "tax planning": how to minimize local tax claims through innovative though technically legal use of instruments, institutions and international resource transfers. And it is largely the so-called high street banks based in the financial centres in western capitals, not shady banks in tax havens, that are the major transit channels for and end-managers of these funds.

A critical point to note in this connection is that **corruption** is less of an issue when it comes to illicit financial flows ("capital flight") than is often supposed. According to the work of *Global Financial Integrity* (GFI), an international body that tracks such flows, "*in the cross border flow of illicit money, the corrupt component appears to be very much the smallest, the criminal component the next, and the commercially tax evading component, in which western interests are deeply involved, is by far the largest at somewhere between half and two-thirds of the global total*" (Baker 2012, p. 8). In fact, a GFI study estimates that the illicit capital flows from Africa during the 39 years 1970-2008 may total a staggering USD 1.8 **trillion** (GFI 2010, p. 5).

Governance in fragile states: the impossible dream? The international community is paying more attention to so-called fragile and conflict-affected states ("fragile states"). While the tighter links between political, security and development concerns became noticeable with the conflicts in the Western Balkans in the 1990s, after the "9/11"-attack this became a lot more apparent. But while much of the funding has come from development budgets, the priorities for action and the principles for implementation have tended to be driven by the

political and security agendas (see i.a. Scanteam 2010a on the Norwegian assistance to the Western Balkans). Of the 30 states the World Bank's Country Political and Institutional Assessment classifies as fragile, seven are petroleum or minerals rich countries: Afghanistan, Angola, DRC, Republic of Congo, Iraq, South Sudan and Timor-Leste (World Bank web-site, March 2012), of which five are or have been OfD partners. While Timor-Leste has worked on strengthening the quality of its governance systems, not all fragile states are equally committed. One of the reasons is that the competition for control of resources accentuates and often is fundamental to the funding of conflict ("conflict diamonds/conflict minerals" are important to insurgent groups). The 2006 evaluation of Norway's petroleum sector support noted the lack of impact this assistance had on so-called "established petroleum economies" where petroleum income had been a dominant aspect of the economy for some time, such as Angola and Nigeria. In these countries the structural factors noted in Ross's study had already affected the political and administrative systems. Trying to *change* existing structures around which there were strongly embedded interests was seen as much more difficult than helping *emerging* petroleum economies set up more democratically-responsive systems and procedures. This general conclusion may have to be modified in fragile situations. In countries like Afghanistan and South Sudan even emerging systems may be overwhelmed by the security and political considerations, not just by national but also international actors. A major criticism of the interventions in Afghanistan and Iraq is that the support for 'good governance' systems did not have 'lessons learned' from the development community as the starting point but rather security and political concerns of the dominant international actors. Although Sudan/South Sudan was excluded from this evaluation, the team did carry out the document review and was surprised that governance – including integrity and anti-corruption – was not given a more prominent place when OfD launched its comprehensive program in the world's youngest state.

The Paris Principles: "Good Donorship" in fragile states. The international community in 2005 agreed on the so-called *Paris Agenda for Aid Effectiveness*, emphasising the need for local ownership, harmonisation of donor efforts, alignment to national policies and priorities, focus on results, and mutual accountability between donors and partners (OECD/DAC 2005). It was quickly realised that in fragile and conflict-affected states, some of these principles could not apply due to the state not having the political will, capacity or legitimacy to carry the ownership/leadership role that the Paris Agenda calls for. Two years later, the so-called *Paris Principles for Good International Engagement in Fragile States and Situations* were therefore agreed to (OECD/DAC 2007). The third principle is "*Focus on state-building as the central objective*" which is exactly what OfD does. One criticism of this principle is that it leads to a dominant focus on the executive part of the state in the capital. This centralises resources at the expense of other parts of society but also at the expense of the accountability dimension of 'good governance'. Building horizontal or internal state control dimensions – oversight and control by parliament; independence and capacity of the supreme audit institution, prosecutor-general's office, an independent court system – and the vertical accountability to the electorate through strengthening civil society bodies that are able to challenge the authorities, tend to be missing or very weak.

Building the state while combating corruption: a winning recipe? A recent DAC guidance note on state-building notes that linking anti-corruption efforts with state-building activities would enhance both. Anti-corruption work needs to have the wider governance perspective

while state-building that does not take into account the dangers of corruption may make wrong decisions on which reforms to prioritise and how to approach the typical trade-off between stability and corruption⁵. However, the study made two caveats. The first is that in most donor agencies those engaged in state-building and those involved in combating corruption had little knowledge of each others' approaches and strategies and there were therefore not many examples of such synergies taking place. The other is that especially in fragile situations, the approach should emphasise integrity rather than combating corruption because *"the process of building integrity was regarded as one that begins by positively involving the broad base of a country's population and... emphasising country ownership, particularly when related to the respect, use and strengthening of local norms and value systems...the anti-corruption approach was perceived to be a top-down process..."*, vulnerable to politicisation and often seen as imposed from the outside (ibid p. 5). But in addition one needs to understand the nature of the corruption and thus where the "entry points" for corrective action are. This depends on the situation in the country/sector: both what the nature of the problem is, and what the opportunities for tackling these problems may be (see box 7.3).

Governance is a key OfD concern but also its greatest challenge. The OfD pursues its governance objective primarily through the pillar work, to ensure the operative goal of the program, *"Economically, environmentally and socially responsible management of petroleum resources which safeguards the needs of future generations"*. The focus on transparent decision making and accountable implementation is addressed by providing institutional frameworks and organisational capacities, as laid out in chapters 4-6. The challenge lies in the larger issues that petroleum generates: the macro-economic instabilities ("Dutch disease"), the political distortions that the revenue streams may contribute to ("the oil curse") and its manifestations such as corruption in the public sector and large-scale tax evasion and fraud in the private sector. These issues are magnified in the cases of fragile and conflict-affected states, which may actually have ended up in this category at least partly due to the existence of large extractive incomes. The dilemma that OfD (and other governance programs) face is that the general trend appears to be towards a *worsening* of the situation if the more recent studies are to be believed.

OfD anti-corruption efforts: limited and de-linked. OfD goes beyond the three pillars when it comes to building its governance interventions by funding a series of other activities:

- **Risk analyses** were prepared for all the main program countries, where corruption and lack of transparency are often seen as important. The analyses of causal factors, severity of problems, and what should be done, is rather perfunctory and often centres on better control of Norwegian funds and support to local transparency efforts such as national Extractive Industries Transparency Initiative (EITI) processes⁶ (see section 9.4).

⁵ Hussmann and Tisé (2009), "Integrity in State building: Anti-corruption with a State building Lens". OECD DAC Network on Governance (GovNet), Anti-Corruption Task Team. Paris, August.

⁶ Specific modules on good governance and corruption prevention were introduced as separate issues when OfD was launched, but the subject matters had been present in Petrad's courses prior to OfD.

Box 7.3: Understanding the Governance-Corruption Nexus: Context Matters

The DAC study (footnote 6) refers to a comprehensive review of the anti-corruption literature that identified six approaches to addressing corruption that different actors use (Scanteam 2008):

- **Political and social dimensions: *systemic corruption*.** When a state is dominated by a corrupt elite that uses state power to further its own interests one needs to see if this systemic corruption can be addressed through political and social mobilisation/correction (enhancing overall societal transparency and accountability).
- **Rule of Law: *control and prosecution*.** Where the legal system functions, cases of corruption should be prosecuted in the courts to hold corrupt groups and individuals accountable.
- **Public administration and systems reforms: *prevention*.** Where it becomes difficult to address corruption that has already taken place, one may look forward by carrying out reforms that will make corruption more difficult, reducing its occurrence through preventive means. Typical is PFM reforms that aim at reducing discretionary decision making and non-transparent transactions.
- **Extractive industries and service delivery: *sector corruption*.** Most corruption takes place at sector level, and extractive sector and construction industry are considered the most problematic. Strategies may focus on “worst case” sectors since these may be more susceptible to change rather than overall systems.
- **Non-state actors: *transparency and accountability*.** Civil society and the private sector are key actors for pushing increased transparency and accountability since they normally have vested interests in better public services and fair competition for contracts. But both actors may also be engaged in corrupt practices. These are most easily addressed through steps that enhance transparency of their actions since they are vulnerable to this kind of “outing”.
- **State capacity building and organisational development: *anti-corruption abilities*.** This focuses on building the formal institutions of horizontal and vertical control within the state: Parliamentary oversight committees, the auditor general’s office, ministerial control offices, police and prosecutorial services including specific agencies like anti-corruption bodies.

The evaluation that followed the literature review found that most donors reviewed (including Norway) do not have coherent strategies for addressing corruption; have poor understandings of local context and thus opportunities and alternatives available for their anti-corruption interventions; do not coordinate well with others (though this is improving); do not engage civil society to the extent they could and ought to; tend to work with individual agencies or bodies rather than promote inter-agency partnerships; should support more evidence gathering and public dissemination; and should reinforce longer-term preventive interventions such as supporting national accountability processes and align with country systems (ITAD 2011).

- **Norad’s Anti-corruption unit** has only recently become involved in the OfD program, and has now been asked to provide more in-depth assessments of the situation in some of the key OfD countries, though this collaboration is expected to be strengthened over time.
- **Petrad Seminars:** Specific modules on Good Governance and Corruption Prevention were introduced as separate issues with the launching of OfD, but the subject matters were also present in the Petrad’s training prior to the OfD. Anti-corruption training has sometimes been with a regional vision, with one course organised for Lusophone countries in Mozambique in 2010. As one-off events without clear findings, conclusions or follow-on action plans, however, Petrad itself is clear that the training offered should not be expected to make longer-term contributions.
- **EITI support.** Norway has been a strong supporter of EITI globally and at national levels, providing funding and local political support, for example to multi-stakeholder groups (the decision making body of the national EITI). Exactly because the EITI is to be a nationally-embedded process, OfD finds this a useful mechanism

that addresses the transparency issue at a principled level. The fact that EITI does not move from better transparency – an important gain in many countries – to more accountability is a dilemma that OfD so far has not addressed (see the EITI evaluation, Scanteam 2010). Despite this weakness, having EITI membership as a pre-condition for OfD support has been discussed, not least because the EITI affords civil society a guaranteed place at the table when sector issues are to be discussed.

- The World Bank-administered **Petroleum Governance Initiative** (PGI) is a trust fund with only OfD funding and a complement to OfD's own efforts. It was established in 2006 to cover three issues (i) governance and revenue management, (ii) environment, (iii) community development. A 2010 evaluation notes that the PGI has initiated many relevant activities at global, national and local levels; some of these have led to follow-on larger activities with OfD funding or Bank lending so the PGI acted as a catalyst with its small-scale interventions. A key service has been “good practice” tools, where in particular the *CommDev.org* web-site provides examples on community development that can be applied to extractive industries with a reported 1,500 hits a day (Hubbard 2010, pp. iv-v).

Identifying models that can further Good Governance concerns. In addition to the list above come various activities supported through civil society organisations (see section 7.3 below). Overall, OfD is supporting a number of activities that seem to be pushing in the same direction, but without a clear objective to guide them: the OfD's own Results Framework does not have an operationalisation of its overarching Goal of “*responsible management...*” that is translated into clear governance targets, and none of the indicators suggested allow for any tracking of governance improvements (discussed further in chapter 9). OfD has, in fact, provided funding for a more comprehensive and politically driven approach to strengthening governance in the case of Madagascar, before the government there was forced out by a coup in March 2009. The principles behind this model are explained in box 7.4, but point to the fact that with high-level political commitment, it is possible to “think big” and address systemic dimensions and involve also non-state actors in a meaningful way. Often, however, central authorities are not interested in making such commitments, and in those cases mobilizing broad support among actors in the public, private and civic sectors may be a better avenue. The FOSTER program in Nigeria is an example of such a broad-based approach that is based on more careful understandings of where local “windows of opportunity” may lie (box 7.5).

7.2 Gender

Gender work beginning, unclear importance. In line with Norwegian development policies, the OfD program supports efforts to document the situation of women in the petroleum sector and contribute to gender equity. A framework agreement has been entered into with *Energia*, an international NGO working on energy and gender (though its focus is largely on household-level energy issues), with some country-level analysis beginning to be produced.

Box 7.4: Madagascar's Broad-based Commitment to Governance

In order to address the political expectations to OfD, a credible governance component must be present in all OfD country programs. This should consist of key measures to increase the

- Integrity and transparency in the management of oil resources and revenues,
- Risk for corrupt officials by enforcing the principal **that nobody is above the law**
- Integrity, independence and competence of the judiciary and anti-corruption agencies
- Public awareness and involvement through events and the use of media including social media

In Madagascar, the government agreed to an approach based on what were termed *Strategic Decision Meetings* with (i) key government officials; (ii) national and international oil sector and financial decision-makers; (iii) senior representatives from the Judiciary and anti-corruption agencies; (iv) key representatives of the public and (v) traditional and social media. The aim of the meetings was to agree on a **Good Governance Program** with objectives and measurable performance indicators such as those of EITI and the Natural Resource Charter. The results of the monitoring were to be presented at annual meetings that were also to discuss further steps to be taken and ideally would also hold the various actors to account for their performance.

More detailed description of the principles behind this approach, the processes and the early experience can be found in Madagascar's Ministry of Energy and Mines, OMNIS, and Directorate of Good Governance: "Strategic Decision Meeting on Mining and Hydrocarbons. Conclusions and Proceedings Document". Antananarivo, December 2006.

Mozambique: documentation done, action plan prepared. *Energia* carried out a study that noted that in INP women represent 30% of higher academic staff and over 55% of medium level staff. In the state oil company ENH 40% of the department heads and 55% of finance department staff are female, though only 25% of the Board members are women. There are gender focal points in the key ministries, and equality of opportunity seems good. But the study notes a number of issues that need to be addressed: (i) lack of clear gender connections in the upstream industry; (ii) lack of information on gender issues and impacts of petroleum operations and of the use of social support funds; (iii) the gender focal points are not active, (iv) under-representation of women in decision-making positions (though the Minister is female). An action plan has been proposed and is being discussed. But for many the main issue may be the first one: what happens to the situation of women once gas production begins in earnest up north. The fear is that a classical enclave economy will ensue, with men getting the overwhelming share of the high-paying jobs, leading among other things to an increase in commercial sex and Mozambique's already high HIV/ Aids prevalence rate.

Uganda: Ministry in charge, marginal change. Gender was designed to be addressed in all pillars. The Ministry of Gender, Labour and Social Development was tasked to take the lead under the resource pillar, where the most concrete result was a recommendation for improved sanitary (toilet) conditions for women. However, a gender mainstreaming study has now been carried out and presented in June 2012.

Timor-Leste: the larger sector issue comes to the fore. Gender was clearly not taken into consideration at the outset in the various projects and programs, something that has been raised in mid-term reviews. The gender aspect has been managed at an input and activity level assuring recipients of scholarship reflect gender equity, etc. But for many the most important gender issue is the effect of the dual economy created by the wealthy petroleum sector versus the majority of Timorese living in poverty. Another effect is the large, largely male, international community and foreign work force in the sector on prostitution and HIV/aids prevalence, with the same concerns raised as in Mozambique.

Box 7.5: FOSTER: Petroleum Governance Program in Nigeria

FOSTER is a four-year GBP 10 million reform program for the oil sector in Nigeria. The objective is to enable the country to make better use of its natural resource wealth and overcome the significant negative resource curse effects that affect governance, growth and stability in the country. Funded by DFID, the interventions are to focus on:

- Increasing government revenue both as a proportion of output and by encouraging greater investment and production in the industry overall.
- Reducing the amount of revenue lost through rent-seeking, leakages and theft.
- Increasing fiscal discipline, performance and accountability through better public financial management and saving of oil revenue.
- Reducing the vulnerability of the environment to pollution.
- Improving the effectiveness of community development initiatives, reducing the effect of operations on greed and grievance in the local community

The program is based on careful political economy analysis (PEA) of governance and market failures, to identify opportunities for supporting reform and strengthening the policy process, build links to support drivers of change and work to shift underlying incentives and dynamics for successful reform.

When designing interventions, the process of building knowledge, partnerships, capacity and action for reform is seen as an iterative cycle, starting with small areas where FOSTER can add value and working up towards more systemic reforms. Potential partners are invited into the analysis phase as early as possible thus making the learning process a participatory collaboration, and providing a natural pathway from analysis to action.

FOSTER tries to identify and create opportunities for supporting change, not being afraid of taking risks (and sometimes failing) with multiple, small projects, appreciating that it is often difficult to predict opportunities or obstacles. A wide range of short term projects allows the program to be flexible and responsive to early successes with further investment, building credibility and maintaining pressure on actors to deliver tangible results. Other principles include:

- **Wide-ranging analysis:** The best entry points for action may not be immediately obvious and often changes over time.
- **Value inside knowledge:** While there are many analytical frameworks, there is no substitute for real knowledge and understanding.
- **Focus on outcomes not problems:** Work towards solutions, be practical and pragmatic.
- **Work through partnerships:** Only outcomes delivered by domestic institutions are sustainable.
- **Build social capital:** Use, expand and build social and professional networks with relevant actors.
- **Multiple approaches:** Technical support, research, advocacy, capacity building are all valuable tools – understanding when and how to use them and delivering them well is critical.
- **Building capabilities and accountability:** Rather than building institutions, FOSTER focuses on complementary supply and demand sides of issues to structure interventions.

Nicaragua: Norwegian-trained women in the lead. Nicaragua represents a special case in the Norwegian petroleum sector cooperation since almost the entire professional staff of the Petroleum Directorate of the Ministry of Energy and Mining (MEM) have been trained in Norway, and the majority and most senior among them are women. While most of this training took place before OfD, Norway's continued support is seen as helpful by the Ministry staff to the gender results achieved and retained.

Women and petroleum sector dynamics: transforming the gender problem? In a number of countries, the gender issue as far as the OfD funded activities are concerned, is not seen as

problematic, because the OfD focuses on the public sector where the situation for women usually is not bad and the trends often are positive. The real issues are with the larger sector, and what the sector may be doing to the overall economy and national polity. What happens in public sector offices in the capital is very different from in the fields where capital-intensive production with high-salaried staff takes place, and this is where the larger employment creation takes place. The gender-dynamics both in the international extractive companies and the national supply industry surrounding them poses a very different set of issues that the OfD gender program has not begun addressing. Of greater importance is the dynamics of “Dutch disease” and totalitarian politics. As the petroleum industry expands and requires more national capital and skills, other sectors lose out, and in particular, the claim is, sectors that are vulnerable which often are important to women such as the textile industry (Smith 2012). The oil industry will naturally also become an ally of any totalitarian elite, which will be concerned with addressing the needs and concerns of the sector. This reduced influence of national stakeholders will impact those who are already the more marginalised groups in society, which consists disproportionately of women. The socio-political dynamics formulated in the notion of “the feminisation of poverty” may thus be strengthened by rapid growth of the petroleum industry – a direct challenge to the gender objective of OfD.

7.3 Civil Society and Media

Civil society engagement: strong new voice in the petroleum assistance. When OfD was launched, one of the key differences to the former petroleum sector support was that civil society was to be brought in as a key actor. The expectation and intention was that local civil society organisations (CSOs) would play advocacy and watch-dog functions especially on questions of governance across the three pillars, but that environmental groups in particular could play a range of roles. In order to fulfil these ambitions, OfD has basically three mechanisms.

Funding Norwegian NGOs: financing a broad agenda. Since 2008, Norad’s Civil Society Department has been given NOK 15 million annually by OfD to support relevant initiatives by Norwegian NGOs. Three-year framework grants were given on the basis of a public tender and applications. WWF/Norway and *Naturvernforbundet* received more than one third of the funding for regional environmental projects in East and West Africa, respectively. Norwegian People’s Aid and the Trade Union Congress (with affiliated federations) have received about NOK 4 million per year for union-based and other popular initiatives in various parts of the world. Norwegian Church Aid has received funding for various governance projects, as has Publish What You Pay/Norway. The student organization SAIH had a project through its partner in Bolivia (see annex D table).

Going international: support to Revenue Watch Institute. The largest CSO agreement is with the Revenue Watch Institute, a global NGO based in New York (see Box 7.6). OfD funds a three-year contract (2010-2012) with an annual budget of NOK 6 million. Local CSOs in a number of OfD partner countries note the important training, manuals, reports and experience that RWI provides to local partners, and the local and regional networks that RWI activities support. RWI is seen as the most professional and technically competent civil society body in the general field of extractive industry governance, and is a reason that in

addition to the OfD support, RWI is the preferred partner of the World Bank in its funding for civil society organisations under its EITI Multi-donor Trust Fund.

Box 7.6: Revenue Watch Institute

The RWI was set up with support from the Soros Foundation, to promote transparency, accountability in the extractive sectors. RWI strengthens the skills and voice of local CSOs in poor countries with important extractive activities, largely through local training but also carrying out analytical and advocacy work. It supported the establishment of the Extractive Industries Transparency Initiative (EITI), and has been on EITI's Board since it was established, playing an important role in mobilizing and organising the civil society actors. In the context of the OfD support, RWI's main activities are:

- **Strengthening Parliaments' role:** In Ghana, Uganda, Tanzania and even in Iraq, RWI has trained MPs in the basics of petroleum industry governance. It works with national CSOs and media on advocacy strategies when new petroleum and mining laws have been presented to the legislatures, and raised questions on contracts with foreign companies.
- **Strengthening media:** RWI trains journalists and local media in professional and critical reporting on the extractive industries, so far mostly in Ghana and Uganda.
- **Monitoring and capacity building support for civil society coalitions:** In a number of countries, including OfD partner countries Bolivia, Ecuador, Timor-Leste, Ghana, Mozambique and Uganda, RWI helps CSOs build monitoring and reporting skills.
- **Petrad's fellowship program:** RWI has identified CSO participants in Petrad's eight-week courses, so far from Cambodia, Ecuador, Ghana, Indonesia, Tanzania and Uganda.
- **Strengthening Africa Extractive Resources Facility:** Focus has been on Sierra Leone and Liberia but includes regional workshops with government officials from five West African countries. The issues have included bidding/negotiation and good governance in the oil sector.

Support to national CSOs: using embassy funds for local engagement. In several countries, and most systematically in Mozambique, embassies have used own funds to support local CSOs in their OfD-related roles. While not strictly speaking OfD funding, for the embassies these funds are seen as part of the larger petroleum governance support. This has funded important initiatives locally (see box 7.7). In countries without resident embassies, such as Bolivia, some OfD actors thought it was not possible (funding was not available) to provide direct support to local CSOs. In fact Norad does have instruments that can be used, so in Latin American states which generally have a vibrant civil society, more could have been done to bring local CSOs in as active partners in the more sensitive aspects of the program.

Media in the petroleum picture: a weak link. OfD has funded activities for the media, such as dissemination seminars in Mozambique and the RWI workshops for investigative journalists in some African countries. But OfD as a program does not have a specific vision regarding how it might strengthen transparency and accountability through media support. There has so far not been any systematic interaction with those who handle media support in Norad on this matter.

OfD support to civil society: variable and not integrated.. The strongest OfD support has clearly been to RWI, which is delivering very professional services to important OfD partner countries around the world. The framework agreements with Norwegian NGOs are also a means of ensuring longer-term and thus more predictable and useful capacity building funding. But linkages to other local actors is not always in place. In Bolivia, the NPD was not aware of the OfD-funded *Natural Resources Observatory*. In Mozambique, the Norwegian agencies have not been working with the local environmental CSOs, though they represent key actors for tracking sector issues. In countries with active embassies, such as in Mozambique, some of these short-comings are tackled locally, but stronger linkages to

processes like local EITI reconciliation and validation exercises could provide more legs for OfD civil society programs to stand on.

Box 7.7: Country-level Civil Society Engagement

In **Mozambique**, the embassy funded information and dissemination workshops for CSOs, media and politicians about petroleum sector issues. It has subsequently funded a CSO “petroleum sector platform” to encourage CSOs to come together to discuss issues and try to reach consensus on issues like upcoming legislation. In the environmental pillar, CSOs are active in advocacy, research and dissemination. Norway has supported CSO participation in the local EITI multi-stakeholder group, where local think tanks and advocacy groups play an important role, though they would like to see a more active engagement of Norway in some of these discussions. But important actors like labour unions, professional organizations, universities are not engaged. While media and political parties are important actors they largely leave it to CSOs to take the lead, though these remain few and fragile.

Uganda is benefitting from WWF/Norway's regional OfD program that also covers Tanzania, Mozambique and Madagascar. It focuses on capacity building for holistic natural resource management, and has been convening a regional African oil and mining conference. Several local CSOs are engaged in information and advocacy work, including PWYP and oil and gas advocacy networks. Government and oil companies have acknowledged the CSO role in the promotion of accountability, but the CSOs themselves recognize that they have limited leverage.

Ghana has an active and influential civil society involved in petroleum management discussions. RWI is directly present in the country with a regional office that has provided considerable support to local CSOs. But the most important civil society engagement is that of traditional leadership institutions – local chiefs and ethnic representatives – that are systematically heard in connection with important policy initiatives. With strong local legitimacy, these actors are probably the most powerful voices for influencing national decision making, yet OfD has so far not established clear links to these.

In **Timor-Leste** several CSOs are actively engaged in monitoring of government policies and strategies relevant to petroleum resource management, petroleum fund management, as well as public finance and environmental issues. There is a Petroleum Fund Consultative Council (PFCC) with CSO members that is actively engaged, as is Parliament and in particular its commission responsible for the budget and finance. There is thus a critical mass of competent CSOs and there is space for public debate. But while there are structures and processes in place for consultations, both CSOs and the PFCC feel that they are heard only to a limited degree, and that they are consulted too late in decision-making processes.

In **Bolivia**, OfD support has been limited to a three-year agreement through SAIH. It supports a local youth organization, CEADL, which was instrumental in establishing the *Observatorio Boliviano de Recursos Naturales*. This network has produced good and relevant material that provides a counterweight to the government. But the organization is little known and seems to have a very limited political impact. More professional CSOs with potentially stronger impact in the sector, such as CEDLA/*Plataforma Energética*, have not become part of the OfD program. Another organization, *Fundación Jubileo*, is working with RWI but unrelated to the Bolivia OfD program, though it has participated in training in Oslo organized by Transparency International. There is therefore a question of how strategic the OfD has been in supporting civil society in Bolivia.

In **Ecuador**, a country that traditionally has had very active CSOs not least representing the indigenous population, many are now legally prohibited from making political declarations under threat of being closed. 200 civil society leaders, including prominent indigenous leaders, have a judicial accusation against them. Although most organizations seem to find a way around this, it represents a real limitation on their freedom of operation. They have also been weakened by the reduced presence of foreign cooperation. OfD has too limited a presence in Ecuador to provide effective support, though Norwegian People's Aid, which has its regional Latin American office in Quito, has been in active communication with Petrad and other OfD actors in the country.

7.4 Findings and Conclusions

- OfD addresses **governance** primarily within the three pillars, where OfD support to establishment or improvements to institutional frameworks including legislation/regulation based on “international good practice” contribute to more transparent decision making and accountable implementation. But while legal frameworks are important, it is implementation and use of these that are critical, and where the previous chapters note differing levels of accomplishments and where monitoring remains a challenge.
- Governance concerns beyond the pillars are less well addressed. OfD does not have operational objectives for overarching governance dimensions. Analytical work – risk assessments in particular – remain at a level where they do not provide much insight into the concrete governance problems and operational options for action.
- Governance is at the same time a key issue, and one that is growing in importance. The petroleum sector constitutes a major structural challenge to resource rich but “governance-poor” societies, where interaction between national elites and tax-avoiding extractive industries is seen to lead towards more totalitarian states and under-performing economies. The issue is particularly severe in fragile states – a group of countries where Norway and many other donors are devoting increasing resources, and which thus also poses special challenges to OfD.

The fight against corruption is a particular concern, but OfD has so far carried out few targeted activities, largely restricting itself to training and analyses. There are few and not very systematic links between the pillar actors and the specific governance actors. OfD has, however, recently linked up with Norad’s anti-corruption unit for more in-depth work.

Gender is addressed, but largely as an equity-of-opportunity issue within the public sector, where this often is not a severe issue. A larger issue is the production enclaves with high concentrations of well-paid male workers, with growth in commercial sex its HIV/Aids consequences. But what is emerging as perhaps an even greater concern is the economic marginalisation by the petroleum industry of sectors that women in particular are dependent on for their livelihoods.

- Civil society is seen as critical to improving transparency and accountability, but the expectations of what (weak) CSOs can deliver is usually unrealistic and without clear objectives or targets. OfD supports a range of interventions, from Revenue Watch Institute, Norwegian NGOs to local CSOs, and CSOs’ participation in national EITI processes. Key civil society actors like unions, faith-based organisations, professional associations and universities are not systematically included, and important actors – media, politicians, traditional leaders – are only intermittently being engaged.
- OfD has lately engaged with the various governance-relevant units in Norad, and this collaboration should be strengthened at both policy and operational levels.

8 Implementation: Partners and Instruments

Reviewing actors, assessing instruments, comparing results. One set of questions in the ToR relate to the Norwegian actors that have been central to the implementation of OfD. How has the assistance been performed by these actors, and how does the quality of the work compare with the assistance previous to the OfD? What have been the relative quality, results and cost-effectiveness of various Norwegian implementing actors? What has been the appropriateness of the instruments used for capacity development purposes?

8.1 Norwegian Public Bodies

A focus on Norwegian public competencies for governance building. While OfD claims that it does not promote a “Norwegian model”, it does advance the use of Norwegian public bodies as capacity building partners. These actors handled just over 30% of all OfD funding and this trend is pointing *upwards*: in 2010 the share was 37%. And this was during a period where total OfD resources increased five-fold (see Annex D figure D.1). Another aspect of OfD that is highly unusual is that also *political* actors are engaged: three line ministries have direct implementation roles within the larger OfD program.

8.1.1 Ministries

OfD: High-level political commitment. From the beginning of the program in 2005, OfD has had a Steering Committee made up of the four ministries that are central to the actual implementation of the program. The actual roles of ministries have varied, however.

Norway's Ministry of Foreign Affairs - NMFA

Constitutional responsibility, no operational engagement. The NMFA is overall responsible for OfD since the funding comes from the development budget. Its core responsibility is on policy, and in chairing the Steering Committee. Operational matters are handled by the OfD Secretariat or the embassies.

Norway's Ministry of Petroleum and Energy - NMPE

Key actor, delegating responsibilities. The NMPE is active in the Steering Committee but as far as field implementation is concerned, this has largely been delegated to the Norwegian Petroleum Directorate (NPD). The annual Allocation Letter (“*tildelingsbrev*”) from NMPE to NPD as of 2011 makes explicit reference to the OfD program as an NPD performance area.

Norway's Ministry of Finance - NMoF

Direct implementer, concerned with capacity and control. NMoF is potentially to assist countries in three sensitive areas: levels of revenue take; macro-economics of the petroleum sector; and sovereign funds establishment and management. The NMoF does not have an external directorate equivalent to the NPD it can delegate operational matters to, so it has therefore used only its own staff including from its Petroleum Tax office. Because of this capacity constraint, in a letter to the NMFA in November 2011 it noted it cannot handle more than two country agreements, currently Timor-Leste and Uganda. But because of the importance of the revenue pillar, NMoF intends to partner with the IMF when it comes to

macro-economic work. It will therefore post one NMoF staffer in the IMF for joint OfD work. The option of using staff from Norwegian institutions like the Central Bank, the Central Bureau of Statistics, universities and retired NMoF staff have so far been rejected.

Norway's Ministry of the Environment - NMoE

Environment as a weak third pillar, searching for appropriate answers. NMoE has actively participated in identification and planning missions, but once agreements are in place prefers to delegate implementation to the Climate and Pollution Agency (Klif) and the Directorate for Nature Management (DN). It maintains a dialogue with some counterpart ministries on policy questions, and thus engages also on a more direct level. But it faces several challenges: (i) its counterpart ministries of environment are generally politically weak, sometimes not responsible for petroleum sector environment issues, and typically suffer from high staff rotation due to limited ability to retain skilled personnel, (ii) there is often little political interest and commitment to the environment agenda by national authorities so that environmental initiatives that are perceived to come in the way of petroleum development are not always welcome, (iii) many of the most active and competent actors are CSOs, which the NMoE does not have direct links to.

8.1.2 Norwegian Petroleum Directorate – NPD

Central actor with long experience. The NPD has been the key partner for petroleum sector capacity building for over 25 years. During the last years OfD has provided NPD funding for about eight staff-years of work annually. 40 to 50 of NPD's 200 staff are involved, from delivering lectures to on-site advisory work. An assessment of NPD's international work during the previous petroleum sector support had pointed to lack of focus on effectiveness; establishment of new programs without proper assessment of risks, partners, local ownership; 'good governance' was not paid sufficient attention (Norsk Energi 2006). While NPD appreciated this, at a meeting between NPD, NMPE and OfD in May 2010, concerns were raised that the program was becoming bureaucratic with high coordination costs. NPD felt it was not always invited into up-front planning for new programs so that it ended up becoming involved in programs at too short notice (minutes, workshop 15.03.2010).

Large-scale funding, but mostly for partners. In addition to the financing of own staff, NPD receives additional funding from OfD that is used to hire external consultants. As of 2010 NPD has framework agreements in seven fields, generally with three skills suppliers in each for a total of 12 firms, all of them Norwegian. In the five core countries this evaluation was to look at, 70% of funding has been used on framework holders. These have addressed fields that NPD is responsible for under the Resources pillar but where NPD has not had sufficient own capacities: resources assessment, training, regulatory and legal advice and support for IT and technology development (Annex D table D.6).

NPD's efficiency and effectiveness appear good but raise questions. NPD staff services are charged according to their real costs to the public sector, which are well below what research institutions charge for senior staff on similar tasks and much below rates charged by private companies. When it hires external consultants, NPD does not charge a fee so this does not represent a cost-element. Because NPD has framework agreements where fee rates were part of the competition, standard mechanism for ensuring value-for-money has been applied. Mini-competitions between framework holders for the larger tasks ensure continued

efficiency. For local partners, having NPD part of the procurement process brings down transaction costs: the process is speedy, it provides stability and predictability regarding skills suppliers, costs are known, and it reduces procurement and administration costs to the local partner. However, because the framework agreements are all with Norwegian partners, the cost-efficiency is relative to the Norwegian labour market, which currently is among the most costly in the world, and also is a barrier to “international best practice”. This means the skills search does not cover “international best practice”. In fields like production sharing agreements/contracts, for example, which is the common approach in most OfD countries, it is still Norwegian legal advice that is provided even though Norway’s legal expertise is more based on Norway’s concession model. In terms of the overhead costs that the 2006 evaluation addressed, the hourly rates include the standard overhead component which is thus in line with public sector costs. The administrative time use, however, has gone up which NPD sees as driven by the considerable coordination costs that the country teams lead to (see 9.5). Since NPD is engaged in virtually all countries it has to participate in all the country team meetings and other Norway-based coordination efforts, which have grown considerably under OfD.

8.1.3 Petrad

Capacity building entity established for the petroleum sector. Petrad was established in 1989 as a publicly-owned private foundation to provide training for officials in petroleum management and policy. Its best-known activities are eight-week courses on Petroleum Policy and Resource Management, and Petroleum Development and Operations (box 8.1). It has developed training modules in governance fields such as anti-corruption (see section 7.1); a Capacity and Training Needs Assessment tool to assist authorities design their own capacity building programs; and organises tailored courses both in Norway and in partner countries. While Petrad legally is a private foundation, the Ministry of Government Administration, Reform and Church Affairs (“FAD”) has noted that it fulfils the criteria for being considered “as if” it were part of the public sector and thus has framework agreements with OfD in line with those of NPD (FAD, letter of 9 September 2010). Discussions have been on-going to clarify and transform Petrad’s legal status so as to eliminate issues that remain regarding Petrad’s ability to be part of the public sector procurement regime.

Box 8.1: Assessments of Petrad

Two reviews of Petrad were carried out in 2009 as part of the preparations for a new three-year framework agreement with OfD.

- An organisational review found that Petrad’s organisational and human resource competencies were good. It has developed and maintains a world-wide network of individuals and institutions that are its key resource for delivering highly professional courses. It is project and results focused and less bureaucratic than purely public bodies. The report noted some tensions between Petrad and some of the public institutions, largely as a function of lack of clarity regarding roles and competencies, something the report encouraged be addressed (Hartmark 2009).
- The other report focused on Petrad’s core courses. It was found that these are seen as very useful with many examples of how skills acquired are used by both the individuals and their organisations (outcomes). Petrad runs the courses professionally, selects very good lecturers from its wide pool of experts from public and private practice and universities, and follow up participants after the courses, including carrying out feed-back surveys. The courses are seen as relevant, comprehensive, with a good mix of lectures, case work and industry visits. The courses are also extremely cost efficient when compared with similar professional courses run in Norway with unit costs typically half of the comparator group (Veritas 2009).

Capacity development (CD) as strategic arena. Petrad has limited own staff, instead contracting specialists from the public and private sectors, increasingly from outside of Norway, with growing attention to South-South learning:

- **Training.** Since its creation Petrad has organised more than 300 courses and seminars in 40 countries with an estimated 10,000 participants from 90 countries (see www.petrad.no).
- **Regional workshops:** Petrad has been running regional workshops in *Latin America* – on the environment (2010) and data management (2011)); *West Africa* – nearly a dozen workshops since 2008 covering resource management, environmental issues, HSE, data management and good governance for both Francophone and Anglophone countries; *East Africa* – half a dozen since 2007, largely on petroleum data management but also good governance. Funding for these regional activities stopped as of 2012.
- **CD as field of responsibility.** Before 2006, Petrad had responsibilities for implementing programs such as in Uganda. With OfD, a stronger focus on institutional cooperation was introduced and NPD assumed Petrad's pillar responsibilities. This has recently been modified, where NPD and Petrad in South Sudan, Bolivia and Ghana have agreed on delegating this field to Petrad so that Petrad can both plan and be accountable for results.
- **Training results tracking.** As with most larger training programs, Petrad participants provide feed-back on the courses. While replies tend to be very positive – which is common – Petrad also tracks what has happened to course participants, where a very high percentage continue with careers in the sector and many end up with important positions, both in public and private bodies (as example see box 8.5/Uganda).

8.1.4 Other Public Bodies

Norway's Petroleum Safety Authority - NPSA

Important role in Norway, weak in OfD. The NPSA has the regulatory responsibility for safety, emergency preparedness and the working environment in the petroleum sector in Norway. It was established in January 2004 by separating out these functions from the NPD, and it now answers to the Ministry of Labour. The agency responsible for safety is thus independent of the one responsible for production (NPD) but also answers to a different political body, so that there are no potential conflicts of interest at political/decision making levels. But due to this administrative arrangement, NPSA does not have the same support from its political management for engaging with OfD, despite this being a critical function in the Norwegian system. NPSA basically engages through being contracted by NPD, so one of the eight work-years of funding through NPD has been for NPSA services. NPSA thus has to rely to a large extent on NPD's administrative systems to handle its engagement.

Climate and Pollution Agency (Klif) and Directorate for Nature Management (DN)

Technically strong but weak counterparts. Klif and DN, under the NMoE, play important roles in Norway regarding environmental management and risk control. Klif, with about 350 staff, is a regulatory authority when it comes to the petroleum sector as it handles emission control, the use of chemicals and handling of waste. Klif is also responsible for setting the requirements for the oil companies' accident response preparedness. DN, with around 250 staff, has more of an advisory role as its focus is on nature conservation and climate change

issues. These bodies both in terms of mandates and staffing are very strong when compared to their counterparts abroad, where section 8.1.1 notes the reasons why there often is a weak demand in the public sector for the environmental pillar.

Norwegian Coastal Administration (NCA)

Mission-critical in Norway, incipient in OfD. The NCA with its 1,000 staff is an agency of the Ministry of Fisheries and Coastal Affairs responsible *inter alia* for maritime safety and national emergency response to acute pollution. It thus plays a key role in Norway's off-shore petroleum sector, and an increasingly active partner in OfD. As with NPSA, however, its Ministry is not directly engaged in OfD, and the NCA is thus still finding its institutional "fit" within OfD. Because so many of OfD partner countries have off-shore gas and oil fields, it is expected that the NCA will become increasingly important, since for most of these countries their pollution-fighting capacity is extremely weak.

Non-OfD Actor: Petoro

Defending the commercial interests of the State. When Norway's state oil company Statoil was established, it had a broad public interest remit. When it was partially privatized, the State's commercial interests were transferred to a new public company, Petoro, which is now the licensee for Norway's direct financial interests in production licences, fields, pipelines and land-based plants. As more OfD cooperating countries are moving from the up-stream to a mid-stream status, how to design petroleum management structures to avoid conflicts of interest seem paramount. How Norway handled and today manages its commercial interests may be one of the central lessons to share, so several actors have suggested Petoro might be considered for inclusion in OfD (see box 8.2). While there is scepticism among many regarding the establishment of state oil companies particularly in countries with weak governance systems, within these countries there is often pressure from constituencies to find ways for the State to capture petroleum income apart from taxes.

8.2 Other Implementing Partners

Norwegian and international actors: a broad range of options. In addition to Norwegian public/quasi-public bodies, OfD provides funding through (i) national authorities, (ii) Norwegian private sector actors; (iii) multilateral agencies, and (iv) other partners.

8.2.1 National Authorities

Largest group of OfD partners, but much of funding for Norwegian actors. As a group, national authorities handled almost 40% of OfD funds during 2005-2010, as noted in chapter 3. While this *share* of OfD funding is falling, the *absolute values* are still growing. And though the sums are considerable, much of the funding went to pay for a range of Norwegian actors, such as NPD in Mozambique and NMof in Timor-Leste. Identifying more carefully what share has gone to local actors, other international but non-Norwegian partners, and to Norwegian partners has been extremely difficult (see box 8.3).

Box 8.2: Supporting ENH by looking to Petoro?

Norway's support to Mozambique's state oil company ENH ended in 2011. ENH requested further assistance at the annual meeting end of 2011, in particular to help it address its commercial interests in the vast gas fields in the north. Raising the requisite capital to maintain its share in the fields is an immediate concern, and advice on how to approach this is a challenge. The embassy supported the proposal but OfD stopped it. The reason is the conflict-of-interest issue: providing financing advice to the state company where Statoil and Norwegian supply industry has shown considerable interest in competition with foreign oil companies may raise questions, something Norway would like to avoid.

ENH finds itself in a difficult situation. Mozambique wants a national oil company that can defend its commercial interests. ENH has requested Norwegian assistance because it is familiar with the skills providers and confident that they will have both Mozambique's and "good governance" interests at heart. An alternative is support through a new World Bank program but that will only start up in 2013. The Bank will procure technical assistance from commercial sources that may not be in line with the approach and experience that ENH has spent many years building. These delay and uncertainty costs are seen as very high at a critical moment for ENH's commercial development.

OfD could use several sources of advice without compromising its independence: (i) OfD framework partners, (ii) retired Statoil staff, (iii) *Petoro*. *Petoro*'s main objective is to maximise the economic value of the state's oil and gas portfolio on the basis of sound business principles, and to safeguard the state's interests. It does this through technical and financial own assessments and participation in discussions and decisions on exploration, development and operation.

Petoro has only about 60 staff yet provides NMPE with strategic advice on how to ensure maximum public benefits through improving the *commercial* values of the gas and oil fields, their exploitation and marketing. The monitoring of Statoil's sale of the government's share of the petroleum is to ensure that all deals follow "arm's length" principles, and thus is a transparency, control and verification mechanism established by the state but using a commercial entity to provide the accountability desired.

8.2.2 Norwegian Private Sector

Framework agreements and direct hire: a mix of contracts. Annex D table D.4 provides an overview of private sector actors that have received the largest contracts during 2006-2010. Of the four largest, one is a vocational training centre that has been contracted for specific tasks (training in Uganda, Angola etc) while the other three are contract partners for the framework agreements with the OfD. These agreements were the result of a public tender where OfD announced that three contracts would be entered into and encouraged broad-based consortia to bid. There are thus three ways private sector actors can be awarded OfD funding: through the three consortia frameworks with OfD; through single-firm framework contracts with NPD (the parties to the two sets of framework contracts are largely the same); and direct hire on particular tasks, including from Petrad (which also uses some of the framework partners).

Actual use of private actors unclear. While the framework competitions were seen as transparent and fair, most firms feel the number and size of tasks that have come through them were smaller than expected. This disappointment is compounded by low rates offered: some law firms talked about providing services at half the normal rates because they want to contribute to a program they believe is important. But the Norad database does not capture Petrad's direct contracting of private actors and NPD's framework contracts⁷. The

⁷ The team received expenditure data by payee from NPD 2010-2011 and from Petrad 2007-2011. These were used to aggregate into classes of sub-contractors (annex D tables D.6 and D.7), which allows for a breakdown of the aggregate figures in the overview table D.3, but as noted does not change the overall picture.

database also does not show the internal distribution between partners within the OfD frameworks, so it is not possible to see how much has been spent on for example legal services⁸. There is some direct contracting by embassies with own funds that fall within OfD activities that are also missing. The largest source of error, however, is the funding that goes through partner governments discussed in section 8.2.1 above. While some of this went to private actors, such as Norwegian law firms, for the most part the Norwegian actors brought in were public sector entities.

Box 8.3: Funding Mozambican Authorities and (Un)-Tied Aid

Most of Mozambique's OfD funds are handled by two national bodies: the national regulator INP and the national oil company ENH. They are responsible for choices and managing disbursements. In the case of INP, the largest sub-contractor is NPD, though other Norwegian actors like the Simonsen law firm and Petroteam are also on the list. But INP also uses non-Norwegian actors: local IT suppliers, South African law firms for the negotiations on the gas pipeline to South Africa etc. A similar picture is seen with ENH, where they used a Norwegian firm to assist with their strategy process but have also done local procurement.

There is a history of collaboration that often makes Norwegian actors "partners of choice". While Norwegian aid is largely untied, OfD funding managed from Norway – the OfD/NPD framework agreements and the collaborative arrangements with Norwegian public bodies – are in practice tied, and these arrangements are known to local actors. The awareness that the Norwegian actors receive direct support and thus are "part of the OfD family" provides assurances that these actors will continue to be engaged in OfD, but also acts as an additional incentive to continue partnering with them. Mozambican decision makers were clear that this was not a problem or seen as a pressure: they could contract other actors if they wanted to. But the long-term relations and trust were important: the arguments for using high-cost Norwegian suppliers were speed, quality and reliability of deliverables, and a long history of working together.

8.2.3 Multilateral Collaboration

Several multilaterals engaged but focus on Bretton Woods institutions. The OfD has used multilateral channels for over ten percent of the disbursements (see table 8.1). Of the six organisations listed, OfD has long-term collaboration with the World Bank and the IMF, both largely through trust funds. With the World Bank, Norway was an early partner in the Bank-administered Global Gas Flaring Reduction Partnership (GGFR) that was set up in 2002, where both governments and companies are partners. Shortly after the Extractive Industries Transparency Initiative (EITI) was established in 2003, the Bank was asked to set up a multi-donor trust fund (MDTF) to support necessary training of civil society partners in EITI implementing states. Norway was an early supporter both of EITI and the EITI MDTF in the Bank. Once the OfD was set up, it was clear that governance issue would be a major challenge, and Norway and the Bank thus set up a Petroleum Governance Initiative (PGI) in October 2006, with Norway as sole funder. The PGI works on petroleum sector governance and revenue management; environmental management; and community development. It is to provide capacity building, global knowledge management, and disseminate best practices and lessons learned. All these three funds are now managed in OfD. Within the IMF, Norway is the largest contributor to a technical assistance MDTF on *Managing Natural*

⁸ One framework holder was Econ Pöyry, which largely handles resource and macro-economic studies, but its framework consortium also included a law firm. Another framework holder, Arntzen de Besche, is itself a law firm but where none of the other partners in the framework agreement were of course law firms.

Resources Wealth, which focuses on macro-economic modelling and tax policy and negotiations. This is where NMoF intends to strengthen its collaboration with the IMF for its work on the Revenue pillar.

Good relationships, unclear results. A review of the PGI pointed to the strong partnership that has been established between the Bank's Oil and Gas team and OfD; that the Bank is providing "both authoritative global knowledge products and country-based technical assistance (Hubbard 2010, p. iii). It notes that "PCI's overarching objective and thematic priorities are well aligned with the development goals of Norway and the World Bank....(but) PGI should review its overall strategy for the Governance Pillar" (ibid p. v) and goes on to note that the PGI would be likely to produce better results if it was more systematic in tracking results against key performance indicators, and most of the report's recommendations have evidently been taken on board. There is no independent review so far of the IMF fund, though staff in the IMF themselves are satisfied with both having the fund and what it has so far delivered.

Table 8.1: Most important multilateral partners in the OfD program (NOK '000)

Agreement partner	2005	2006	2007	2008	2009	2010	Total
Asian Development Bank		3 044,80		10 146,30	8 782,50	3 000,00	24 973,60
World Bank		10 000,00		56,1	5 000,00	5 000,00	20 056,10
IMF Tech Ass Trust Fund CoordComm, Coastal & Offshore Prog, East Southeast Asia				1 204,10	10 950,90	6 021,70	18 176,70
International Finance Corporation	4 046,00		712	2 000,00	3 000,00	4 664,00	14 422,00
UNDP		3 500,00	3 300,00		4 150,00		10 950,00
	1 151,20		1 004,50	1 893,10	941,7		4 990,50
Grand Total	5 197,20	16 544,80	5 016,50	15 299,60	32 825,10	18 685,70	93 568,90

Source: Norad's aid database

8.2.4 Other Partnerships

Knowledge and advocacy institutions: important partners for improved governance. The OfD has established partnerships with a range of other actors. Norway is, as stated before, a strong supporter of *EITI*, and while the funding for this does not pass through the OfD, OfD is the key knowledge centre inside Norad on EITI matters. A significant financial partnership is the framework agreement with *Revenue Watch Institute* (RWI), noted earlier, which does capacity building for CSOs around the world as well as produces knowledge products and carries out research. RWI works directly with OfD but is also a key training partner in EITI, and thus receives funding from the EITI MDTF, to which Norway is an important contributor. OfD also supports the *Natural Resource Charter* (NRC), which complements the EITI's "global compact" by putting forth a set of economic principles that should underlie good practice extractive resource benefits. These partnerships are clearly important for the knowledge and understanding of sector issues, particularly by the OfD Secretariat, but it is difficult to see where they have been contributing directly to any of the OfD pillar programs so far.

8.3 Assessing Instruments

OfD and capacity development: a variety of arrangements and instruments. OfD provides support through three different institutional arrangements: twinning; contractual technical

advice (largely framework contracts); and stand-alone training (primarily Petrad). Within these arrangements, various forms of technical assistance (“instruments”) are provided:

- (i) *Advice* to senior decision makers on technical and/or policy matters;
- (ii) *Mentoring*, where skills are transferred through on-the-job training on the premise that these counterparts will assume responsibilities for the tasks they are being mentored in,
- (iii) *Gap filling*, providing direct expertise/implementation services for important functions where local skills/counterparts are not yet in place,
- (iv) *Training*, the more formal teaching to a larger group of local staff.

A *twinning arrangement* can encompass all these instruments and in principle so can a service contract. Since twinning is the dominant OfD arrangement, this is looked at first before the instruments are assessed, grouping the first three forms of technical assistance and subsequently looking at training efforts.

8.3.1 Institutional twinning

Institutional twinning: a partnership that works? Norway has a long history of using public institutions as capacity building providers rather than just providing stand-alone technical assistance (“experts”). The basic reason for this is that it allows the direct engagement of a Norwegian public body as partner to the local institution. Stand-alone experts would normally come from a consulting milieu or other non-public actor, and the public administration experience – key to public sector governance – is then more difficult to provide. Another argument is that the supply institution not only brings in individuals, but also institutional history, a broad skills base that can easily complement the individuals sent down, and a corporate culture that is largely seen as positive: Norwegian institutions are generally seen as open, transparent, gender equitable and thus provide good “role models” for implementing “international good practice” in many fields. One question is if partner organisations in OfD countries are ready for twinning. An EU study on the criteria for successful twinning notes that three criteria need to be in place if institutional twinning is to succeed. The key one in the case of OfD is the third one, which says that the local partner “*should have the capacity (staff, space, skills including language skills) to effectively cooperate with the twinning partner*” (see box 8.4). This pre-condition has very often *not* been in place when it comes to OfD partners. Why has OfD insisted on pursuing twinning if an important pre-condition is not in place? One reason is undoubtedly the flexibility of the OfD twinning arrangements. While NPD, for example, is the agreement holder, most of the inputs come from outside NPD that address issues beyond NPD’s own fields of expertise. Another is what the EU study refers to as the larger societal frameworks being conducive: there has generally been high-level political commitment to the OfD program both from Norway and the partner countries. This has provided strong incentives for both parties in twinning arrangements to push for success. One additional factor mentioned in a number of conversations is that the Norwegian partners are seen as listening and thus willing to adjust, so twinning arrangements have not become simple supply-driven vehicles for bringing a partner institution up to “Norwegian standards”. A final reason may be that Norway has often shown a willingness to be patient and bear the costs of this: if institutions in Timor Leste are weak, then the Norwegian partner will soldier on till local capacities can more efficiently exploit the full range and contents of what Norwegian partners have to offer.

Why twinning works in some pillars and less so in others. The petroleum resource pillar is the one where twinning has taken place the longest: NPD has been engaged basically with the same institutions in Mozambique since 1983. Over time, the parties have found ways of working together that are functional for both. But the key reason things work so well is probably due to the structural similarities: the two parties have similar mandates and roles within their own public sector, and often have a strong internal position. Ministries of finance are probably close to the petroleum sector when it comes to structural similarities. But while petroleum regulatory bodies can be claimed to be largely technical institutions, ministries of finance are eminently political bodies, at the core of the state's decision-making structures. Engaging on issues like tax policies, revenue mobilization and control, and expenditure distribution, is necessarily becoming involved at the heart of government. There have been more problems of twinning for the environmental institutions, where the partner countries have had weaker competencies and less real power and the influence of a national environment ministry seem quite different from that in Norway. But this raises the question of whether OfD has been sufficiently critical when applying institutional twinning across all three pillars, and whether the OfD had sufficient advance knowledge of the institutions that it would be partnering with.

Box 8.4: "Lessons Learned" on Institutional Twinning

Institutional twinning is used extensively by the EU to help applicant states upgrade systems and capacities to conform with EU standards. This is hence the situation where institutional twinning has been used most extensively and systematically. The most recent evaluation found that EU's criteria for twinning remained valid (Ecorys 2011): (i) the assignment should be related to the EU body of knowledge (the "supply institution" needs to be a "centre of excellence" in its field), (ii) the partner organisation should be mature: an established institution that has a clear idea of how it intends to evolve, and (iii) the partner organisation should have the capacity (staff, space, skills including language skills) to effectively cooperate with the twinning partner. In all other cases stand-alone TA is preferred. But the study also found that past experience of the partner agency is important: if it already has experience with twinning it is more likely to work also in the future. Twinning was furthermore more likely to succeed when there were other bodies that were engaged in or had experience with twinning (presumably due to peer learning), that the overall maturity of the society mattered ("absorptive capacity" was good) and that the larger societal frameworks were conducive to twinning, such as pressures to perform and an overarching political will to succeed – becoming a member of the EU was clearly a strong "driver" for results (ibid p. xii).

Efficiency and effectiveness. The study compared twinning and technical assistance costs and found that unit costs and cost variance was lower with twinning. Beneficiaries saw technical assistance as more cost-effective, however, since it was more flexible and more controlled by the partner agency; it takes longer for twinning to generate results (it is seen as a slower and more rigid implementation modality), and TA contractors were likely to use inputs more efficiently, in part because public sector actors were neither under cost nor delivery efficiency pressures (ibid p. xv).

Twinning in Africa: A comprehensive review of capacity development efforts in Africa had somewhat different though not contradictory findings (Scanteam 2008): Twinning was successful when based on (i) clear partnership with shared objectives and values; (ii) focus on sustainable capacity building; (iii) there was potential for long-term cooperation after the project ends, (iv) activities and inputs were used flexibly, adjusted to changing needs, (v) there was serious commitment by management in both organisations. The latter was important because for the supplying organization the "deliverables" need to be part of its own work program so that project implementers are held accountable by management for results. On the other hand, potential problems included lack of incentives for performance and danger of "lock-in" when the external partner no longer is the most appropriate. Donor-funded twinning also limits the range of partners, increasing the danger of supply-driven twinning (Jones and Blunt 1999; Proctor 2000; Olowu 2002; Ouchi 2004).

8.3.2 Technical Assistance

Technical assistance: transferring knowledge and skills. Norwegian expertise is used in different ways: advice, training, mentoring and gap filling – but often by the same persons, especially when they are resident advisers. The problem is that the roles require different skills. Most public agency staff who go abroad, whether for long-term or short-term periods, are technical experts. They might be good gap fillers as long as they understand context; they are good at mentoring if the tasks are within their field of expertise; and may be good advisers, depending on how high up in their own organisation they come from and what the issues are. They may or may not be good at formal training. Where agency staff generally have scored well is on basic attitude – committed, professional, focusing on the agenda as set out by the local partner. Where questions have come up is in contextual understanding and use of own time across these different forms of TA. Resident advisers in low-capacity environments found themselves having to execute tasks at much lower technical levels than they had expected, and these tasks could be done much cheaper by locally procured expertise⁹. The pressure on resident advisers is often to assist with “crisis of the day” which reduces possibilities to address longer-term organisational and medium- to higher-level technical development. This is where Norwegian actors presumably have their comparative advantage but where necessary pre-conditions might not exist. Resident advisers also had to address a range of administrative issues, such as preparing in-coming and out-going missions. On the other hand, when an institution itself defines priorities and pin-points needs – a situation the INP in Mozambique feels it has reached – then institutional twinning can be extremely effective as NPD can also call upon particular expertise beyond itself when it responds. And a lot of NPD staff now know Mozambique and INP well enough to understand what the pressure points and real needs are.

Administrative, technical and policy gap-fillers: why resident advisers are popular. While twinning arrangements are focused on building capacity, national managers have to focus on delivering results. Resident advisers thus easily become part of the delivery capacity rather than capacity builders. In a number of situations this is understood and accepted: Timor-Leste required help in setting up and overseeing its sovereign wealth fund in the first stages. But distinguishing gap filling from other tasks, bench-marking needs and setting exit criteria should therefore be important in such situations. The challenge for OfD is to more clearly differentiate tasks, figure out which ones OfD will address and which ones it is not going to get involved in, and then define the structure of inputs that most efficiently and effectively can tackle the agreed fields. The role of resident adviser may thus be quite useful because a person who can tackle the political challenge of saying ‘No’ yet understands context well enough to know not only when to say ‘Yes’ but also what kinds of expertise is required, is highly useful. The experience with resident advisers is mixed, but in part because there has been disagreement on whether this task is primarily technical, administrative or political – when the answer is that it needs to be a mix¹⁰. One difficulty is

⁹ In Timor-Leste OfD experts found themselves having to carry out basic training of counterparts who had largely high-school training. Eventually a trainer from the region was brought in, which brought costs down.

¹⁰ In one discussion with OfD, one of the technical agencies insisted that any resident adviser would have to come from the public agency responsible for that pillar, a point of view that is understandable but not necessarily right.

thus figuring out a good job description for this position. The other is to accept that for it to be useful, this will most likely have to be a long-term posting: there is no need for a resident adviser when the partner institution is able to manage the TA itself. It is needed when the organisation is weak and the general environment tends to be skills-scarce and thus cannot provide a lot of useful inputs itself. Scaling down the technical level and scaling up the time horizon may thus be two important steps for more successful use of resident advisors.

8.3.3 Training

Training: solution or placebo? Training is a common form of TA, with many permutations: in-country or abroad (study tours, workshops, seminars); on-the-job/informal or in formal training institutions; short-term or long term (including degree programs); using foreign trainers or domestic/regional. OfD seems to have financed most variations at one point or another. A review of the World Bank's capacity development efforts in Africa noted that projects typically over-spent on specific training (Independent Evaluation Group 2008). That is, the training needs were defined by the individual institution rather than taking a larger national labour-market view to avoid the classic "training for organisational failure": staff in the public sector who are given additional skills become more valuable in the labour market and then leave for better paid jobs elsewhere. The organisation focus for skills upgrading tends to be non-sustainable for two reasons: no permanent capacity for training similar skills in the future is being provided; and the demand of larger society swamp the small supply-effect that project-driven training represents. One conclusion from a number of studies is that if the international community had been willing to work with national authorities to map the medium-term needs of the sector, including expected changes in private and civil society demand, and pool capacity development resources, broader and more sustainable skills and organisational outcomes could have been delivered. What may in the short run be a success – the relative stability and solidity of institutions in Mozambique and Nicaragua, for example – may be due to a (currently) stagnant sector¹¹. This dilemma is not unique to OfD – even the World Bank with its massive and global training resources faces this problem. But in OfD this is institutionalised because the twinning arrangement with Norwegian public agencies mean they are very focused on the local public agency on the other side of the table – the larger labour market cannot be their concern.

Training versus education: have we got it right? OfD can clearly not fund larger sector education programs, but there needs to be a more coherent, consistent, comprehensive approach to skills development and organisation building. The pillar structure appears useful since it is in line with labour market skills segmentation. Among the three pillars the resource pillar may be the most vulnerable to brain-drain and thus requires particular attention. Petrad's training needs assessment tool may provide a useful starting point for a more broad-based dialogue between OfD, national authorities and private sector partners, who undoubtedly are now becoming worried about future skills availability in a number of

¹¹ Mozambique's national regulator INP is seen as a success story as it has largely the right size and mix of skills, good academic standards, with frameworks in place that are in line with 'good international practice'. The danger is that this body of less than 30 professionals may quickly be eviscerated the day the oil companies begin hiring local skills for the huge gas fields up north – and there is no replacement capacity for those highly valuable skills in sight.

OfD countries. How exactly such a dialogue should be conducted obviously depends on country context, but since Petrad is a general capacity building body and not linked with any particular institution in the country, it may be well placed to assist in designing a more long-term capacity development program¹².

Box 8.5: Petrad and Capacity Development in Uganda

“[Uganda’s PEPD] needed to identify institutions that would give on-the-job training, particularly tailor-made courses to address our unique and urgent needs through seminars, workshops and conference in various aspects of the oil industry. Both the International Program for Petroleum Management and Administration (Petrad) of Norway and the Oil and Natural Gas Commission (ONGC) of India became leading providers of this training in that order, but Petrad needs special mention.

In 1993 I attended the 8 week Petrad course in Stavanger, Norway, and was exceedingly impressed by the amount of exposure one gets about the industry in this short period.[...] By the end of 2008, nearly 100% of PEPD’s professional staff had been to the course.

[...] In subsequent years we were to benefit from numerous seminars on contract negotiations, petroleum legislation, petroleum operations management, petroleum economics and accounting, geoscientific issues including techniques in seismic data acquisition, processing and interpretation as well as monitoring compliance and institutional organisation.

[...] The support from Petrad is the single most important contribution, outside the GOU support, towards the rapid building of capacity in the oil industry in Uganda, nearly all of it in PEPD.

Significantly, Petrad allowed unlimited independence to choose the topics or themes and they would match them with the appropriate resource persons. Sometimes we would be embarrassed by our numerous and frequent requests, but the industry was developing fast, we could not afford to be shy and hold back. None of our requests were ever turned down and this was particularly helpful because we needed to always be ahead of the game. Sometimes our requests were at such short notice, but were almost always met on time because of the many contacts Petrad had.”

From Reuben J. Kashambuzi, former PEPD Commissioner (2010), The story of Petroleum Exploration in Uganda 1984-2008: A Matter of Faith, pp. 53-54.

8.4 Longer-term Capacity Development, Ownership and Empowerment

Capacity development before and after OfD: change and continuity. Longer term capacity development has taken place only within the resource pillar in Mozambique and Uganda and the finance pillar in Timor-Leste, among the countries/sectors visited¹³. In Mozambique, INP and ENH were not really aware of the transition to OfD since project activities continued with the same partners: Mozambique still has organisation-specific projects rather than a sector pillar as the framework for support. They were familiar with OfD since the Secretariat was represented at annual meetings, but since projects continued dealing with embassy staff and NPD as before, this was not seen to have practical implications. In Uganda, the OfD led to two changes: the imposition of integrated pillar programming, and a shift from Petrad to NPD as country lead. Especially the first dimension was noted by resource pillar staff as introducing a more comprehensive approach to petroleum

¹² Mozambique has prepared what it calls a capacity development strategy for the petroleum sector, but it is largely a set of intentional statements without targets, indicators, baseline, priorities, budgets, timelines. Petrad’s Capacity and Training Needs Assessment tool could be useful for developing a more operational plan.

¹³ This statement is not totally accurate as support in Bolivia and in particular Nicaragua have been longer-term, but these cases were not looked at in-depth so the team does not have the same level of information on these.

development – and an increase in bureaucracy since some activities were now dependent on other actors for progress. There was concern that slow movement on the environment side might hold back progress in their own field. The need for a national results framework that incorporated all three pillars was also seen as an additional cost rather than an enabler for program results. The introduction of more actors, such as civil society and engagement of parliamentarians, was noted as linked with the transformations towards OfD (since Uganda is not a member of EITI there was not a multi-stakeholder group established via that mechanism). This more broad-based approach was thus recognized as an OfD contribution¹⁴.

Ownership and empowerment: OfD has been a positive factor. The same cases as above are the only ones where it is possible to discern results in terms of national ownership. And the message in all cases is consistent: the Norwegian partners are experienced as genuinely collaborative and collegiate in approach. National actors therefore feel that the petroleum sector support and in particular the more broad-based approach of OfD have contributed along the dimensions that the WBI conceptual model notes as key capacity outcomes regarding national ownership and leadership (see Annex E): enhanced networks to other ministries and actors; increased implementation know-how, allowing them to take on increasingly demanding tasks themselves; increased awareness and skills for handling difficult situations, and confidence in complex fields like legislation, negotiations with oil companies, with improved teamwork within and across organisations.

Capacity development: a continual challenge. Norwegian public agencies' comparative advantage is their strong own-staff base and the stability and predictability that this provides. But this is also their Achilles heel: the practical experience is largely Norwegian and technical. In a world of emerging petroleum nations with very different characteristics – large/small economies; poor/good governance systems/capacities; poor/strong human resources/local industry base – the needs for learning and advice in terms of duration and focus differ, and will in each case change over time. The need for access to other approaches may be growing. Another way of looking at this is returning to figure 3.1. When looking at the task complexity dimension, public employees may be good at training in defined areas but tend to be weaker in facilitating processes, in part due to incomplete context knowledge. A question is thus if OfD is taking full advantage of Petrad, whose key asset is the wide international network of skills across technical and complexity dimensions, and which also has tools for more systemic (“pillar free”) needs assessments and capacity development identification. OfD may thus wish to consider Petrad not only as a training resource, but also as a more strategic program partner for capacity development along the various governance dimensions – a unique asset in Norway's very considerable tool-kit.

¹⁴ Whether it was appreciated or not is a different matter: technical staff in any ministry normally prefer to be allowed to carry on with their business without having to worry too much about other actors and their agendas.

8.5 Findings and Conclusions

- 30% of OfD resources were handled by Norwegian public agencies, this share is *increasing* over time, and since much of the funding to national authorities is used to pay for Norwegian public actors, this share is in fact *underreported* in Norad aid statistics.
- The role of *ministries* is uneven and presents a systemic challenge. The Ministry of Petroleum and Energy has largely delegated implementation to NPD while the Ministry of Finance feels its quality assurance role for the revenue pillar requires it to restrict eligibility of implementing partners, leading it to set two framework agreements as the limit to its own involvement. Its solution of using the IMF as its primary partner on this pillar raises questions since Norway and the IMF do not always have the same objectives for their technical and financial assistance. Two ministries with important roles in Norway are not formally engaged: Labour, and Fisheries and Coastal Management.
- The public sector model for collaboration is not equally appropriate across all three pillars. In the petroleum sector, organisational structure and mandates are similar so Norwegian institutions are relevant. In the environment sector differences in partner countries are such that Norway's ministry and directorates do not always have functional counterparts and might open up to more innovative constellations for supporting the local environment agenda.
- The Norwegian Petroleum Directorate, NPD, has over 25 years' experience in sector collaboration, providing about seven work-years of assistance a year with 40-50 of its 200 staff. In addition NPD manages considerable OfD resources through contracting external assistance, though all of these external partners are Norwegian.
- Petrad is a foundation set up to support capacity development in the petroleum sector. Its comparative advantage is its global network of pedagogical and technical experts used for delivering services around the world. The training is highly rated with courses that are seen as cost-efficient compared with other Norwegian actors, and seem to achieve results that are favourable compared with World Bank training. Its role in OfD may be too limited, as a more strategic focus on overarching capacity development rather than training could take advantage of Petrad's tools and network.
- While public agencies are cost-efficient in terms of unit costs in the Norwegian context, Norwegian actors are expensive. Local partners still consider them effective from a larger transaction costs perspective: Norwegian actors are long-term, predictable partners who have proven to be trust-worthy, deliver quality on time, can be counted on to listen and adjust to local needs, and provide value-added support when requested.
- About a dozen Norwegian firms are used by OfD through framework arrangements with OfD, NPD and Petrad. Rates have been kept competitive from a Norwegian market perspective, but firms feel work intensity is lower than expected. They deliver services within pillars, so quality assurance and programmatic coherence is ensured, and the OfD-led country teams have further increased coordination through the pillar structure.
- The Bretton Woods institutions are important partners through the use of trust funds. OfD also has links with key international knowledge bodies like EITI, Revenue Watch Institute, the Natural Resource Charter. These arrangements increase scope and

geographic range of OfD work, builds partnerships with key international institutions and thus may enhance OfD ability to deliver on its objectives, but so far partnership link-ups in the field vary, and are often a function of embassy support.

- Institutional twinning is the key OfD implementation modality. This is a rigid model implemented in a flexible manner but founded on a limited supply base. It is more successful where there is structural similarity and common incentives among the parties; there is a maturity in the relations; and there is strong political support on both sides.
- The technical assistance (TA) provided is appreciated but is often of too high a quality and not targeted to carefully identified needs. Especially in skills-poor environments where more continuous support – resident advisers – is useful, a better mix of technical, administrative and policy skills can be designed that is more cost-effective overall.
- Training is too often narrowly focused on institutions rather than from a labour-market perspective, which is required for more sustainable results. Especially in the petroleum sector a more comprehensive approach is needed to avoid organisational collapse when private sector demand leads to public sector brain-drain.
- OfD has contributed to improved *national ownership/leadership* as Norwegian partners have worked in a collaborative/collegial mode, supporting local capacities, networks, confidence to take on complex and challenging tasks.
- The *quality* of the assistance provided has not changed structurally due to the OfD, since the public bodies are the same. However, as collaboration is extended over time, local partners define more precisely the services they need and thus request more *targeted* aid.

9 Program Governance and Administration

OfD Model, Size, Governance and Administration. The ToR asks the evaluation to look at the organizational model for the OfD, roles of the OfD-secretariat and the embassies, focusing on the following aspects:

- To what degree and how has the involvement of the Norwegian ministries contributed to increased results?
- Could the achieved results have been significantly increased if the OfD-program had limited the number of partner countries and focused on selected types of partners?
- Has the secretariat model increased the relevance, quality and efficiency of the Norwegian petroleum assistance?

This chapter addresses these questions by looking at several performance areas: leadership, strategic positioning and partnerships, outreach/country selection, results and risk management, and governance/administration with attention to the Secretariat model.

9.1 Organisation and Mandate

A program built on wide sectoral approach, international collaboration and Good Governance. The OfD was proposed and established by a right-of-centre government as it left office in 2005, and was developed further by the incoming left-of-centre government that has been in power since. A note prepared by the Regional Department of the Ministry of Foreign Affairs (NMFA) laid out the principles for OfD (*“En ny satsing”* – “A new initiative” – of 15 June 2005), where the first organisational meeting included the NMFA, the Ministry of Petroleum and Energy (NMPE), the Ministry of Finance (NMoF) and Norad (minutes 15 September 2005). The headline from the minutes of this meeting was clear: “The new focus on petroleum management and governance” (*“Den nye satsingen på petroleumsforvaltning og styreset”*). The expected demand for help in managing petroleum revenues and hence the need to have the NMoF as a strong partner in addition to the NMPE was underlined and it was suggested this would best be handled by establishing a Steering Committee (SC) with a secretariat in Norad and furthermore a Reference Group where other actors like Petrad, NPD and academic milieus would be invited. Collaboration with international actors like the World Bank and bilateral donors in the sector and links to EITI were noted as important, and Petrad needed to be strengthened to play a role regarding Good Governance.

Moving quickly to get appropriate program management in place. The first meeting of the SC took place early November 2005, with the Ministry of the Environment (NMoE) as a new and permanent member, in recognition of the incoming Government’s increased attention to environmental matters. The draft of the SC’s Mandate was approved (SC minutes 04 Nov 2005) with the SC comprising NMFA as chair, NMoF, NMPE and NMoE. These ministries have consistently been represented by high-level officials who have been in a position to speak on behalf of their ministries and take decisions in the SC. The tasks were noted to be (i) clarify roles and tasks of the Norwegian and international actors engaged in OfD, (ii) decide priorities among the countries and institutions that were to receive support; (iii) clarify and decide policy and strategy issues related to the management of the program; and (iv)

monitor OfD's implementation (SC mandate, undated). Whereas the subsequent meeting was already the month after, the SC has since then met on a fairly regular basis four times a year.

Clarifying roles, providing a unique political foundation. One of the issues that quickly arose was the division of labour between the ministries sitting in the SC, other relevant OfD actors that were not in the SC (such as PSA and its parent Ministry of Labour) and the embassies. A note clarifying these issues was prepared (25 May 2006), but questions remained, in particular with regards to the decentralised authority to approve activities that embassies have within the Norwegian aid administration¹⁵. This was seen as problematic by members of the SC since embassies were beginning to fund activities that had not been technically reviewed by SC ministries in Oslo. For this reason, a decision by the NMFA was sent around to the embassies that due to the need for better programming and coordination of Norwegian resources, *all* OfD projects had to be approved in Oslo, and in cases of contestation the SC would decide (E-mail to embassies 5 December 2006, known as "Lex Lomøy"). To further clarify roles and ensure political support, a Cabinet Note ("*Regjeringsnotat*") – a high-level policy document – was passed in 2007 that defined the core responsibilities of the participating ministries as being (i) providing technical assistance to the OfD program, and (ii) quality assuring the policy advice and technical assistance¹⁶. It furthermore underlined the formal mandate of the SC as the decision making body for OfD. This was to address the concerns that ministries did not want to find themselves responsible for a program that they were not comfortable they could handle, as reflected in the note from the NMof to the NMFA (section 8.1.1). This high-level coordination arrangement was seen as politically important, and also ensured OfD access to policy advice from high-level civil servants across the key ministries.

High-level political involvement creates challenges. While the Cabinet Note anchors the program with the four key ministries, constitutional responsibility for the budget and thus results remain with the NMFA since the funds are from the development cooperation budget. The decision making powers of the SC need to be seen in light of this. Furthermore, by giving primacy to these three ministries, the pillar structure becomes more limiting than perhaps was intended since other relevant actors are given less space, as noted in chapters 4 and 6. At the same time, some interpretations given to the Cabinet Note reveal understandings that need to be addressed. The Ministry of Finance is worried that advisers funded under the Finance Pillar – politically clearly a sensitive area – may put forward

¹⁵ Norwegian ambassadors generally are authorized to sign agreements under NOK 15 million that fall within country program frames and are not of a particularly complex or problematic nature.

¹⁶ A Cabinet Note is a policy instrument that is considered both a political and personal product. Normally a Note is prepared by a Minister and presented and passed by Cabinet, but remains the personal property of the proposing Minister and is considered confidential. The Note is provided on a restricted basis to senior staff only, so is withheld from the public domain and thus cannot really be discussed. The evaluation team was thus never shown the actual Note, but given an explanation of what it contains by a senior civil servant. Most of its contents can also be deduced from derived documents such as the mandate for the SC. But this means, for example, that the team has difficulties discussing the interpretation of the Cabinet Note given by NMof since we cannot verify the exact wording. The team thus notes with concern that the primary policy document for what may be the most important development program Norway has cannot be subject to public debate, because the fundamental pre-condition for accountability of policy makers with regards to this key *governance* program – free access to information – is explicitly denied.

proposals that the NMoF does not agree with. Hence its focus on relying on own staff as advisers. This interpretation of what the Note intended regarding the quality assurance responsibility does not seem to be quite in line with what the originating minister actually wanted (see box 9.6).

9.2 Strategic Partnerships and Positioning

The OfD program has positioned itself as a strategically important development program. OfD has gained respect and interest from global partners, and the great interest among many emerging petroleum economies to be included in the OfD program is an important achievement but is also one of the key challenges facing the program (see 9.3). Compared to the previous petroleum sector support, OfD has provided a more comprehensive petroleum sector governance perspective, although results so far show that full implementation of this has yet to be achieved.

Successful strategic positioning and partnerships at global level. The OfD program, both the Secretariat and the Norwegian ministries in the SC, have established important strategic partnerships with key organisations such as the World Bank, the IMF, Revenue Watch Institute and the Natural Resource Charter (see 8.2.3 and 8.2.4). Furthermore, the OfD program has in several countries supported local EITI programs, thus establishing synergies on the governance side with more locally-owned processes.

Varied collaborations with local partners. OfD has so far put limited emphasis on creating partnerships with national organisations outside the public sector. In some cases, the embassies have carried out activities to compensate for this, drawing on their network and local knowledge. Stronger collaboration with embassies on identifying potential regional and national partnerships could have been further explored.

Complementing skills and competencies through partnerships within Norad only recently strengthened. The OfD Secretariat is part of Norad but till recently has not capitalized fully on the access to experienced Norad staff in a number of relevant areas: governance, nation-building and state building in post-conflict contexts, capacity development, country context, anti-corruption, gender. Secretariat managers had focused more on external partnerships despite the concerns raised in the 2006 evaluation that petroleum sector support did not apply the mandated Norad procedures and instruments for program management. Norad's management review of OfD identified a continued need for improved knowledge of key development cooperation documents and procedures; more systematic and comprehensive organization of own documentation and routines; clearer divisions of labour within the Secretariat based on written job descriptions; and better quality assurance of their aid management (Norad 2009a). This area is now being given more attention (section 9.5.2).

9.3 Outreach and Country Selection

OfD country portfolio: a mix of history and new entrants. OfD started building its country portfolio by assuming responsibility for the countries already receiving assistance over the previous petroleum sector program. With the six country criteria in place (see box 2.1) and the SC now making the decisions on country inclusion, the pressure has in general been towards increasing the number of countries, though over the last couple of years total

number has decreased (table 2.1). The OfD portfolio is complex, consisting of both low and medium income countries, mature and emerging petroleum economies with high and low export dependence, stable and fragile/post-conflict states, as reflected in table 3.2 of the five core countries included in this evaluation. Suggestions for including new countries SC members see deriving from different processes. The most important is countries' own wishes, in line with the OFD's first criterion of being demand driven.

OfD selection criteria: The need for clear selection criteria for OfD countries, recognition of the OfD program's capacity constraints, particularly within the revenue pillar and in the Secretariat, were all factors identified by OfD management already in 2006. The OfD program also intended to put an emphasis on long-term capacity development in core countries with an articulated strategy differentiating between instruments chosen: short-term targeted interventions in non-core countries and long-term capacity development in core countries. This distinction in the use of instruments has in practice not taken place. Despite management attention, formulation of articulated strategies and attempts at addressing these issues, many of the same challenges remain today. During the course of the years, however, OfD has adjusted its country portfolio policy (box 9.1).

Modifying the selection criteria: Norwegian foreign policy concerns. While country demand is fundamental, Norwegian foreign policy concerns have often influenced the actual selection of partner countries. In the case of *Latin American* countries, OfD has been seen as a means of supporting regimes that have both been trying to increase the country's revenue-take while at the same time shifting the country's development policies towards the kinds of poverty-reduction Norway would like to assist. It is also one of the few instruments Norway has had available for "opening doors" in that region. *Fragile states* such as Iraq, Afghanistan and Sudan are a high policy priority, so Norway wants to assist vulnerable societies avoid the "resource curse" by helping set up credible regimes for managing expected inflows of resource rent. In the *Middle East* engagement in the petroleum sector has been part of the larger effort at finding entry-points for joint activities between parties in conflict, at forging constructive processes that may facilitate larger reconciliation and dialogue processes (box 9.2).

Box 9.1: Adjusting the OfD Portfolio

In a note to the SC of 4 June 2008, the Secretariat proposed tightening the country selection criteria and making adjustments to the country portfolio. It noted that during the preceding 24 months, OfD had received requests from seven countries for inclusion in the program that had to be rejected, and believed real demand was greater but that a number of potential requests had been avoided by signalling that they would in any case not be approved. The pressure on the program was thus great.

Capacity constraints on the TA delivery side by Norwegian institutions was one factor. Another was likely impact. A key criterion that was put forward was ability to move a country's petroleum policy towards "**sustainable petroleum activity**" ("*bærekraftig petroleumsvirksomhet*"). In countries like Angola and Nigeria this was seen as unlikely, so instead Norway could assist in countries where improvements were more likely to be achieved. The note also acknowledged that a number of countries had been included for foreign policy considerations rather than petroleum sector reasons, but accepted that this would continue to be the case as OfD is one of Norway's foreign policy tools.

The note ended making three proposals: phasing out assistance in four countries; evaluate continued "core country" status for one country; and initiate work on a regional program in West Africa, proposals that were adopted by the subsequent SC meeting on 10 June 2008.

OfD reaching the limits of its capacities? The concern raised by the NMoF regarding its available capacity to contribute to OfD is shared by the other ministries and the Secretariat itself. The conclusion has been that the delivery capacity of (some of) the critical Norwegian institutions has been reached, and that the program hence needs to avoid over-extending itself. Country selection has become one of the most important items on the SC agenda, and the SC has taken many decisions in this matter over the years (minutes from SC meetings). A number of countries that asked to be included have not been accepted because the SC felt the country in question did not fulfil the criteria but also that the program could not accommodate more. Countries where the SC felt that results were not as expected have been terminated as OfD partners. Despite this there are still pressures within the program to further reduce the demands on the current OfD delivery capacity. The reduction in OfD countries is thus an SC-decided strategy, but presents a challenge to Norway as aid donor: if OfD is both a highly successful program and potentially even more important in the future, is rationing the best response? A number of options exist, some of which have been suggested and partially implemented within the OfD program.

Box 9.2: OfD as Foreign Policy Tool in Fragile Contexts

The experience of using OfD as a tool in fragile/conflict situations is mixed. The lesson seems to be that OfD, as any other tool trying to create results beyond its own immediate sphere of influence, depends more on the larger context rather than being able to influence them much. Where processes go in the right direction, OfD can be very helpful, such as in the peace negotiations in Sudan leading up to the declaration of independence of South Sudan. Once conflict dynamics turn negative, though, there is little that OfD can do to influence these.

At the same time Norway seems to have learned a lesson from the previous experience of trying to contribute to the Middle East peace process by promoting cross-border collaboration on another valuable resource: water. The “CESAR” water program was criticized for not clearly separating technical and political roles; for taking on tasks for which it did not have the technical experience and capacity to implement; and for not closing down when it was clear that the program was not seen to provide positive effects for all parties (NCG 2004). OfD has been much clearer on the nature of what it is providing, has clearly the technical competencies, and has been much quicker at leaving countries where results were disappointing. Whether OfD should have been more restrictive to begin with or phased out sooner is largely a matter of political preference: trying to take advantage of a “window of opportunity” would seem to make sense since it is clear that exactly in fragile situations a positive contribution may help push a process in the right direction.

Exit criteria missing. While Vietnam left OfD as a “success story” – the country no longer wished to rely on OfD for further support to its petroleum sector – the SC faces challenges when deciding if partner countries ought to be removed. This is particularly difficult in fragile/conflict states like Afghanistan, where genuinely weak capacity to implement may be a key reason for poor performance. But of the six entry criteria, it is probably the last one on governance that should be the deciding factor: if a country is not developing better sector governance, then there is little sense in OfD spending scarce resources there. So the key entry and exit criteria may become the same¹⁷.

¹⁷ A question is if only government performance is decisive. FOSTER in Nigeria works with non-public actors because the public sector is not a driver for change. As long as progress takes place, FOSTER will stay.

Box 9.3: Regional Cooperation in Latin America

The regional workshops organized by Petrad (see 8.1.3) show how a regional approach can be developed and expanded. The workshops addressed English, French, Spanish and Portuguese speaking countries; covered Latin America and the Caribbean, and Western, Eastern and Southern Africa, addressed virtually the full range of topics of the OfD as a program. In several instances the workshops were followed by exchanges of specialist delegations between Norway and the participating countries. And the workshops engaged experts from the regions as important contributors to the learning processes.

There are a range of arguments for strengthened regional cooperation. One is the need for more flexibility to include complicated and politically sensitive issues which will often be ignored or directly opposed by state authorities. By bringing together resource institutions and persons for regional capacity-building activities, it is often possible to strengthen knowledge, advocacy and even a heightened regional awareness that are difficult to achieve through bilateral activities. Another reason is that the exchange of expertise in a regional context, typically as a supplement to Norwegian expertise, is often more effective due to the knowledge of local conditions (including language) but also because peer-learning is often acceptable and certainly more cost-effective. OfD management already in 2006 also argued for the economies of scale when staff from across a region can be trained in the same topic, and in the process often will build their own regional knowledge networks.

The case for a strengthened regional approach may be particularly strong in Latin America, given the political wish by Norway to get involved up against limited resources for engagement in each of the OfD countries separately. This is all the more a realistic option given the problems of institutional instability in the only core country there, Bolivia. At the same time, Norway can access high-level expertise in the region which has the added value of good cultural and political context understanding and language skills.

Several configurations can be envisaged. Bolivia, Ecuador and Peru would be three potential beneficiaries regarding critical petroleum-related issues where Norway has both strong interest and also considerable competence: environmental sustainability and the rights of indigenous peoples in the Amazon area. Colombia and Venezuela might be added among the relevant partners in such a regional program. Many of these countries have themselves well regarded skills centres and may be included both as providers and recipients of capacity building. Brazil, Norway's main economic partner in Latin America with petroleum as the most important cooperation sector, might conceivably also be interested in being part of such a regional collaborative network.

One further dimension to include in such regional programs is the wider topic of governance. The potential for building strong advocacy campaigns in favour of petroleum governance is probably stronger in Latin America than in other regions due to the strength of civil society, in a region where it may be difficult for Norway to engage effectively with each national government.

OfD performance as a function of country portfolio size. Because of the perceived capacity constraints, OfD has reduced the number of program countries (table 2.1) and some claim further reduction is necessary in order to maintain quality. One thing is that no evidence has been provided that shows results on the ground in the remaining countries have improved as a function of this country concentration, though in all fairness this has been such a recent change that this probably could not be expected. But more importantly this argument hinges on whether the technical assistance capacity constraint is real or not. A concern raised by a number of informants and shared by the evaluation team is that the capacity constraints are self-imposed by relying almost exclusively on Norwegian public sector skills, and over time this is seen to be less and less necessary. OfD reach can be expanded (see box 9.4), OfD management can be restructured (see chapter 10), though the concerns raised by central OfD actors opposed to this need to be carefully weighed (see box 10.3).

Box 9.4: Expanding Oil for Development Reach

Strengthening regional cooperation. While OfD has supported regional capacity development efforts and is providing support to non-core countries in West Africa through more regional approaches (see box 9.1), this option can be explored more fully. While Latin America is the region where this approach might be the most useful (see box 9.3), the experiences with regional activities in different regions of Africa also can be extended (see the comments on Petrad's work, section 8.1.3). The idea in the 2008 note of building regional capacity centres such as one in West Africa is a further means of promoting and strengthening the regional collaboration dimension of OfD.

Tapping into other skills centres. The binding constraint in the OfD program today is stated to be the delivery capacity of key Norwegian public bodies. However, this is clearly not correct. NPD has expanded its reach considerably through framework agreements with Norwegian consultants and most of its OfD funds is for contracting external skills. Similar holds for Petrad, which contracts trainers from outside its own staff. The environmental actors have not come up against own capacity constraints but in terms of the needs outside the public sector in the partner countries MNoE, Klif and DN might consider collaborative schemes with both Norwegian and international environmental bodies, of which there are numerous. The real constraint is the one self-imposed by NMoF. One way of relaxing this is the Ministry's own link-up with the IMF. A second is to exploit the larger Norwegian experience base (Central Bank, Statistical Bureau), universities, retired staff and consultancy milieus, proposed already in the initial Note on roles within the OfD (Note to the SC of 25 May 2006, repeated in note of June 2008 – see box 9.1). But for all Norwegian actors, looking abroad – partly for regional partners through regional mechanisms, but also to other known knowledge centres that the Norwegians are familiar with through their international networks – obviously could expand the reach of OfD significantly. It would require internal quality assurance and probably some training efforts, but collaboration across boundaries by using actors like Petrad to “build capacity for capacity building” could extend reach considerably.

Strategic partnerships. OfD has good working relations with the World Bank, Revenue Watch Institute etc., but in some cases more strategic partnerships in the form of division of labour has taken place. One West African country requested inclusion in OfD but instead Norway included it in the West Africa regional support, and the World Bank's Norway-funded Petroleum Governance Initiative (see 8.2.3) provided support. This model can be applied more generally, for example in Nigeria where Norway can support DFID's FOSTER program without having its own structure (see box 7.5). Norway might foment a strategic “likeminded petroleum governance” group, combining this with the regional approach by finding regional actors that might wish to take on a role within such a program (such as strengthening petroleum engineering training as part of a wider capacity development program), etc.

Embassies key local actors. In countries where Norway has embassies, these can take on an important policy coordination role, strengthen the governance focus through by ensuring complementarity with other Norwegian and donor activities, contract local skills for more intensive monitoring and liaison with key actors. In regions with collaborative/regional activities, embassies can play a “hub” role for supporting and developing initiatives, and constitute a key link back to the OfD Secretariat in Oslo for programming, coordination and quality assurance purposes.

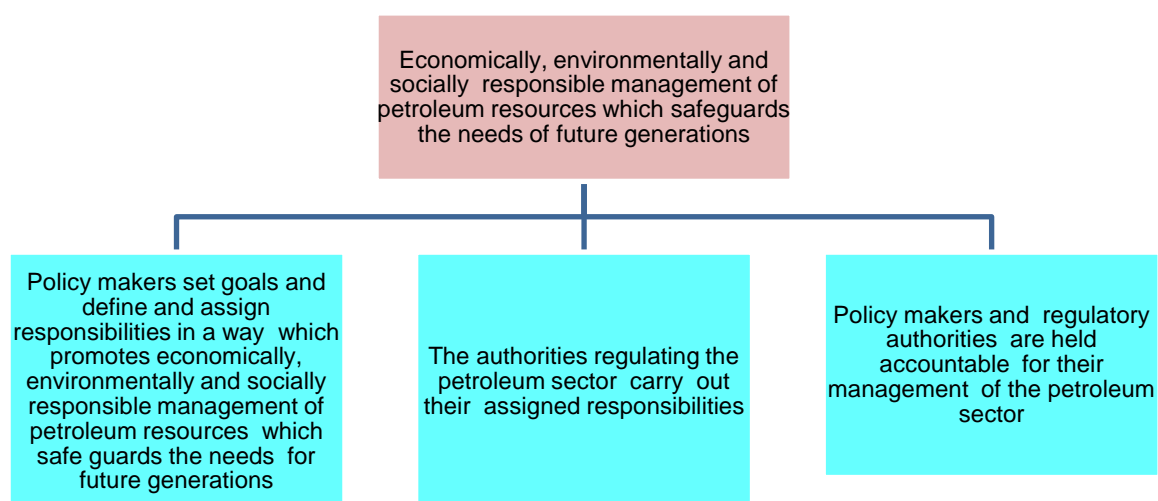
Better targeted technical assistance. What kinds of TA and with which instruments OfD supports core countries with poor institutions and weak capacities also influence the reach of the program. In countries like Timor Leste, the burden on NMoF was experienced as very heavy in a setting where the capacity to absorb senior technical experience to begin with was almost nil. More carefully planned interventions (section 8.3) can reduce the demand for senior technical skills in favour of more training (cheaper and better context-adapted if hired in the region) and administration (local or from the region). Some programs (Timor Leste, Uganda, Sudan) had a senior adviser as OfD coordinator but a better approach is to contract locally a person as OfD coordinator from an administration/management perspective, addressing implementation bottlenecks and freeing up TA staff to do what they do best.

Governance for distinguishing core ⇔ non-core countries. The distinction between core versus non-core countries was in part based on differences in the choice of instruments. But OfD may also use the last country selection criterion of *countries committing to implementing activities that improve governance* as a differentiation criterion. OfD may have new countries enter as non-core, and if they wish to “graduate” to core country status, there are key governance improvements that need to be documented and in place first. This would also allow the governance concern to become more strategic in the overall OfD program.

9.4 Results and Risk Management

Results management remains weak. The 2006 evaluation (Danish Energy Authority 2007) and the follow-on 2009 management review of the OfD program (Norad 2009a) noted the lack of adherence to basic Norad development cooperation procedures and instruments. The starting point for Norwegian development cooperation is national ownership of the activities, which is embedded in the demand-driven criterion for OfD. But the operational management of the Norwegian part of the collaboration is to be based on the principles of results-based management (RBM) as laid out in Norad's Development Cooperation Manual (DCM)(Norad 2005) and the follow-on Results Management manual (Norad 2008). This is still at an incipient state within the overall OfD program. The Secretariat has asked that program implementers prepare results frameworks (RFs) for the programs they are given funding for, but when one major implementer requested the overarching program framework – that is, one for OfD as such – this was not available. OfD in fact only got an approved framework in place towards the end of 2011, which still in key areas needs strengthening, operationalisation and clarification (see box 9.5). It is restricted to the Outcome and Impact levels (see figure 9.1), largely because the OfD is such a wide-spread program operating in very different environments so it can only define its objectives at strategic levels, though it has tried to encompass the governance concerns as one moves across the three Outcome statements from left to right. The challenge is the linkages down to country programs and projects, because without a consistent results framework it becomes difficult for OfD as such to provide consistent performance reporting and for underlying projects to contribute results monitoring that can be aggregated in some fashion at higher levels¹⁸.

Figure 9.1: OfD Country Program Results Framework, Impact and Outcome levels



¹⁸ One should at the same time be careful not to “over-engineer” RFs. While INP and ENH in Mozambique now provide better plans and results reporting, for these institutions what is important is that they deliver against Mozambique’s objectives, not OfD’s. The challenge is the extent to which these are compatible – whether OfD’s governance concerns fit with or in fact are part of Mozambique’s own objectives.

Box 9.5: Results Based Management for OfD

The RBM approach requires a planning process that clarifies what the objectives for the project or program are, documents the starting point (baseline), the resources that are required, and the results that are expected. The objectives are typically recorded at three levels: the direct **Outputs** from project activities (the results for which project management is directly responsible, such as better qualified staff); the **Outcomes** from applying the Outputs (the organization is providing better oversight due to better trained staff); and the longer-term societal **Impact** from this (the government is assured correct revenue streams because the oversight is of high quality and predictable). A **Results Framework** (RF) will typically record the expected results at these three levels, but then also break them down into sub-components that are more easily measurable, typically through the use of various **indicators** that are seen as valid and reliable instruments for tracking changes. A narrative that goes with the RF will typically present the logic that links the different levels of achievement (*the program theory*). Because there are risks and uncertainties with regards to both the production of the Outputs but in particular to the achievement of Outcome and Impact, **risk analyses** are undertaken to assess both what the likely threats and opportunities are, but also how the project and the parties to the larger OfD program can minimize the risks and increase the likelihood of success (**risk management**).

In the case of the OfD, the program faces some challenges. A 2006 decision by the NMFA accords to the NMFA/SC all authorizing powers for OfD funding while normally an embassy has approval authorization for projects with budgets under NOK 15 million. But it is not OfD at central level – the Secretariat – that is responsible for implementing the program. This is delegated to the various contracting parties, such as NPD or Petrad in Norway, or local partners like INP and ENH in Mozambique. Each of these is therefore responsible for performance management and reporting.

At the same time, OfD as a flagship program clearly needs to document results. As with Norway's development cooperation in general there is a demand for clarifying overall performance – aggregating the results achieved at country or project level as components of the larger program. For this to be feasible, the program needs to have an overarching results framework to which the various activities contribute.

OfD began preparing its RF only in 2009, and after further revisions the RF was finally approved by the Steering Committee at its meeting in October 2011 (OfD 2011). This RF is, however, something of a hybrid. It is a framework for the program as such but also meant as a tool for the individual projects. It provides an analytical framework for clarifying what should or could be desirable results, and proposals for indicators that can be used to record progress at the higher results levels.

The RF is truncated as it does not include the Outputs levels, but focuses on Outcomes and Impact, where the Impact statement is OfD's operative goal: *"economically, environmentally and socially responsible management of petroleum resources which safeguards the needs of future generations"* (see figure 9.1). The argument for this RF structure is that the program wishes to focus on the overarching results, but also that Output levels are too far down in the results hierarchy and would vary from one project to another and thus not easily defined at OfD level.

The RF concentrates a lot on the Impact level. It is decomposed into eight dimensions and thus also gives the implicit program theory for the Impact statement. It then provides over 20 indicator ideas (many of which frankly have little to do with any Impact level).

The three Outcomes address dimensions of sector governance: appropriate planning, implementation and accountability. They are, however, all formulated in process terms (*"the authorities regulating the petroleum sector carry out their assigned responsibilities"*) rather than measurable end-states, which is the normal approach. The real challenge, however, is that there may be a big gap between what a given project or program delivers (the Outputs) and these Outcomes (the understanding of what Outputs are in the RF is also poor, as the examples given are typically activities rather than results). When time comes to revise the RF, OfD may wish to design one that is closer to the model the World Bank uses, which does not worry much about trying to measure Impact – since that is almost never achieved within the project lifetime – but rather focuses on Outcome and what the Bank terms Intermediate Outcomes – a step between direct project Outputs and the program Outcome, which often presents a major delivery leap.

A review of the experiences by national actors and program implementers in applying the OfD results framework may help identify the areas that the actors on the ground feel would be the most useful in terms of guidance and ideas.

Country level results management remains weak but is improving: In the countries visited, procedures and practices vary in terms of the use of RBM frameworks. In Mozambique, the program has only partially moved to a pillar structure. The collaboration with INP and ENH continued through institution specific projects, while in the environmental sector a pillar-based collaboration was agreed to though implementation has not really started up yet. INP and ENH have strengthened their results reporting and this is increasingly put into RBM frameworks and terminology, making for example the human resources development in ENH linked in with the overall company development. In Timor-Leste there was not a significant change in management documents regarding strengthened results management and monitoring with the transition from the petroleum assistance to the OfD program, though the quality is above average compared to other OfD countries. The documents presented at annual meetings on the whole follow the same structure, the annual plans are operational and focus on specific activities, and the reports relate to these. In Uganda, OfD spent a lot of time assisting the national actors develop *one* integrated program for all three pillars, where the document included a results framework with indicators. This program document was recently approved so the RBM framework has not yet been applied, though the reactions from the parties and the conclusions by OfD is that this structure is too complicated and rigid since the interdependencies in program structure have knock-on effects on implementation. This lesson was therefore decisive in designing Ghana's program, which consists of three stand-alone but coordinated pillars, each with their own RF.

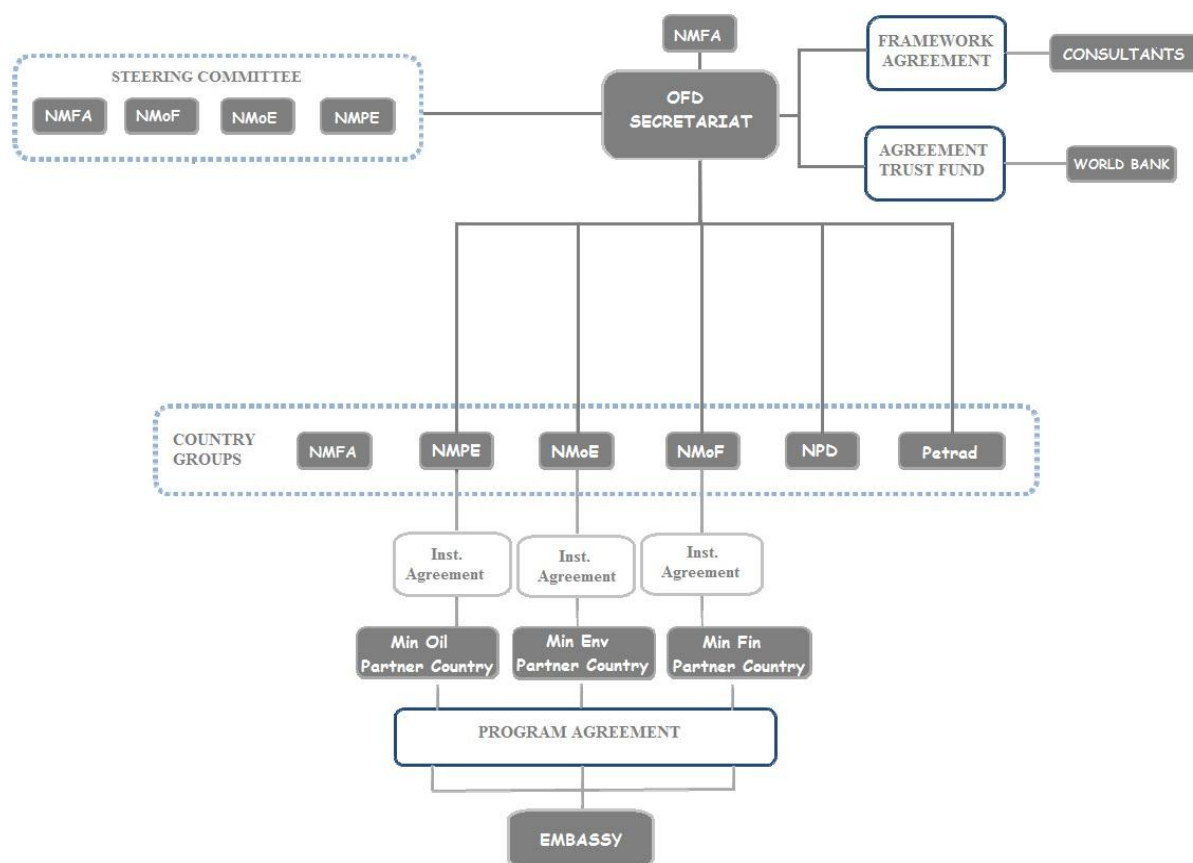
Risk analyses and management incipient: Normally risk analyses are carried out as part of program identification/preparation and thus linked to implementation issues (risk factors are identified in the "External Factors" column in a typical RF). OfD took a more strategic approach by having risk studies carried out at country/sector level in core partner countries in 2010. These were sent to the SC for discussion and approval. The studies addressed internal and external program risk, including human rights, threats of conflict, etc. Reputational risk to Norway was discussed, and mitigating steps proposed, such as giving clearer political messages to authorities seen as being in breach of the good governance standards Norway officially adheres to and defends. – Because the studies were done at this general level, they do not seem to have had much impact on activity designs and implementation – no direct references to the risk studies have been found. The studies may, however, serve as good starting points for more careful reviews of threats to pillar activities, for example, but would need to be more detailed both in analysis of threats and in the proposed steps for risk avoidance or mitigation.

9.5 Program Structure, Governance and Administration

OfD is a complex program. The NMFA is constitutionally responsible for the funds with the SC as an advisory body. The OfD Secretariat has oversight responsibilities for funds use. This is done through a web of arrangements: from the Secretariat directly with consultants through framework agreements, trust fund agreements with the IMF and World Bank, and with NPD and Petrad. In addition the three key ministries are provided funds for OfD activities that in turn are used for implementing agreements in the various partner countries. The exact arrangements vary from one country to another, where Mozambique has largely maintained its institutional projects while Uganda put in place one overarching agreement with a common results framework that has turned out to be cumbersome. In the most recent

core country, Ghana, OfD therefore ended up designing a program based on three separate but coordinated pillars. The agreement structure thus looks somewhat as in figure 9.2.

Figure 9.2: Representation of Agreement Structure for OfD in Ghana



OfD is centralised and Norway focused. OfD represents a change in how Norwegian development cooperation is structured and managed. As of the early 1990s, with a focus on “recipient responsibility”, authority and funding have been increasingly decentralised to the embassies. With the restructuring of Norway’s development cooperation in 2004, embassies ended up with wide mandates and decision-making powers regarding most appropriations, under the policy tutelage of the NMFA, with Norad a policy and technical knowledge centre and advisory body to the Ministry and the embassies. The OfD became organised in a different manner, for several reasons:

- **Coordination.** OfD is a TA/capacity building program based on providing Norwegian expertise. There was a need for a body that could assess and prioritise requests that came from around the world, maintain a dialogue with a diverse range of Norwegian public institutions, and coordinate these inputs to provide a coherent program despite comprising several different technical areas.
- **Political risk.** Norway was to provide policy and technical advice in a range of countries, some with fragile governance systems, others with strategic importance beyond their petroleum resources, but in all countries there would be international commercial interests involved, often in competition with Norwegian actors. If Norway was seen as providing advice that could favour Norwegian firms, the concern was this could damage

both the reputation of Norway's as an aid actor as well as hurt the private companies. This point was driven home by the May 2006 articles in the Financial Times (see footnote 1).

- **Quality assurance mandate.** The mandates given to the Norwegian ministries for quality assuring the technical advice provided could not easily be done through a program decentralised to the field. The NMFA decided to withdraw the appropriation authority of the embassies for OfD related projects and have this vested in the NMFA with SC advice, and operationally in the OfD Secretariat (Note from NMFA to Norad, embassies, 5 December 2006). This decision has become part of the grant scheme rules ("ordningsregelverket") that directs the program, which has led to financial and operational decisions being pulled back from the embassies and to the OfD program structures in Oslo.
- **Country teams.** Within OfD, a key mechanism for ensuring coordination on the "supply side" of the TA is the country teams under the chair of Secretariat staff. These congregate all the Norwegian actors engaged in a given core country, who meet normally about once a quarter, in person/by teleconference. Secretariat staff who are country coordinators see this as the most time demanding but also most important part of their work. Embassies take part in some of these country meetings, but overall the attention is on coordinating actors on the Norwegian side, who then subsequently tend to interact directly with their counterparts in the partner country.

OfD country teams: costs and benefits. Country team meetings for agencies that have strong programs in many countries are costly exercises because there are many of them, and they are information sharing that provide little value-added to their own work since tasks remain pillar-defined. For actors entering a new country or program, such coordination meetings are very useful. Some embassies experience them as useful since missions coming down are better prepared and coordinated (though slip-ups obviously still occur). The local partners are not involved in the meetings, however. This is supposed to be addressed through the local mechanisms on the ground: annual meetings, local steering committees, etc. These vary from one country to another in terms of structure, periodicity, depth of discussion/preparation – in part as a function of the size and scope of the program, but also overall governance levels and capacities in-country. It means that the "supply side" of the program is better structured and resourced, something that is exacerbated by the reduced role of the embassies.

Reduced role for embassies. The introduction of OfD in place of the petroleum sector support changed the roles of the embassies from being the manager of the program to various forms of supportive actor. The changes experienced in the field were several. On the positive side the Secretariat in Oslo was much faster in addressing issues and provided good and independent technical advice, something that had not really been available during the petroleum sector program. The initial downside was to have to deal with a Secretariat that did not have in-depth country knowledge and limited experience with development cooperation – their strength was on the petroleum sector side. The more principled concerns have been the removal of the approval authority and the reduced policy influence. One thing is that this is contrary to the general shifts in Norwegian development cooperation policies since the 1990s, with increased focus on recipient responsibility and thus local ownership and leadership of the cooperation program. With the reorganisation of Norway's MFA and Norad in 2004, much more authority became vested in the embassies, and the December 2006 decision to pull back the approval authority when it came to OfD activities

ran contrary to this. For the embassies this is removing an important tool from the embassy's foreign policy kit and turning it over to Oslo¹⁹. As seen from the field, this reduces the embassies' ability to engage in policy discussions, makes it more difficult to coordinate with other sector initiatives and multi- and bilateral actors in the field, and thus reduces the embassies' visibility locally in this critical sector. Furthermore, embassies see themselves as being critical to strengthening the governance approach to OfD as this needs to be done in the local political context but also as part of the wider program activities that Norway has on the ground and the partnerships it has established linked in to this, and which OfD in Oslo is not involved in. A secondary issue is one of where to place staff resources for most efficient use – in the OfD Secretariat in Oslo or in the field. Once again a number of embassies see the need for more resources in the field exactly because OfD is not simply a technical assistance program. In at least one embassy it is believed that a staff position it feels would help move the program has not been approved because the role of the embassy is not seen as important enough. These issues are part of the larger question about the management structure of the program (see box 10.3). One question that has been raised against the embassies' line of reasoning is why an embassy feels it needs funding authority to be fully involved in the program. The answer is that it is not simply the funding authority that concerns the embassies – it is the understanding of the nature of the OfD program on the ground, and that if it is truly to be developed to address the larger governance challenges, the embassies are the best placed actors Norway has for doing this.

9.5.1 Steering Committee Performance

Clear leadership but information sharing challenges. The SC has been in place since the beginning of the OfD, providing a clear steer and at times quite strong debates especially when it comes to country selection. But it has provided the OfD Secretariat with clear decisions and a strong foundation for the Secretariat's own decisions in discussions with implementing partners. However, the composition of the SC means important actors are not directly involved and fully informed during SC decision-making processes. While directorates that sort directly under ministries sitting on the SC tend to be informed through that channel, other partners do not have the same access, raising questions regarding lack of equitable transparency.

Steering Committee meetings well-organised and regular. SC meetings take place every quarter, with increasingly well-prepared agendas and solid background material for decision-making and information.

Ministries responsibility for quality assurance, complicated in practice. One recurrent discussion in the SC centres on the interpretation of the responsibility for quality assurance assigned to the implementing ministries, which has had very concrete implications for the

¹⁹ This issue has several dimensions to it. In one country the embassy agreed with the national authorities to fund a feasibility study for a local refinery, something OfD did not want to since it did not fit with its upstream priorities. The embassy went ahead anyway, and in the end the study was done – but with OfD assistance since the embassy did not have the skills to handle such a technically complex issue. In another country the embassy funded a petroleum finance expert outside the OfD who ended up giving advice the NMoF did not agree with. Others would claim the advice was in fact appropriate to the situation, raising the question about who is best placed to assess relevance of advice: a ministry in Oslo or a senior adviser in the field?

implementation of OfD, as NMoF has felt this has constrained its ability to use external experts as advisers for the revenue pillar (see box 9.6). The issue of quality assurance is central to the discussion on how the OfD should be structured in the future since this is what raises accountability concerns among SC members: as long as they are to be responsible for the quality of the advice being provided within “their” pillar, they need to have some level of control over what is in fact being delivered within their sphere of accountability. This dilemma, as noted several times, lies behind much of the disagreement with suggestions to decentralise the program or use technical assistance actors outside the current ones, which are at the heart of a number of the recommendations in this report (see box 10.3).

Box 9.6: The Cabinet Note: Political and Public Sector Understanding

During the SC meeting in December 2009, when the work plan for 2010 was being discussed, the following issue arose:

The NMoE feels a need for clearer guidelines on technical responsibility and how, for instance, the Ministry should quality assure the deliverables of our underlying agencies.

Norad: Shouldn't this be an internal process in the ministry?

NMoF: Our comment goes in the opposite direction to NMoE. We acknowledge that the phrase is taken from the Cabinet Note, but believe it is too ambitious, and are of the opinion that it should be phrased as follows: NMPE, NMoE, NMoF have the overall technical responsibility for the technical content within the OfD program within their respective areas of responsibility (our translation – all minutes are in Norwegian).

The former Minister of Development noted that the 2007 Cabinet Note and the SC model were not intended to establish a special kind of political responsibility for advice offered by a Norwegian public institution. The Norwegian State as such can never be held responsible for advice provided through projects financed by Norwegian development cooperation. In that sense OfD projects and their technical assistance are no different than any other development cooperation: Norway will provide as good expertise as it can, but the local partner is in the driver's seat and must assess whether the assistance offered is appropriate and worth taking on board or not.

The OfD is an important development as well as political program for Norway. It should not have to curtail its support because Norwegian institutions do not have the capacities to address demand – then other solutions need to be found.

The composition of the SC creates institutional barriers. The pillar structure of the OfD means that the SC also reflects this structure. The predicament raised by a number of stakeholders is that the current composition of SC limits attention on issues falling outside the three line ministries' areas of responsibility. The Norwegian institutional framework defines scope of country programs and some important areas have a tendency to become neglected at country level.

What does and should the Steering Committee steer? The SC has provided good guidance on program profile and ensured the continued commitment by their key ministries. In some other fields, however, the Committee faces challenges. The SC is to approve project proposals, but there is no real OfD budget or program as such, so there is a limit to the kinds of strategic decisions it can take. Questions like funding profiles across countries and over time, or to move financing towards other actors to better achieve governance objectives, are difficult to address. The insufficient results reporting and fairly abstract risk analyses makes it tough to draw conclusions regarding what could be done better. A perhaps more perplexing issue is the extent to which civil servants who have basically had their careers in line ministries in Norway constitute an informed group of decision makers when it comes to advising on complex governance matters in a wide variety of settings abroad. A big question

is thus which kinds of issues the SC should be addressing, and where the limits of its role should be drawn.

9.5.2 Secretariat Performance

Secretariat's rapid evolution in size and profile. The Secretariat has two key roles: as coordinator for OfD administration and management including acting as a secretariat to the SC, and assuming technical responsibility for the OfD program. The management model and the institutional arrangements for OfD have evolved over time, from an initial one-person project located in Norad in 2005/6, to subsequently contracting experienced petroleum sector staff and a program manager with long experience from the sector, and then from 2009 located as a unit within Norad. The Secretariat gradually increased not only in numbers but also with a broadened skills set and more recently with a set of better defined institutional arrangements. The trajectory has thus been one of an uncertain start, to rapid expansion with a highly entrepreneurial but petroleum focused staff, and as of 2009 a phase of consolidation as the program reached maturity with more concerns on procedures and consistent practices as a means for ensuring quality and impact.

Secretariat skills and capacity changing but still not optimal. The Secretariat currently has eleven staff covering the main areas of required competencies:

- Staff have expertise in the three pillar areas, though from the outset there has been more capacity in the resource pillar. The petroleum sector experience is more on operational and business matters than governance (regulator), however. The skills in the other two pillars is poorer in part because it is based on 1-2 year secondments of staff from NMoF and NMoE. High staff turn-over in some fields is therefore a problem. There is limited experience in the areas falling under the ministries of Fisheries and Coastal Administration, and Labour.
- Development and aid management experience is mainly based on OfD program implementation. Since OfD governance architecture and procedures differ from other Norwegian assistance, OfD views on appropriation authorities, role of embassies, recipient responsibility, alignment to and use of country systems for implementation also are different, though the program is now making efforts to become more aligned with general understandings of "good practices". But it has limited capacity in fields like financial management, human resources management, procurement, supplier management, and legal matters.
- The Secretariat has some, but limited capacity on governance and cross-cutting issues, but has recently begun accessing such skills in the larger Norad system, as noted in section 9.2.

Management of suppliers, contracts and agreements improving – but too detailed. In line with other procedures and administrative functions within the Secretariat, the supplier and contract management has been gradually strengthened. Existing agreements with the Norwegian institutions, framework agreements with consultancy firms and other elements of the OfD framework are in place (see figure 9.2), including formal arrangements with international partners. Norwegian consultants note that they have first to qualify for framework agreements and then enter mini competitions for the specific tasks. As a matter of principle this is fine, but when tasks become very detailed and budgets end up being as

small as NOK 80,000 (USD 15,000), there is a feeling that the program is becoming excessively bureaucratic, with the administrative costs of tendering for these services being higher than expected in view of the scale and size of actual services procured²⁰.

Secretariat size and skills needs for the future. A review of the OfD Secretariat done as part of a Master's thesis noted a serious commitment and loyalty to the program, a strong sense of team, solid technical backgrounds and a high degree of self-management among staff (Bull and Halvorsen 2011). At the same time, staff at times feel overwhelmed by the range and depth of issues they have to face: many countries, several sectors, political/ governance problems throwing up challenges to implementation. While number of countries has fallen, funding has grown so the program is increasing. In light of these developments, the Secretariat in 2012 commissioned an external review of its tasks, organisation, procedures and staffing, which will form the basis for decisions on its future direction. This constitutes a much more robust assessment than this evaluation can provide. What will ultimately determine the size and skills needs of the Secretariat, however, is the extent to which the OfD continues to be seen as primarily a Norwegian public sector TA program that throws up particular reputational risks, or if it will move towards a more general capacity building and governance program that can consider options like decentralising responsibilities and tasks, move away from many of the practical administrative tasks, build various partnerships and coalitions, and use a broader set of skills centres in delivering on its objectives.

9.6 Findings and Conclusions

- The establishment of the Steering Committee and the 2007 Cabinet Note ensured strong, high-level and continuous commitment to a politically sensitive program, and has provided OfD access to high-level political and technical skills.
- The OfD has become a flagship program in Norway's development cooperation program, establishing strong links to key Norwegian and international actors, though still has some ways to go in creating wider coalitions in partner countries, and needs to continue strengthening its links to complementary skills within Norad.
- The OfD is a highly centralised and Norway-centred program since (i) it has focused on providing Norwegian public sector expertise, (ii) it is seen as politically sensitive so the perceived reputational risk to Norway is high, (iii) quality assurance responsibility is with the members of the SC that therefore wish to control their level of exposure.
- The country portfolio has as its base the countries already receiving petroleum sector support when OfD was established in 2006. New entrants have largely been according to the six entry criteria, but foreign policy considerations have played an important role. Many countries applying for inclusion have been rejected, largely because of capacity constraints regarding Norwegian expertise.

²⁰ The same firm noted the difference to a DFID framework agreement where the typical contract is expected to be GBP 500,000 over four years. The GBP 10 million FOSTER program in Nigeria (box 7.5) is fully managed by the contractor, but with frequent results monitoring meetings with staff from DFID's Abuja office.

- A number of options exist for relaxing the technical assistance delivery constraints, such as more regional collaboration, expanding the skills supply, building strategic partnerships, differentiating more clearly which advisory services Norway should provide and which can better be contracted from elsewhere.
- Results management remains weak, and the recently approved results framework does not provide operationally appropriate guidance. The risk studies carried out in 2010 give useful overviews but are not detailed enough, especially in their political-economy understandings, to provide activity-relevant risk management insights.
- Regarding choice of instruments such as the reduction in the use of long-term advisers, this seems to have been influenced by capacity constraints within Norwegian institutions more than by needs assessments done on the ground²¹.
- OfD is a complex program where framework agreements and country teams led by Secretariat staff are key instruments for coordinating and managing the many inputs. The Secretariat model provides a “one-stop shop” for the management of an important and rapidly growing program, facilitates access to Norwegian actors that contributed to a broadening of the scope and thus increased the relevance of the OfD compared to the petroleum assistance, and provides a clear centre for responsibility/accountability. But it reduces the role of embassies, the voice of local partners, and challenges the acquired wisdom that sustainability and impact of cooperation is dependent on proximity to and understanding and adjusting to local context. Some practical areas for more efficient program management remain unresolved, such as more efficient use of key Norwegian actors (Petroleum Safety Authority, Norwegian Coastal Administration) and employer responsibility for long-term advisers posted abroad.

²¹ There are several factors that come into play. One is that in general it is easier to recruit staff for short-term tasks than for long-term stays abroad, especially at senior levels in difficult duty stations. The second is that while some bodies like NPD and Petrad hire externally, others do not, and thus the internal preference for shorter tasks combined with reluctance to hire externally pushes towards the short-term solution. There is also a cost (efficiency) factor: while the daily cost of short-term stays may be higher due to hotel costs, long-term stays carry other costs: they are administrative much more costly because various responsibilities come up (safety, evacuation), long-term health benefits etc that has taken a lot of home admin time. One permanent staffer ties up a lot of total resources when it appears that a number of shorter missions could achieve the same results. The argument here is that the combination of high-level expertise with long-term stay may be the wrong combination – but that the more rational combination means hiring externally and thus runs into *that* obstacle. In the end, we believe efficiency issues have dominated effectiveness concerns – not unique to OfD !

10 Summing Up and Looking Ahead

Results of the collaboration, issues raised and options for the future. This chapter summarises the findings against the evaluation questions, then looks at issues that the evaluation raises before discussing options for the future.

10.1 The Evaluation Questions

Assessing inputs, actors and results. The ToR asks the team to assess shifts in funding patterns; what kinds of activities are used, the extent to which they are demand driven and the quality of the aid provided by the Norwegian partners; and then assess results delivered. This includes reviews of the value of the Norwegian experience, and the follow-up to the 2006 evaluation and its recommendations.

Strategic Resource Allocations

Changing patterns across OfD dimensions. OfD funding in 2012 is almost five times higher than in 2006, which is an astounding growth. With the growth have also come some shifts in allocations across key OfD dimensions:

- **Pillar concentration:** OfD financing was heavily concentrated on the resource pillar, and while this pillar still gets the most funding, the *share* going to the revenue and environmental pillars have increased, but not as much as one might have thought given the emphasis on the importance of all three in the program. On the *revenue pillar*, it is the *supply* capacity constraint that holds back further growth, while on the *environmental* side it is the slow growth in effective *demand* that is the challenge.
- **Country concentration.** The number of countries supported increased to 26 countries in 2008, which by 2011 had been reduced to 19. The number of core countries was reduced from ten to eight. The *share* going to core countries has increased, reflecting a high concentration of increased OfD funding on a limited number of countries.
- **Actor concentration.** About 40% of OfD funding goes to national authorities, though this share is falling. Over 30% is through Norwegian public institutions though actual share is considerably higher since they are contracted also by national bodies. 10% was channelled through multilateral agencies and a similar share through Norwegian and international CSOs.

Strategic concentrations remain. Budgets have risen rapidly and more funding is used on revenue and environment dimensions, but OfD focus remains on managing the petroleum resource as such, concentrating on a few core countries, and with heavy reliance on Norwegian public agencies as knowledge providers.

Inputs through the Norwegian Partners

Demand for OfD often has a long history. Most developing country petroleum officials are made aware of Norway's oil expertise and history through Petrad's 8-week courses (see 8.1.3 and box 8.5). A request for assistance is hence normally grounded in quite a good understanding of Norway's sector policies, administrative structures, and skills levels.

Twinning: an effective tool under given circumstances. Twinning between public institutions in Norway and partner countries has worked well where the two parties have similar mandates and political support to implement it, and the collaboration seems to improve over time as the parties get to know each other and trust is established. Successful twinning reduces key transaction costs to the partner institution since the Norwegian partner provides high-quality practical experience, can call upon the entire institution's resources for assistance, and in the case of NPD has a range of framework agreement partners that can further supplement own skills and capacities. The twinning becomes less effective when the partner organisation's capacity is limited and the Norwegian institution ends up carrying out tasks that could have been done faster and cheaper through hiring external experts (gap filling, basic training). When the task is of a politically sensitive nature, such as much of the advice on sector strategies and national policies – especially on petroleum resource and financial issues – the institutional twinning has provided a value-added sense of reliability and trustworthiness that a commercial contractor could not. Some stakeholders made it clear they preferred Norway as their partner due to a belief that Norway would provide disinterested advice and in line with stated policy objectives of public interest and socio-economic development. – On the other hand, the needs assessments are in most cases poor, so the choice of institutional twinning is in some cases questionable.

Long-term (resident) advisers or short-term expertise? Norway has funded both resident advisers and more short-term expertise. The tendency is to rely on shorter-term missions, often due to staffing constraints in Norway. This strategic decision ought to be driven primarily by a careful needs assessment. There are cases where long-term advisers have provided important value-added to decision makers. But much of the long-term services have been of a gap-filling and/or mentoring nature and could have been provided by expertise hired from outside Norwegian institutions²². Where Norway engages more long-term and the needs are for a mix of advisory/training/mentoring services, one option is for a resident coordinator who can facilitate the overall work program between the various parties and verify what "good practice" inputs to a given need might be. The trend towards cutting longer-term advisers should be subject to careful consideration of trade-offs, bearing in mind that institutional and organisational development may take a decade or more when starting from a weak foundation. This concern is all the greater with regards to the petroleum sector since predatory pressures will increase as resources increase in importance.

Planning for the larger context. The capacity needs assessments that were done were largely incomplete, though tools are available: Petrad's Training Needs Assessment may provide a useful starting point for a broad-based dialogue between OfD, national authorities, private sector partners as well as higher level educational institutions in the country or region. This would open up for a more dynamic view of the larger labour market, taking into account factors such as the constant brain-drain of publicly trained employees to better paying jobs in the private sector, donor-funded activities and CSOs.

²² Norway funded for many years a senior adviser to Mozambique's INP, for example, and once the basic capacities were seen to be in place, a more demand-driven program of specific inputs has been agreed to. In the case of Timor Leste, institutions remain weak, so continued support in some form is required. The question is how best to provide this, since long-term Norwegian advisers were extremely costly and not fully utilized.

Technical Assistance based on context understanding and best international practice? The need for technical advisors varies according to where the country finds itself in the larger petroleum sector value chain, like the early planning stage, the management of revenues when major finds take place, etc. The challenge for the optimal use of TA personnel is to more clearly differentiate and prioritize tasks, identify which ones OfD will address, and then define the structure of inputs that most efficiently and effectively can tackle the agreed issues. It may also be that presence of technical advisors is especially useful in countries where there is a low or no Norwegian embassy presence because embassies have been playing an important role in facilitating and maintaining dialogue between local partners and Norwegian institutions, but also because embassies are important sources of information to the Norwegian TA staff: all institutional and organisational development must build on a society's written and unwritten traditions and culture. Embassies have proven to be valuable in transmitting such knowledge. But OfD as a program working in sensitive areas should in any case put more attention on selection and preparation of staff going abroad: examples of incomplete or unfortunate understandings were conveyed to the evaluation team, and these can be reduced through better staff preparedness.

OfD is demand driven at country level, negotiated at activity level. National officials are in general well informed about OfD when a request for support is made, and many more requests are received than have been accommodated. At project/activity level, the design appears constrained by what OfD primarily delivers: institutional twinning with Norwegian public agencies. Incomplete needs assessments and capacity delivery constraints sets boundaries for solutions chosen, though overall local partner organisations are very satisfied with the technical assistance provided.

Results Produced

Resource Pillar: strong improvements in institutional and organisational development. In the countries covered by the evaluation there has been good progress in developing national petroleum policies, laws and regulations, exploration and production (E&P) acts/bills, the exception being Bolivia where institutional instability has made it difficult to conclude the new Hydrocarbon law and other policy frameworks (see table 10.1). Restructuring of the public sector, development of appropriate public sector bodies such as national regulators with adequate mandate, structure, staff and resources is moving ahead, where Mozambique is the best example so far – but where Norway has also been engaged for nearly 30 years²³. Support for strengthening the management of a country's commercial interests – especially if a state oil company is involved – is more controversial due to the concern that Norway may find itself in a perceived conflict of interest situation. While partner countries like Mozambique have asked for such assistance, Norway has so far held off.

²³ Perhaps the key challenge for a program like OfD is the long time horizon required for building solid organizations. The question is what the criteria should be for going in and staying the course, and when to leave. Norway began assisting Tanzania back in the 1990s based on the Songo-Songo gas field, and helped build a significant administration. The field did not turn out to be as big as hoped for, and after some years the parties agreed it was not sensible to continue. Tanzania is now again asking for assistance since the huge gas finds off-shore northern Mozambique indicate major potentials also in Tanzania, and the country wants to be prepared.

Table 10.1: Findings in Cases used in the Evaluation

CASES	OfD Relevance	OfD Effectiveness	Institutional development	Organisational development	National leadership	Results due to OfD	Instruments most used
TIMOR LESTE <i>Ministry of Finance</i>	Support, revenue/fund management Highly relevant	Revenue pillar support has been effective. Frameworks have been put in place with transparent structures promoting accountability.	Frameworks and technical support to macro-economic policy and fund management. Vulnerable due to limited capacity and sustainability questionable. Tax management needs further strengthening.	Significant contribution High vulnerability to turn-over and some lack of adequate counterparts, particularly within revenue management.	Government and Parliament are active. Civil society underpins accountability.	Petroleum Fund Law (revised), Investment policy, tax audits and strengthened capacity in revenue management.	Twinning agreement. Long-term advisors, full-time and part-time
<i>Banking Payment Authority</i>	Strengthened management of revenue stream, reducing threat of "Dutch disease" Highly relevant		Significant contribution implementing frameworks and with technical support. OfD consider timing right for exit, decision made Dec. 2011	OfD has provided technical support and developed an operational funds administration function.	Strengthened through OfD. Independent voice.	Funds administration model developed and implemented	Long-term advisors
<i>SERN</i>	Mainly scholarships Relevant	Resource pillar support has been effective,			High level political engagement, but more limited technical capacity than the National regulator.	Staff trained through use of scholarships	Long-term advisor, scholarship program
<i>National Petroleum Regulatory Authority</i>	Support to national regulator Highly relevant				Strong national ownership. Independent and autonomous.	Strengthened capacity in defined areas of cooperation.	Twinning agreement with part-time advisors visiting regularly

CASES	OfD Relevance	OfD Effectiveness	Institutional development	Organisational development	National leadership	Results due to OfD	Instruments most used
<i>EIA - Model production sharing contract</i>	Strengthened capacity on EIAs. Highly relevant		Limited	Limited	Less visible environmental authorities. State Secretariat of Environment part of Ministry of Economic Development, can hamper due attention to environmental aspects. Very weak institutional capacity.	Training and strengthened capacity on environmental assessments/environmental licensing.	Ad hoc interventions until 2010. Resident advisor Sep2010-June2012. Capacity on Environmental Impact Assessments strengthened.
GHANA <i>Resource Prog</i>	Support to national regulator Highly relevant	Very effective support legal and technical to GNPC	Relevant institution not in place	Relevant institution not in place	Government and Parliament very active	Revised and new Laws	Short term advice, partly twinning towards GNPC
<i>Environmental Program</i>	Support to national envl authority Highly relevant	Very effective towards Ministry and EPA	Relevant to SEIA and EIA offshore	Support to organize new department in EPA	Great tradition for env. issues in Ghana	Program just started	Advisor in Ministry Short term advice in EPA
MOZAMBIQUE <i>Support to INP</i>	Strengthening national regulator Highly relevant	Support largely from NPD, well targeted, good results: Very good	New legal framework in place, applied in several successful concession rounds	INP's capacities in key areas weak but in place – structure seen as appropriate	INP with strong leadership, acting also as policy adviser to Ministry	Built on previous achievements – OfD contributions important but simply extensions	Twinning with NPD; some external consultancies
<i>Support to ENH</i>	Strengthening national oil co. Highly relevant	Strategic help on capacity development, business strategy using trusted sources: Very good	Has clear mandate important role in sector, playing role vis-a-vis IOCs as intended, trying to defend Moz commercial interests	Has clear business plan, structure, management in place, stronger skills, though facing daunting tasks with new gas finds	ENH management seen as competent committed, with evidently strong support from Gov to implement foreseen role	Restructuring of company Clear business plan, strategy Upgraded skills, management	Specific inputs from long-term partners based on own demands, some acquired through market/consultancies

CASES	OfD Relevance	OfD Effectiveness	Institutional development	Organisational development	National leadership	Results due to OfD	Instruments most used
<i>Support to MICOA</i>	Building EIA capacity Highly relevant	Poor local capacity not able to use aid: Poor	Environmental legislation in place but need regulations. Links to other ministries now much better	Plans for support to appropriate unit prepared but not much done so far	Within MICOA is acceptable but within larger Gov is weak	Some training and plans prepared but no real results. Links to other ministries in place	Visiting missions, offer of more long-term assistance
<i>Civil Society capacity development</i>	Strengthening civil society Highly relevant	Specific inputs, limited ambitions: Acceptable	WWF CSO group consulted by ministry on oil legislation	Very little – some awareness and technical skills upgrading	Varies but the larger CSOs are quite good	Better inter-CSO coordination with WWF project, but fragile, technically weak	Seminars and workshops, some internal meetings
UGANDA <i>MEMD</i>	Supporting policy capacity, legislative / regulatory work of Ministry Highly relevant	Support across broad range of key policy areas w/ capacity development in Uganda and abroad Effective support	New petroleum policy approved, 2 petroleum bills to Parliament. Several new institutions created within and outside ministry.	New oil institutions created, MEMD led move into mid-stream level. Continued training of staff	Strong political support. Some disputes between gov't and parts of Parliament on transparency, issues of oil agreements	Vital consistent support by Norway since 1995, which increased and widened under OfD.	Petrad courses, MEMD-OED twinning; Norwegian consultants
<i>PEPD</i>	Relevant department in ministry strongly supported to lead overall petroleum development Highly relevant	Good leadership and coordination, some bureaucratic hurdles remaining Effective support	PEPD has been leading the MEMD's work effectively	Effective coordination and internal organizational development.	OfD is well led and coordinated by PEPD.	Vital consistent support since 1995, which increased and widened under OfD.	Petrad courses, regional seminars, twinning PEPD-NPD, Norwegian consultants.
<i>MFPED</i>	Support in all key finance and revenue areas Highly relevant	Good coop'ion between Min and subordinate institutions	Policies devel'd, separate bill on finance and revenue to Parl't	Close coordin'ion finance, tax and revenue dep'ts & national bank	Good leadership so far, but results remain to be seen	Vital support by NMoF and Norwegian consultants	Petrad courses, Institutional twinning. Norwegian consultants.
<i>Ministry of Water and Environment</i>	Widespread support since 2011 Relevant	Initially very low capacity, which has improved Not effective	OfD had slow start. Weak co-ordination, delays	Large number of environmental directorates involved. Weak coordination	Absence of political leadership	Initial capacity and internal coordination too low to be of high value	Some Petrad and NMoF support. Twinning with DN and Klif

CASES	OfD Relevance	OfD Effectiveness	Institutional development	Organisational development	National leadership	Results due to OfD	Instruments most used
BOLIVIA <i>MHE</i>	Support to Ministry with new legal framework highly relevant	So far very limited effectiveness because new law has not been passed (due to institutional instability)			OfD has provided Ministry with relevant professional inputs to take national leadership	Draft law; economic / government take model	Technical assistance
<i>YPFB</i>	OfD technical support is considered as relevant , although the company's main focus on gas rather than oil is a limiting factor					Relevant technical advice; beginning to take environmental issues (contaminated areas) more seriously	Technical assistance
<i>ANH</i>	NPD's support through OfD is seen as crucial for ANH's ambition to take upstream regulatory responsibility	There is a high potential effectiveness, if the new law is passed	OfD instrumental in proposing new regulatory functions (upstream)			Master plan developed for distinguishing regulatory from commercial (YPFB) functions	Technical assistance (twinning would have been highly relevant)
ECUADOR <i>MRNNR</i>	Relevant but very sporadic	Very limited (for said reason)	None	None	Potentially considerable	High political consciousness of "Norwegian model"	Seminars
NICARAGUA <i>MEM – Petroleum Directorate</i>	Very high relevance	Highly effective	Norwegian assistance completely decisive (but insufficient if/when production starts)	Norwegian assistance completely decisive (but insufficient if/when production starts)	So far important but will be in danger if/when production starts	Both legal framework and training of entire staff directly attributable to OfD	Training in Norway (master; PhD); technical assistance

Revenue Pillar: only fully developed in Timor Leste. During the last few years petroleum revenue management acts have been finalized or tabled for ratification in Mozambique, Ghana, Uganda and Timor Leste. Both in Uganda and Timor Leste the petroleum revenue and finance aspects will be integrated into the general fiscal and monetary regimes. The areas covered by the pillar and presented in the Petrad training module are relevant, but more attention should be given to the countries' particular political and economic governance, petroleum industry phase and stage of maturity to strengthen the relevance of policy advice and presentation of policy and governance options.

Links to Tax for Development weak. Norway's Tax for Development (TfD) program, a much smaller but also thematic program based on managing natural resource revenue, has taken more of a regional approach, focusing on working with three countries in Eastern Africa with peer-learning an important aspect. TfD overlaps with OfD on the revenue side, and in Mozambique where both programs exist, OfD is only marginally active on the revenue side due to this. TfD relies on some of the same skills in NMoF for delivering the program. A review of how the two programs can best exploit their obvious synergies would be useful.

Environment Pillar: weak foundations, lacking results. While the environment dimension was part of petroleum support prior to OfD, it was made a more visible and important pillar within OfD. During the early years most efforts have gone into establishing relations and work programs with counterpart institutions, where Ghana got off to the best start with an early environmental capacity needs assessment and placement of a longer-term advisor. Progress has been much slower in countries without a Norwegian embassy (Bolivia) or advisors on the ground and hence weak support and follow-up, which is compounded by poor government demand and capacities in place. Environmental legislation is often incomplete, subsumed under other issues, or only partly incorporated in the petroleum bills. Updating or revising environmental acts or regulations to adequately cover the oil and gas sector remains to be done.

A strong foundation for future work: Strategic Environmental Assessments (SEAs). An environmental tool that has been emphasized in most cooperating countries is the SEA, currently ongoing in Ghana and Mozambique, but delayed in other countries. Till now focus has been on Environmental Impact Assessments (EIAs), which are often linked to approval of oil and gas projects rather than to a life cycle approach for minimizing negative environmental and social impacts. The scope and contents of EIAs are often insufficiently defined yet their use may be exaggerated: in some countries the rule is that EIAs are to be done for each borehole while in Norway only one strategic environmental assessment is done for each concession area. The pillar's exclusive focus on the public sector is not the best strategy in countries where non-state actors may be stronger and playing a more relevant role as watch-dog and advocates, such as in the EITI. An overall challenge is lack of human resources for monitoring, implementing and enforcing standards, in large part due to serious difficulties of environmental authorities to retain skilled staff.

The safety aspect is often left out. The development and operationalization of oil spill contingency planning is still in its infancy and the engagement of the Norwegian Coastal Administration has been delayed. Risk assessments and burden sharing in the case of oil spills is difficult to ascertain because a number of contractual obligations are not public. Examples show that some governments, presumably in order to attract investments, have

ceded considerable flexibility in interpreting burden sharing responsibilities, potentially leaving poor societies open to manage costly oil spills themselves.

Governance concerns: limited and insufficient attention. Regarding the crosscutting issues of strengthened transparency, accountability and responsiveness, the OfD has not presented an integrated response. There is more evidence than ever about the severe problems large petroleum resources pose to the future of many emerging oil economies. OfD, in order to address its objective, should give higher priority to this set of issues, including more focus on resource abuse (corruption, tax avoidance, etc). While OfD as a limited program clearly cannot take on such an agenda on its own, it has established important entry points and credibility for engaging with a wider range of actors for greater impact. These range from Revenue Watch Institute, Norwegian NGOs, local CSOs and their participation in national EITI processes, as well as the Bretton Woods institutions. Key non-state actors like unions, faith-based organisations, professional associations and universities are not systematically included, and important actors – political leaders, media, traditional leaders – are only intermittently involved. Norad's own governance entities, such as the Anti-corruption unit and the *Tax for Development* program, have only lately become seriously engaged with OfD.

OfD has delivered important and attributable results. Table 10.1 shows important dimensions of the OfD interventions looked at:

- **Relevance** of the activities/projects funded is seen as very high in most cases: OfD has addressed core issues in the development of the sector in the core countries that have been looked at.
- **Effectiveness** has varied considerably. In programs that have a long history, such as in the resource pillar in Mozambique, effectiveness has been very good. In the same country, in an area that is new to OfD, environment, with a weak counterpart, it has been poor, while the support to civil society has been fragmented and small-scale. While the individual activities were meaningful and largely produced according to plans, the overall effect is limited. – This varied picture is found across the program.
- **Institutional development** is perhaps the greatest achievement, as OfD has assisted virtually all the countries visited improve their legislative and institutional frameworks and in many cases helped in appropriate application (concession rounds, mandate for national regulators, etc) with approval by oil companies and national stakeholders. The *sustainability* of these achievements is clearly high – the impact (positive and negative) will become more apparent over time.
- **Organisational development** has focused on bodies like national regulatory agencies, revenue management and control institutions, some environment bodies, where skills levels have been improved, the structure and functioning also in cases where the partnering has been on-going for some time. The *sustainability* is often problematic since the capacity development has focused very tightly on the particular organisation rather than on the organisation as part of a larger labour market complex. Changes in the sector may quickly lead to a brain drain for which neither the country nor OfD have made plans and are prepared. Expected *Impact* is thus very unclear.
- **National leadership** is another area where OfD has made important contributions. The level of advice, but particularly the manner in which it has been made – *listening*,

collaborative, supporting, largely through Norwegian public bodies that are trusted by national partners – is generally seen as based on an interest at supporting the national interest and agenda, both at political and technical levels. The support to national legislation has provided further support in this area.

Factors that explain shortcomings. The program has delivered on its inputs as promised, and the resource and revenue pillars have delivered results in line with expectations. The environment pillar, as noted, has faced a very different situation and is still developing the program. Shortcomings seem due primarily to three factors. The first is the level of societal development: where institutions and capacities are weak, progress is slow. The second is a lack of political will to push the agreed agenda (submission of laws, commitment to environment agenda...). The third is inadequate planning on the Norwegian side. Assessments of capacity, political will and needs were sometimes unrealistic and too optimistic (environment agreement in Mozambique, capacity development in Timor Leste). On the *governance* side, within-pillar deliverables (more transparent concession procedures, funds management systems, etc) have been produced, but larger governance challenges remain since OfD does not reach much beyond the public sector.

OfD as a foreign policy tool. The evaluation was to have looked at the importance of OfD as a foreign policy tool. The field work foreseen for Sudan and South Sudan was to address this. While this part of the task was cancelled, the visits to the Latin American countries touched upon this dimension (see box 10.1). – What can be noted is that OfD is well known and a very popular program: Norway receives a lot more requests for inclusion than can be accommodated. It also is clear that OfD can open doors to Norway as a political actor through its ability to provide support to the country's petroleum sector, and that this ability may be welcomed by a range of actors. When choices are to be made regarding which countries to include, Norway does not and cannot simply rely on the six application criteria because they do not generate clear rankings or prioritisation. Political leaders/NMFA have provided country proposals to the SC which have been based in part on political concerns, such as in Latin America – and yet OfD has over time seemingly closed a number of these down, in part based on the stated need for country concentration.

Role of the "Norwegian model". Partner country officials are quite familiar and appreciative of Norway's petroleum history, policies and administration! In several countries, notably in Latin America, there were strong statements in favour of the total "model" with its political and distributional aspects (section 2.1). When queried about whether they would not prefer "international best practice", responses have been: (i) much of international best practice is in fact based on Norwegian experience, and (ii) advice from Norway is not the only source of information – they are aware of international differences, can decide what it is they want to take on and what to reject, so if they have asked for Norwegian assistance it is because they want it. – Part of the demand for OfD is obviously because it is free, but the petroleum industry is so international and sector knowledge so global that interest in the Norwegian experience is based on alternatives and options available and known. While it is not clear how much of the total "model" a given government is interested in actually emulating, the "Norwegian model" is considered the "golden standard" by many – not achievable right now, but an inspiration to those who would like to see the management of their own country's resources improve. As such, the concept of "the Norwegian model" seems actually to have quite positive connotations.

Box 10.1: Latin America: OfD as a Political and Foreign Policy Tool

Latin America has historically been fairly marginal in Norwegian ODA. When the Red-Green coalition took over the Cabinet in 2005, the Minister for Development Cooperation signalled that he intended to establish cooperation relations with countries in the region due to their new economic and distribution policies that were in line with Norwegian development principles. **Nicaragua** had already petroleum sector cooperation but without any production while **Bolivia** and **Ecuador** were mature producers. The new indigenous-based and left-leaning government in **Bolivia** took steps to nationalize the petroleum industry and was keen to get Norwegian advice. This was seen as a way to balance the close relations with Venezuela, which both the US and foreign oil companies were suspicious of. Bolivian officials felt that Norway was a more relevant model for petroleum regulation than Venezuela, while Argentina and Brazil, two petroleum-producing neighbours that Bolivia also had close ties to, had so strong vested interests in the country's gas production that they would be difficult to use as internal policy advisors.

Ecuador expressed strong interest in petroleum cooperation with Norway, and a meeting between Norway's Vice Minister and President Correa right after he took office in 2007 laid the political basis for an OfD program. The President and high-level officials have repeatedly requested that a program be set up since there is a desire to learn from Norway's experience. The lack of Norwegian diplomatic presence and of follow-up capacity in the OfD Secretariat left Petrad as the only OfD actor in the country. In late 2011 OfD decided to discontinue the program, which was strongly regretted by Ecuador.

The 2006 evaluation follow-up is disappointing. While OfD has delivered good results in its "core" fields, the follow-up to the 2006 evaluation recommendations has been mixed:

- **Adherence to Norwegian development policy** has moved very slowly as far as use of standard programming and quality assurance tools are concerned. Baselines have been produced for some countries, but the most systematic one, for Ghana, was only begun in 2008; risk analyses have been done but at a societal level that has not translated much into program design; the results framework for the OfD program was only approved at the end of 2011 and is of questionable operational use.
- **Good Governance** is still largely treated as an within-pillar concern plus some ad hoc support to CSOs rather than in any larger program approach.
- **Local ownership** has been strengthened through a listening and participatory approach, with a few exceptions such as the attempt to impose an overarching program approach in Uganda.
- **Embassy staff to be empowered** has not happened. Instead the NMFA decision to move all OfD resource decisions to Oslo has reduced the local say of the embassies.
- **Quality of capacity development support** is in many fields very good but there is still inadequate needs assessments leading OfD support to not always being optimal.
- **Institutional twinning** to become part of a flexible mix of advisory services has not really happened – twinning remains the vehicle of choice within the pillar structure.

10.2 General Findings and Conclusions

OfD as a program: innovative with many added dimensions. OfD introduced a much broader (environment, finance/revenue), more ambitious (poverty reduction as stated objective), better structured (institutional and organisational capacity as consistent focus areas), governance based (gender, civil society, anti-corruption) program when compared

with the previous petroleum sector support: it was intended to be more strategic in its thinking and more profound in its approach, and has to a large extent succeeded in this.

OfD is a high-profile program that is delivering important inputs to an economically and politically critical sector, both in the partner countries but also as a global concern. The OfD is a unique program in Norway's development assistance in its complexity and ambitions. There is political consensus that the overall objective of OfD is poverty reduction through "economically, environmentally and socially responsible management of petroleum resources which safeguards the needs of future generations" (OfD's operational objective). But recent studies note the severe problems large petroleum resources may pose to the politics and economics in developing countries, and especially in so-called fragile states. The World Bank's 2011 World Development Report "Conflict, Security and Development", defines the existence of natural resource wealth as one of the main stress factors leading to conflict and violence. Assessing OfD's strengths and weaknesses must thus be done taking into consideration these overarching aspirations and constraints.

OfD as continuity and change: building on earlier successes. While the overall approach of OfD is more holistic in the thinking regarding management of petroleum resources, it is based on the achievements that 20 years of petroleum support had built. Focus remains on petroleum as a non-renewable public asset that generates significant economic rent, and hence a need for strong and transparent public administration. This is to ensure a level playing field for the actors in the sector while making sure the public purse receives its fair share of the wealth. On the operational side, activities and systems begun under the petroleum sector support period have in some cases continued more or less as before (Mozambique, Timor Leste), while in others more strategic planning has been undertaken, both at overarching program level (Uganda) and at more devolved pillar level (Ghana).

OfD is maintaining a model that is too limiting of where it can be helpful. As the sector matures and oil and gas become economically important, the public interest needs change towards ability to negotiate, make economic analyses for investments in mid-stream and down-stream activities, re-assess terms and conditions for new entrants to the sector, etc. Without this support along the remaining steps in the resource value chain, the link between the revenue pillar and the resource pillar is missing. In addition to efficient production, good management of the resource when it has been brought to surface is at least as important. The Norwegian experience includes how to manage the state's commercial interests and how to develop open, competitive and national petroleum economies in general. These dimensions should be included in the OfD menu of assistance.

Needs assessments have been deficient. While country support has paid attention to both institutional and organisational development, careful needs assessments have not been done in all countries before OfD involvement, nor has there been a critical review of the appropriateness of the supply institutions. One particular question is if Norwegian public bodies that understand institutional frameworks also are the best at organisation building and skills development in the specific setting of each partner country. The recent agreements between NPD and Petrad with clear divisions of labour largely along this dimension is a helpful step.

Skills development lack a broader labour-market perspective. OfD's focus on within-organisation skills building has weaknesses if the skills base in society at large is limited,

which is the case in most partner countries. A more careful assessment of alternative ways of ensuring a more sustainable skills supply rather than just providing valuable training to a limited number of public servants through twinning arrangements should be an important element of all capacity development plans.

Focus on Governance a “must” for OfD. The overall finding is that OfD has generally not given the governance problems sufficient attention, with Ghana being the most positive exception of the cases looked at. A more concerted and strategic effort that is systematically integrated in the pillars and the larger OfD work program in-country will be necessary if lasting results are going to be produced (see box 10.1).

Box 10.2: A Broader Understanding of Governance

OfD focuses on improving the capacity and competency of public sector agencies. This is providing the State with better frameworks and tools to carry out its obligations as society's overarching duty-bearer. As noted in table 3.2, most countries have quite acceptable frameworks in place – it is in their application and implementation that they fall short. While the table refers to more general societal rather than petroleum sector frameworks, what has been seen indicates that this is a generally applicable lesson. And the studies of the oil curse show that this lack of framework implementation is not due to lack of technical skills, but for political and economic self-interest reasons – that is, classic accountability short-comings regarding the performance of the public sector. The more in-depth political commitment produced in Madagascar (box 7.4) or the wider accountability approach taken by FOSTER in Nigeria (box 7.5) provide other “international good practices” in terms of petroleum sector Good Governance models:

- **Political economy understanding.** Better analysis of who the key actors are, what is happening to the increased petroleum revenues, which groups benefit and the reasons for this, possible remedies to modify negative patterns are all critical for the design of more effective governance interventions.
- **Better instruments to track political commitment.** There are new tools, better methodologies for analysis, possibilities for gathering data using social media etc that together can better track governments' performance regarding transparency and accountability on resources management. The willingness to actually improve sector governance could be closer linked to partner country selection than the case is today.
- **Local partnerships and mobilisation.** For governance to improve, rights holders must be able to actually demand accountability. In most developing countries, there is a major power/ resource asymmetry between the state – being strengthened by OfD! – and rights-holder groups. This is what lies at the heart of the ‘resource curse’. This structural deficit in the larger accountability framework needs to be understood and addressed.

These issues are highly political. The main leverage OfD has is the great demand for the program, and the legitimacy of its objective. A number of informants claim that OfD is in fact in a position to demand better governance in return for its support, and that Norway should give preference to countries whose authorities are truly development, anti-poverty and anti-corruption oriented.

OfD can be expanded as a program. OfD is a flexible program that distinguishes between core and non-core countries, and in addition funds more general capacity development in the form of Petrad courses, support through civil society organisations and multilateral agencies. While the concept of “core country” should be kept, OfD can clearly extend its reach through a variety of means, and for emerging petroleum economies, OfD support may be critical to establishing a viable public management system. There is a need for prioritising OfD support. There is no real constraint regarding funding since OfD represents only about 1% of Norway's development assistance and hence can be scaled up if this is a political priority. There is also not a lack of available skills, since current constraints are largely self-imposed by limiting the skills base largely to Norwegian public agencies. The binding constraint is more how Norway decides to manage OfD, since OfD interventions are skills-

and policy intensive and thus require considerable management. The current approach is for a centralised secretariat in Oslo. OfD can in addition or instead rely more on regional collaborative arrangements, OfD coordinators on the ground in core countries, find partnering arrangements with other strategic actors. As long as countries show genuine

Box 10.3: Throwing the Baby out with the Bathwater?

During the finalisation of this report, the issue that elicited the most comments from stakeholders is the evaluation team's suggestion that aspects of the OfD should be changed. While recognising the major achievements of OfD, this report suggests: (i) the governance challenges of the sector should drive more of the design of the program, (ii) the technical assistance provided could come from a much broader range of skills centres and more flexible models for TA delivery should be designed based on local needs assessments; (iii) the program in the field should be more like other Norwegian-funded governance programs, with a strong role for the Norwegian presence on the ground, embassies in particular; (iv) the OfD should remain as an identifiable program, preferably with a separate budget line, the Secretariat would continue as a management and quality assurance body; (v) the Steering Committee should become more an advisory and coordination body.

The objections to this have been noted throughout the report. The OfD is providing high level advice in a politically and technically complex field where Norway's ability to respond is limited so there has to be an intelligent rationing mechanism in place that necessarily must be centrally placed. The need for quality assurance is particularly sensitive and needs to be closely managed, which a decentralised program that contracts skills from a range of actors cannot accommodate. If the ministries that are now providing skills at very high levels do not feel that they are able to dispense their responsibilities in the manner they believe is asked for by the OfD, there is a risk that over time they may reduce or withdraw their engagement in the program, which will undermine the quality and thus value of the OfD. If this happens, Norway's credibility as a supplier of quality advice will be hurt, reducing the ability to address the governance concerns that everybody agrees are important.

The question put to the evaluation team is thus if it has fully thought through the ramifications of the recommendations, and if the team is willing to stand by these if there is a risk that their implementation may lead to a long-run deterioration or even marginalisation of OfD as a program.

This is a very serious question and one the team has considered carefully. Apart from the arguments presented throughout the report, there are two points that the team would note as important for its decision to maintain its recommendations. The first is that the governance focus that the team believes should be central to OfD requires a wider skills and resource base than OfD alone can provide – the days of a largely stand-alone program will pass. The other is that the idea of quality assuring advisory inputs in the manner OfD is doing now is increasingly generating higher costs than benefits: it establishes barriers to entry of skills that are complementary, substitutes or in some cases may even be superior to what Norway can provide as against the actual needs of the partner; creates artificial scarcities of Norwegian skills by not defining more carefully their comparative advantage and thus allocating them more strategically; and overall Scanteam agrees with the former minister regarding how to view advisory services: they are useful to the extent they address the recipients' concerns and needs, and thus assessing relevance and utility of the services offered is first and foremost for them to decide (see box 9.6).

This remains nonetheless a difficult question: what is the optimal solution to managing a complex governance program in a contested sector in countries that have unsatisfactory or weak governance systems that need to be made more accountable? – and there are clearly at least two different approaches to answering this.

interest in addressing the governance concerns in the petroleum sector and thus are willing to become partners in a global effort to address the resource curse, Norway should show its commitment by making its own program as broadly available as possible.

A rapidly growing petroleum sector may require rethinking gender strategies. Of considerable concern is the larger societal effects a dominant and growing oil sector may have, where studies point to further "feminisation" of poverty and political marginalisation.

To the extent this is correct, gender strategies may need to move from being rights-based and access-concerned to mobilizing on macro-economic and overarching political concerns.

The pillar approach creates rigidities. The organisation of OfD around three pillars largely defined by how Norway's public sector is currently structured, is rigid. It has the advantage of making revenue and environmental aspects of the petroleum sector visible, has allowed OfD to tap into these sectors' knowledge base, and helped the policy discussions in partner countries increase their attention to these dimensions. But it then also creates "barriers to entry" for other dimensions that ought to be important. Technical fields like health and safety are accorded less attention than many believe they should. The resource pillar is less able to address the commercial phases in the value chain, which is an increasing issue for a number of partner countries. Norwegian public agencies, responsible for quality assuring pillar advice, have limited skills in overarching issues like governance, anti-corruption, gender, role of non-state actors in oversight and accountability, especially in the development context. They are also to deliver services in fields like organisational development and training, which are areas these same bodies often contract out to external actors when they themselves require capacity building. And the pillar structure with its demands on technical quality assurance makes it difficult to establish broader partnerships with international actors.

Strengths and weaknesses of twinning. The twinning arrangements have largely been successful in the sense that arrangements have been agreed to fairly quickly and flexibly, largely due to the long experience of the Norwegian institutions with such arrangements. Local partners are satisfied with the support provided, its relevance and timeliness, which has largely been in line with programming and expectations. But institutional twinning imposes some constraints and inefficiencies on services provided: skills largely come from the high-cost Norwegian labour market; with the exception of NPD, twinning partners rely for the most part on own staff for providing services; the range of skills within Norwegian public agencies may not cover the needs on the local partner side (basic training and mentoring, local language and cultural context sensitive analyses etc)²⁴; peer learning can be more relevant and effective than transfer of world-class knowledge. Regional collaboration and alternative skills centres are part of the OfD tool kit – they could be used more.

10.3 Recommendations

The following are the *strategic recommendations* for OfD. *Operational recommendations* have been made in the final sections of each chapter and will not be repeated here:

- (1) ***Oil for Development should remain a priority program for Norwegian development cooperation.*** Funding should be expanded to the extent necessary to cover increased demand from the countries admitted to the program; a separate budget line could be considered to improve visibility of commitment, predictability, and ability to plan over time and across countries, programs and thematic sub-fields.

²⁴ NPD has used the Centre for Intercultural Communication (*Senter for Interkulturell Kommunikasjon, SIK*) in Stavanger for preparing some of their staff before they go abroad – a highly laudable initiative.

- (2) *OfD should maintain its main objective of contributing to poverty reduction and its operational objective of economically, environmentally and socially responsible management of petroleum resources that safeguards the needs of future generations.* The larger *political* objectives for OfD must be maintained and a public administration bias contained. Embassy involvement is important for this.
- (3) *The Oil Curse should be a key concern for OfD.* The program should produce an operational understanding of how it can contribute to “turning the resource curse into a blessing” that should be reflected in OfD’s overarching Results Framework (see also Recommendation 8). This may include a *governance study* (alone or with others) that provides a vulnerability or risk assessment of the petroleum value chain in terms of governance challenges and what can potentially be done to address/mitigate the threats; a *petroleum sector assessment* that maps out key actors and identifies possible partners for OfD collaboration; a *revenue/expenditure distribution* with a review of the forces and mechanisms that shape the current one, preferably linked to other exercises (public expenditure and financial accountability reviews; open budget surveys; etc).
- (4) *OfD should strengthen international strategic partnerships for petroleum sector governance.* OfD is partnering with some of the strongest pro-governance actors in the sector. The World Bank’s *Petroleum Governance Initiative*, some bilateral programs, UN governance bodies, international non-state actors like Revenue Watch Institute and Publish What You Pay, and research and knowledge centres are crucial actors for improving transparency/ accountability. But alliances can be strengthened, visibility enhanced and financial support increased for agreed-upon and achievable targets.
- (5) *Good Governance (GG) should be a visible cross-cutting concern in core country programs.* GG might have separate budgets and performance criteria, should contain support for increased resource transparency (such as local EITI or Natural Resource Charter processes), should track state accountability in these fields, have a clear gender dimension, and support actors that promote and strengthen petroleum sector GG.
- (6) *Country selection should concentrate on governance achievements.* The current size and composition of the OfD should be accepted as the starting point for future changes in the country portfolio. For new members or current non-core countries wishing to receive core country support, OfD should concentrate on states where the potential for good governance and pro-poor policies are greater, i.e. countries where predatory structures have not yet established themselves or are being challenged. If policies and practice move away from agreed benchmarks and policy dialogue fails, expedite decisions to leave should be taken – OfD should thus develop an explicit exit strategy.
- (7) *More regional collaboration and South-South learning.* Regional initiatives should be supported, as a supplement or substitute for national efforts. While OfD can provide standard forms of technical advisory services, in regions with own experience peer-learning and South-South collaboration should be strengthened.
- (8) *Restructure OfD program, governance and administration.* OfD should continue a focus on petroleum resource, revenue and environmental management, but as key dimensions rather than as formal “pillars”. The program should further strengthen the more inclusive program concept that embraces safety, risk prevention and preparedness, etc. Good governance as an overarching and separate concern has been

noted. The Steering Committee might become an advisory body, since OfD clearly benefits from the senior expertise in these strategic fields. The OfD Secretariat should then look for advice and support in the other fields within NMFA or Norad. The OfD program should be based on a transparent policy statement, and the grant scheme rules for OfD (“Lex Lomøy”) be rescinded or restricted to countries where Norway does not have a presence on the ground. Large parts of program implementation can be delegated to the field where Norway has embassies with development expertise (additional local staff may have to be contracted or country coordinators hired), responsibilities shared with like-minded partners, or contracted out to implementing bodies. The OfD Secretariat should focus on strategic program development and country program design, monitoring and results reporting, and thus have a size and professional mix that covers these key fields.

- (9) **Resource management: extend support along the complete value chain.** OfD should find ways to support emerging petroleum economies to also handle their commercial interests based on principles of international best practice. Public funding for petroleum related investments – infrastructure, own-shares in fields etc – are among the most important decisions a state will undertake, and senior advice on how best to handle such decisions are extremely valuable.
- (10) **Revenue management: expand delivery capacity.** Revenue management along the entire chain – revenue assessments, collections, management, reporting etc – is critical to good governance of petroleum resources. OfD needs to find ways of addressing the broad needs across countries and developmental stages, as again many countries trust Norway to provide politically neutral and technically sound options.
- (11) **Environmental management: wider reach, strategic approach.** Capacity needs assessments should be carried out in all core countries to identify the full range of actors that could be included in an environmental capacity development program: public sector offices, CSOs, media, youth groups etc. Clarity should be reached with national authorities regarding appropriate use of key instruments like Strategic Environmental Assessments (SEA) and Environmental Impact Assessments (EIA) to both rationalise approval processes while strengthening compliance monitoring and “polluter pays” prosecution in cases of accidents.
- (12) **Train staff going abroad for OfD.** OfD (Petrad?) should develop a capacity building program for experts being sent abroad as advisers under the OfD, to ensure that they understand context, their role, and have appropriate inter-personal and cross-cultural communication skills for more efficient and effective knowledge transfer.

Annex A: Terms of Reference

Evaluation of Oil for development (OfD) assistance during 2006-2011

1. PURPOSE

There have been several reviews, studies and also appraisals of different elements of the Oil for Development program (OfD) which Norway started late autumn 2005, but no in depth assessment of the different policy instruments; including the results, the performance and interplay of the main actors or the way this assistance has been organized. This evaluation has therefore three outcomes of interest or main purposes (as DAC defines the term);

- Assess the quality of the Norwegian assistance (the input) and the results (output and outcome) of the Oil for Development program in general and at project/program level.
- Assess the suitability of the organisation of OfD, the performance of the actors involved, the choice of partner countries and the relevance of the OfD-program for different types of partner countries.
- Outline lessons that can be used in designing and implementing OfD-policy, programs and projects in the future in new and old partner countries within a variety of contexts.

The evaluation has four sub-objectives or outcomes to be achieved before assessing lessons learned more in general:

- Document and assess the contents and achievements in the three pillars of OfD (natural resources, environment and finance) and OfD's other activities, including the contribution as a foreign policy instrument. The main focus will be on the instruments used for developing regulatory frameworks (policies, laws and regulations) and building institutional capacity and competence.
- Assess the relevance, quality and cost-effectiveness of the assistance given by the individual Norwegian actors and their cooperation, including the OfD-secretariat itself and other actors involved in planning and implementing the assistance in the three pillars.
- Analyze reasons for successes and failures in the assistance to different types of countries and contexts.
- Analyze the potential for improving the assistance and give both strategic and operational recommendations for the policy makers and actors involved.

The main users of the evaluation results will be the Norwegian policy makers in the Ministry of Foreign Affairs (MFA) and the other involved Ministries, in addition to the embassies, the OfD-secretariat²⁵ and other public institutions¹ that are developing and

²⁵ The main active public institutions in Norway include Ministry of Foreign Affairs (MFA), Ministry of Finance (MoF), Ministry of Petroleum and Energy (MoPE), Ministry of Environment (MoE), the Norwegian embassies,

implementing oil related assistance. The reports will also be useful to partner countries and other stakeholders, including non-governmental organizations (NGOs) and consultants in Norway and their counterparts in the South. The first results should be ready late autumn 2011 and the final report delivered in 2012.

2. THE EVALUATION OBJECT

When the Government in 2005 decided to reorganize²⁶ Norwegian petroleum aid the intention was to double the budget for such assistance during the coming five years²⁷. The intention was also to broaden the assistance from mainly being oriented towards resource management to include environmental and revenue management. To integrate these different thematic issues or pillars an OfD-secretariat was established in Norad with responsibility to coordinate and quality assure the work of the substantial and growing number of actors involved.

The purpose of program itself is to "transfer Norwegian experience with petroleum governance/ management in a way that contribute to lasting reduction of poverty in developing countries, and that the extraction of resources is done in an environmentally friendly way"²⁸. The purpose has also been stated as "an inter-ministry action for making Norwegian competence more available to developing countries who have oil and gas resources".

The OfD-policy initiative was based on a new strategy (or "program theory") where the key elements were the integration of three pillars (nature resource, environment and finance management), establishing a coordinating secretariat and to focus on "core" partner countries with limited cooperation in other countries. The initiative assumed that by reorganizing the Norwegian "input" (making it more available and of quality), then the results would be better for the partner countries (less poverty and environmental problems and more sustainable development). This program theory did not elaborate cause-effect linkages more in detail. But the implementation and the activities of the main actors indicate that on strategic level "institution building" and "developing governance framework on national level" in the form of laws and regulations have been key instruments in linking the Norwegian input and the desired results.

Appendix 1 gives a picture of how OfD has been organized and how the budget has been allocated to the different elements in the program during 2005-2009 (2010-data is not yet

the Norwegian Agency for Development Cooperation (Norad), the Norwegian Petroleum Directorate (NPD), the Petroleum Safety Authority Norway (PSA), The Climate and Pollution Agency (klif), the Norwegian Directorate for Nature Management (DN), PETRAD (the International Program for Petroleum Management and Administration). Involved have also been development banks as The World Bank and several international and Norwegian NGO's as Revenue Watch Institute and WWF.

²⁶ The Cabinets policy initiative came in 2005 – before the 2006 evaluation of the petroleum assistance report was ready.

²⁷ In fact Norad's statistics show that the annual budget allocation during 2007-09 has increased more than five times compared with 2002-04).

²⁸ UD Prop. 1S (2010-2011) Proposisjon til Stortinget for budsjettåret 2011. P. 52.

available). This picture does, however, cover only the input, not the results of the OfD-organizational model or the main instruments used in different contexts.

The available information indicates that the “program theory” of the OfD-program has changed over time. A broad objective of the new evaluation, therefore, could be to analyze and assess how the OfD-program has evolved and clarify the driving forces and main challenges involved, but also assess the results and the quality of Norwegian assistance. These Terms of Reference limit, however, the tasks of the evaluation team to more specific evaluation questions on issues linked to the most significant elements in the program theory that the implementation of OfD is based on. Priority is given to learning how Norway may improve its petroleum assistance in the future, and to issues that are of interest for the Norwegian development cooperation system more in general. Included, but with less emphasis, is control of whether earlier activities have been according to policy, guidelines and rules (but limited to a sample of projects and programs).

3. The evaluation process and involvement of stakeholders

The evaluation will follow the norms and quality standards laid down in OECD/DAC's evaluation guidelines and the general mandate for Norad's evaluation department.

The evaluation will be conducted in three phases:

- The preparation phase, including dialog on Terms of Reference (ToR), an international tender process and contracting of a team of independent consultants,
- the implementation phase, when the evaluation team conducts the evaluation according to ToR, with the production of an inception report that clarify the work plan and portfolio, draft final reports and the final reports.
- The follow-up phase, disseminating and discussing the findings with the stakeholders and giving advice to the Ministry for Foreign Affairs on policy change and how management should respond.

The planning and organizing is undertaken by the evaluation department in Norad. Consultations with relevant Norwegian institutions and other stakeholders will ensure relevance of the Terms of Reference (ToR) and the criteria for selecting the evaluation team. Stakeholders will be invited to give their comments before the inception report is approved.

The draft final report will be sent by the evaluation department to the parties involved, including representatives of the partner countries, the Norwegian embassies and other involved stakeholders, giving them the opportunity to comment on the findings, conclusions, recommendations and lessons learned which are presented in the draft report. DAC's quality standards for evaluations require that the final evaluation report takes such comments into consideration, and acknowledges any substantive disagreements. The stakeholders will also be invited to participate during the follow-up phase in discussions about the conclusions and recommendations in the final report.

An evaluation team, independent of the stakeholders and EVAL, will be selected after an international tender process and is responsible for the findings, assessments, conclusions and recommendations in their reports. EVAL has the professional responsibility for the evaluation process and choice of consultants. EVAL is also responsible for its independent

advice to the Norwegian Minister for international development on policy change and management response.

4. OBJECTIVE AND SCOPE

The main objective is to evaluate the quality and results of the Norwegian petroleum assistance after the Oil for Development program was established late autumn 2005 as an instrument for developing the petroleum sector in partner countries. The following two sub-objectives of the evaluation are the most important ones:

1. Document the resources used and the results achieved for a sample of programs/projects. This sample will cover **the three pillars and other parts** of the OfD-assistance, and core- and non-core countries. The emphasis will be on **framework development** and instruments used in **institution building** in different contexts, including:
 - The allocation on strategic level of resources to the different pillars and types of partner countries over time, including the money flow to and between the actors involved.
 - The main types of activities (content of input) involved, and to what degree the assistance has been demand driven.
 - The planned results for the partner countries and institutions and to what degree the desired results were achieved.
 - Identify unplanned results (positive or negative) for the involved stakeholders.
 - Identify reasons for why interventions have been successful or not, and especially whether and how the use of Norwegian experiences and thinking ("Norwegian models") has influenced the results achieved.
2. Document and assess the quality and cost-effectiveness of Norwegian actors; including
 - The **value added** of the *OfD organising model* and the OfD-secretariat itself as a coordinating and quality assurance unit, both by comparing the content and quality of the assistance after 2005 with the Norwegian assistance before (i.e. 1994-2004) and by getting the stakeholders perceptions.
 - The **quality of the aid** from the implementing Norwegian actors regarding relevance, their ability to plan, implement and follow-up, and their cost-effectiveness.

The results of Norwegian input most often will manifest itself long after an assistance project/program takes place, giving a considerable time-lag between input and results. It is, therefore, important that the evaluation clarify if and how recent OfD-projects relates to earlier assistance. When OfD-activities are a continuation of earlier assistance, the team shall assess if there has been a thorough assessments of the need for continued support and an exit.

The evaluation will focus on bilateral assistance through public institutions, but include also OfD-assistance by civil society organizations and in cooperation with multilaterals or other donors in a limited number of programs, depending on the choice of case studies. It is necessary to clarify to what extent other donors have been involved in the petroleum sector

at the same time, or before, the Norwegian assistance is established. When multilaterals, or another donor country, have been involved in petroleum assistance to a country that this OfD-evaluation studies, the performance and results should be compared when possible.

There are examples of Norwegian petroleum related projects that is combined with aid to other sectors (as energy in general), management of nature resources in general (as fish resources) and/or the development of private sector (to increase the local content in delivery to the petroleum companies). OfD-activities are also linked to policy initiatives for improved governance in general (as Publish what you pay). The evaluation will not give priority to “mixed” or general programs/projects, but when relevant the evaluation will assess how OfD-activities are linked or interact with Norwegian assistance in other sectors (as development of local industry) or with more general instruments.

The projects assessed in this evaluation shall cover both support provided directly by MFA and the other Ministries involved , the embassies and the OfD-secretariat in Norad, but also the different implementing actors in the three pillars with emphasis on NPD and PETRAD.

5. The Evaluation Questions

5.1 Assessments of resources, contents and results

- i. What have been the resource allocations and contents of Norwegian assistance during the OfD-period within the three pillars of nature management, environment and finance?

The statistical information on the allocation of OfD resources varies and the evaluation team should clarify the reliability of data by checking a sample of projects/programs regarding their content, relation to the pillars/other activity and implementing actors. Contents here refer to the activities that have been planned, implemented and followed-up by the involved Norwegian actors, including activities as for example analysis of the needs of the partner countries or institutions, actions for building the competence and capacity of partners, assessment and development of regulatory frameworks, governance and monitoring systems, analysis of the risks involved, and assessing/collecting baseline data.

The analysis of content should emphasize activities related to developing frameworks for regulations on national level that determine the responsibilities and revenues among actors in the petroleum sector, including the government and private sector. The content-analysis should also clarify the activities or instruments used for institutional building, including the use of on-job training, study visits, seminars, short work-shops, longer courses (as Petrad's 8 week course), long-term experts and formal training at higher education level. These analyses of contents should be based on a limited sample of projects/programs in selected countries and cover both core- and non-core countries

- ii. What have been the results on national and program/project level, and the reasons for success or failures?

These assessments shall focus on results related to development of frameworks (laws, regulation) and building of institutions (capacity and competence), but when possible cover also the contribution from the petroleum sector to **economic development** on national level, **poverty reduction, improved governance** within the environmental and financial sector, and **cross-cutting issues** as gender relations.

The evaluation should clarify if and to what degree there have been changes between 2005 and 2011 in the regulatory frameworks in a sample of partner countries. The framework concept covers regulations of the different phases of petroleum development (exploration, field development, the income and closing down phase). The evaluation team should assess if and how the Norwegian assistance has contributed to changes in the national regulations of the oil and gas sector. When relevant the team should also assess if the regulations have been followed up and implemented as planned, especially regarding licensing arrangements and field development plans.

How well the petroleum industry functions depend not only on the robustness of the regulatory framework, but also on the capacity of the regulatory institutions. The assessments shall, therefore, cover changes in institutional capacity and competence between 2005 and 2010 of the key public institutions on national level, and the roles of host governments, private oil companies and other actors. These assessments should look into the efficiency of the regulatory institutions in partner countries and if they manage to deliver the services or products needed to the other actors in the partner countries, including actors in the host government and private sector companies, but also third-party actors as the donors involved in assistance to the petroleum sector and NGO's, development and commercial banks and international organizations.

A key-challenge will be to assess the results of using different instruments in institution building, and especially the results of using long-term experts, local coordinators or different other ways of transferring competence as study visits, seminars, work-shops, longer courses or high-level education. Based on a limited samples of such interventions, the team shall compare the costs involved and look for evidence of the value of the different activities or results on institutional level, not only effects for the persons directly involved.

The evaluation of results should be based on well defined objective indicators, but also on the perception of the parties involved. The result indicators used in comparisons of implementing actors and assistance to different countries shall be common. If they differ, for example because of different contents in the Norwegian assistance, or different contexts and regulatory frameworks in partner countries, that should be explained in the final report. Assistance that has been influenced by internal conflicts in partner countries or war should especially be identified and such contextual challenges clarified.

Changes that take place over time is, however, often related to other external factors, as changes in partner countries' policies in general (decentralization, privatization etc), interventions by other donors, changes in the international petroleum market, and access to inputs such as energy and credit. The evaluation team shall assess if and how such external factors or processes may have influenced the results.

The analysis of contents and results is limited to a sample of countries, with the emphasis on the five core-countries East-Timor, Ghana, Mozambique, Sudan and Uganda. The evaluation will cover all actors involved and all types of projects/programs in Ghana, Mozambique and Uganda. The study of assistance to the financial pillar will, however, be limited to East-Timor. In Sudan the focus will be on OfD as a foreign policy instrument in a conflict solving/reducing process. These five countries get approx. 75% of the bilateral assistance in 2011 budget wise. Two mainly non-core countries in Latin America will be selected during the inception phase (among Bolivia, Cuba, Ecuador and Nicaragua). The evaluation of non-

core countries will be based on limited data collection from field work. The analysis in all case countries will be based on a sample of programs/projects chosen in the inception phase after a preliminary mapping study.

5.2 Assessments of the quality and cost-effectiveness of actors

A substantial number of actors have been involved in the Norwegian petroleum assistance during the OfD-period. On the management side the key actors have been the embassies and the OfD-secretariat itself with responsibility of approximately half of the total budget allocations each. The implementing institutions have been Norwegian public institutions and especially NPD and PETRAD.

This evaluation shall focus on the quality and cost-effectiveness of the most significant actors, the embassies, the OfD-secretariat, NPD and PETRAD, but also cover other actors to be chosen during the inception phase. The term "quality" in this case refers both to the relevance for the partner country, the use of international "best practice" and according to guidelines for Norwegian aid or framework in partner countries.

Regarding the Norwegian organizational model, the OfD-secretariat and the embassies, the key evaluation questions are:

- What has been the value added by the involvement of the Norwegian Ministries, the OfD-secretariat itself and the assistance through the embassies compared with the Norwegian petroleum assistance before 2005 and compared with recent petroleum assistance given by other actors as the World Bank?
- Have the secretariat model increased the relevance, the quality and efficiency of the Norwegian petroleum assistance, when assessing also the needs of the partner countries, the integration of the three pillars and the performance and interactions of the involved actors?
- To be more specific: Have the secretariat and embassies had the required capacity and competence, and what have been the other challenges and cost according also to the perception of the involved partners?
- Could the achieved results been significantly increased if the OfD-program had limited the number of partner countries and focused on selected types of partners?
- To what degree and how has the involvement of the Norwegian Ministries contributed to increased results for the partner countries and higher efficiency of the Norwegian assistance?

The 2006-evaluation found several weaknesses in the Norwegian assistance which the OfD-program has been expected to improve. By comparing the Norwegian assistance before and after OFD were established, and by comparing the petroleum related assistance given by the embassies with their activities in other priority sectors, it should be possible to identify if there are significant differences which may relate to the coordination and quality assurance functions of the OfD-secretariat. Such comparisons should be based on a sample of similar programs/actions and the program-documents produced. Among the weaknesses identified by the 2006-evaluation was a lack of need assessments, risk analysis and monitoring systems, and the fact that not a single project document was according to the relevant guidelines. A comparative study should include a comparison also between a "new core

country" (as Ghana) with assistance in earlier core countries to clarify the degree of improvements on national level and if improvement can be related to the work of the OfD-secretariat.

The effectiveness and cost-effectiveness of Norad's work should also be assessed, including the secretariats capacity to aid a large number and different types of partner countries. The support so far has been spread out to a comparatively large number of partner countries and involved several Norwegian Ministries in the steering committee and public agencies. What have been the effects, positively or negatively, of such allocation of resources and of the involvement of many actors in steering and implementing functions compared with a more focused approach both geographically and institutional?

Regarding the performance of the main implementing actors the key evaluation questions are:

- How have the assistance been organized and performed by the main implementing actors during the OfD-period, and to what degree have the actors been cooperating or activities coordinated with other Norwegian actors and other donors?
- How does the quality of the work of implementing actors compare with the assistance before OfD, and have the actors given more attention to the weaknesses identified in the 2006-evaluation as the lack of building administrative capacity?
- Have the quality, results and cost-effectiveness been different when comparing Norwegian implementing actors?

The emphasis shall be on NPD and PETRAD, but other public actors that have been involved in the same countries and/or contexts will also be included. When relevant these assessments may also include NGO's or consultant companies. Comparisons of implementing actors should focus on analytical units (types of assistance and contexts) that are comparable.

The evaluation shall track the channelling of funds directly or indirectly from MFA, the embassies and Norad through the different involved partners to document the total budget allocations to each of the selected actor and their use on different main types of activities. The mapping of resource use - limited to expenditures on main activities - should focus on technical assistance (in-house and external consultants), the main types of competence building, support in kind and direct financial aid to partners, administrative costs and other costs.

A limited number of projects will be selected for fact-finding regarding resource use and results. The evaluation shall also identify factors and forces which have influenced the design and implementation of the selected programs/projects, including the capacity building efforts. The team shall assess the quality of planning, the monitoring/reporting systems and the routines for such actions, and coordination/cooperation with OfD-secretariat and other actors. Of special interest is how risks have been handled by the responsible units and the response of the Norwegian public actors to weaknesses and recommendations in mid-term project reviews, progress reports or other documents.

6. METHODOLOGICAL COMMENTS

6.1 *The quality standard and evaluation criteria:*

The assessments will mainly cover the internationally adopted DAC's criteria²⁹ of Relevance, Effectiveness and Efficiency:

- Relevance refers to the extent to which the selected projects, programs or policy instruments were consistent with the Norwegian priorities and guidelines, and the needs and requirements of the beneficiary countries.
- Effectiveness refers to the extent to which the selected interventions have attained (or are likely to attain) their objectives, taking into account major factors influencing the achievement or non-achievement of the objectives
- - Efficiency will measure the benefits/outputs or outcomes in relation to the resources/inputs. If available the expected benefits/costs in appraisals (ex ante) or project documents should be compared with the observed realities ex-post.

The assessments should cover also Impacts and Sustainability when appropriate.

6.2 *The methodological design*

Norwegian petroleum related assistance before and during 2005-2010 has been a subject of reviews and evaluations in several earlier reports and studies, but also of ongoing reviews in East-Timor and Uganda. The evaluation will avoid duplication of work, and the review of the previous evaluations will be limited to a brief comparative overview of the main finding of the earlier studies. This evaluation shall draw on the previous work where relevant. Primary data collected in the evaluation shall be quality checked through use of appropriate triangulation strategies. The consultant will reconstruct the *intervention logic* in the OfD-strategy and the selected programs or activities in consultations with the stakeholders involved.

One of the methodological challenges will be that several interventions may not be based on explicit or documented objectives, or a well formulated "program theory" of how anticipated results will be achieved. Another methodological challenge is how to obtain information from a representative sample of Norwegian interventions which makes it possible to draw general conclusions. The recent Norwegian cooperation in this field has covered more than 30 different countries and has been a complex mix of interventions in very different contexts. The main alternative strategies for designing the evaluation have therefore been to do a limited number of thorough "in depth case studies" or a broad more "superficial" study.

The proposed design is a methodological compromise and based on a case study design which focuses on priority issues (framework development and institution building) in four of the core countries that Norway has been involved in for a substantial period (East-Timor, Ghana, Mozambique and Uganda). It is supplemented by a study in Sudan with focus on

²⁹ Including the guidelines in DAC Evaluation Quality Standards, March 2006

OfD as foreign policy instrument and two non-core countries in Latin-America with a different context and types of programs/interventions.

New primary data will be collected mainly through visits to the key Norwegian actors and field studies in the selected countries, limited to the priority issues and a sample of programs or projects. The evaluation will be based also on secondary data in the form of program documents, both collected by the 2006-evaluation team, and by comparing documents and other types of evidence produced during the OfD-period.

A significant part of the tasks for the evaluation team is fact finding as the conclusions and recommendations should be based on reliable evidence. The likely best way of starting data collection will be to collect information from the Norwegian actors on their perceptions of OfD and their premises for been involved. The team should early on collect reliable evidence of the resource allocations of OfD in general and follow the money to the involved actors and document their internal resource allocation and use. The collected data should compare the input (resource allocations, content, cooperation, coordination etc.) and expected results also with aid before the OfD-period. The team will later on visit the selected partner countries to supplement or verify the reliability of findings. But field work may depend on the security situation in the partner countries, an issue which the embassies will assess when relevant.

The intention is that more in-depth comparisons should include – when possible – studies of at least three to five different analytic units (countries, actors, programs for framework development and institution building, but also types of activities).. The selection of projects or programs to be studied will be finally approved by EVAL during the inception phase.

7. EVALUATION TEAM AND TENDER PROCESS

The tender process will be international and in accordance with EU rules. The main competition criteria will be the quality of team, the design and methods proposed, the quality assurance system, availability of team members and price as specified in the tender document.

All members of the evaluation team are expected to have relevant academic qualifications and evaluation experience. The team must cover substantial relevant **experiences**, both from the private sector and the public management/regulatory side. In addition, the evaluation team shall cover the following competencies.

Competence	Team Leader	At least one member
Academic	Higher relevant degree.	Higher degree in economics, social science, petroleum resources management
Discipline	Relevant disciplines	Petroleum science and technology, economics, political science/ law, accounting
Evaluation	Leading multi disciplinary evaluations	Qualitative and qualitative evaluation methods, institutional assessment, studies of cost-effectiveness, needs and risk assessments
Sectors	Substantial experience from the Petroleum sector - preferably both from public management/regulatory and private sector	Petroleum resources regulation, environment and safety regulation, petroleum
Priority issues		Framework and policy development on national level, instruments used in institution building

Development Cooperation	Yes	Yes, also in fragile states
Country/region	Developing countries	Petroleum countries in Africa, South Asia and/or Latin-America
Language fluency		
English	Written, Reading, Spoken	
Norwegian		Reading, Spoken by minimum two members
Portuguese		Reading, Spoken by minimum two members
Spanish		Reading, Spoken by one member

The evaluation team should as far as possible, include both international and experienced local consultants from the South.

8. BUDGET AND DELIVERABLES

The project is **budgeted** with a maximum input of 80 person weeks³⁰⁶ including visits to Norwegian actors and field studies in selected countries. The budget estimate includes the time allocated to the local team members and the time to be used during the field-visits and the seminars, including compensation for travel time used in intercontinental travel (maximum 7 hrs. travel time per intercontinental journey).

Deliverables in the consultancy consist of following outputs:

- **An Inception Report** which assess and recommend the final design and analytical methods used in the main evaluation of the results and quality of the Norwegian aid. The design and methodological assessments will be based on a **preliminary mapping study** that describes the resource allocation and contents of the Norwegian assistance within the three pillars before and during the OfD-program period autumn 2005- spring 2011. The mapping study clarifies the flow of resources to the main actors in Norway and how the resources have been used on framework development, institution building programs, projects and activities, or tied to Norwegian foreign policy issues. The mapping survey covers the OfD-secretariat, NPD and PETRAD, but also a preliminary mapping of input by the relevant Ministries, embassies and/or other Norwegian public institutions. The mapping study will be delivered as an annex to the inception report. The design and methodological part of the inception report should not exceeding 30 pages and be prepared in accordance with the evaluation department's guidelines given in *Annex A-3 Guidelines for Reports*. It will be discussed with the team and the relevant stakeholders before approval by the evaluation department in Norad.
- **Draft Final Reports** for feedback from the stakeholders and the evaluation department. The feedback will include comments on structure, facts, assessments, conclusions and recommendations. It will be a draft report for each of the selected

³⁰ Budget assumes a work-load of 42 hours per week spread over six working days per week

countries, and a main report which synthesise the findings, conclusions, recommendations and lessons learned.

- **Final Evaluation Reports** prepared in accordance with guidelines given in *Annex A-3 Guidelines for Report*.
- **Seminar for dissemination** of the final reports in Oslo or in the case-study countries, to be arranged by the Evaluation department in Norad. Direct travel-cost related to dissemination in the case countries will be covered separately by the evaluation department on need basis, and are not to be included in the budget.

All presentations and reports are to be submitted in English and electronic form in accordance with the deadlines set in the time-schedule specified in the *Tender specification*. The evaluation department may decide to translate country reports to the official language used in partner countries (as East-Timor and Mozambique where Portuguese is relevant). The department will in that case cover all translation costs.

The evaluation department retains the sole rights with respect to all **distribution, dissemination and publication** of the deliverables.

Annex B: List of Informants

Oil for Development Political Leadership and Steering Committee (current and former)

Mr. Erik Solheim, Minister for Development Cooperation and the Environment, *Ministry of Foreign Affairs*

Ms. Nina Rør, Steering Committee Member, *Ministry of Environment*

Ms. Sigrid Russwurm, Deputy Director General, *Ministry of Finance*

Mr. Jon Lomøy, former Chair, Steering Committee, *Ministry of Foreign Affairs*

Mr. Odd Sverre Haraldsen, Director General, *NMPE*

Mr. Ole Anders Lindseth, Director general, *NMPE*

Mr. Erik Just Olsen, Senior Advisor, *NMPE*

Mr. Christian Syse, Deputy Permanent Secretary, *MFA*

Mr. Tore Nedrebø, Senior Advisor, *MFA*

Mr. Bjørn Geir From, Investment Director, *Ministry of Finance*

Oil for Development staff (current and former)

Mr. Leiv Lunde, OfD 2006 - 2007

Mr. Petter Nore, Director, OfD 2007-2011

Mr. Petter Stigset, Director, OfD 2011-

Mr. John Tore Vatnar, Deputy Director, 2008-2011 (plus previous Latin America desk officer)

Ms. Heidi Hegertun Sandvad, Mozambique desk officer

Mr. Geir Ytreland, Latin America desk officer

Mr. Halvor Musæus, Cuba desk officer plus co-responsible for regional activities

Mr. Svein Heglund, co-responsible for regional activities

Ms. Pernille Holtedahl, ex-advisor, Norad (Bolivia)

Ms. Liv Marte Nordhaug, ex-advisor Timor-Leste

Ms. Torhild H. Martinsen, senior advisor, OfD

Ms. Hans Peter Christoffersen, senior advisor, Norad

Mr. Trond Hjørungdal, senior advisor, Norad

Norad Staff

Ms. Gunvor Skancke, Deputy head of the Civil Society Department

Ms. Astrid Lervåg, Advisor, Civil Society Department

Ms. Lise Stensrud, Head, Anti-Corruption Unit

Ms. Tanja Ustvedt, *Tax for Development* program

Oil for Development Partner Institutions, Norway

Mr. Sigurd Klakegg, Deputy Director General, MoF

Mr. Johannes Kjøde, Deputy Director General, Director Strategy, Communication and International Cooperation, ***Norwegian Petroleum Directorate (NPD)***

Mr. Øystein Kristiansen, Project Director, International Cooperation, ***NPD***

Mr. Steinar Njaa, Project Director, ***NPD***

Mr. Gunnar Søiland, Project Director, ***NPD***

Ms. Else Ormaasen, International Cooperation, ***NPD***

Ms. Berit Jakobsen, International Cooperation, ***NPD***

Ms. Turid Øygaard, International Cooperation, ***NPD***

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Annex C: Documents Reviewed

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Annex D: Mapping and Budget Data

According to the ToR for the evaluation, Norway provided nearly NOK 630 million through the OfD program during the five years 2005-2009. The 2010 expenditure figures have become available, increasing the total to **NOK 837 million**, and preliminary figures show a further NOK 290 million were disbursed in 2011, for a total of around NOK 1,130 million over the period 2005-2011. For the purposes of this analysis, the 2011 figures could not be included since detailed break-downs with classifiers (see below) were not available.

Norad's Aid Database

This study is based on Norad's unified *aid database*, which covers all Norwegian development cooperation financing, supplemented by some country-level and agreement partner data. The database is structured around annual disbursements and contains a large number of variables, including the agreement number and name; year of disbursement; agreement partner (who signed the contract for the funding); implementing partner (sometimes a local body is responsible for managing the activities on the ground different from the agreement partner); DAC classification of sector and sub-sector of end-use of funds along with a Norwegian system that classifies according to policy objectives; country or countries in which the activities are taking place; the Norwegian budget line used to fund the activities, and a number of so-called Policy Markers.

During the first years of this period, the database did not have identifiers for the funds used for OfD activities, so OfD staff had to identify these based on the project agreements that have been signed. As of 2008, such a program market has been included, however. In the resultant database, there are thus 461 entries totalling NOK 837 million for the six fiscal years 2005-2010.

Financial Data

When analyzing the database, *disbursement data* rather than the *budget data* have been used. The main reason is that disbursement data accurately record actual funds spent on that activity, including any reimbursements that may have taken place at the end of the project or program period. Disbursement data are also recorded by calendar year whereas budget data may reflect a multi-year financial commitment. Financial flows based on budget data may therefore show sudden "peaks" in a given year when large multi-year programs are signed that are not reflective of actual activity levels.

For reasons of accuracy, completeness and time structure of payments, disbursement data are thus much better and will be used here.

Agreement and Implementation Partners

A key aspect of the OfD is that Norwegian partners have been important in implementation. The Norwegian Petroleum Directorate (NPD) and Petrad are specifically mentioned in the TOR, but the team also looked at framework partners and others that the data analysis showed were important. An identification of Agreement partners was therefore carried out, as well as looking at whether it is the Agreement partner that has been implementing the task, or whether this has been done by a local actor, and if this has changed over time. The study also does an aggregation of Agreement partners and Implementation partners into

main groups of actors, to show trends in use of channels (such as “Norwegian public sector” versus “national authorities”, for example).

Budget and Sector Classifications

Funding is classified two ways, by funding source (the Norwegian government budget line), and by which main objective the funding was intended (DAC sector classifiers).

The Norwegian funding source is not very useful for addressing the questions in the TOR since it only shows the different budget chapters and sub-chapters in the state budget that were used for financing OfD activities. A quick overview was anyway done since it raised some interesting issues regarding structure of the financing.

DAC sector and sub-sector classifiers are used since they show the objectives for which funding has been spent. While most funds were clearly for a particular sub-sector, oil and gas, what the study attempts is to see if something further can be said about distribution across the three pillars of OfD.

Policy Markers

One of the short-comings of the DAC sector classifiers is that a given disbursement can be classified into only *one* category. A project that is funding women’s rural cooperatives may therefore be classified as an agricultural project, *or* as a capacity building project, *or* as a gender project or even as an infrastructure project if the largest expenditures are for warehouses whereas it may in reality be funding activities in all four sectors.

The Policy Markers are used to register whether the project contributes to any one of several pre-defined policy areas. This is normally noted by stating whether the particular project has a given policy area as a “main objective”, “significant objective” or “none”. The Policy Markers therefore play a dual role. In the first place they enrich our understanding of what a project is expected to contribute towards beyond the uni-dimensional DAC sector classifier. The other is to record to what extent a project addresses Norwegian policy concerns that may not be captured by the DAC classifiers, such as support to indigenous populations or the fight against HIV/Aids.

The five policy markers used here are selected on the basis of the degree to which they can be seen to reflect OfD priorities, such as in the three pillars: (i) environmental development, (ii) climate change mitigation, (iii) gender equality, (iv) human rights, and (v) biodiversity.

Overall Portfolio Structure

Table D.1 shows total disbursements to the most important geographic entities identified in the database. In all 33 countries have received funding in addition to three regions and “global unspecified”.

The latter category is the single largest one, accounting for NOK 272 million – that is, one third of total expenditures. The three regions account for a further NOK 26 million – about three percent of the total. The 33 states have received in total NOK 539 million.

The five core countries that the evaluation was to look at have received a total of NOK 286 million, about one third of total OfD funding over the period (for the purposes of this disbursement analysis, Sudan was maintained as a key country to look at). Of these five, four are the largest single

country recipients of funding. The fifth country is Ghana which ranks only 12th on the list with a total funding of NOK 19 million (this is changing as the Ghana program is growing fast. If 2011 data had been available, its ranking would have been higher). The largest beneficiary is Timor Leste, with over NOK 91 million. This is almost 50% more than the second largest, Mozambique, which has received a total of over NOK 63 million, followed by Uganda with NOK 60 million and then Sudan with NOK 52 million. As a *share* of the bilateral funding, these five countries received over half the financing.

The 11 countries that have received more than NOK 20 million each account for nearly 90% of all bilateral funding, so one third of the countries account for the overwhelming share of funding. This reflects a fairly high level of funding concentration.

The four Latin American states Bolivia, Cuba, Ecuador and Nicaragua that are mentioned in the ToR only account for NOK 8.3 million. Of this, Bolivia received just over NOK 5.3 million – nearly two-thirds of the Latin American total – while Nicaragua accounted for a further NOK 2.8 million. Ecuador is listed with one disbursement of about NOK 124,000 while so far OfD has not funded any activities on Cuba.

Table D.1: Total disbursement by geographic entity*, 2005-2010 (NOK '000)

Recipient country	Total
Global Unspecified	271 626,20
Regional allocations	25 909,80
Timor Leste	90 580,50
Mozambique	63 432,20
Uganda	60 361,50
Sudan	52 785,30
Angola	52 488,40
Nigeria	29 134,20
Iraq	27 660,10
Bangladesh	25 476,40
South Africa	25 172,70
Madagascar	24 470,70
Afghanistan	24 125,50
Ghana	18 909,60
Other countries, Africa including North Africa	8 460,50
Other countries, Asia including Middle East	28 487,10
Other countries, Latin America	8 288,20
Grand Total	837 369,1

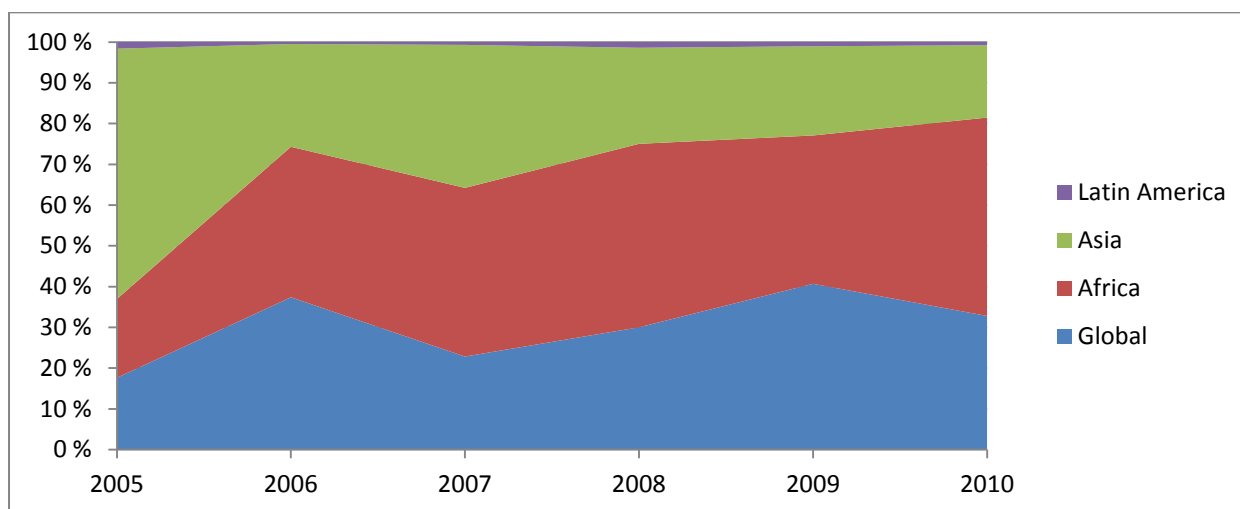
*: Shows funding for 12 largest recipient states with the remainder aggregated into three regional groups

Source: Norad aid database

Figure D.1 shows disbursements broken down by the three major regions – Africa, Asia and Latin America – plus the “global unspecified”. In terms of *shares* of the funding, the global allocation has fluctuated around its average value of about a third of total expenditures, with no particular trend line. The relative importance of Asia has fallen as Africa’s has increased, while Latin America has remained insignificant throughout. The data on Latin

America underreport activity levels considerably, however, since much of the financing is registered in the database under “global unspecified”. OfD’s internal recordings show much higher project disbursements especially in Bolivia (see below).

Figure D.1: Relative shares by geographic region, 2005-2010 (in percent)

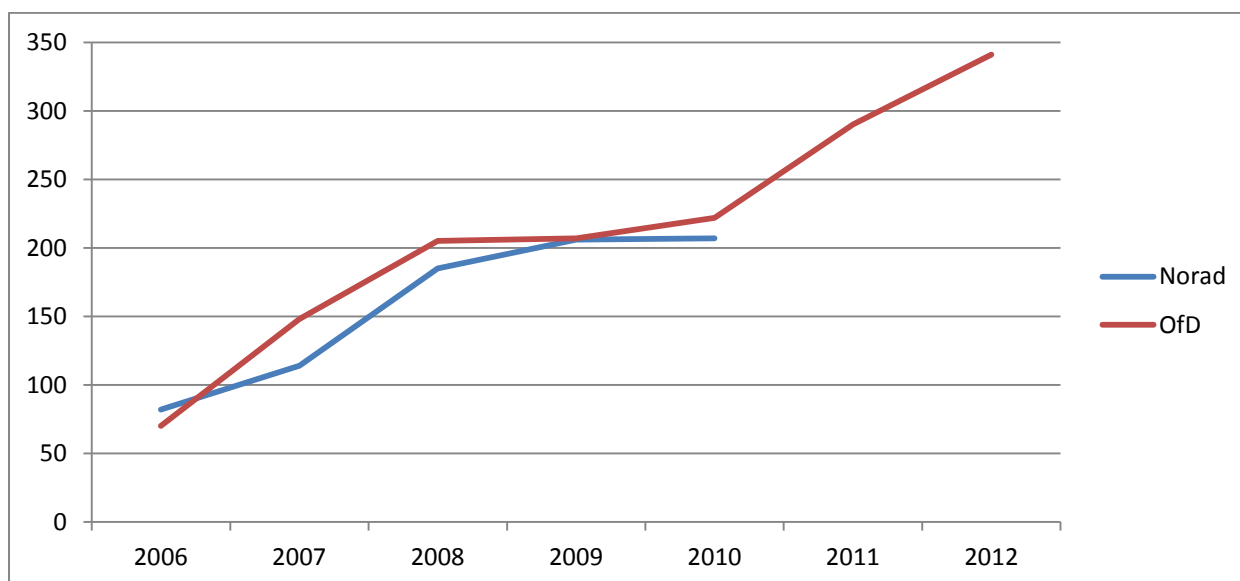


Source: Norad aid database

The Norad Database and Oil for Development Data

OfD desk officers have all the time tracked expenditures by country based on what the projects were recording as disbursed, leading them for example to have quite different figures on Latin American funding. But the two data sets produce quite similar pictures at the aggregate level, as seen in figure D.2 below.

Figure D.2: Gross disbursements, OfD Data and Norad Database, 2006-2010 (NOK mill)



Sources: Norad/OfD Annual Reports and Norad Aid Database

Funding by Budget Categories

Funding for activities in specific countries can be funded either over bilateral funding chapters – financing targeted to specific geographic areas – or what is known as “general funding” which is broken down by thematic chapters. Table D.2 shows the budget chapters in the government budget that have been the source of the OfD programs.

As the table shows, most of the funding has been for specific geographic regions – either identifiable states or one of three regions. One could have expected that this would be reflected in the funding structure – that the geographically targeted funding would have been the main source of financing. In fact the opposite is true: general budget sources have been the largest and in fact increasingly important source for OfD financing. While bilateral funding was around NOK 28 million in 2005, this has increased by a factor of three to NOK 86 million in 2010. During that same period, general funding sources grew from just over NOK 15.5 million to nearly NOK 121.5 million – nearly eight times. And the budget line “Research, capacity development and evaluation” alone accounts for over half of all OfD funding.

Table D.2: Funding allocations by funding chapter, 2005-2010 (NOK '000)

Budget chapters	2005	2006	2007	2008	2009	2010	Total
Aid to Africa	7 113,0	18 901,9	33 341,0	53 161,5	41 390,0	57 221,6	211 129,0
Aid to Asia	20 854,7	17 059,0	16 171,6	27 128,4	27 327,7	28 217,1	136 758,5
Aid to Latin-America				346,6	1 225,4	541,4	2 113,3
Bilateral funding	27 967,7	35 961,0	49 512,6	80 636,5	69 943,0	85 980,0	350 000,9
Civil society and democracy support					66,2	700,0	766,2
Priv sector devt	5 466,5	10 134,5	18 890,8	9 670,8	6 050,0	5 295,7	55 508,2
Emergency and humanitarian aid		600,0					600,0
Peace, reconciliation and democracy	376,8						376,8
Research, capacity dev't and evaluation	9 668,4	35 196,7	45 505,5	94 360,7	129 961,8	115 224,0	429 917,0
Gender and equality						200,0	200,0
General funding	15 511,7	45 931,2	64 396,3	104 031,4	136 078,0	121 419,6	487 368,2
Grand Total	43 479,4	81 892,2	113 908,9	184 668,0	206 021,0	207 399,7	837 369,1

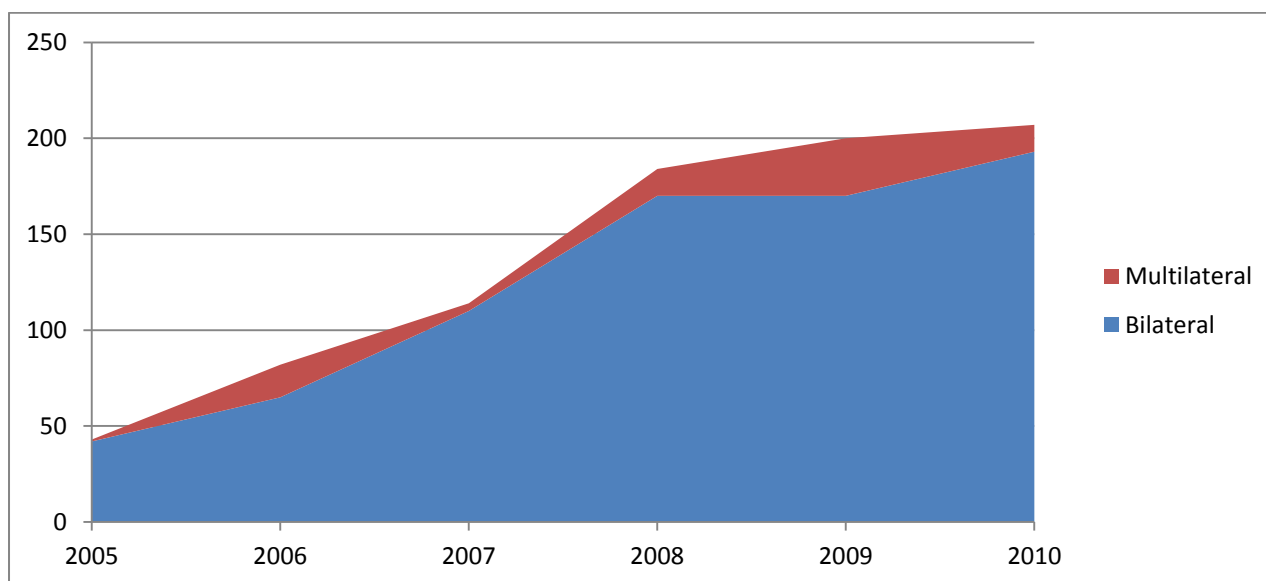
Source: Norad aid database

When looking at the database, the “Global, unspecified” recipient category in the table of nearly NOK 272 million is virtually all funded over the “Research” budget line, though from two different sub-categories, “Technical collaboration” and “Operating costs” (database data, not shown here). While funding global programs from this budget line is logical, it means that also nearly NOK 160 million of geographically defined activities are funded from this general budget chapter rather than from geographic allocations.

Funding can be directed to an activity directly through bilateral financing, or Norway can choose to use the multilateral system by for example channelling money through the UN or World Bank. In the case of the OfD program, however, less than ten percent goes through

multilateral channels. Most is handled directly by Norway. This is in line with the concept of having the OfD finance activities in fields where Norwegian knowledge can be applied.

Figure D.3: Disbursements, Bilateral vs. Multi-bilateral channels, 2005-2010 (NOK mill)



Source: Norad aid database

The *share* that goes through the multi-bilateral channels has moved considerably over the period but with no particular trend line. The “peaks” have occurred when larger lump-sum projects have been approved, typically one-off efforts that cost around NOK 10 million.

Disbursements According to Uses of Funding

The database identifies the use of the funds according to three different sets of classifiers: the DAC sector classification scheme; a somewhat simplified end-use system used by Norway; and finally according to what kinds of interventions are being funded.

DAC Sector Classifiers

The most common classification scheme for analysing where funding has ended up is, as noted earlier, the DAC sector classifiers. In the case of the OfD program, there are a total of six sector classifiers that have been used: education (the three different DAC sector classifiers have been aggregated into one here); support to government and civil society; social infrastructure and services; energy generation and supply; mineral resources/mining; and general environmental protection.

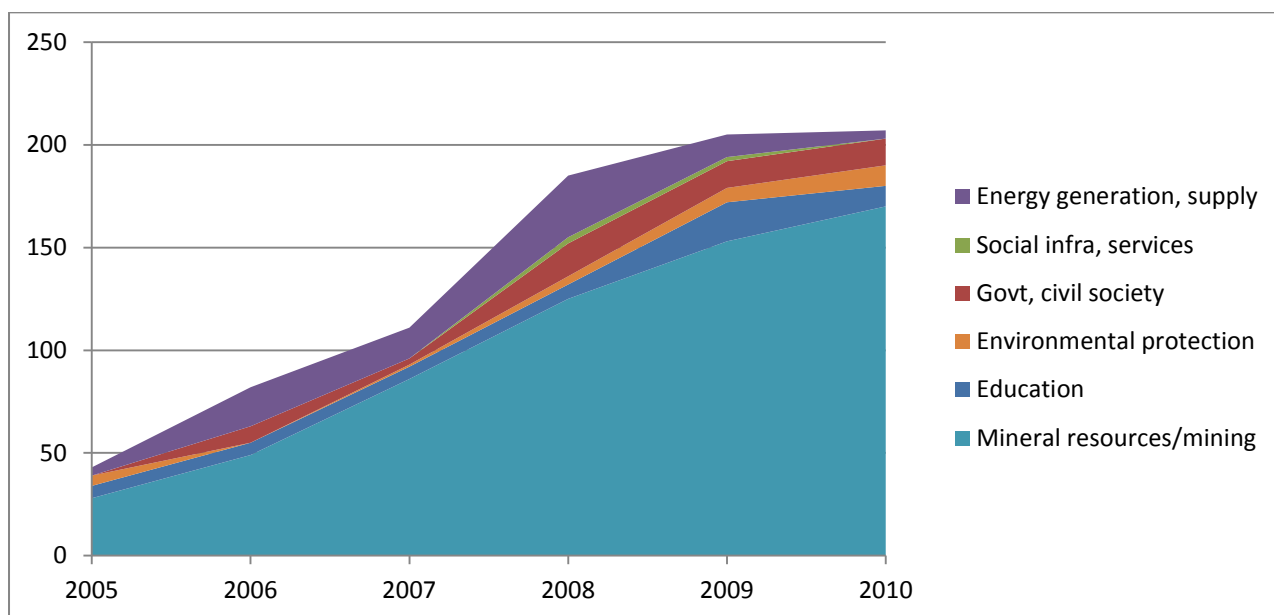
Figure D.4 below shows the allocation across these six sectors over time, and as can be seen, the mineral resources/mining sector accounts for the overwhelming share.

The second largest sector is – not surprisingly – “Energy generation and supply”. It has received one-tenth of total funding. This sector was more important in the early phase of the program, in part because the previous period’s support to infrastructure development could not suddenly be cut but had to be finalised in an orderly manner.

The funding that has been classified as going primarily to “General environmental protection” – which should basically be equivalent to one of the three pillars of the OfD –

has been limited. The data show this made up a total of NOK 26.5 million over the period – around three percent – though its importance has increased slightly over the last two years, making up about five percent of the 2010 expenditures.

Figure D.4: Disbursement by DAC Sector Classifiers, 2005-2010 (NOK mill)



Source: Norad aid database

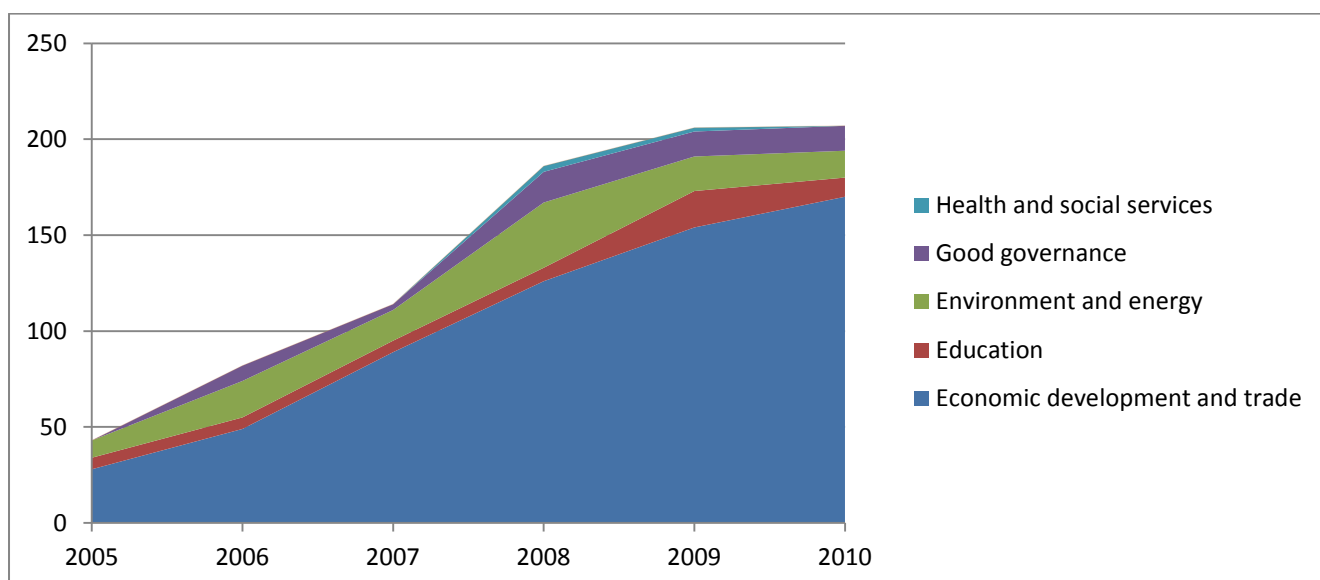
Norwegian Target Areas

A different set of sector classifiers is one that refers to as Target Areas. These are classifiers that are used in the Norwegian aid system, and tend to reflect somewhat wider categories – there are not as many categories, and largely for key areas for Norwegian assistance.

Figure D.5 shows the OfD funding using the Target Area classifiers, and as can be seen this figure is largely similar to the DAC scheme shown in figure D.4. What is termed “Mineral resources/mining” in the DAC scheme is pretty much captured by the “Economic development and trade” in figure 3.2.

The one difference is that in the Norwegian Target Area figure, what is classified as “Environment and energy” is much more important than the environmental variable in the DAC scheme. On the other hand, this Target Area variable may be covering both the “General environmental protection” and the “Energy generation and supply” classifiers of the DAC scheme rather than the Norwegian system having an overall different way of classifying interventions.

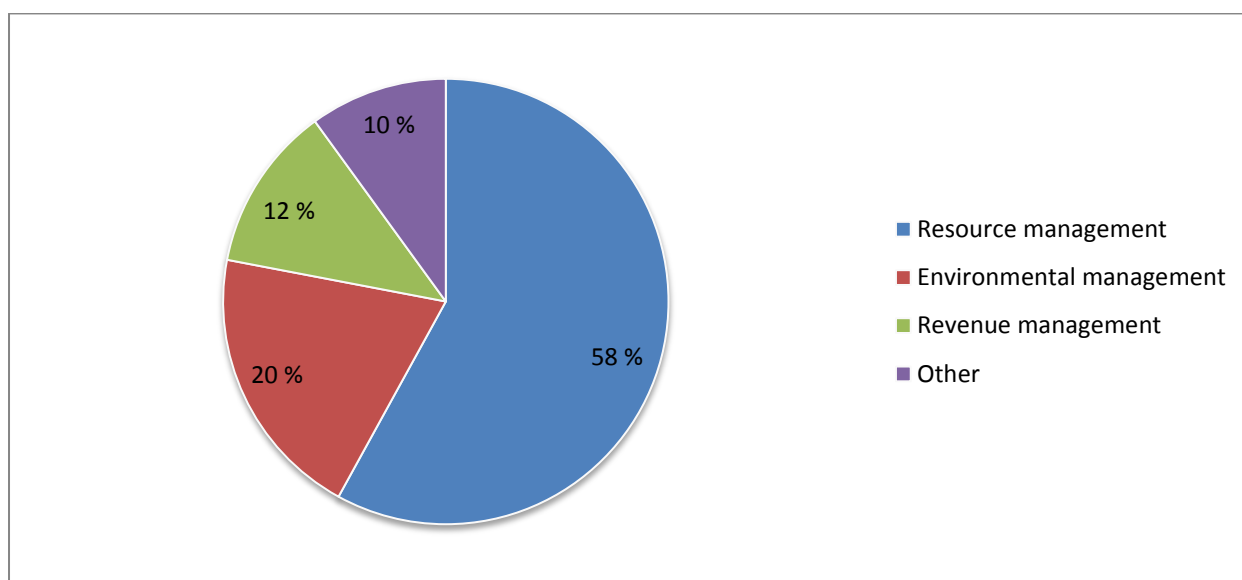
Figure D.5: Disbursement by Target Area Classifiers, 2005-2010 (NOK mill)



Source: Norad aid database

The annual report for the OfD program shows a very different picture, however. Based on OfD staff’s knowledge of the activities inside each project, their estimates of the shares of expenditures across the three pillars shows a much higher share going to environmental matters (20%) and the financial/revenue pillar (12%) – see figure D.6 below. This picture is also more in line with the importance accorded these pillars when using the Policy Markers to identify what OfD focuses on (see section below).

Figure D.6 Share of Funds by OfD “Pillar” as per OfD Estimates, 2010



Source: OfD Annual Report 2010, figure 6 p. 15

Forms of Assistance

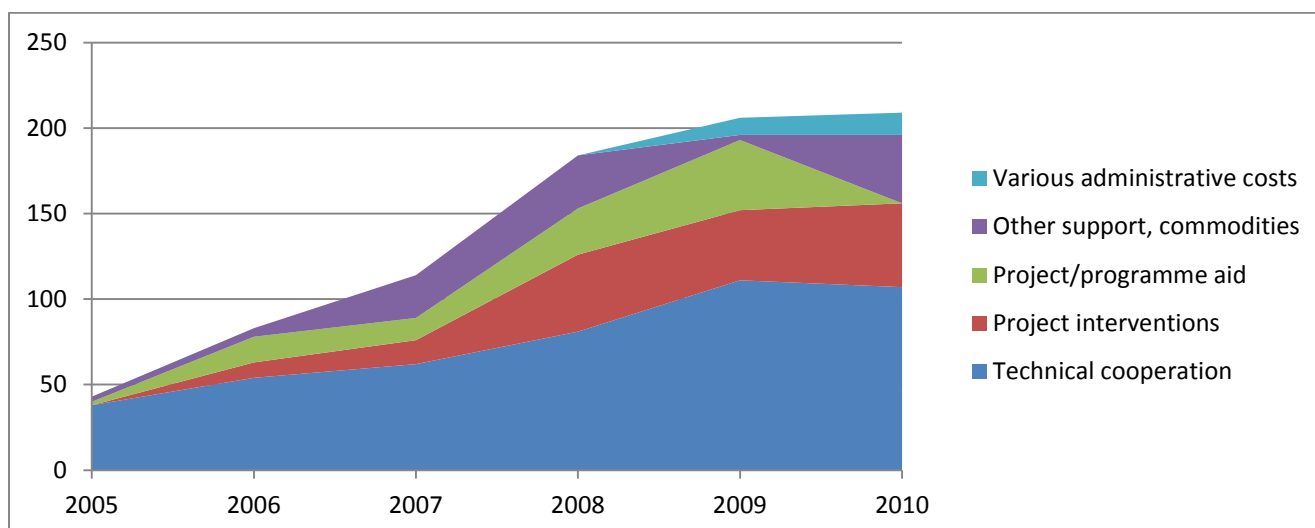
The third classification scheme looks at what kinds of assistance was funded rather than the sector that the funding went to. Figure D.7 shows the allocation according to the main categories used in the database.

The first category, Technical Cooperation, should identify activities where most of the funding has gone to provide external expertise in one form or another. This could be from private consulting firms, through twinning agreements or other support arrangements between public sector agencies in two countries, or to the partner country for them to hire skills either nationally or from abroad. In principle this category should all be for capacity development in one form or another: individual skills, organisation building or institutional development. The underlying data show that over half the funding was classified as Technical Cooperation, though the relative share has declined from nearly 90% in 2005 to just over half the funding in 2010.

The second largest category is Project Interventions, where funding normally would be for running projects – that is, covering operating costs. This could be anything from equipment operations, paying for office costs including staff, and small-scale capital procurement. But on many projects there would often also be a technical expertise component (like with all classification schemes, an entire project can be classified only into one category though it may be funding a range of forms of assistance).

What is termed Project/Program Aid would normally be quasi-budget support, where funding is transferred to the local partner, who is then largely free to allocate resources to its own various budget categories, based on an agreed-upon overall budget. However, it is not clear how this differs from the last inputs-form that is used, that of “other kinds of support, commodities”. The last category normally means that Norway would fund the purchase of particular inputs, such as equipment and specified running costs, which would indicate the most direct form of intervention on Norway’s side: it would be involved in direct procurement to a project rather than handing over this responsibility to the local partner. This is a form of support that Norway has largely abandoned many years ago, however, so this category is somewhat unusual.

Figure D.7: Disbursement by Form of Assistance, 2005-2010 (NOK mill)



Source: Norad aid database

What is problematic with this classification scheme, however, is that the various categories seem to be used in a less systematic way than the other two schemes. When looking at the database, one can see that the same agreement/implementation partner is considered to be providing different forms of assistance. The difference in classification is related to the country in which the activity is taking place. This could mean that a given actor is in fact providing different forms of services. What is more likely to be happening, however, is that different desk officers across countries classify differently, not always being sure what the exact definition of this variable is and thus using different categories across countries for the same form of activity. This is seen clearly when looking at a legal firm or consulting firms that are known for providing economic and organisational analyses and services, yet have been classified differently *across* countries but with the same category *within* a given country.

This classification scheme is thus likely to be less reliable than the other two in terms of understanding how funds have been channelled.

Agreement and Implementing Partners

One of the central questions of the evaluation concerns the use of actors for implementing the activities. There are formally two sets of actors involved in this: the Agreement partner which signs for the funding and is answerable to Norway for the use of funds and results, and an Implementation partner which is the actor directly responsible for carrying out the activities on the ground. In most cases these two actors are the same, especially when it comes to Norwegian partners, exactly because the OfD relies heavily on Norwegian expertise for implementing key aspects of the program.

At the same time, the program has signed agreements with a large number of partners – a total of 100, in fact. These various agreement partners have been grouped into eight categories. The most important one is public sector actors in partner countries – ministries, agencies, state companies. This groups accounts for over 40% of all funding during this period, as shown in table D.3 below.

The second largest group consists of Norwegian public sector agencies, which have handled a further 30% of the funds³¹. The two groups together thus account for over 71% of all funding, showing the heavy focus on public sector institutions in the program.

The third largest group consists of the multilateral institutions, where the data show six multilateral agencies: the Asian Development Bank, the IFC, the IMF, the International Energy Agency, UNDP and the World Bank.

³¹ In the database received this figure would be lower since Petrad is classified as a Norwegian NGO, as was INTSOK. Here Petrad, a publicly owned but independent foundation, is classified as a public sector entity INTSOK is classified as a private sector actor since it is primarily an interest organization for private sector actors engaged abroad. The category “consultants” in the database have been included in the private sector, to reduce the number of categories but also because this becomes a more meaningful category in this way.

Norwegian private firms account for just over seven percent of the total, while NGOs – Norwegian, national and international – together have managed one-tenth of the funding.

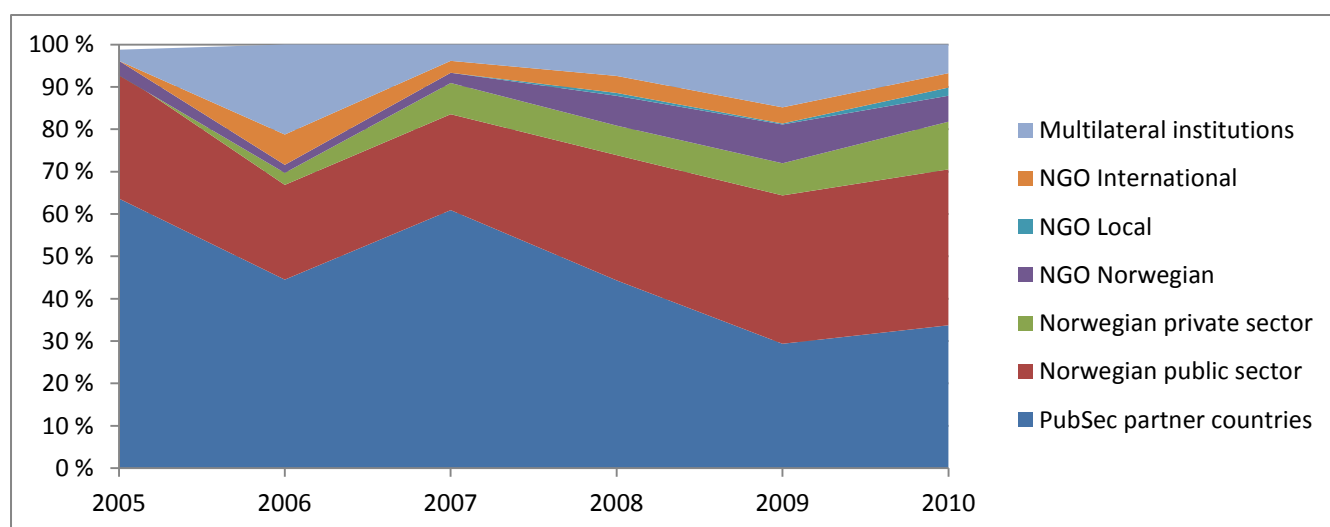
Table D.3: Share of total disbursement by group of agreement partners, 2005-2010

Agreement partner groups	Grand Total	Share of total (in percent)
Multilateral institutions	79 775,8	9.5%
NGO International	30 868,6	3.7%
NGO Local	5 706,2	0.7%
NGO Norwegian	49 922,8	6,0%
Norwegian private sector	61 671,9	7.4%
Norwegian public sector	257 381,0	30.7%
Public sector in partner countries	341 501,2	40,7%
Other, Unknown	10 541,70	1.3%
Grand Total	837 369,1	100.0%

Source: Norad aid database

When looking at trends over time, there has been a noticeable shift among the group of agreement partners (see figure D.8 below). The use of local public sector partners fell from over 60% of total funding in 2005 to one-third of the funding in 2010. However, the absolute level of funding through local public sector actors has increased from NOK 28 million in 2005 to NOK 70 million in 2010, a growth of 150%.

Figure D.8: Share of Total disbursement by group of agreement partners, 2005-2010



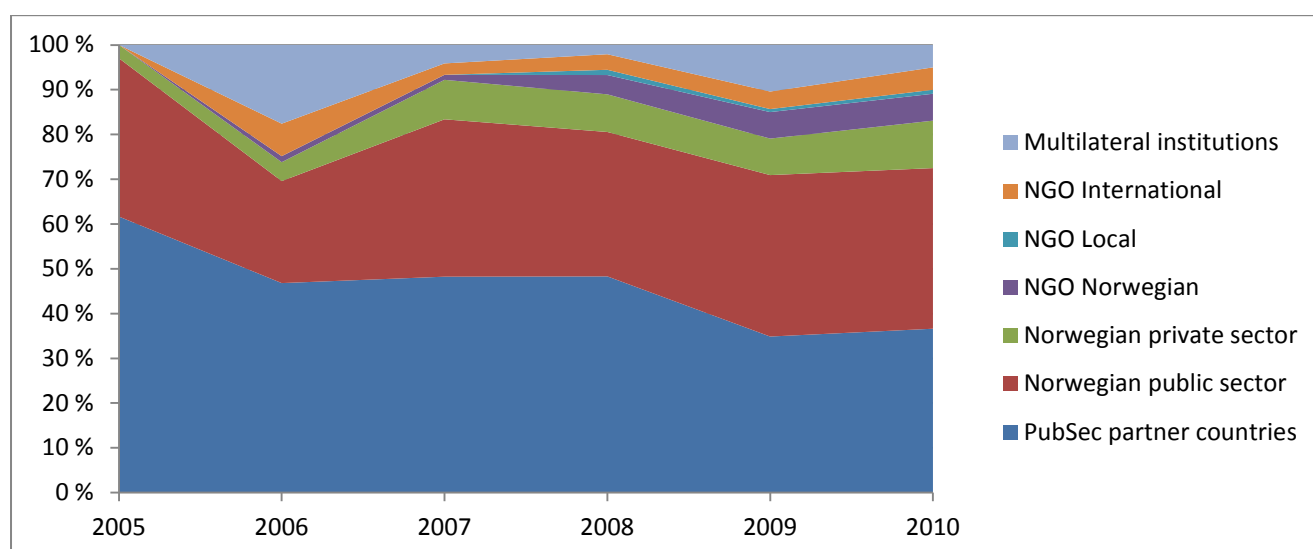
Source: Norad aid database

While the share of the local public sector thus has fallen considerably, those of Norwegian public and private sector actors have grown – from 30 and zero percent respectively in 2005 to 37 and 11 percent, respectively, in 2010. Norwegian public sector actors managed over NOK 76 million in 2010 from only NOK 13 million at the beginning of the period.

Norwegian NGOs have also handled increasing level of funds, though at a much lower level of totals, with an average of around NOK 7.4 million the last three years. Much of this funding has been for capacity development of local NGOs.

When looking at implementing partners, the pattern is a little different (see figure D.9). The share of local public sector actors is a little *lower* at the beginning of the period than its share of agreements, but then *increases* over time and is slightly above its agreement level in 2010. This means that it is being used by other agreement partners for carrying out activities, and the most likely source for this is the multilateral system. The World Bank, for example, will often hand over implementation responsibilities to local authorities, something that is confirmed in the database: the share of funding through the multilateral system is lower than the share signed for in agreements, and in the database when looking at specific projects a number have the World Bank as agreement partner but national governments as implementing partner.

Figure D.9: Share of Total disbursement by group of implementing partners, 2005-2010



Source: Norad aid database

In table D.4, all the agreement partners that have received at least NOK 15 million total over the period are listed in decreasing order of total funding received. The 17 actors listed here account for a total of NOK 610 million, equivalent to about 73% of the total.

As can be seen from the table, by far the largest agreement partner is Petrad. It has handled over NOK 155 million, about 18.5% of the total. This share has been fairly stable over the six-year period. Another important Norwegian actor is Norway's Petroleum Directorate (NPD), which has managed nearly NOK 46 million. Econ Pöyry, the largest private sector actor, has had contracts totalling nearly NOK 27 million.

On the partner public sector side, the governments of Angola, Timor Leste, Madagascar, Mozambique, South Africa and Uganda are listed here, either by their finance/ planning ministries or their petroleum resource ministries.

On the technical assistance side, the big recipients are – apart from Petrad and the NPD - Revenue Watch International (which is providing a lot of capacity building for national NGOs under an agreement with the World Bank and the EITI), the World Bank (almost all of that is for the World Bank-administered Multi-donor Trust Fund for EITI), the IMF's

Technical Assistance Trust Fund (which is largely for support to ministries of finance on petroleum resources financial management) and *Rogaland Kurs og Kompetansesenter*, which provides training in Norway on oil-sector related issues.

Table D.4: Largest agreement partners by disbursements by year, 2005-2010 (NOK '000)

Agreement partner	2005	2006	2007	2008	2009	2010	Total
Petrad	6 467,70	10 105,00	17 535,50	41 761,10	39 311,10	39 832,90	155 013,30
Uganda MOFPED	2 500,00	3 055,30	7 846,40	6 819,30	8 500,00	25 162,20	53 883,40
Nor Petroleum Directorate	6 592,80	5 800,60	4 702,30	2 637,70	8 313,50	17 707,50	45 754,40
Moz Govt		8 475,00	13 906,60	12 062,90	9 555,50		44 000,00
Timor Leste MONRME		589,5	135,3	6 230,30	14 594,20	16 008,90	37 558,20
Iraqi Ministry of Oil	5 100,00	3 000,00	14 000,00	4 400,00	1 000,00		27 500,00
Econ Pöyry		1 311,90	4 375,00	9 773,00	8 123,80	3 326,40	26 910,10
Angola MinPetroleum		0		6 237,90	8 000,00	12 400,00	26 637,90
SA Depart of Energy		6 000,00	7 600,00	13 655,00		-2 082,30	25 172,70
Revenue Watch Institute		4 971,30	1 085,20	5 640,50	7 344,40	6 035,90	25 077,40
Asian Development Bank		3 044,80		10 146,30	8 782,50	3 000,00	24 973,60
Govt of East-Timor	9 268,70	7 732,80	5 502,90	1 340,00			23 844,30
Madagascar MoFB			5 000,00	12 383,90	4 295,10	91,3	21 770,30
World Bank		10 000,00		56,1	5 000,00	5 000,00	20 056,10
IMF Tech Ass Trust Fund				1 204,10	10 950,90	6 021,70	18 176,70
Timor Leste MOF	0	4 664,60	7 183,20	5 811,70			17 659,50
Rogaland Kurs og Kompetansesenter				1 500,00	7 000,00	7 600,00	16 100,00

Source: Norad aid database

Pillar Expenditures at Country and Partner Levels

What is interesting to note is that when one looks at expenditures across the pillar categories in the case of Timor-Leste, the shares to each come across as more differentiated than when looking at the general Norad database (see table D.5). This is of course because once data are collected at country level, actual expenditures by actor and type of activity can be better captured. The case of Timor-Leste is fairly unique, however: in the case of Mozambique, funding is allocated by project and thus reflects pillar allocations quite accurately.

Table D.5: Expenditures/budget data for Timor-Leste by pillar, 2008-2011

	2008	2009	2010	2011	Tot	%
Resource	746	5 089	5 333	3 930	15 098	35,1 %
Finance	491	3 513	3 569	3 700	11 273	26,2 %
Environment	0	0	667	3 165	3 832	8,9 %
HR and Training	425	4 259	4 425	3 650	12 759	29,7 %
Total	1 662	12 861	13 994	14 445	42 962	100,0 %

Source: Project expenditures/budgets presented in annual reports

When looking at the expenditures incurred by the two major agreement partners, NPD and Petrad, their data for the last years do not change the pillar allocations picture to any significant extent. In the case of NPD, data from the time they entered into framework

agreements are shown by major category below, and all of these are related to NPD's own resource pillar activities:

Table D.6: Expenditures by category, NPD, 2010-2011

	2010	2011	Total
Legal and regulatory	3 579 125	4 426 365	8 005 490
Org development	2 993 479	265 609	3 259 088
Resources assessment	4 124 082	9 311 175	13 435 257
IT, data, technology	2 457 186	2 896 017	5 353 203
Training, HR	5 220 759	8 446 922	13 667 681
Total	18 374 631	25 346 088	43 720 719

Source: NPD data

The same picture emerges from the more complete expenditure picture for Petrad for the last five years, shown by aggregate category below. About 40% of the costs went to run the program, where travel – mostly for course participants – has taken a fourth of all expenditures and running the Petrad office a further 15%.

Of the funds that went to hire external trainers/teachers, about 63% of this went for the resource pillar and legal skills – largely also linked to the resource pillar – made up a further 18%, so the resource pillar got over 80% of all funds for pillar training. The remaining funds were split fairly evenly between the environment pillar, and more general management training, which was not pillar specific.

Table D.7: Expenditures by category, Petrad, 2007-2011

Cost item	2007	2008	2009	2010'	2011	5 years
Resource	2,869,670	11,054,312	13,331,156	12,261,131	12,790,566	52,306,835
Environment	265,018	337,632	2,469,023	2,773,749	1,241,919	7,087,341
Legal	406,144	3,781,070	2,491,955	2,472,147	5,989,179	15,140,495
Management	456,763	295,006	861,667	3,003,785	2,363,043	6,980,264
Travel	1,626,197	7,643,510	7,444,968	9,854,018	9,841,183	36,409,876
Office costs	658,858	4,699,647	4,264,182	5,611,365	6,232,932	21,466,984
Total	6,282,650	27,811,177	30,862,951	35,976,195	38,458,822	139,391,795

Source: Petrad administrative data

Funding According to Policy Markers

In the Norad database, in addition to the DAC sector classifiers, desk officers can indicate if project funding has also addressed a number of different policy objectives. This provides value-added information, since the DAC classifiers give the impression that a project has funded activities only in one sector.

There are two classes of policy markers. The original “policy markers” are marked with a “PM” prefix in the database. There are a total of seven of these: Environment, Gender Equality, Human Rights, Bio-diversity, Desertification, Trade Development and Climate Change Mitigation. Later on markers for “Focal Areas” were added, where there are currently eight of these: Children, Cluster Munitions, HIV/Aids, Indigenous Peoples, Landmines, Refugees, Research, and Human Trafficking.

The difference between the two is that the policy markers indicate whether the policy area in question was “main objective” or a “significant objective” or neither. In the case of the focus areas, the marking is a simple Yes or No.

It is the policy markers that are interesting here, since five of them can be related to different areas of concern for this evaluation. Table D.8 shows these five policy markers with the aggregate disbursement levels for those projects that have these policies as *Main* or *Significant* objectives.

Table D.8: Total Disbursements by Policy Markers, 2005-2010 (NOK '000)

Policy Marker	Importance	2005	2006	2007	2008	2009	2010	Total
Gender equality	Main objective					350,0		350,0
	Significant obj		6 000,0	7 600,0	18 071,2	8 277,1	1 267,7	41 216,0
Environment	Main objective	4 502,9	31,2	5 547,0	13 910,0	22 846,8	18 458,5	65 296,3
	Significant obj	3 901,0	19 619,0	12 922,4	43 534,0	69 388,2	55 127,5	204 492,1
Human rights	Main objective		5 571,3	2 085,2	15 480,9	12 589,1	13 863,4	49 589,9
	Significant obj		1 032,7		2 235,8	10 010,5	47 912,6	61 191,6
Biodiversity	Main objective			2 241,7	2 525,9	1 195,5		5 963,1
	Significant obj	9 268,7	7 732,8	5 502,9	2 510,0	7 862,2		32 876,5
Climate change mitigation	Main objective	4 502,9	31,2	-196,7				4 337,4
	Significant obj	12 459,7	17 047,1	16 341,9	16 165,0	1 134,5	-1 482,3	61 665,9

Source: Norad aid database

These disbursement figures should only be taken as indicative of the relative importance of these policy markers since they of course do not reflect actual expenditures directly related to these policy objectives.

What can be seen, however, is that the *Environment* policy is in fact a lot more important than one would have judged looking solely by the sector classifiers. About NOK 270 million worth of projects have *Environment* as a main or significant objective – that is one third of total expenditures. Of this, however, only about one fourth has it as a *Main* objective – three quarters have *Environment* listed as *Significant*, which is a lot less clear. About NOK 65 million worth of projects also have *Climate Change Mitigation* as *Main* or *Significant* objective. It turns out that virtually all these projects already have *Environment* as a policy marker. This information is therefore not in addition to but rather a better specification of the environmental dimension that is addressed by these projects. The *Biodiversity* projects are by and large in the same situation of being a sub-set of projects that have the *Environment* marker.

What is perhaps more surprising is that about NOK 110 million worth of projects have *Human Rights* as *Main* or *Significant* objective, whereas *Gender* is marked on projects with total budgets of just over NOK 41 million.

Budget and Country Data

As pointed out in section 2.2, according to the Norad database the five main study countries for this evaluation account for about one third of the total expenditures from the *Oil for Development* program. The OfD figures show a rather different picture, however.

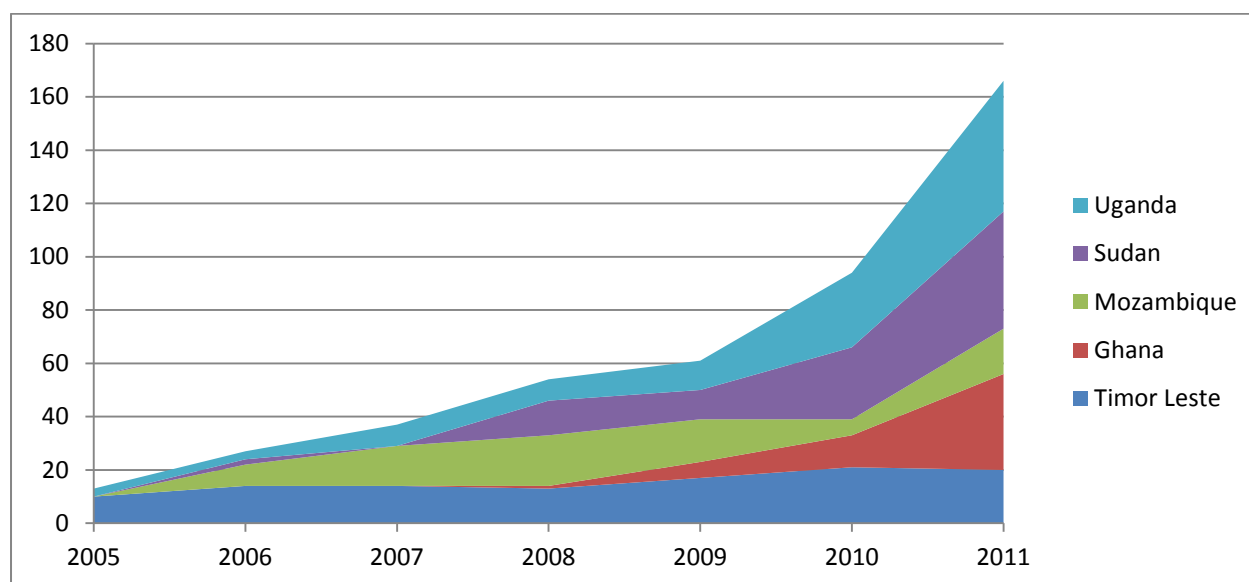
The profile of the support to the five main study countries varies considerably according to the Norad database.

In the case of Timor Leste, the support has been fairly consistent across the entire period and in fact increasing slightly the last couple of years.

Mozambique is the country that has received funding the longest. The funding profile shows a slight decline in 2010 because one funding period was coming to an end and a new one started up in 2011. The 2011 figures show that disbursements returned to the level they had in previous years.

Ghana and Uganda show a different profile, where funding is increasing as Norwegian support deepens. In both countries Norway engaged in the early stages of the country identifying petroleum resources, so the OfD program came in as the sector itself is evolving. This happened somewhat earlier in Uganda than in Ghana, but the overall profile otherwise appears quite similar. The figures for 2011 show a further increase.

Figure D.10: Annual disbursements, five main study countries, 2005-2011 (in NOK mill)



Source: Norad aid database, OfD annual report 2011 table 2.

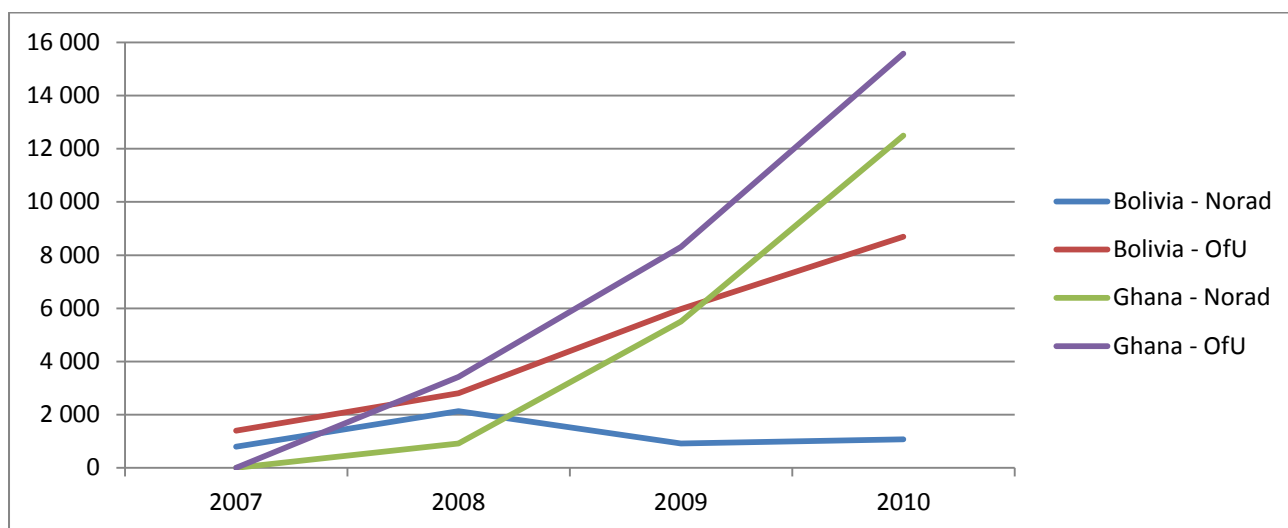
In Sudan, the situation is somewhat different as the country is a more “mature” oil producer, but where the political tensions over access to and control with the petroleum sector has become a key concern as South Sudan moved towards independence. Because of the political decision to assist South Sudan manage its oil sector better, a substantial increase took place in 2011 as a larger technical advisory team was put in place on the ground. As noted in the report, the evaluation was to look at the *political* dimension of this support, but due to the situation on the ground this was not feasible.

The disbursements across the five Latin American countries according to the Norad database represent less than one percent of total expenditures and are therefore not included in the figure above, though it is clear that these figures are much too low, as shown below.

The Main Study Countries: OfD Data

When it comes to the country-by-country data, the OfD has some higher figures than the Norad database. In the data for the last four years, the numbers on Bolivia and Ghana are in particular strikingly different. This is shown in figure D.11 below, which shows disbursement figures for these two countries according to the two data sources.

Figure D.11: Annual disbursements, Bolivia and Ghana, 2007-2010 (in NOK '000)



Source: Annex table A.9 - Norad aid database, OfD Annual Report 2010

For the four other countries, the differences in values is within a 10% boundary, with the figures for Mozambique quite similar. This reflects the fact that early activities are at times funded under global programs. While this is recorded as a “global” disbursement in the Norad database, the OfD desk officer knows that there has been a real expenditure on the ground in that country and thus includes this in the country figures. This explains the big differences in Bolivia, and also why the Ghana graphs are fairly parallel but with a “lag” in the Norad data as more of expenditures on the ground are based on specific agreements rather than funded through general budgets. It also explains why the data on the most “mature” country, Mozambique, has limited differences.

The key finding is that expenditures in Latin America are seriously under-reported in the Norad database.

Country-Level Portfolios

The portfolio of activities that was used in this evaluation in the case countries, is presented below, using the data from the Norad database.

Timor Leste

The Timor Leste portfolio 2005-2010 had total expenditures of just over NOK 90 million. It consists essentially of capacity building in four government agencies and ministries:

- **Capacity building to the Timor Leste Ministry of Planning and Finance and the Banking and Payment Authority.** The support has been over NOK 17.3 million and was included as from 2006 after a ministerial restructuring. The services included resident advisor addressing capacity building directed towards management of petroleum revenues. The evaluation looked in particular at the Norwegian support in this area.
- **Capacity building and support to the Timor Leste Ministry of Natural Resources, Minerals and Energy (MNRMEP).** The initial project goal was *to assist in developing the management of the petroleum sector in Timor-Leste such that the public sector petroleum administration in Timor-Leste will be capable of managing the upstream petroleum activity without significant foreign advisors.* The evaluation included the **MNRMEP** and **National Petroleum Regulatory Authority, NPRA.**
- **Capacity Development for Timor Sea Designated Authority.** The OfD program has supported a resident advisor to the Timor Sea Designated Authority. This was given a “light touch” assessment in view of the limited support to this area/institution.
- **Environment Directorate.** Several attempts have been made by the OfD to strengthen environmental aspects of petroleum resource management, but with no agreements in the period 2005-2010. The evaluation assessed the Environmental Impact Assessments, including the participation from civil society, the transparency of the assessments and the capacity for supervision and compliance control by the relevant authorities.

Ghana

Norway's involvement in Ghana is recent. OfD has coordinated the support since autumn 2007. The first activities were based on a Memorandum of Understanding of February 2008. These activities concentrated on establishing a legal framework for the petroleum sector, and to create institutional cooperation between Ghanaian and Norwegian organisations and institutions.

The result of this work so far are programs for each of the two pillars “Environmental Management” (June 2010)” and “Resource management” (August 2010). A program for the Finance pillar was at the time of the evaluation still under preparation.

The two cases from Ghana were therefore on the progress and fulfilment of the obligations of these two program documents.

Mozambique

The Mozambique portfolio for the period 2005-2010, with total expenditures of just over NOK 63 million, consisted essentially of four parts:

- **Institutional support to INP (2006-2010), NOK 44 million.** The overall goal was to strengthen the administration of the petroleum resources to enhance economic development and welfare in Mozambique.
- **Institutional support to ENH (2008-2010), NOK 10.3 million.** The purpose was to support institutional development and capacity building in *Empresa Nacional de Hidrocarbonetos* to make ENH able to play the role of a well functioning oil company nationally and internationally, and to maximize business opportunities tied to the

company's share in the various oil- and gas concessions granted by the Mozambican Government

- ***Institutional support to MICOA (Ministry of Environment) (2009-2010), NOK 5 million.*** This was to improve MICOA's capacity to handle environmental issues, and in particular to increase capability with respect to the processing and general follow-up of Strategic Environmental Assessments and Environmental Impact Assessments.
- ***Capacity Development for Civil Society (2007-2010), NOK 2.2 mill + NOK 1 mill.*** The two independent activities were first a series of courses for civil society, journalists and government officials (*Impacto 2007-2008*) while the second was for civil society to participate in the implementation of national legislation on oil and gas exploration (*WWF 2010*).

Sudan

The Sudan program that was to have been included consisted of five major components:

- ***Capacity building in both governments (2008-2010), NOK 27.1 mill.*** Petrad provided advisers and long-term training to both governments in key petroleum sector management fields.
- ***Support to the two governments regarding oil sector strategic issues (2010), NOK 7.7 mill.*** NPD has aided both governments on key issues regarding the development of the petroleum sector in light of likely post-Comprehensive Peace Agreement (CPA) scenarios.
- ***Support to the CPA Implementation and Post-CPA support (2009-2010), NOK 3.7 mill.*** Arntzen de Besche has provided support to the two governments in connection with the issues of the transition from the CPA and the follow-on period.
- ***Environmental Impact Assessment reviews (2008-2009), NOK 2.5 mill.*** The Directorate for Nature Management assisted the authorities in assessing the extent to which oil companies deal with environmental and social issues in their contracts.
- ***Support Government of South Sudan regarding possible national oil company and revenue management (2008-2010) NOK 1.2 mill.*** Econ Pöyry supported GoSS review key components of its future oil sector management: issues surrounding a national oil company, and petroleum revenue accounting issues.

These activities accounted for a little over NOK 42 million, whereas the OfD data indicate that expenditures over the period have been over NOK 56 million, so there were some early-phase activities that had not been captured here.

Uganda

OfD disbursements to the Ministry of Finance, Planning and Economic Development totalled nearly NOK 54 million as of 2010. The portfolio consisted essentially of two programs:

- 1) Capacity building for the state administration in the upstream sector (2006-2009),

- 2) Strengthening management of the oil and gas sectors in Uganda (2009 – 2014). The institutional agreements under this program, covering respectively the resource, revenue and environmental management areas, were signed in 2010.

The goal of the first program was “to assist building an efficient state administration of the upstream petroleum sector, capable, in a sustainable manner, of planning, promoting and monitoring oil company investments in petroleum exploration and production, and managing state interests and revenues to the benefit of the economy and people of Uganda”. The program was to strengthen the policy, institutional framework and administrative functions, by enhancing the planning and regulatory functions in the Petroleum Exploration and Production Department (PEPD) as part of the Ministry of Energy and Mineral Development (MEMD) and to study the conditions necessary for commercial development of oil and/or gas in Uganda.

During 2006-2009 testing in the Albertine Graben proved that Uganda has commercially viable reserves of oil though production has not begun yet. The OfD funded activities were:

- Program management: assistance to the recruitment of competent staff and establishment of a Program Secretariat;
- Resource management: (a) drafting of a new petroleum law, (b) development of guidelines to evaluate three field development plans, (c) curriculum design and training of trainers, (d) study of implementing local content in the sector, (e) initiating the process of establishing a national oil company, (f) initiating a petroleum diploma course.
- Environmental management: (a) preparing a strategic environmental impact assessment, (b) developing a management plan for the Queen Elizabeth Protected Area, (c) indicators for environmental monitoring of the Albertine Graben, (d) development of a national oil spill contingency plan.
- Revenue management: (a) a revenue management policy paper, (b) reviewing and updating income tax legislation, (c) forming a task force to review the Public Finance and Accountability Act, (d) reviewing a draft concept paper on fiscal and monetary policy framework, (e) training on accounting and auditing.
- Undertaking a feasibility study for a petroleum refinery in Uganda.

Latin American Countries

Only one country in Latin America, Nicaragua, received Norwegian petroleum assistance prior to 2005 while OfD is now active in four Latin American countries: Bolivia since 2006 (Bolivia is a core OfD country), Nicaragua, Ecuador since 2007 and Cuba since 2010.

Bolivia has received assistance in all three OfD pillars, with a resident OfD presence in La Paz since 2007. This has allowed for a relatively proactive dialogue with Bolivian partners in identifying areas of cooperation and implementing the activities. A new 3-year agreement was signed in July 2011. According to the Norad database, total disbursements by end of 2010 amounted to just over NOK 5.3 million (though the figures in OfD's annual report are considerably higher). The single largest project is support to civil society with disbursements of NOK 2.55 million 2008-2010 while the second funded a review process of the legal framework for the sector (NOK 1.4 million).

Nicaragua, as the only long-term cooperation country in Latin America, has previously received assistance for institutional strengthening, while the most recent cooperation has focused on assistance related to the start-up of petroleum exploration. The database shows support to the Ministry of Energy and Mines, and more specifically to the Nicaraguan Energy Institute, by NPD, for a total of NOK 2.8 million over the six years 2005-2010.

Ecuador formally requested OfD cooperation in 2007. It has proven difficult to identify and implement cooperation activities apart from a couple of workshops, though some claim that there is considerable potential and demand for OfD cooperation with the country.

An OfD agreement with *Cuba* was signed in 2010, 3–4 workshops have been held, with a focus on environmental aspects of planned off-shore exploration drilling (Gulf of Mexico).

Annex E: Methodology and Analytical Framework

The Terms of Reference gives prominence to the concepts of *institution building* and *framework developments*. These are issues that the capacity development literature would classify as “organisational development” and “institutional development”, respectively. In fact, most of what OfD finances is *capacity development* (CD) in one form or another. This ranges from upgrading of skills of individuals in the petroleum, environmental or financial resources management sectors, to strengthening organisations and improving frameworks.

In order to analyse these issues, the team therefore applies an analytical framework that is consistent, comprehensive and complete and in line with international “best practice” for assessing capacity development results.

Defining and Understanding “Capacity”

Scanteam uses the following definition of capacity: “*the ability of individuals, organisations and institutions/societies to perform functions, solve problems and set and achieve objectives in a sustainable manner*”. This builds on the one used by UNDP (with the difference that UNDP talks about “institutions and societies” rather than “organisations and institutions/societies” – see UNDP 2009). Our definition is in line with the one used by OECD/DAC (“*Capacity refers to the ability of people, organisations, and society as a whole to manage their affairs successfully*”, DAC Guidelines 2006).

Box E.1: Organisations versus Institutions

The reason for Scanteam modifying UNDP’s definition is the classic but important distinction between “organisations” and “institutions”:

- *Organisations* are groups of individuals bound by a common purpose to achieve objectives. Organisations have a clear boundary that separates them from other actors and the external environment. They control performance and, therefore, are accountable for results. In the context of this evaluation, focus is on public sector agencies that have policy, oversight or implementation roles (ministries, institutes, directorates), private or public companies (state oil companies) that explore and exploit petroleum resources, and civil society actors that may have watch-dog functions or other accountability roles in a sector that is widely seen as prone to corruption and mis-management.
- *Institutions* are the structures and mechanisms of social order and cooperation that govern behaviour and decisions by individuals, organisations and societies. They are formal rules (laws and regulations), informal constraints (conventions, norms of behaviour, codes of conduct), and the enforcement characteristics of both. In this context, formal framework conditions such as regulatory frameworks for the sector and accountability/transparency rules are important as well as the overall structure for control and oversight for the sector.

Organisations may also be institutions. Ministries are *organisations* that have objectives, operations and staff. They act as *institutions* when they set rules for other actors by passing laws or define objectives for a sector. In the words of Douglass North, the Nobel prize winner for his work on institutional economics, “*institutions are rules of the game, organisations are the actors playing the game*” (North 1989, 1990).

Building *institutional/societal* capacity (“frameworks”) involves changing “rules of the game”, which is a political act that can reflect deeper social changes. Building the capacity of an *organisation*, which already has a set of rules and policies it is expected to execute, has more to do with organisational structure, purpose and the skills and competencies of its staff. At the *individual* level, capacity development builds the human resources that organisations and institutions need to carry out their functions. Training must respond to the specific

needs that will help organisations and institutions improve their performance. Progress at each of these levels can be monitored, to ensure effectiveness and relevance.

The definition also identifies the complexity of the tasks to be completed, which is important for assessing the kind of external assistance that is required. The definition can be made operational using the capacity development matrix in the table below:

Table E.1: Capacity Development Matrix

Societal Level	Task Complexity		
	Perform Functions	Solve Problems	Set/Achieve New Objectives
Individual			
Organisational			
Institutional/Societal			

- “Performing Functions” assumes not only that the task is well defined, but also how it should be carried out; both the “what” to do and the “how” to do it are pre-determined. This task, therefore, can be addressed through *transmitting existing knowledge and skill*, as adapted to the national context and specific requirements. Traditional methods of *training* (at individual level) and *organisational reforms* (at organisational level) are typically seen as appropriate.
- The second field of “Solving Problems” is more complex. The “what” to be achieved is often clear but the “how” depends on the context and often is not obvious to external actors. The key skill tends to be *mentoring*; assisting national authorities to understand, select, apply and adapt experiences, their own experience and that of other countries, and to critically assess and modify results produced.
- “Set and Achieve New Objectives” by definition means that even the “what” is unknown. The external input that may assist is *facilitation skills* to support local discussions, analysis and decision making processes.

Results Chain in Capacity Development

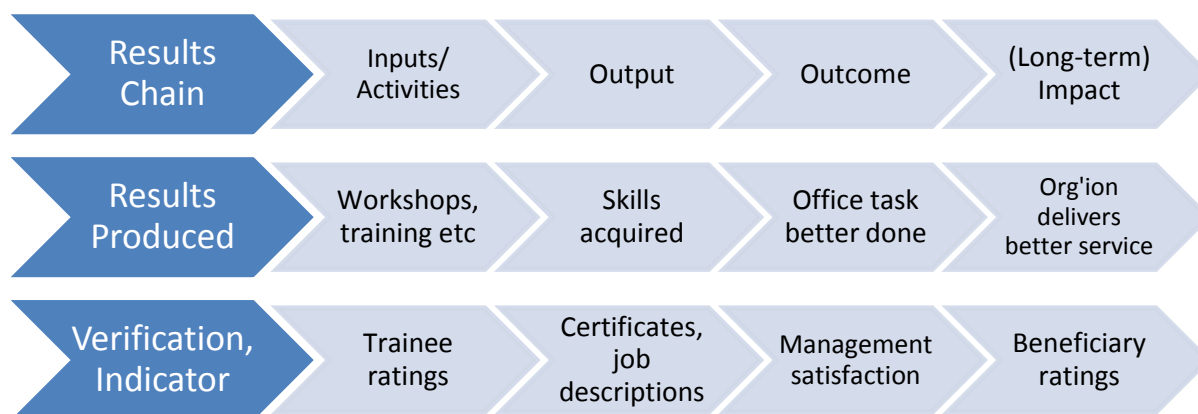
For each of the three societal levels, a results chain showing the typical step from inputs and activities to the direct Outputs to the medium-term (end of project) Outcome result, to the long-term sustainable Impact.

Such a results chain is shown for individual-level capacity development in figure 1.1 below. Here the activities can be various forms of training or other away-from-work skills development (study tours, international meetings) or on-the-job learning through a mentoring scheme or advisory services. The Output from this should be some specific skills acquired, hopefully defined by the organisation where the individual works, so that the training is driven by prioritized demands as seen by the host organisation.

With the better skills, whatever area of responsibility that person has should be providing better office tasks, and for the organisation as a whole, as these office tasks work their way through the organisation, this should be reflected in better services and products delivered to the outside world.

The capacity development activity can be verified through trainee ratings of the activity while the quality of the skills acquired can be documented through formal certification or things like enhanced job descriptions. – As the new skills are being applied, this should be reflected in better task compliance as noted by management, and the overall improved quality or effectiveness of the organisation's deliverables should be tracked by the intended users or beneficiaries.

Figure E.1: Results Chain, Individual-level Capacity Development



The actual results expected at higher societal levels are normally more complex and can vary considerably depending on which organisation or institutional change one is talking about. The consequences of a re-structuring of responsibilities and resources in a sector is a much more fundamental institutional development than simply passing an implementation regulation. The improvement in staff skills in a finance unit requires much less organisational development than building a new environment agency from scratch.

World Bank Institute's Capacity Development Results Framework

When it comes to tracking results at organisational and institutional levels, the World Bank Institute (WBI) has developed a Capacity Development Results Framework, CDRF. The CDRF is based on the World Bank's *lessons learned* from many years of CD funding but with poor results as far as documented achievements are concerned. A key reason has been a lack of operational indicators built around a believable "program theory" or "theory of change" that links the expected results with the inputs provided. In some cases this has been because CD has been an incidental aspect of the program and not paid much attention, but in most cases the problem has been a lack of systematic review of what has been intended.

The WBI therefore reviewed nearly 200 CD projects, focusing on Outcomes at organisational and institutional development levels (see WBI 2011a, b, c). The CDRF is based on a conceptual model that looks not only at support to the public sector but takes a wider stakeholder approach. It looks primarily at the three Outcome dimensions of *policy instruments, organisational arrangements and local ownership*, and with indicators linked to these (see figure E.2 below). This is very much in line with the approach of the OfD program, since the CDRF's "policy instruments" appear to be the same as Norad's intends with its focus on "framework conditions", and "organisational arrangements" are equivalent to the

“institutional development” concerns in the ToR for this task. The fact that the WBI CDRF includes civil society and private sector in the larger analytical framework is also in line with OfD’s broader sector approach. Finally, the “local ownership” is a fundamental principle for all Norwegian development cooperation and thus needs to be included as part of the evaluation (see below).

Figure E.2: WBI Conceptual Model for tracking CD Outcomes



There are several reasons for using the CDRF. It is based on a large-scale review of projects and thus has an empirically verified foundation. It furthermore has been presented and discussed with the international community over the last two years and is to be presented at the OECD/DAC’s High-Level meeting in Busan/South Korea in November as an instrument for improved aid effectiveness and thus internationally recognized as “best practice”.

Capacity Development, Ownership and Empowerment

An interesting extension of table E.1 is linking the categories of Perform Functions, Solving Problems, and Setting New Objectives, with the concepts of Ownership and Empowerment, as noted above.

The starting point for this is a criticism in the social science literature of the vague and often inaccurate statements by development actors when they claim that they employ participatory approaches. Studies have shown that what is called “participation” covers a wide range of interactions, where the degree of symmetry and genuine voice of the parties can be highly uneven. One useful typology classifies participation in four classes (Cornwall and Jewkes (1996), “What is Participatory Research?” *Social Science and Medicine*):

- **Contractual:** Largely a remunerative arrangement for ensuring engagement by the partner (“Here is my report. As the national counterpart I expect you to comment on it”);
- **Consultative:** The partners’ opinions are asked for (“This is my report, what are your comments?” or “This is the question, what do you believe are the answers?”);

- **Collaborative:** The parties work together on design, implementation and management ("This is the question – how can we find the answers?"); and
- **Collegiate:** Full sharing of responsibilities and decisions – power and influence is deliberately equated as much as possible with both parties intent on learning from the other ("What do you believe are the key questions, and how should we address them?").

Box E.2: Can All Capacity Development be Measured?

Much of the capacity development (CD) that is taking place is in the two first cells of the "Perform functions" ("assigned tasks") column: training individuals and strengthening organisations to address their core responsibilities better.

An important discussion in the CD literature is whether too much of the capacity building resources is allocated to the "perform functions" category. The argument is that CD, which tends to be the form of development cooperation where the donors are most directly engaged, often in the form of providing their own technical expertise, is skewed towards understanding the capacity needs to belong in the "do the assigned tasks"-better category, because that makes the life of the technical assistance that much easier: training and other forms of skills and knowledge transfer forms the core of the program. But the criticism of such a "blueprint" and "technology transfer" approach to CD is that just because the core responsibility of an entity is reasonably clear – for example developing good environmental policies relevant to the petroleum sector – it is not necessarily obvious what specific capacities are required, nor how they should be developed. The latter dimension can be particularly contentious, where an agreement on the "what" to achieve can be reached but not the "how". That is, while a CD supplier often believes the task should be seen as belonging in the "Perform functions" column, local actors experience the issue as being much more "Solving Problems": the "how" has not been well defined – or worse, incorrectly defined by the CD provider. This may be an issue in connection with OfD where the so-called "Norwegian model" assumes that the lessons learned by Norway can be useful elsewhere as well. The point here is not whether this is a good or a bad assumption, but rather that the evaluation needs to verify the extent to which this assumption has been critically assessed before being taken as a starting point for the capacity development.

However, if and when tasks can be considered well-defined and thus largely pre-determined, the capacity building that is required can be planned for. Capacity activities can be monitored against target values. Achievements can be benchmarked. The rigorous logic of objectives-oriented planning and results-based management, using tools like the logical framework approach (LFA), are thus seen to be valid.

Once the CD shifts towards building skills in solving problems and setting and achieving new objectives, the planning logic of the LFA approach loses its value because there is less predictability in terms of the results that will be produced. Furthermore, as one moves from improving competencies for pre-determined tasks – which can be done through formal training, on-the-job learning or other standard knowledge transfer techniques – the "problem solving" CD skills required are more facilitation and process management. These are considered more complex because they focus on building critical reflection and systems development. These processes must be client-driven and managed: it is not possible for an external agent to "transfer" critical reflection.

When it comes to the last column, of "setting new objectives", studies note that this essentially means the transformation of existing "assigned tasks". This may just introduce new activities – expanding the scope of options available to a society – but it will typically also mean changing relations within and between actors, which means changing existing power balances. This will often generate resistance. The *transformational nature of "setting new objectives"* thus is often much more complex and contentious than at first perceived by outside actors.

But it should also be recognized that once *New Objectives* have been agreed to, they in fact then get translated into *Perform Functions* – and thus should in principle be as amenable to measurement as other functions. The strict differentiation between *Perform Functions* and *Setting new Objectives* is thus partly an analytical one, and partly one about time and *when* in the process one is looking.

The key claim is that much of what passes as "participation" actually fits into the first two categories above. Here the premises are fully provided by one party, so the other has little if any real influence on either the definition of the issue or how to approach the answers.

The more interesting issue is the link that can be made between degrees of participation and generic results in terms of process and product when discussing capacity development.

The argument is that **Contractual** and **Consultative** forms for collaboration leave little in terms of new capacity with the local partner, except some purely technical skills (better ability to implement Assigned Tasks). The **Collaborative** approach, however, asks the partner to find new answers – Solve Problems. The answer is not obvious, and because it is being developed by the partner as much as the external actor, there is a stronger degree of Ownership to it. The consensus is that with greater local Ownership comes increased Sustainability of the solution.

Finally, the **Collegiate** approach requires the local partner to analyze the problems being faced and select those that are most important and work out the best solutions – Setting and Achieving new Objectives. This becomes a process of real Empowerment because the local partner has to take responsibility for setting the agenda and the course of action. This in turn means that there is a real transformation in relations between the two: the external actor becomes a resource to the local partner and program objectives are truly demand-driven. This change in power relations is what many development actors claim they are pursuing but which is often elusive and difficult to achieve.

Table E.2: Capacity Development Outcomes as function of Form of Participation

	Assigned tasks	Problem solving	Setting and achieving new objectives
Degrees of Participation and CD Outcomes	Contractual, Consultative: Better skills in carrying out assigned tasks	Collaborative: leads to Ownership , which improves Sustainability	Collegiate: leads to Empowerment , which Transforms Relations

Table E.2 illustrates that if one wants to support the empowerment of local partners, they must be given the responsibility for setting and achieving a program's objectives. This can only be done through a collegiate process in which facilitation and process support are key, not technical and management skills. But also conversely: if a CD program remains focused on just upgrading knowledge of how to address assigned tasks, one should not expect significant progress in terms of ownership and empowerment or local innovation. It may therefore be interesting to see to if OfD funded activities can be classified along any of these dimensions, and if so where.

Attachment: Evaluation Worksheet

Below are key questions the team asked with regards to the dimensions of the evaluation.

The OfD Program Approach including “the Norwegian Model”

- **Describing the OfD approach:** What are the key principles underlying the OfD support for petroleum sector development? What are the most positive aspects of the OfD? What are its weaknesses?
- **“The Norwegian model”:** In what ways do you see OfD activities defined by the Norwegian experience? What are strengths and weaknesses of this approach?
- **Use of Norwegian actors:** To what extent have Norwegian actors been used in this program/ project? To what extent was this an imposition and to what extent was this a preferred choice?
- **Use of non-Norwegian actors:** What has been the experience of using non-Norwegian actors in this program/ project? What have been advantages and disadvantages? If you were to design the project today, which actors would you prefer to involve?
- **“International Best Practice”:** In what ways or areas do you see that OfD has introduced “best international practice” in the design and implementation of activities? What have been the advantages and disadvantages of this?
- **Overall assessment of OfD approach and design:** When you compare with other actors in the sector or your experience from other sectors, how would you characterize the OfD program? What would you like to see change, and what do you think are the most positive aspects of it?

Participants’ (Norwegian, National) Perceptions of Program and Achievements

- **Perception of the OfD:** What are the key characteristics of the OfD as a program? If you are familiar with other development cooperation activities, what are the main differences to the OfD – positive and negative? What are the main achievements, disappointments? Which factors explain success and shortcomings?
- **Your role in the OfD:** What have been the roles you have played/services you have provided in OfD? What are the key achievements from your contributions, and what were the greatest disappointments? What accounts for the positive and negative results?
- **Changes over time:** What have been the most important changes during the period you have been involved in OfD? What caused the changes, what have been the results? If you were to make any changes suggestions, what would be the three most important ones?
- **OfD Secretariat and governance:** What is the key value-added of the OfD Secretariat? Of Embassy staff? Of the OfD governance structure? Are these actors providing the kinds and levels of support as expected? What is missing or ought to be changed?

Petroleum Resource Pillar

- ***OfD and the petroleum sector value chain:*** Which parts of the value chain has OfD focused on (mapping – opening fields – exploration – development – operation – downstream – decommissioning)? Has this been appropriate given the country's situation/phase of sector development? Which other actors are supporting sector development, and how does OfD support fit in/complement other efforts?
- ***Framework development:*** What is status of national legislation, regulatory framework (petroleum/subsoil act, petroleum tax act, offshore safety act, pipeline act, regulations on drilling procedures, HSE off-shore/on-shore, safety zones, reimbursement of public spending, submission of data and for storage, tender procedures, model joint operating agreements/joint ventures/production sharing agreements, others)? What have been the most significant changes over the last five years? How has OfD contributed, and what have been the *results* of this (how can we document these)?
 - ***[Roles, predictability, risk:*** To what extent have framework changes led to clearer roles, rights and responsibilities for actors in the sector – national oversight and control; transparent and equitable decision making and allocations; foreign and national investments; risk, loss and profit sharing; job creation and technology development; local community engagement and voice; balance between current and future value creation and consumption – what have been OfD contributions?]
- ***Public institutions:*** What is the organisational structure in the sector? Are the key institutions in place with mandate, structure, staff and resources to play their roles? How has OfD contributed to the development of the sector – individual organisations, functions, roles, competencies/skills? What have been the *results* of OfD support (how can we document these)?
- ***Compliance, implementation:*** What is status of implementation of the various pieces of legislation and regulatory framework? Which parts are *not* being complied with, and why? Has OfD contributed to better implementation, and if so how? What have been the results (how can we document these)?
 - ***[Country specific issues:*** Given the work program in the country, what have been the specific/main achievements from the OfD support? What can account for them? What were the alternatives to OfD support, and what could have been the result (theoretical/speculative counter-factual, where the Zero alternative is “no support”)?
 - ***Example:*** Support to licensing: Assessment of hydrocarbon exploration and production potential, area selection, establishment of economic and other terms for exploration and production, degree of state participation, operatorship, training and research agreements, awarding procedures, discovery evaluation, declaration of commerciality, field development plans or plan for development and organisation of production (PDO), supervise according to regulations and management of resources, state participation in operating and technical meetings in licenses, abandonment decisions/decommissioning, handling of reporting and forecasting: activities, produced volume, economy, insurance etc.
 - Depending on the country program, “activity chains” like above may be prepared for priority fields to verify OfD interventions and contributions.]

Environmental Pillar

- ***OfD and environmental management:*** Which parts of the environmental agenda has OfD focused on (prevention and disaster preparedness – protected areas – water use and groundwater pollution – chemicals in production – waste treatment – off-shore spills – on-shore drilling – transportation – community concerns – flaring/air pollution – other)? Has this been appropriate given the country's situation/phase of sector development? Which other actors are supporting the country's environmental efforts, are any of these in the petroleum sector, and how does OfD support fit in/complement these?
- ***Framework development:*** What is status of national legislation, regulatory framework (environmental legislation; pollution act; health and safety standards; UN conventions, protocols, agreements has the country signed that are relevant – protected areas/wetlands/desertification coastal management - others)? What have been the most significant changes over the last five years? How has OfD contributed, and what have been the *results* of this (how can we document these)?
- ***Public institutions:*** Which public bodies have which responsibilities with regards to HSE standards in the petroleum sector? Are the key institutions in place with mandate, structure, staff and resources to play their roles? How has OfD contributed to the development of these capacities – organisations, functions, roles, competencies/skills? What have been the *results* of OfD support (how can we document these)?
- ***Compliance, implementation:*** What is status of implementation of the various pieces of environmental legislation? Which parts are *not* being complied with, and why? Has OfD contributed to better implementation, and if so how? What have been the results (how can we document these)? What is the model for handling catastrophes on the source side and containment side? How has OfD assisted? Have they helped do Bad Case/Worst Case scenarios for realistic planning?
- ***Insurance principles and policies:*** If disaster strikes, what are risk-sharing and insurance principles? Has OfD helped get realistic but necessary policies and principles in place?
- ***Civil society and private sector roles:*** Which non-public actors are engaged in the safety and protection of the environment? What are their roles, capacities, and to what extent and in what ways has OfD contributed to their development? What have been the *results* of OfD support (how can we document these)?

Finance/Revenue Pillar

- ***OfD and public finance management:*** Which areas of public finance management (PFM) has OfD focused on (resource modelling/estimates – taxation and revenue regimes – revenue mobilisation, control – revenue management/funds management – resource allocation, decision making – accounting and expenditure control – audit and oversight – public insight and transparency)? Has this been appropriate given the country's situation? How does the petroleum sector fit into the larger picture of public finances (relative importance, danger of "resource curse", "Dutch disease")? Which other actors are supporting PFM development? Are general PFM instruments such as Public Expenditure and Financial Accountability, Public Expenditure Reviews applied also in the petroleum sector, and how does OfD support fit in/complement such other efforts?

- **Framework development:** What is status of national legislation, regulatory framework (fiscal and tax legislation, public finance act, national assembly budget and expenditure committee regulations, other relevant laws and regulations)? What have been the most significant changes over the last five years? Has OfD contributed, and what have been the *results* of this (how can we document these)?
- **Public institutions:** What is the organisational structure for collecting, managing and controlling the revenues from the sector? Are the key institutions in place with mandate, structure, staff and resources to play their roles? In particular do oversight and control bodies have appropriate mandates and sufficient resources to enforce compliance? How has OfD contributed to the development of the sector – individual organisations, functions, roles, competencies/skills? What have been the *results* of OfD support (how can we document these)?
- **Compliance, implementation:** What is status of implementation of the various pieces of legislation and regulatory framework? Which parts are *not* being complied with, and why? Has OfD contributed to better implementation, and if so how (see also the issues of Good Governance and Anti-corruption below)? What have been the results (how can we document these)?
- **Civil society and private sector roles:** Which non-public actors are engaged in the monitoring of revenue mobilisation and management in the sector? What are their roles, capacities, and to what extent and in what ways has OfD contributed to their development? What have been the *results* of OfD support (how can we document these)?

OfD as Foreign Policy Instrument in Conflict Situations

The questions to be asked are the ones necessary to address the points in section 2.4.4.

Good Governance (Transparency, Accountability) and Anti-Corruption

- **Framework development:** What is status of national legislation and regulations to ensure transparency in decision making, accountability in resource management and the combat of corruption in the petroleum sector (allocation of licenses, production quantity verification, tax and other revenue assessments and collection etc)? Is the country member of EITI or signed up to other international standards, conventions on transparency, accountability, non-corruption (UNCAC, PACT, OECD Anti-corruption convention)? What have been the most significant changes over the last five years? Has OfD contributed, and what have been the *results* of this (how can we document these)?
- **Compliance, implementation:** What is status of implementation of the various pieces of legislation and regulatory framework? Which parts are *not* being complied with, and why? Has OfD contributed to better implementation, and if so how? What have been the results (how can we document these)?
- **Civil society and private sector roles:** Which non-public actors are engaged in promoting Good Governance and combating corruption in the sector? What are their roles, capacities, and to what extent and in what ways has OfD contributed to their development? What have been the *results* of OfD support (how can we document these)?

Gender

- **Framework development:** What is status of national legislation and regulations to ensure gender equity in the petroleum sector? Has the country signed up to international conventions regarding the rights of women that may have implications in the petroleum sector? What have been the most significant changes over the last five years regarding the rights of women? Has OfD contributed, and what have been the *results* of this (how can we document these)?
- **Compliance, implementation:** What is status of implementation of the various pieces of legislation and regulatory framework? Which parts are *not* being complied with, and why? Has OfD contributed to better implementation, and if so how? What have been the results (how can we document these)?
- **Civil society and private sector roles:** Which non-public actors are engaged in promoting the rights of women and gender equity in the sector? What are their roles, capacities, and to what extent and in what ways has OfD contributed to their development? What have been the *results* of OfD support (how can we document these)?

Capacity Development, Ownership and Empowerment

- **Promoting national ownership, supporting empowerment:** How have Norwegian OfD partners interacted with national counterparts (in the scheme of participatory approaches laid out in table 1.2, where on the Contractual-Consultative-Collaborative-Collegiate scale would they fit)? How have national partners experienced the interaction, and how do they see this has contributed to their ownership of results and empowerment to move the agenda ahead? How has the OfD contributed, and what have been documentable *results* of OfD support?

Changes – Before and After OfD Establishment, including OfD management

- **Support before OfD:** What are the differences between the support provided by Norway through OfD after 2005, and the support provided before then? What have been the main results of the establishment of the OfD, and how can we document these? What are the advantages and disadvantages of the two ways of organising Norwegian support for petroleum sector development?
- **Summing Up:** What are the three key contributions OfD has provided to the development of the petroleum sector in XXX? Could these benefits have been provided in a better, more focused, more efficient and effective manner? What are the three key changes that ought to be implemented to ensure better results in the future?