



UTENRIKSDEPARTEMENTET

Norwegian Ministry of Foreign Affairs

Fighting Poverty Together

A Comprehensive Development Policy

Report No. 35 (2003–2004) to the Storting

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Fighting Poverty Together

A Coherent Policy for Development

Report No. 35 (2003–2004) to the Storting

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(White Paper from The Bondevik II Government)*

1 Introduction and summary

Human dignity for all

Human dignity is inviolable. Working to promote human rights is a natural consequence of this. Many people describe extreme poverty as the greatest human rights challenge of our time. While we in the rich part of the world have experienced a significant rise in living standards, there has only been a small decline in the number of people living in absolute poverty. More than one billion people lack the most fundamental opportunities to protect themselves and their families from hunger and disease that can be prevented and cured by simple means. This is the greatest challenge of our time.

Development policy is not about charity. Development policy is about the realization of human rights for all. The Universal Declaration of Human Rights and the International Covenants on Civil and Political Rights and on Economic, Social and Cultural Rights have established that human rights are valid for each and every individual, without distinction of any kind. Norway's development policy, as it is expressed in this Report to the Storting, is based on the fundamental principle that all people are equal in human dignity. Consequently, development policy also becomes an agenda for human rights. It is also about promoting human rights – economic, social and cultural rights as well as civil and political rights. The fight against poverty is a fight for justice. Norway's development policy is based on an optimistic and

strong faith in the individual. It is the individual who, alone and with others, creates development and a better future. The development process must therefore focus on the individual. The UN Development Programme (UNDP) defines development as a process that expands people's opportunities for choice. Poverty leaves little room for choosing and achieving a different existence, either for individuals or for countries. From this perspective, national and international development policy is about providing opportunities for individuals to create a new future, and for poor countries to do the same. Consequently, it is about contributing human resources, health and education. It is about democracy, freedom of speech and equality under the law. It is about targeted policies to manage natural resources and the environment in such a way that the livelihoods of poor people are assured and improved. Consequently, it is a matter of providing operating parameters that do not undermine the development opportunities of poor countries but expand them, whether by cancelling debt or by providing fairer terms of trade so that developing countries' products have genuine access to markets in the North. It is about help for self-help.

Poverty must be combated. This will require political work in international forums to promote global reforms. It will require far-reaching political, social and economic reforms in developing countries. It will require rich countries to be willing to provide substantial development assistance

and cooperation. It will require extensive partnership with the private and voluntary sectors.

There have been major changes in the past decade, both in developing countries and in international efforts to combat poverty. The last white paper on Norwegian development policy was Report No. 19 (1995-96) to the *Storting – A Changing World*. The challenges associated with the debate on the age of globalization were the focus of the Government's work on *Report No. 19 (2002-2003) to the Storting – A World of Opportunities*. There was broad focus on the poverty problem in this context. However, the Globalization Report did not fully cover international cooperation to combat poverty, as this one does, based as it is on the UN Millennium Development Goals for development and poverty reduction. Norway has participated actively in efforts to achieve international agreement on the content of development policy and, relatively speaking, is also an important player in development cooperation. As a result of changes in international development policy and new emphasis on what is required to combat poverty, it is appropriate for the Government to submit a new white paper that contains a full presentation of the challenges development policy faces and Norway's contributions towards achieving the Millennium Development Goals.

Norway's responsibility

As one of the richest countries in the world, Norway has a special responsibility in this regard. We all have a moral responsibility to combat injustice and promote development wherever we can. We are actors in the history of world development. We can make a negative or a positive impact. Development policy must ensure that our negative impact is reduced and our positive contribution increases.

In recognition of the fact that we are living in a situation of increasing international interdependence, development policy may also be regarded as a way of meeting common challenges. Just as one country's distress can become another country's refugee problem, we should help to ensure that our wealth provides opportunities for others. We are living in a world of common challenges. Poverty, environmental problems and international terrorism are telling examples of this. Fighting poverty also means improving our common security.

Poverty cannot be eliminated by aid alone.

Political changes in international operating parameters and national policies are the primary instruments of change. The private sector and civil society must be mobilized to join the fight. Norwegian development policy must be coherent. Poverty reduction is a common political responsibility.

1.1 The topography of poverty

A dollar a day

Almost 1.2 billion people are living in extreme poverty today and have to survive on less than one dollar a day (see Box 1.1). The people who

Box 1.1 A dollar a day

The goal of a dollar a day was set after comprehensive international studies and is intended to express the absolute minimum income required to buy enough essential food to be able to live and work, and to cover a similar absolute minimum of clothing, housing and other fundamental services. This limit was originally set in 1985 and was later adjusted to USD 1.08 in 1993 prices. Consequently, the dollar goal does not indicate how many essential goods one US dollar buys at current prices. It indicates an amount of essential goods today that is equivalent to the amount of similar goods obtainable for USD 1.08 in 1993. The actual cost of these goods today, either in USD or in a country's own currency, depends on currency rates and price levels and is adjusted according to a purchasing power index for each country in order to obtain a common measurement of poverty levels.

In the same way, two dollars a day is often used as a measurement. Two dollars also indicates more or less an essential daily minimum, but nevertheless stands for a slightly better life – measured in terms of the standards at the very lowest level of society.

Indicators other than money are also used to measure poverty. Nevertheless, consumption and income are closely related to many other aspects of poverty and are among the easiest to measure. That is why a dollar a day has become a frequently used indicator to measure how widespread global poverty is.

live at this level lead a vulnerable existence characterized by hunger, disease, daily humiliation, violence and death. Most of the extremely poor people live in Asia, but it is in sub-Saharan Africa that the extremely poor account for the largest proportion of the population and the prospects are still dim. More than 300 million, or 48 per cent of the people in sub-Saharan Africa, live in extreme poverty. In Asia, between 750 and 800 million live in extreme poverty. The difference in per capita GDP between the twenty richest and the twenty poorest countries in the world has doubled in the last forty years. Countries and people in poor developing countries have lost ground in relation to the rich industrialized countries.

Approximately 2.8 billion people have to manage on more or less twice this amount, i.e. two dollars a day. Their situation is not much brighter. Many of them live in impoverished areas of middle-income countries in Asia.

However, the situation is not entirely gloomy. The number of extremely poor people fell by almost 140 million between 1990 and 2000. In 1990 28.3 per cent of the world's population were living in extreme poverty. In 2000 this proportion had dropped to 21.6 per cent. There has been a decline or no change in the percentage of poor people in three regions, but a rise in Eastern Europe and Central Asia, the Middle East and North Africa, and sub-Saharan Africa. The strongest decline has been in East Asia, where the proportion of impoverished people has been halved. China and South Asia, including India, appear to

have been the most successful in their efforts to reduce poverty. (See Figure 2.2, Ch. 2).

In the next 25 years it is estimated that the world's population will increase by 2 billion people. Almost all of this increase will take place in developing countries. We will move from a world with 6 billion people to a world with 8 billion people, approximately 6.5 billion of whom will live in developing countries and a growing proportion of whom will live in large towns. More than 95 per cent of population growth is expected to take place there in the period up to 2030. Many of the people living in large towns are born to a life in extreme poverty, characterised by poor living conditions, unemployment, expensive and poor health and education services and a poor environment. The world must prepare itself for growing urbanization of poverty. This will also pose challenges for the organization of international development cooperation in many areas. In this connection, the Government wishes to help ensure that more attention is paid to urban problems in developing countries, and will focus on measures to combat urban poverty in development assistance as part of its effort to achieve the Millennium Development Goals.

The global, regional and national poverty situation is frightening enough, as these figures show. However, the figures give no idea of what poverty is really like – of how poor people themselves experience poverty.

Fighting Poverty. The Norwegian Government's Action Plan for Combating Poverty in the

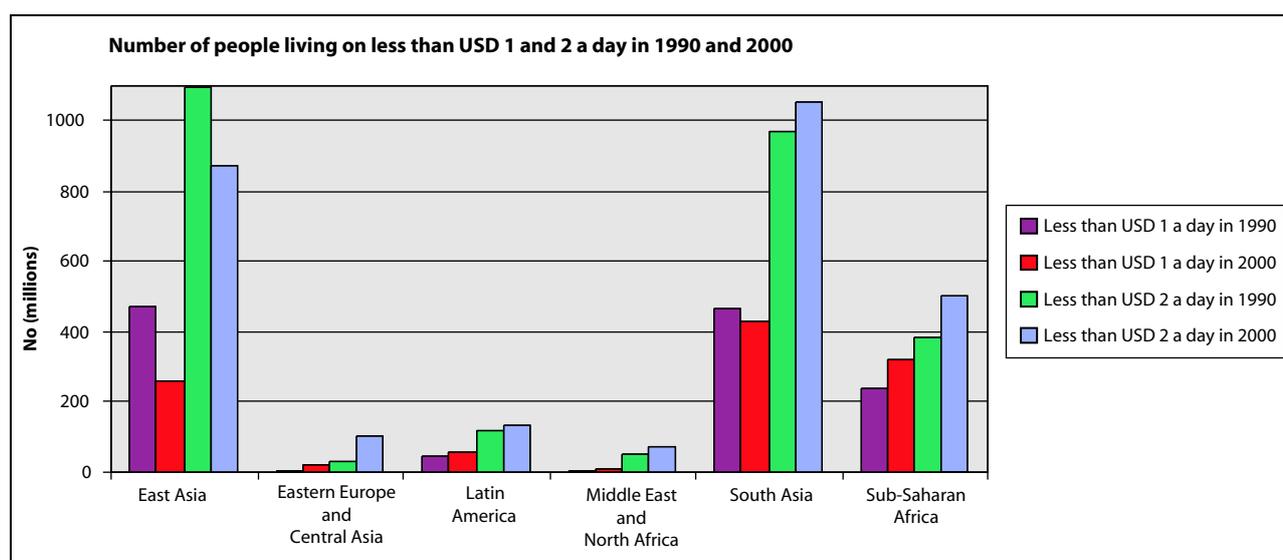


Figure 1.1 The poverty situation

Source: World Bank 2004

South towards 2015, which was presented in 2002, includes a number of quotations from poor people which give small flashes of insight into how they regard their own life situation. The quotations show that poor people regard their situation as being fairly complex. They strongly emphasize factors such as the lack of food, clothing and housing. They mention poor health and their lack of basic skills that are necessary to be able to make a living. They also say that they feel a lack of community, solidarity and dignity, and that they do not feel free and lack rights. They emphasize that they do not have access to land or other resources that would give them the means to improve their life situation. Many poor people stress their insecurity and their vulnerability to violence, natural disasters and economic upheavals. Others point out that they lack influence on their own situation and that no-one represents them

1.2 Greater global agreement on development policy

In the 1990s, both the industrialized countries and the developing countries had a variety of goals for development policy. The World Bank and the UN system also placed differing emphasis on goals and instruments. In the course of the decade, a greater realization gradually emerged that the developing countries must own their development processes themselves, but in the early 1990s this was far from a matter of course. The reason was that the investments in social services and infrastructure projects that were made in the 1980s, some of which were initiated by donors, gradually proved unsustainable, not least because the forecast growth in public revenues did not materialize. The financial problems of many developing countries highlighted the necessity of pursuing a responsible macro-economic policy and the need for private sector development to generate income. Parallel with this shift in perspective, however, there was a growing belief that macro-economic stabilization policies would themselves promote rapid development. There was less focus on investing in infrastructure and social services. Influential donors believed that if countries could just gain control of their budget deficits, introduce floating exchange rates, privatize the banking sector and fully or partly state-owned production companies, free interest rates, etc., market forces would generate a growth dynamic that would put the economy on its feet. Towards the end of the

1990s, however, it became clear that this approach, with emphasis on “getting the prices right” in all markets (which not all donors embraced with equal warmth) would not live up to expectations either. Market optimism was replaced by the realization that good development policy also requires a significant contribution from government, and that it must have a solid foundation among both the authorities and the population, and must take the poorest and weakest members of society into account. Consequently, there was once again emphasis on investment in the social sectors and infrastructure, but this time with somewhat less focus on public financing and more focus on market solutions. There was gradually also a growing realization that aid recipients would have to take genuine responsibility for the results of measures financed from development assistance funds if they were to be sustainable, and recipients must also have enough economic and administrative elbow-room to fulfil their responsibilities. This led to an orientation away from donor-controlled projects towards sector programmes and budget support, whereby countries take responsibility for their own development

As a result of this process, a more or less international consensus has been reached on the basic goals and instruments of development policy. In parallel with this, there has been a growing understanding that development also means fulfilling human rights. The UN system has played a central role in promoting this perspective.

With its high level of development assistance as a percentage of GDP, Norway is a relatively influential player in the development policy arena. The usefulness of entering into alliances with like-minded countries to gain acceptance of Norway’s ideas and experiences in a multilateral context must also be emphasized. Furthermore, Norway benefits from decisions being made in forums where as many countries as possible are included. Alliances are built with like-minded countries on an ongoing basis. This applies, not least, to the other Nordic countries and other countries in the Utstein Group¹.

Summits have led to greater consensus

In the 1990s a number of UN summit meetings were held on important development challenges where the emphasis was on the rights aspect. The

¹ In addition to Norway, the Utstein Group currently comprises Canada, the Netherlands, Sweden, the UK and Germany.

final political declarations and the detailed plans of action from these summits formed the basis for greater agreement on the goals and instruments of development policy and on the content of today's Millennium Development Goals.

The summits on education (Jomtien, 1990), children (New York, 1990), environment and development (Rio de Janeiro, 1992), nutrition (Rome, 1992), human rights (Vienna, 1993), population (Cairo, 1995), social development (Copenhagen, 1995), women (Beijing, 1995), habitat (Istanbul, 1996) and food security (Rome, 1996) are among the most important of them. In the wake of these summits, follow-up conferences have been held after five and ten years which have further confirmed agreement and provided a basis for the formulation of the Millennium Development Goals and the goals for sustainable development. In the early 2000s, the summits on education (Dakar, 2000), HIV/AIDS (New York, 2001), financing for development (Monterrey, 2002) and sustainable development (Johannesburg, 2002) played a key role in further developing the central issues and indicating how the goals can be achieved. Norway has made an active contribution towards building consensus at these summits, as well as on the Executive Board of the World Bank and in individual bodies within the Organization for Economic Cooperation and Development (OECD). Norway was also among the first players to recognize that “the new development policy” has a perspective that goes far beyond development aid, and has been actively involved in formulating this policy. The Government wishes to continue to make an active contribution and will mobilize a wide range of resources to meet the challenges.

The Millennium Assembly

The common basis of understanding that provides important, fundamental principles for efforts to reduce poverty was first jointly expressed when world leaders met at the UN in autumn 2000 to mark the transition to the new millennium. The UN Millennium Declaration and the Millennium Development Goals that were adopted there stake out the course towards a better life for the world's impoverished people. The Millennium Development Goals target specific, time-limited, measurable results and define the major unsolved tasks: to eliminate poverty and starvation, to ensure universal education, to promote gender equality, to reduce infant mortality and maternal mortality, to

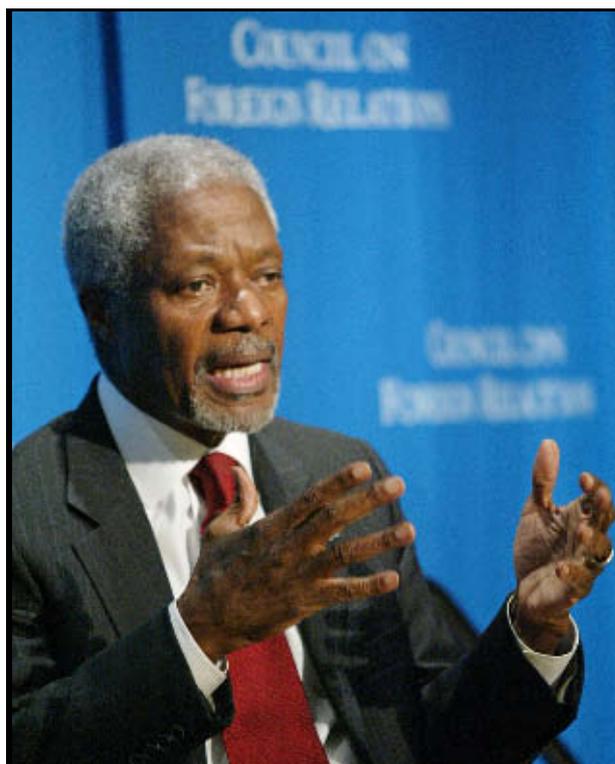


Figure 1.2 UN Secretary General Kofi Annan

Source: Scanpix

reverse the spread of HIV/AIDS and other diseases, and to protect the environment. The eighth Millennium Development Goal particularly concerns the global partnership for development that is necessary if the goals are to be achieved.

The UN has taken upon itself the task of monitoring how the Millennium Development Goals are followed up. The UN contributes towards the preparation of national reports and publishes an annual global status report on the Millennium Development Goals. The World Bank has assumed special responsibility for assessing which measures are the most suitable for promoting the Millennium Development Goals, and for estimating the need for resources. Norway actively follows up the Millennium Development Goals in many contexts.

The Johannesburg Summit

At the World Summit on Sustainable Development in Johannesburg in 2002, member countries repeated and reinforced their commitments to make greater efforts to achieve the Millennium Development Goals, which were undertaken during the International Conference on Financing for Development in Monterrey in 2002 and after-

wards. The Johannesburg Summit particularly emphasized the importance, from a sustainability perspective, of promoting people's access to clean water, good sanitation, education and health services, of improving the operating parameters for agriculture, and of conserving biological diversity. In this way, the conference confirmed that the three pillars of sustainable development defined at Rio – economic, social and environmental sustainability – are still entirely valid.

Norway's development policy is based on the large degree of international agreement on the goals for poverty reduction that are expressed in the UN Millennium Development Goals and the goals set at the World Summit on Sustainable Development in Johannesburg.

The UN Millennium Development Goals oblige us all to do something about the situation of the many, not just the few. They show that we must not only meet challenges at country level but also deal with the internal and external conditions that affect this situation. We must focus on all the factors that affect the poverty situation in a country, and this requires a transition to new forms of development assistance.

1.3 A rights-based development policy

“What begins with the failure to uphold the dignity of one life all too often ends with a calamity for entire nations.”

(UN Secretary-General Kofi Annan in his Nobel Lecture on 10 December 2001)

The test of whether our common efforts in development policy succeed will be whether the everyday lives of poor people improve, as the Millennium Development Goals intend. Realizing many of the Millennium Development Goals will also mean that the rights of poor people are better safeguarded and that they have better opportunities to realize these rights. *Report No. 21 (1999–2000) to the Storting. Focus on Human Rights* emphasizes that human rights are a fundamental pillar of Norway's development policy. This perspective was followed up in the *Norwegian Government's Action Plan for Combating Poverty in the South towards 2015*, which states that “civil, political, economic, social and cultural rights will have a central place in dialogue with Norway's partner countries.”

The connections between human rights and development

The close connection between the goals of development policy and strengthening the observance of human rights was defined as early as 1945. Article 55 of the UN Charter states that to ensure peace and development it is also necessary to promote “universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion”. This programme declaration was for many years regarded as an independent goal, separate from practical formulation of aid and development policy.

The end of the Cold War and the important development conferences in the 1990s led to stronger focus on the connections between political and civil human rights and development. Towards the end of the 1980s there was growing agreement that growth and economic reform were not sufficient to ensure a better standard of living for all segments of the population.

The end of the Cold War also resulted in the disappearance of the ideological polarization between the Eastern Bloc and the West as regards human rights activities. There was no longer a geo-politically motivated confrontation in which the International Covenant on Social, Economic and Cultural Rights was set against the International Covenant on Civil and Political Rights. In this confrontation, it had been accepted in many circles that ensuring food for the hungry had to have higher priority than civil and political rights. The relationship between the two sets of rights was historically perceived as meaning one had to take precedence over the other – poverty reduction first, then possibly political and civil rights as an additional bonus.

It has gradually been realized that there is no conflict between promoting economic and social development and strengthening judicial systems and human rights. On the contrary, the latter are often important prerequisites for economic and social development, and are integral parts of a result-oriented development policy. Legislation and institutions that effectively enforce the law and human rights lead to essential predictability for financial players and individuals, and thereby provide the necessary framework for economic growth and fair distribution of resources as well as open democracy.

Several of the major summits in the 1990s expanded on this view. The Vienna Conference on

Human Rights and the Social Summit in Copenhagen helped to further develop consensus on the premise that human rights are universal, indivisible and mutually reinforcing. Both the Convention on the Rights of the Child and the Convention on the Elimination of All Forms of Discrimination against Women therefore encompass both civil and political rights and social and economic rights.

The preamble to the UN report *An Agenda for Development* (1997) states that:

“Democracy, respect for all human rights and fundamental freedoms, including the right to development, transparent and accountable governance and administration in all sectors of society, and effective participation by civil society are also an essential part of the necessary foundations for the realization of social and people centred sustainable development.

The empowerment of women and their full participation on a basis of equality in all spheres of society is fundamental for development.” These goals also provide the basis for the UN Millennium Declaration in which the Millennium Development Goals are formulated.

Influential development theoreticians in the UN system see a very clear connection between democracy and development. When, as they do, you define democracy as the right to demand one’s rights, the right to have the obstacles that tie poor and underprivileged people to powerlessness and helplessness removed, democracy becomes the tool of poor people. A government that has to relate to a functioning opposition, answer questions in parliament, face criticism from a free press and regularly relate to genuinely free elections cannot afford to ignore the problems and challenges facing its population. This is probably an important reason why, for example, acute, widespread starvation very seldom occurs in democratic societies.

Rights-based development

“I am often asked what is the most serious form of human rights violation in the world today and my reply is consistent: extreme poverty.”

(Mary Robinson, UN High Commissioner for Human Rights (1997-2002))

In recent years the development debate has increasingly centred on the concept of rights-based development. This concept is based on the Universal Declaration of Human Rights (1948),

which states that everyone has the right to a reasonable standard of living, including food, clothing, housing, medical treatment and essential social services. The UN in particular, with its global, normative function, has played a pivotal role in the debate on the adoption of individual rights as the core of the concept of what the road out of poverty consists of, i.e. the rights of women, the right to food, the right to water.

A convention on the rights of the disabled will be an important element in efforts to bring this group out of the particularly marginalized position in which disabled people in poor countries find themselves.

Equal rights for women and men are a basic principle in Norwegian society, although there may be disagreement about the extent to which this principle has been realized in practical policies. It is also fundamental to our understanding of many of the linkages in the development debate that the fulfilment of women’s rights is a prerequisite for many of our development efforts. For example, in societies where women do not have the right to own land or inherit property, changes that lead to more households being run by women may threaten food security.

In too many cases, human rights are regarded as being men’s rights and women are not regarded as being individuals but as members of a man’s household.

The UN’s efforts to codify women’s rights include the UN Convention on The Elimination of All Forms of Discrimination against Women (CEDAW), which was adopted in 1979, further development of this instrument at the UN World Conference on Human Rights in 1993, and the Plan of Action from the UN World Conference on Women in Beijing, which expressly states that women’s rights are human rights.

The above normative work is a driving force in improving the position of women and thus an important instrument for development. The connection between gender equality and poverty reduction is central to the achievement of the UN Millennium Development Goals.

Norwegian development policy must support countries in their efforts to meet their political and judicial commitments with respect to gender equality. This will also facilitate the effort to mobilize the considerable resources women represent in work to promote development and provide a stronger platform for women’s role as agents of change for development.

The UN’s role in international standard-setting

is also an important, positive factor in development policy for children. Sixty per cent of developing countries' populations will be under the age of 18 in 2020 – and children and young people are a particularly vulnerable group and are of vital importance for all future development. The Convention on the Rights of the Child (1989), which has been ratified by every country except the USA and Somalia, contains provisions prohibiting the exploitation and abuse of children and affirms important development policy rights related to health, living conditions and free basic education. The rights-based approach also helps to support the participatory role of children and young people in social development in a proactive manner.

There is strong focus on children's rights in Norway's development policy. A strategy to safeguard these rights through development policy will be formulated. The strategy will particularly focus on the rights and welfare of especially vulnerable groups of children and young people. One important goal is to give more prominence to these interests in the dialogue on national overarching plans and poverty reduction strategies.

The growing focus on rights is also the reason for a broader perception of the hunger problem. Marginalized groups who cannot realize their right to be heard, to participate, to join forces to fight for their rights, who do not have the right to own land or enter into contracts, may suffer from starvation, even in a world or a country where there is enough food for everyone.

The idea of rights-based development can also be expressed as the freedom to make genuine choices. Realizing human rights in developing countries therefore also means giving marginalized groups and poor people greater opportunities to change their living conditions and achieve a life of dignity and equality. The rights concept also highlights the goal of development and underlines important linkages in development.

Rights-based development does not entail a radically new way of viewing development cooperation. However, this perspective does entail a challenge to include human rights thinking in poverty analyses and the formulation of development programmes. Rights thinking must then be viewed in the context of which players are responsible for ensuring that rights are fulfilled. Clarification of which rights are fulfilled, or not fulfilled, may contribute to improved analysis of poverty and its causes. Progress can be measured in relation to the international human rights instruments. Development cooperation must also help

enable developing countries to meet their human rights obligations. The rights perspective makes it easier for rights-holders to formulate demands for fulfilment, and it makes it easier for those who have an obligation to respect, protect or safeguard human rights to implement the necessary measures. There are examples of legal cases based on the right to food in India, and on the right to housing in South Africa. The zero hunger programme in Brazil is also an example of a rights-based approach.

In its remarks on rights based development², the Office of the UN High Commissioner for Human Rights emphasizes that the rights perspective contributes to poverty reduction by:

- emphasizing that the development of genuine poverty reduction strategies, based on recognition of human rights, is part of a state's legal obligations
- expanding the poverty reduction perspective to include structures that discriminate against certain groups and thereby generate or deepen poverty
- strengthening the status of civil and political rights, which in turn play an important role in poverty reduction
- emphasizing that social and economic rights entail binding commitments, not just programmatic goals
- helping to legitimize demands from poor people for meaningful participation in decision-making processes
- helping to defend achieved rights against setbacks and strengthen institutions that can hold politicians accountable.

Many UN organizations, bilateral donors and non-governmental organizations now increasingly base their strategies and programmes on the rights perspective and work to develop methodologies for improving the integration of the rights perspective into their development programmes. For example, the international non-governmental organization OXFAM operationalizes the focus on rights in the organization's work along four lines: identifying groups whose rights are not respected or fulfilled; focusing more on the mechanisms that are the reason for rights not being fulfilled, or the mechanisms that lead to social exclusion; focusing on different levels, such as households, civil society organizations, government players or

² Extract from "Draft Guidelines: A Human Rights Approach to Poverty Reduction Strategies": <http://www.unhchr.ch/development/povertyfinal.html#approach>

the private sector, who contribute towards violating human rights, and on the mechanisms that are used to do so; and identifying strengths and weaknesses among players at different levels to change discriminatory practices or regulations. The latter include cultural perceptions that promote continued discrimination. Many other organizations work along the same lines.

However, a rights perspective must not be understood to mean that development efforts must focus only on special target groups. Many factors must be in place to secure rights; the rights of groups in legislation are an important element, general political and civil rights are also crucial. The opportunities to have cases of discrimination and abuse tried before the courts, and the genuine opportunities people have to seek protection from abuse or to have decisions tested are also important. The rights perspective also includes good public administration that will ensure essential social and other services, necessary infrastructure, etc. In a sense, a tax policy that is motivated by a desire to ensure adequate tax revenues to meet these needs can also be described as a rights-based policy. The rights perspective in the broadest sense does not reduce development efforts to legal issues but expands the question of fulfilling rights to cover many elements that together help to ensure that the rights of individuals are fulfilled.

Nor does the rights perspective entail expectations of immediate fulfilment of social and economic rights in every country. Discussions on the need to fulfil economic and social rights are regularly met with the argument that insisting on fully securing certain rights in a country will tie up the country's resources and politicians and impede the freedom of action they need to achieve broad, sustainable poverty reduction. The Government does not share this view. The International Covenant on Social, Economic and Cultural Rights lays down that member states must implement measures to fulfil social, economic and cultural rights to the full, taking into account the resources that a country possesses, and that efforts to fulfil rights can take place gradually. Incidentally, the covenants clearly prohibit discrimination against population groups, gender or religions in human rights activities. The principle of gradually fulfilling social, economic and cultural human rights in step with the country's ability to do so can also be regarded as the fundamental

principle for the national poverty reduction strategy papers on which development cooperation is based. In *Report No. 21 (1999-2000) to the Storting: Focus on Human Dignity. A Plan of Action for Human Rights*, the Government emphasizes that "States cannot use economic arguments to avoid making efforts to promote human rights. Regardless of their economic situation, states must make efforts to create a situation in which individuals are enabled to a greater extent to meet their own needs."

Universally accepted international norms, particularly in the field of human rights protection, provide a common framework of understanding and a basis for dialogue, and are therefore a significant factor in clarifying important development policy objectives and instruments. All Norway's partner countries have made an international commitment to respect, protect and fulfil human rights. Through development cooperation, Norway works to strengthen countries' capacity to meet these commitments. The Government will intensify its focus on the international human rights instruments as a common frame of reference for political dialogue and cooperation with its partners in the South. The *Handbook in Human Rights Assessment* prepared by the Norwegian Agency for Development Cooperation (NORAD) to assist in the assessment of human rights in development cooperation is an important tool for work on these challenges.

For Norway's part, the rights perspective has been incorporated into many areas; in work on international conventions, in political dialogue with cooperation partners, in support for non-governmental organizations working to focus attention on the rights of marginalized groups, in efforts to support a free press, in work to support the judicial sector in many countries. Norway's cooperation with the Institute for Freedom and Democracy in Peru to strengthen opportunities for poor people in developing countries to have their rights recognized in connection with land ownership, business or housing is an example of direct rights-based development work (discussed in Chapter 7).

However, it is a challenge to integrate the perspective of rights-based development more fully into development cooperation, both multilateral and bilateral, and Norway will seek to further strengthen this broad perspective.

1.4 The content of this report

The Millennium Development Goals can be achieved

The Millennium Development Goals provide guidelines for international efforts to combat poverty and for Norway's development policy. It is possible to realize the Millennium Development Goals and the goals from the Johannesburg Summit. Forecasts by the World Bank, the UNDP and others show that, on a global basis, it will be possible to achieve several of them with current policies and inputs of resources. It will be possible to achieve other goals if we intensify our efforts. But for this to happen, the trend towards greater and more effective development cooperation we are now seeing must be reinforced and must continue. Of the eight Millennium Goals, the overarching goal is to halve the number of people living in extreme poverty by 2015. Progress in these efforts up to now indicates that the goal is within reach. However, advances are very uneven and many countries and regions are lagging behind in their development. The trend in sub-Saharan Africa is particularly worrying.

It will be possible to achieve some of the other goals in certain regions, while others will achieve less. The picture is very diversified at country level as well. Again, it is the countries in sub-Saharan Africa, with their historically low growth rates, that are worst off if the goals are taken as a whole. The Millennium Development Goals and the progress achieved so far are discussed in Chapter 2.

Global partnership for development

Given the extended perspective on development policy that has emerged, it has become increasingly clear that in many areas the policies pursued by the rich countries, including Norway, have an enormous impact on poor countries' possibilities for eradicating poverty (cf. Chapter 3). The Millennium Development Goals can primarily be achieved through a global partnership in which both the industrialized countries and the developing countries improve their policies. Global partnership is a key concept for the achievement of the Millennium Development Goals. It is a matter of international framework conditions. Trade is crucial if a developing country is to achieve revenues, productivity growth and jobs. The developing countries need better market access. This is emphasized in Chapter 3. Improved terms for

debt relief (cf. the separate *Plan of Action for Debt Relief and Development*), migration, environmental and natural resource management, transfers of knowledge and technology, anti-corruption measures and co-determination in international forums are also important factors in promoting development. The policies of the rich countries affect the developing countries in many areas. In accordance with the Government's discussions on the Action Plan for Combating Poverty in the South towards 2015, various aspects of Norwegian policy are being reviewed. Among other things, it is a special challenge to ensure greater openness about revenues from the extractive industries in developing countries – this is a transnational responsibility. The OECD's goal of giving the "coherence perspective" a more central place in the ordinary work of the organization is also actively supported by Norway.

This is not a new insight in terms of either trade or debt, but as a result of the consensus that has emerged it is more difficult today than it was before for individual industrialized countries to play down the importance of these factors. This has been shown, not least, in connection with the current negotiations in the World Trade Organization (WTO).

The prerequisites for development: national responsibility for poverty reduction

While the framework conditions for trade and other factors that affect a country's policies are important for all developing countries, development assistance is particularly important for the poorest countries. The global changes that have taken place in development cooperation also entail a deeper realization that development is not created by project-based aid, whereby foreign expertise builds up the infrastructure in a developing country and more or less "puts it on the right track", which it is then expected to maintain itself. This concept has proved to work badly and has led to many "white elephants" (i.e. major projects that have proved to be unsustainable). A fundamental understanding has gradually arisen that a country's development is primarily the result of the quality of its own policies and of its depth of ownership of these policies. Development can only be created in and by the developing countries themselves. It is the country's own citizens and politicians that must decide how their future is to be formed. This must take place in the interface between international and national fram-

ework conditions, where the willingness of the political authorities to prioritize in favour of development and their ability – in a resource-poor and often turbulent political reality – to implement their plans are often decisive. It is the responsibility of developing countries to put in place good national framework conditions and a sensible policy that will promote development.

An increasing number of developing countries are now formulating their own coherent strategies for poverty reduction. These Poverty Reduction Strategy Papers (PRSPs) also provide the framework for contributions from the international donor community.

In this situation, the donor community must demonstrate its willingness to adapt its policies and assistance to the national priorities expressed through the PRSPs, provide adequate and effective assistance, and help to support private sector development. As a result of such reorganization, the respective multilateral and bilateral donor institutions have had to redefine their roles in relation to each other and, not least, in relation to the authorities of the developing countries.

The background for and work on national Poverty Reduction Strategy Papers in developing countries are described in Chapter 4.

Donor reform – more assistance and more effective assistance

The World Bank and others have carried out calculations which indicate that development assistance must be doubled if we are to achieve all the Millennium Development Goals. According to preliminary figures for 2003, total development assistance increased from USD 52 billion in 2001 to USD 68 billion. This is positive, but it is not enough. The Government's goal of increasing development assistance to 1 per cent of GDP must be viewed from this perspective.

However, development cooperation must also be more effective. This report describes the comprehensive reform efforts that are now being made in international development cooperation. Thousands of projects, which involve several different donors in each country, are not based on national plans and require separate reporting and control routines, have led to ineffective use of aid resources and place a serious strain on the administrations of the developing countries. There is, therefore, a crying need for donor reform, and improved coordination of donor input in each country. At the same time, donors' contributions

must be systematically based on the ownership and strategies of recipient countries. The effort to reorient development assistance from earmarked projects towards framework allocations entails, among other things, a trend towards more support for broad-based sector programmes, where the resources from various donors are collected in a single "pot" and there are common reporting routines. There are plans for arrangements whereby like-minded donors administer the development assistance of other countries through "silent" partnerships. In cases where the situation is appropriate, i.e. there are credible public financial management systems in place, assistance is also provided in the form of budget support. Norway has strongly advocated such reforms in international development assistance. Education, health, the fight against HIV/AIDS, sustainable development and private sector development, including agriculture, are important priorities in Norwegian development cooperation.

The work of the multilateral development organizations is crucial in the fight against poverty. Norway's efforts to reform the UN system are intended to improve targeting, efficiency and financing. We wish to strengthen the focus of the development banks on poverty reduction in practice. Cooperation between different players must be strengthened. The choice of channels for development assistance – bilateral, government-to-government, multilateral organizations and non-governmental organizations – must be assessed with emphasis on the special advantages of each channel and the need for coordination, quality and results.

The UN advocates increasing our assistance for the countries that are lagging behind in their efforts to achieve the Millennium Development Goals. Like-minded countries have recently decided to further focus their inputs on such countries; the Netherlands aims to increase its inputs in Africa so that 50 per cent of bilateral assistance goes to Africa, while the UK aims to ensure that 90 per cent of development assistance, excluding humanitarian assistance and certain other items, goes to low-income countries. By comparison, Norway's inputs to these groups of countries are approximately 42 per cent and 60-65 per cent respectively. The Government wishes to concentrate a greater proportion of Norway's total bilateral assistance on countries that are behind in their efforts to achieve the Millennium Development Goals and will be unable to achieve them without considerable support. There is therefore a need

for a more specific target for greater concentration of bilateral assistance. This question will be studied and a specific proposal will be made in connection with the central government budget for 2005.

In some partner countries, Norway's government-to-government assistance is spread across too many sectors. If we are to contribute to more efficient utilization of resources and expertise, it is important to focus our inputs better. Concentrating on fewer areas will also help to improve coordination within the donor community and reduce the administrative burden on developing countries. The Government therefore proposes that Norwegian development assistance financed from the country and regional allocations should normally be concentrated on two or three sectors in each country. The choice of sectors will be made in close dialogue with the partner country and other donors, and on the basis of the partner country's own Poverty Reduction Strategy Paper.

The work being done on donor reform is discussed in Chapter 5.

Governance reform, democracy and efficient administration

Good national operating parameters are today regarded as the result of *good governance*. This term has no clear, uniform definition. It is often used to indicate that a state takes account of the basic human rights of the individual, ensures peace and the rule of law and combats corruption. In a development policy context, it is also extremely important for the country to have, or to be in the process of establishing, institutions that will ensure that the country pursues a responsible economic policy and promotes a dynamic private sector with good operating parameters for economic development. The term "good governance" often includes a targeted policy for environmentally sustainable development.

In several partner countries, there are challenges in areas such as democracy, human rights, the rule of law, efficient, open administration, combating corruption and security of life and property. There is emphasis on political and governance reform in development cooperation. The most important forces for reform are the country's own population and leaders. Supporting governance reform is a central issue in development policy. Through dialogue on development policy, by using Norwegian expertise and through the contributions of multilateral organizations, we

contribute to reform and institution-building in our partner countries. Financial control and management have high priority. The same applies to governmental and non-governmental institutions that meet the requirements for control and freedom of access to information. When partner countries demonstrate their willingness to reform their policies and governance, this is a significant positive factor in assessing the distribution of aid resources.

The importance of good governance and efforts to support reforms are discussed in Chapter 6.

The role of the private sector

A more dynamic private sector is a prerequisite for growth, development and poverty reduction. Predictable, stable operating parameters are essential if the growth dynamic in the private sector is to be triggered, economic development is to take place and new, income-generating jobs are to be created. Moreover, stable operating parameters are essential in order to encourage domestic investment and attract foreign investors.

The *Strategy for Norwegian Support of Private Sector Development in Developing Countries* (cf. Recommendation No. 28 (1999-2000) to the Storting) provides the framework for efforts to promote private sector development in developing countries. Assistance to improve the operating parameters for private sector development, NORFUND's venture capital for private sector development and trade-related assistance are important elements. Norwegian business and industry are partners in efforts to support private sector development in developing countries. Private and national institutions and groups are actively involved in human resource development.

The instruments available for private sector development in the South will be better coordinated. Efforts to create an open, untied market for aid-related contracts, with due respect for health, safety and the environment, will continue.

Norway will contribute towards realizing the potential for greater value creation in the informal sector in developing countries, among other things by supporting the formalization of the property and use rights of poor people and supporting micro-financing. Agriculture plays a dominant role in many of the poorest developing countries, but has been given too little priority, both in the developing countries themselves and in development cooperation. The main content of a

new Plan of Action for Agriculture in Development Cooperation is discussed in this report.

Private sector development in developing countries is discussed in Chapter 7.

Civil society

In many developing countries, the political participation of the population is limited. The political parties are able to mobilize broad participation in elections, but often function poorly as bearers of a political agenda and as democratic organizations. The networks of non-governmental and special interest organizations are significantly weaker than is usual in industrialized countries. The media are often restricted. Furthermore, in countries with weak democratic traditions the people in power often tend to regard civil society more as a source of unrest than as an important collaborator and opponent in political life.

In such contexts, it is important to provide development assistance in ways that help to promote open information, community of interests and the formation of organizations that transcend the various groups, and thereby promote common causes and develop and enrich the political debate. At the same time, in many developing countries non-governmental organizations are important players in efforts to provide basic services that help to reduce poverty; churches and other players in civil society play a vital role as suppliers of educational and health services. Civil society organizations can play an important role in helping poor and marginalized groups to improve their life situation and realize their rights. The Government regards Norwegian non-governmental organizations, political parties and the media as important players in this connection. More development assistance funds are channelled through non-governmental organizations than through bilateral government-to-government assistance. There is special emphasis on the cooperation of non-governmental organizations with their sister organizations to strengthen civil society in the South, on their role as suppliers of services and on their grass-roots base.

The Government also needs to find out how the reorganization of development cooperation, with new forms of cooperation and national ownership, is reflected in the poverty reduction efforts of non-governmental organizations. The results that are achieved will affect assessments of which types of channel to select in various contexts. The Government will therefore initiate the

establishment of a separate committee to evaluate the results of assistance provided through non-governmental organizations.

The roles and responsibilities of civil society in poverty reduction are discussed in Chapter 8.

Culture plays an important role in promoting a vibrant civil society. Development policy includes both cultural exchanges and support to develop institutions that are of importance for a free, varied cultural life and for conservation of the cultural heritage.

Focus on results and quality assurance in development cooperation

Development policy – i.e. the policies of the developing countries themselves, development cooperation policy and the international policies pursued more or less consciously by industrialized countries that affect the situation in poor countries – brings results at various levels and over time. In the final analysis, the criteria for success are permanent improvements in the situation of poor people in individual countries and long-term economic growth in developing countries. The Millennium Development Goals contain a number of result indicators, which are monitored in each developing country and are the subject of annual reports to the UN General Assembly. However, these indicators concern factors that are developed slowly over many years. Consequently, we also need reports on more immediate results that can show whether development processes are on the right track and whether Norway is making a positive contribution to them. Work is in process on this issue, both internationally and in Norway.

The quality of development cooperation must be assured, and there must be more emphasis on results, both in recipient countries and in the Norwegian administration. Development cooperation in general is a high-risk business and there must be more focus on risk management in Norway's cooperation with developing countries. New forms of assistance and greater donor cooperation have consequences for how we work on quality assurance and reporting; monitoring, risk assessment and reporting are increasingly becoming a common area of concern. It is important to strengthen systems in the recipient countries and, to as great an extent as possible, base our work on these systems.

The concept of *poverty-oriented assistance* must be understood in a broad context. Poverty

reduction within the framework of the Millennium Development Goals means that development cooperation must help to strengthen the ability of partner countries to combat poverty. Comprehensive poverty problems are not only resolved by measures that focus directly on target groups; whether or not a measure is poverty oriented must be judged in a broad context.

It is important to stick to the principle that poverty orientation in development cooperation cannot be measured in terms of direct target group orientation of measures, but will often be indirect and long-term in nature, i.e. aimed at improving governance, economic growth, infrastructure, etc.

The work being done on result focus and quality assurance, with special emphasis on new forms of cooperation and donor cooperation, is the topic covered in Chapter 10.

1.4.1 Risk factors and threats

In relation to the tasks outlined in the Millennium Development Goals, the period up to 2015, by when most of them are to have been achieved, is short and there are many risk factors associated with their realization.

War and conflict

Peace and security are fundamental prerequisites for development and for the achievement of the Millennium Development Goals. It is therefore good development policy to support efforts to prevent wars and conflicts, peace settlements and lasting peace. Policies to promote economic and social development, which entails responsible management and distribution of important economic resources, can help to prevent conflicts.

Development assistance should be used consciously and strategically to prevent conflicts, support peace processes and promote peace-building. This applies in many of Norway's partner countries. Transitional assistance may include contributions to social and economic development, political reform, improved governance and improved security. Donor cooperation and utilization of the special advantages of the various channels must be strengthened. While non-governmental organizations play an important role, in many cases there must also be stronger emphasis on the importance of re-establishing official government functions. The work of ensuring that development cooperation and the instruments at our disposal in

this connection are used constructively in our efforts to promote peace and security are discussed in Chapter 9.

HIV/AIDS

The HIV/AIDS epidemic is one of the most serious threats to development the world faces. The epidemic threatens the economy, social fabric and security of weak states. It reinforces poverty, undermines human rights and particularly affects the very poorest and most vulnerable groups, such as women and children. The people who die are mainly in the economically active age-group, and they are leaving behind households run by children. When other crises hit countries already weakened by HIV and AIDS, the effects of such crises are even more durable and far-reaching. We have seen this in countries in southern Africa, which have been suffering from drought and food shortages since 2002. Whereas emergency relief was formerly able to alleviate hunger fairly rapidly, HIV and AIDS are leading to long-term problems. Poverty, hunger and HIV/AIDS are mutually reinforcing. Moreover, the epidemic comes in addition to other serious threats to life and public health, such as malaria and tuberculosis. One of the Millennium Development Goals is to stop the spread of HIV/AIDS and other diseases that threaten life and health.

At the UN Special Session on HIV/AIDS in



Figure 1.3 HIV/AIDS is a serious threat to development. An example from Kenya

Source: Corbis

2001, UN member states committed themselves to increasing the resources provided to combat HIV and AIDS. Measures to meet the threat from HIV/AIDS are discussed in Chapter 5.

Corruption

Corruption is another serious risk factor. The misuse of funds bleeds countries of resources that are needed to combat poverty. The corruption problem is an international responsibility and there is strong emphasis on Norway's involvement in this area, nationally, in international forums and through development cooperation. The UN Convention Against Corruption is a milestone in efforts to combat corruption and must be followed up on a broad basis. It is important for industrialized countries to pursue an open dialogue with partner countries to determine which measures are the most effective and should be applied to eliminate corruption. At the same time, it is important for the industrialized countries to implement measures to prevent their own companies from contributing to corruption (see Chapters 3, 6 and 10).

Natural disasters, climate change and environmental degradation

Changes in the natural environment, for example due to climate change caused by human activity, pose a serious threat to efforts to reduce poverty.

Many poor countries are in areas that are highly exposed to tropical storms and floods. Many countries are also dependent on polluting energy sources, or have industries that emit toxic substances to air and water. Degradation of natural resources, such as soil, forests and biological diversity, is another serious issue. At the local level, these factors represent obstacles to economic and social progress and a worse life for the poorest people, who are the hardest hit. At the international level, the environment is degraded and the climate may be negatively affected. It is therefore a common responsibility to reduce the effects of negative environmental factors and ensure environmentally sustainable living conditions, to the benefit of all. Work on the international environmental agreements is discussed in more detail in Chapter 3, while Norway's efforts within the context of development cooperation are discussed in Chapter 5.

1.5 Economic and administrative consequences

The measures proposed in this Report will be implemented within the existing budgets. The administrative consequences are limited to those arising from the reform of the development cooperation administration, which is already under way (cf. Proposition No. 1 (2003-2004) to the Storting, Annex No. 7).

2 The UN Millennium Development Goals for poverty reduction

2.1 Introduction

The Millennium Development Goals are the goals for poverty reduction and development laid down in the UN Millennium Declaration, which was adopted by the UN General Assembly by consensus in September 2000. The Millennium Declaration contains a list of commitments for the UN and UN member states relating to the environment, peace, security and disarmament, development and poverty reduction, human rights, democracy and good governance. There is also emphasis on the special challenges facing Africa and on strengthening the UN. The Millennium Development Goals, comprising eight numbered goals and eighteen subsidiary goals, now provide an important common basis for further efforts to promote global poverty reduction – both political and practical. Most of the Millennium Development Goals are to be achieved by 2015, while some have shorter or longer deadlines for implementation and others have no deadlines¹.

Halving the proportion of people living in extreme poverty by 2015 is part of Goal No. 1, which is regarded as being the overarching goal.

Indicators to measure progress

The Millennium Development Goals represent a summary and a re-formulation of the goals laid down at various development summits in the 1990s. To strengthen the practical importance of the goals as a road map for combating poverty, the central organizations, i.e. the World Bank, the International Monetary Fund (IMF), the OECD Development Assistance Committee (DAC) and the UNDP, under the leadership of the UN, have formulated 48 indicators to measure progress.

¹ The Millennium Development Goals laid down in the Millennium Declaration are now the focus of systematic monitoring of poverty reduction efforts in the UN General Assembly through the Secretary General's periodic follow-up reports. The first, entitled Road Map Towards the Implementation of the United Nations Millennium Declaration. UN: New York, 6 September 2001. A/56/326 also contains a number of recommendations for specific measures. The most recent follow-up report was published in September 2003.

While the goals are formulated as general principles, the indicators that have been chosen to specify and monitor activities are measurable and quantifiable. In the case of some of the goals, the subsidiary goals and indicators cover the broader aims well, while other goals do not have indicators that cover the full breadth of the complex issues involved.

Three years after the Millennium Declaration was adopted, the Millennium Development Goals have, to a great extent, helped to change the framework for international efforts to reduce poverty. Most of the agencies and organizations engaged in international development cooperation have accepted the Millennium Development Goals as a collective focus for their involvement. For example, this applies to both the African Union (AU) and the G8 countries. The fact that the UN, the World Bank, the IMF and the industrialized countries have now agreed to use the Millennium Development Goals as a common framework for their work in developing countries is also extremely valuable.

The Millennium Development Goals provide the basis for practical work and action plans, both in the multilateral development organizations and at country level in the developing countries themselves. The poverty reduction strategy papers which the developing countries formulate

Box 2.1 The Millennium Development Goals

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

as a framework for their policies, or as a basis for debt relief, are also increasingly based on the Millennium Development Goals, or on national adaptations of them.

The UN Millennium Project and the Millennium Campaign

The UN has implemented its own Millennium Project, under which many prominent researchers and others involved in development assistance are studying various important issues relating to the achievement of the goals. Through this project, the UN is seeking to achieve broad consensus on which strategies are best suited to achieving the goals. The project will also provide better estimates of the resources that are necessary to achieve the goals. The UN Secretary General has also initiated a Millennium Campaign to raise awareness of the goals in every country. The Millennium Development Goals can only be achieved if there is political willingness to make greater efforts in both the industrialized and the developing countries. The campaign will help to promote such efforts. The UN also plays a key role in helping developing countries to prepare their national progress reports on the Millennium Development Goals. The UNDP has been given the main responsibility for the Millennium Project, the Millennium Campaign, and helping to ensure that national reports are produced. Norway has provided political and financial support for the UNDP in this process. The UN Secretary General also prepares annual reports on global progress towards the Millennium Development Goals, focusing on different topics each year.

The Government has worked actively in international forums to ensure that the Millennium Development Goals are a centre of focus for poverty reduction activities, and uses the goals as the basis for Norway's efforts to promote poverty reduction.

Norway's Millennium Campaign

In order to promote understanding of how important it is to achieve the Millennium Development Goals, a campaign is also being planned in Norway to raise awareness of the goals and the potential for achieving them, particularly among adolescents and young adults. The campaign will be carried out in close cooperation with UN organizations that are represented in Norway (the International Labour Organization (ILO), the UN Educa-

tional, Scientific and Cultural Organization (UNESCO), the UNDP and the UN Association). On the basis of this campaign, the Government wishes to increase the emphasis on the informational aspect of development issues in Norwegian society. Steps will also be taken to strengthen Norway's participation in international networks in this area in order to learn from others and share experiences.

2.2 The Millennium Development Goals commit everyone

The Declaration from the UN Millennium Assembly was adopted by government leaders and heads of state from all UN member nations and is therefore a commitment made by rich and poor countries alike. Although the goals themselves are not new, the specific time-limits for achieving them and the support for the Declaration and the Millennium Development Goals are an expression of a renewed, common commitment to join forces in the fight against poverty.

Fundamental human rights provide the basis

Several of the first seven Millennium Development Goals are based on fundamental human rights as laid down in the Universal Declaration of Human Rights, which was adopted in 1948 and has subsequently been repeated and further elucidated in the International Covenant on Economic, Social and Cultural Rights of 1966 and other conventions. This applies, among other things, to the fundamental right to life, the right to food, the right to health, the right to education, the rights of women and children and the right to housing. Sustainable development is crucial. The eighth and final goal is extremely far-reaching and concerns the responsibility of the industrialized countries for adapting their policies so that it will be possible for poor countries to achieve the other goals. Unless the industrialized countries meet their share of the commitments under Goal No. 8, and unless they implement central parts of the agenda as described in Chapter 3, it will be impossible to realize the Millennium Development Goals in several regions and in many countries. Some elements of Goal No. 8 are discussed in more detail in Chapter 3.

The Millennium Development Goals are linked to each other and are mutually dependent and reinforcing. We have no clear data or empirical



Figure 2.1 UN headquarters in New York

Source: Corbis

evidence to tell us how the connections between them work or how strong they are but it is difficult, for example, to imagine halving the proportion of poor people in the world without supporting development and improving health and education. Successful efforts to improve the health situation and reduce illiteracy in a country will, on the other hand, have both immediate and long-term effects on people's welfare and income, and thereby their poverty situation. Access to clean water, which is vital to the health situation in a country, will thus contribute to increased income and poverty reduction. Both a sectoral and a trans-sectoral approach are therefore required if the goals are to be achieved.

The Millennium Development Goals have not been formulated as rights. However, the close connection between the Millennium Development Goals and important social, economic and political rights bears witness to the importance the international community ascribes to these rights as a basis for lasting improvements in people's living standards. The UN Secretary General has stated that as measurable criteria for improvements in

people's living conditions, the Millennium Development Goals represent good indications of the extent to which the world is developing in the direction of inclusive and fair globalization.

However, it would be wrong to conclude that the human rights thinking and target group thinking expressed in the Millennium Development Goals entail a precondition that the efforts that are needed to combat poverty in the world should be one-sided, or even mainly oriented towards specific target groups. On the contrary, we must emphasize that initiatives targeting specific groups are necessary but by no means sufficient. Improvements in governance, physical, political and judicial infrastructure, industrial and commercial development and institution-building are essential if the goals are to be achieved. Not least Goal No. 1, with its emphasis on income and on the fact that many poor people cannot afford a daily meal, reminds us that the above-mentioned national framework conditions, responsible macro-economic policies and good operating parameters for investment and value creation are crucial to the creation of growth, jobs and tax revenues.

Common commitments

The enormous effort that is required in terms of international policies and framework conditions, governance, the private sector and development cooperation must be made jointly by all nations. The main effort must be made by the developing countries themselves, on the basis of better, more targeted use of their own resources and stronger focus on economic development that will reinforce poverty reduction. The international community is committed to doing its part of the job. This applies in many areas, such as the environment, corruption, debt and migration. However, efforts to strengthen the economies of developing countries by facilitating trade and investment are regarded as being particularly vital. Increased and more effective development assistance is a necessary and important supplement to this (cf. Chapters 1 and 3).

The Millennium Development Goals must also be viewed in conjunction with the goals laid down at the World Summit on Sustainable Development in Johannesburg in autumn 2002. This summit confirmed that sustainable development is an overarching goal and built on the commitments made at the UN Millennium Assembly. In Johannesburg, specific goals relating to biological diversity and sanitation were incorporated into Millennium Development Goal No. 7. Both the other issues covered in the Millennium Declaration and the goals laid down at the Johannesburg Summit are important prerequisites for success in improving the conditions for people living in poverty. Some of them are essential for success in the short term, while others are more long-term challenges.

The specific goals for poverty reduction under the Millennium Development Goals cannot be perceived in isolation but must be viewed in conjunction with associated international challenges, goals and processes. Some of them fall within the scope of the issues discussed in this Report, while others belong more naturally in other contexts. In this connection, reference is made to the fact that the Government has recently presented reports and plans of action that are clearly linked to the issues discussed in this Report. This particularly applies to the *National Strategy for Sustainable Development and Report No. 19 (2002-2003) to the Storting: A World of Opportunities*.

2.3 Can the goals be achieved?

It is possible to achieve the Millennium Development Goals, but if we are to succeed we must set very clear political priorities, both in the industrialized countries and in the developing world. Development assistance will probably have to be doubled, but aid alone is not enough. Improved international framework conditions are important. Improved governance is also absolutely crucial in many developing countries.

What is the criterion for achievement of the goals?

The question of whether the Millennium Development Goals can be met has been discussed from many angles. One of the questions asked is whether we should be satisfied that the goals have been met when we consider the world as a whole, or whether the criterion for success is the achievement of all the goals in all the regions and countries of the world. The way the eight Millennium Development Goals that are to be achieved by 2015 are formulated, it seems reasonable to understand the goals as being global in nature.

Social and economic development in the various regions since 1990 – the basis year for most of the goals – has been very uneven, with progress being made in the populous areas of Asia and stagnation and even recession in less populous areas, such as sub-Saharan Africa. This means that development in the highly populated countries in Asia alone plays an extremely important role in the achievement of the goals on a global basis. In the case of some goals, strong, positive development in China and India alone may lead to a global goal being achieved, even if the situation in other places, such as sub-Saharan Africa, is not significantly better than before.

Global, regional and national goals

Although the goals are, in principle, regarded as being global, both the UN and other players are focusing strongly on development at the regional level and in individual countries. The Millennium Development Goals provide guidelines for all countries. The Millennium Declaration contains a separate chapter on the need to support efforts to solve Africa's special problems. Practical work is both global in nature and focuses especially on particular regions, countries and target groups. Efforts to combat poverty must be measured against the global Millennium Development Goals

in each country. It will clearly be a global obligation to focus particularly on the countries and regions that are lagging behind in their efforts to achieve the goals.

In his report to the UN General Assembly in September 2002 on the implementation of the Millennium Declaration, the UN Secretary General concluded that the goals can be achieved at the global level, even though they are ambitious. However, success is dependent on a substantial amount of political will to make a greater effort. In the case of the countries that are lagging behind, their own efforts and external assistance are significantly less than required in both political and financial terms. The Secretary General pointed out that several industrialized countries are not living up to their commitments, among other things in key areas such as trade.

Greater efforts are necessary

The Millennium Development Goals can only come within the reach of most of the poorest countries if both the poor countries themselves and the rich countries set the necessary priorities. Increasing our efforts is a challenge, but it is also necessary to give priority to development assistance and other resources that are crucial for the creation of economic growth and social development in the regions that are lagging behind. It is particularly important to ensure that the international framework conditions, discussed in more detail in Chapter 3, are advantageous to these countries, and that the industrialized countries help the poor countries to utilize them. It is also important for the developing countries themselves to plan their economic policies and development and poverty reduction strategies in such a way that they promote growth and social development. This could, for example, be done by integrating the indicators for the Millennium Development goals into strategies and relevant sector plans. One example of how this can be done may be found in Tanzania's health strategy.

Some regions are lagging behind

Especially in sub-Saharan Africa, several countries are lagging far behind in their progress towards many of the Millennium Development Goals and will not achieve them by 2015. Most of them are also in the group of Least Developed Countries (LDCs). For the LDC group as a whole, the trend gives cause for concern as regards both

their prospects of achieving the goals and the size of development assistance transfers from the OECD countries.

Some assessments, which have concluded that the goals are unachievable, appear to have been based on the belief that neither the inputs of resources from the outside world nor the developing countries' own willingness and ability to achieve them will be strong enough. This is too pessimistic. The mobilization of resources after the Monterrey International Conference on Financing for Development from countries that have previously provided a relatively low volume of development assistance clearly shows that it is possible to increase inputs. At the same time, many developing countries are demonstrating an increasing willingness to improve their governance and combat corruption. Some developing countries have also been able to achieve significant progress in a short time in key sectors where inputs have been focused and measures have been implemented, for example in the field of education. Seen as a whole, this gives a mixed picture of the prospects for positive development in future. There is reason to expect positive effects in many individual countries, and there is probably reason to hope that the goals will be achieved in more countries than the current situation might indicate.

Below follows a review of the status of the Millennium Development Goals and associated Norwegian policies in the respective areas. The presentation is based on calculations carried out by the UN and the World Bank. The focus here is partly on the global level and partly on the regional level. In the case of some of the goals, the UN and the World Bank have chosen to focus only on regional development and less on global figures. In some cases, figures for development on a global basis are lacking. The UN and World Bank reports also point out that many countries lack the necessary knowledge and capacity to report good enough statistics for the various criteria that have been chosen as measurements of progress. Strengthening countries' capacity to measure their own development in important areas is an integral part of the UN's and the World Bank's work on the Millennium Development Goals.

The Government intends to report annually on progress towards the achievement of the Millennium Development Goals in Proposition No. 1 to the Storting. This presentation is therefore of a more informative and general nature.

2.3.1 Goal No. 1. Eradicate extreme poverty and hunger

Subsidiary Goal No. 1: Reduce by half the proportion of people living on less than the equivalent of a dollar a day between 1990 and 2015.

Subsidiary Goal No. 2: Reduce by half the proportion of people suffering from hunger between 1990 and 2015.

Calculations indicate that 1,292 billion people were living in what is defined as extreme poverty, i.e. living on less than 1.08 1993-USD (cf. Chapter 1) a day in 1990. This was equivalent to 29.2 per cent of the world's population. To achieve the goal of halving the proportion of the world's population living in extreme poverty, we must therefore reduce poverty so that no more than 14 per cent are living below this limit in 2015.

Calculations also show that the number of people living in extreme poverty has dropped from 1,292 billion to 1,169 billion. This means a reduction in the number of people living in extreme poverty from 29.2 per cent to 23 per cent since 1990. The same calculations indicate that by 2015 the proportion of people living in extreme poverty may have dropped to 13 per cent. This means that the first subsidiary goal can be achieved on a global basis, but that there will still be 809 million people having to exist on less than a dollar a day.²

There have been objections to the subsidiary goals that have been chosen to measure poverty reduction. Some people have maintained that using the dollar a day limit gives a misleading impression of development and for many reasons gives a more positive picture of the actual poverty situation than real life indicates. For example, the World Bank maintains that consumption equivalent to USD 2 is a practical minimum limit for people in middle-income countries. 2.8 billion people are currently living below this limit. Development projections based on the above premises indicate that we will not succeed in reducing the proportion of people living under the two dollar limit by more than 39 per cent by 2015.

If we look more closely at development, we can see significant regional differences.

East Asia has almost achieved the goal of halving poverty in relation to the one dollar a day criterion. China has already achieved it and is augmenting the figures for the rest of the region. In South Asia, the goals are expected to be achieved. It is forecast that in Latin America the goals will almost be achieved, and in the Middle East and North Africa there will be stagnation – the proportion of extremely poor people is relatively low to start with. In the case of sub-Saharan Africa, only a small reduction is expected in the proportion of people living in extreme poverty – a drop of 1.5 per cent to 46 per cent. Moreover, the number of people living in extreme poverty is expected to increase by 163 million by 2015, partly due to population growth.

The largest number of poor people live in Asia. However, if we look at developments since 1990 we can see that a growing proportion of the world's poor people live in Africa. While only 20 per cent of people living in extreme poverty lived in sub-Saharan Africa in 1990, by 2015 half of the people living in extreme poverty may be in sub-Saharan Africa. Sub-Saharan Africa is the only region that risks a steady rise in the number of poor people throughout the period. In this area, too, there are countries that have achieved positive development, however. The situation in both Mozambique and Uganda has improved in the last decade.

The types of projections referred to above are fraught with uncertainty. However, the underlying trend is so solid that we must emphasize the importance of focusing especially on the problems faced by sub-Saharan Africa in our efforts to combat poverty.

The above considerations provide several partial answers to the question of how we are progressing in the achievement of the first Millennium Development goal – and this goal provides the direction for all efforts to combat poverty. On the basis of the way this goal was originally formulated and the selected criteria, it appears that if the assumptions are right and national and international efforts are satisfactory, the goal is within reach. However, we must emphasize that many countries and regions are lagging behind. Far stronger political willingness to change and far stronger mobilization of financial and other resources are required if the regions that are lagging behind in development are to have the possibility of making reasonable progress towards the Millennium Development Goals.

It has increasingly been accepted that the global hunger problem cannot only be regarded as a

² The World Bank's estimate is based on average GNP growth of 3.4 per cent, while the UN Secretary General has indicated 3 per cent average growth as a minimum. This is higher than the growth most countries achieved in the 1990s and may therefore seem optimistic, even though growth in countries such as China was higher than this.

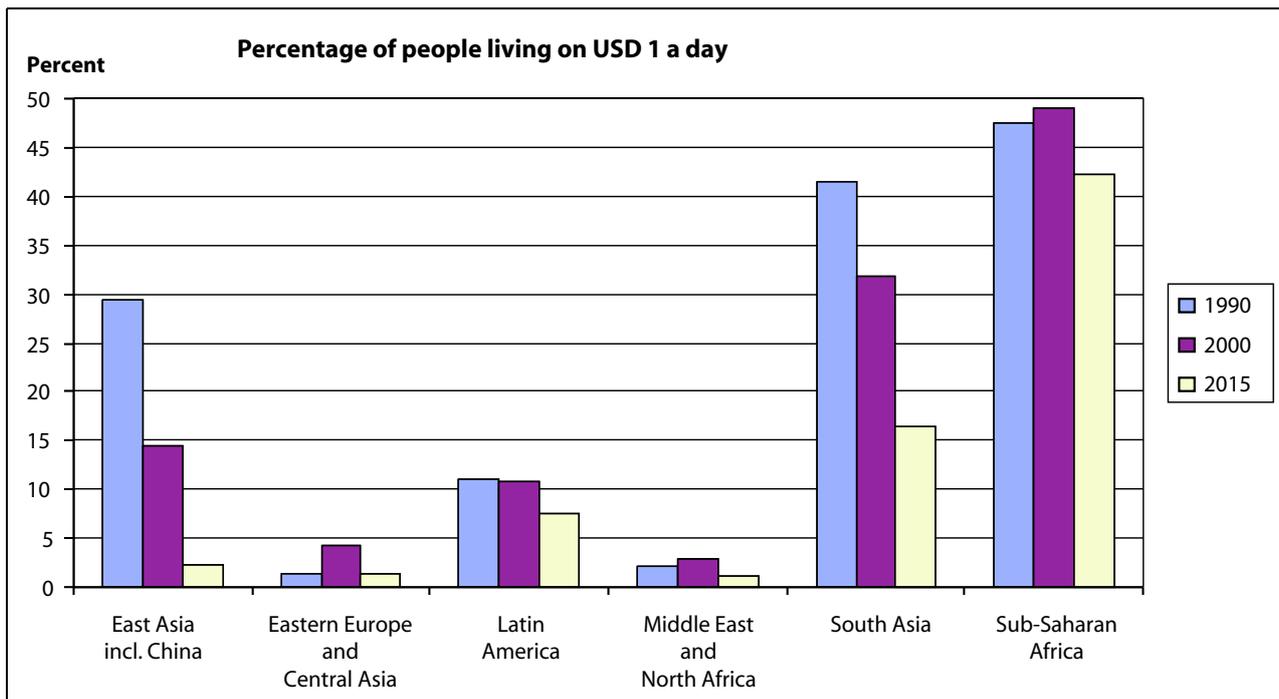


Figure 2.2 Proportion of the world's population living below the poverty line in 1990, 1999 and 2015
Source: World Bank

production problem but is largely also a distribution problem and a rights problem.

For example, Amartya Sen, one of the UN's independent advisers and a winner of the Nobel

Prize for Economics, maintains that the hunger problem cannot be understood to mean that there is not enough food, but that poor people do not have access to the food that exists.

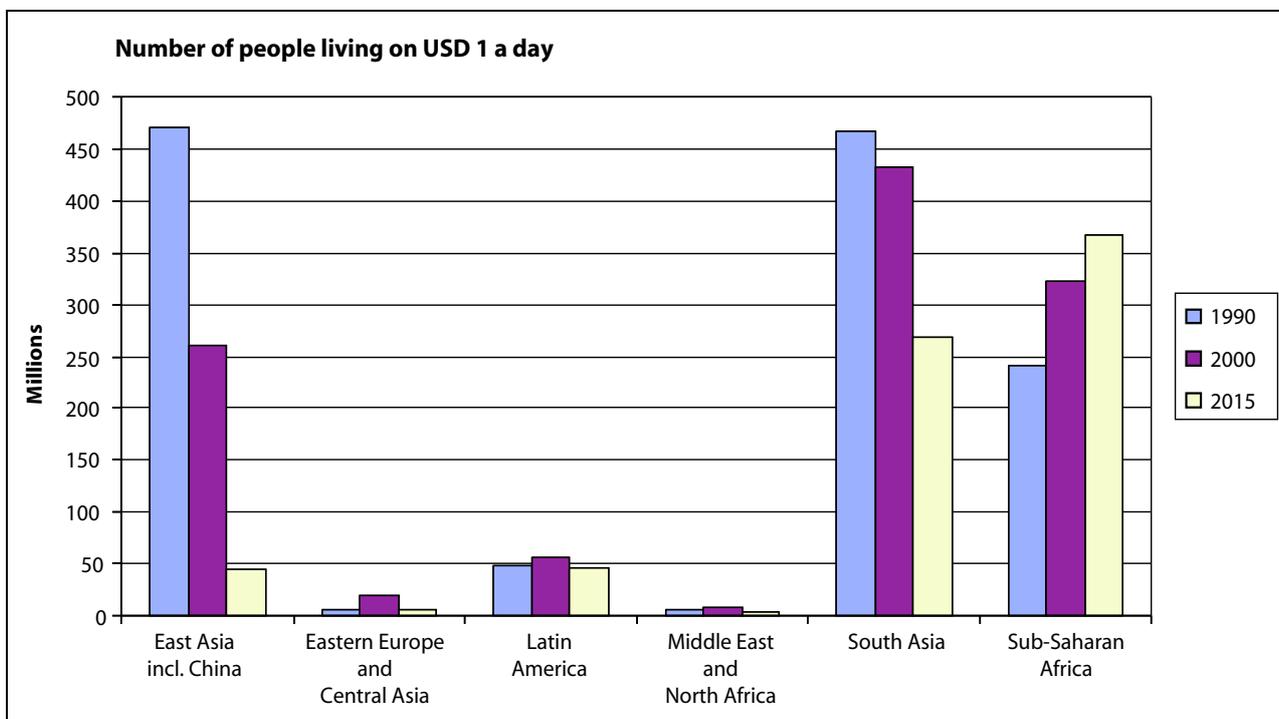


Figure 2.3 Number of people living below the poverty line in 1990, 1999 and 2015
Source: World Bank

Malnutrition among small children leads to an increased risk that their physical and mental development will be impaired. Almost 800 million people in developing countries suffered from malnutrition in 1999-2001. The number of people suffering from malnutrition has dropped by 20 million in the past decade. This is equivalent to a 3 per cent decline in the proportion of the world's population suffering from hunger.³ Several regions are making good progress – but once again we see that sub-Saharan Africa and South Asia are lagging behind. Approximately 60 per cent of all undernourished people live in Asia, while 24 per cent of the world's undernourished people are Africans (sub-Saharan). One third of all the people living in sub-Saharan Africa suffer from malnutrition. The trend has been especially alarming in recent years: according to the latest UN figures, the number of undernourished people in developing countries increased by 18 million between 1995-1997 and 1999-2001. This is not ascribable to a single factor, but must be regarded as the result

of a combination of many political and social circumstances. The contributory internal factors include unsuccessful long-term economic policies, the AIDS epidemic, the lack of coherent investment in agricultural development, the low status of women and social inequalities.

The Government has recently presented a Plan of Action for Agriculture in Norwegian Development Policy which aims to strengthen broad-based, coherent Norwegian efforts to promote agricultural development in the South. The right to food is important in this context (see Chapter 7). However, the Government takes the view that efforts to promote broad-based, poverty-reducing economic growth, combined with work to safeguard the rights of affected groups and reduce social inequalities, are also important areas of focus in connection with the hunger problem. Political work, both in international development organizations and in dialogue with partner countries, is therefore an important element of broad-based efforts to contribute to the fight against hunger.

In this context, it is also important to focus on the need for emergency relief in connection with famines, which can be used by rich countries as

³ Definitions of the 48 quantitative indicators that are used to measure progress in the implementation of the Millennium Development Goals may be found in the handbook Indicators for Monitoring the Millennium Development Goals, UN 2003. (ST/ESA/STAT/SAR.F/95).

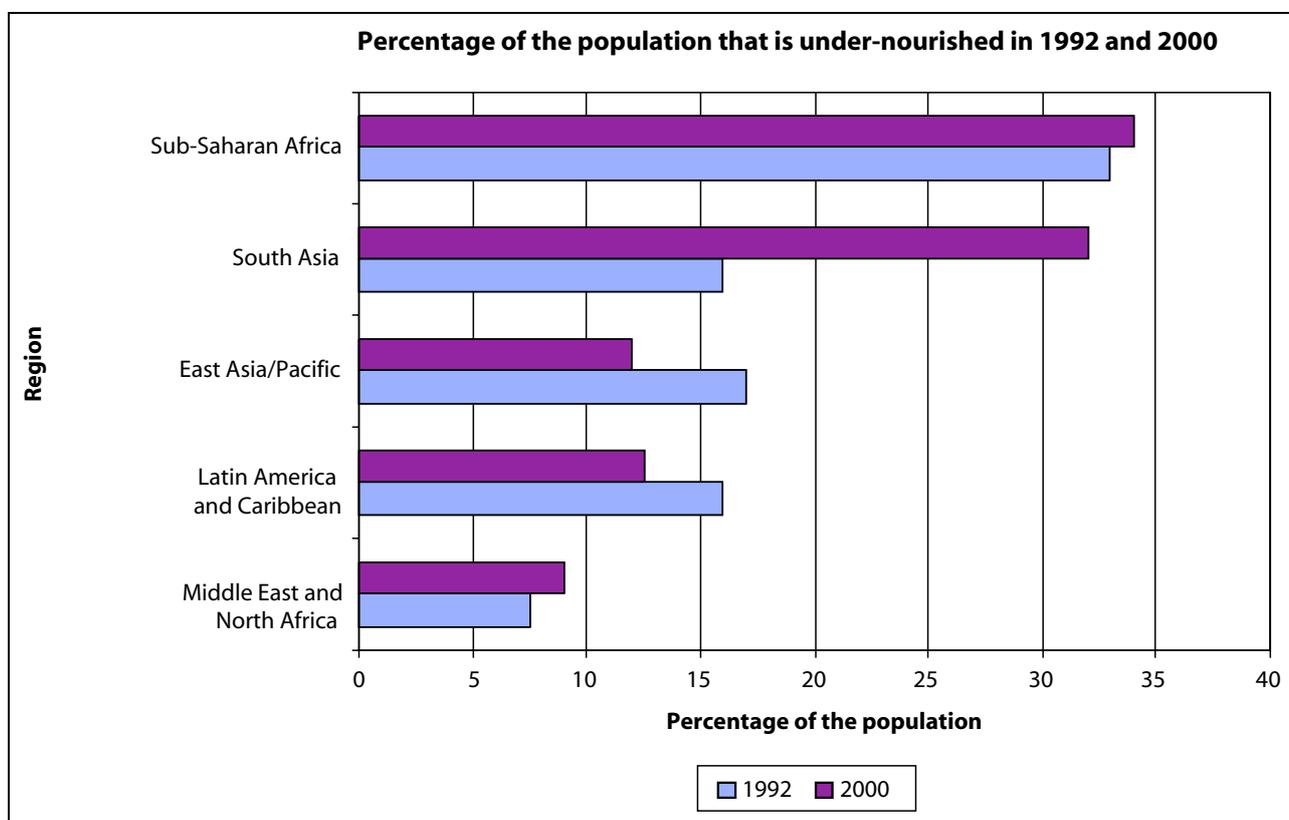


Figure 2.4 Incidence of malnutrition in various regions

Source: FAO 2001

an excuse for subsidizing their agricultural products. It is also important to realize that this kind of aid from abroad and the sale of products such as maize and wheat at dumping prices can impede the development of a sustainable agricultural sector in developing countries and thereby their preparedness to deal with famines.

Targeted measures, including measures in the health sector, can help to prevent hunger and malnutrition, particularly for children. This is discussed in further detail in Chapter 5.7.

2.3.2 Goal No. 2. Achieve universal primary education

Subsidiary Goal No. 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Investment in education, particularly girls' education, is among the investments that have the greatest effect in combating poverty.

The UN Conference on Education for All, which took place in 1990 adopted a resolution that all children should have access to primary education by 2000. The proportion of children registe-

red in primary schools rose from 81.9 per cent to 83 per cent between 1990 and 2000, while the proportion of children registered in primary schools in developing countries rose from 79.8 per cent to 82.1 per cent in the same period – well below the target that had been set. The Dakar Conference in 2000 set 2015 as a more realistic but still very demanding time-limit for achieving the goal of universal primary education. The Millennium Assembly confirmed this deadline.

The goal for education is extremely ambitious. The right to education of approximately 113 million school-age children has still not been fulfilled. Two thirds of the illiterate people in the world are women and 94 per cent live in developing countries, most of them in South Asia and sub-Saharan Africa. In his 2003 report, the UN Secretary General stated that it is possible to measure progress in almost all regions, but the slow progress in sub-Saharan Africa indicates that the region as a whole is unlikely to be able to achieve the goal. In many countries, the HIV/AIDS epidemic has led to a decline in the number of trained teachers, while the growing number of families with children as the head of the family is posing greater

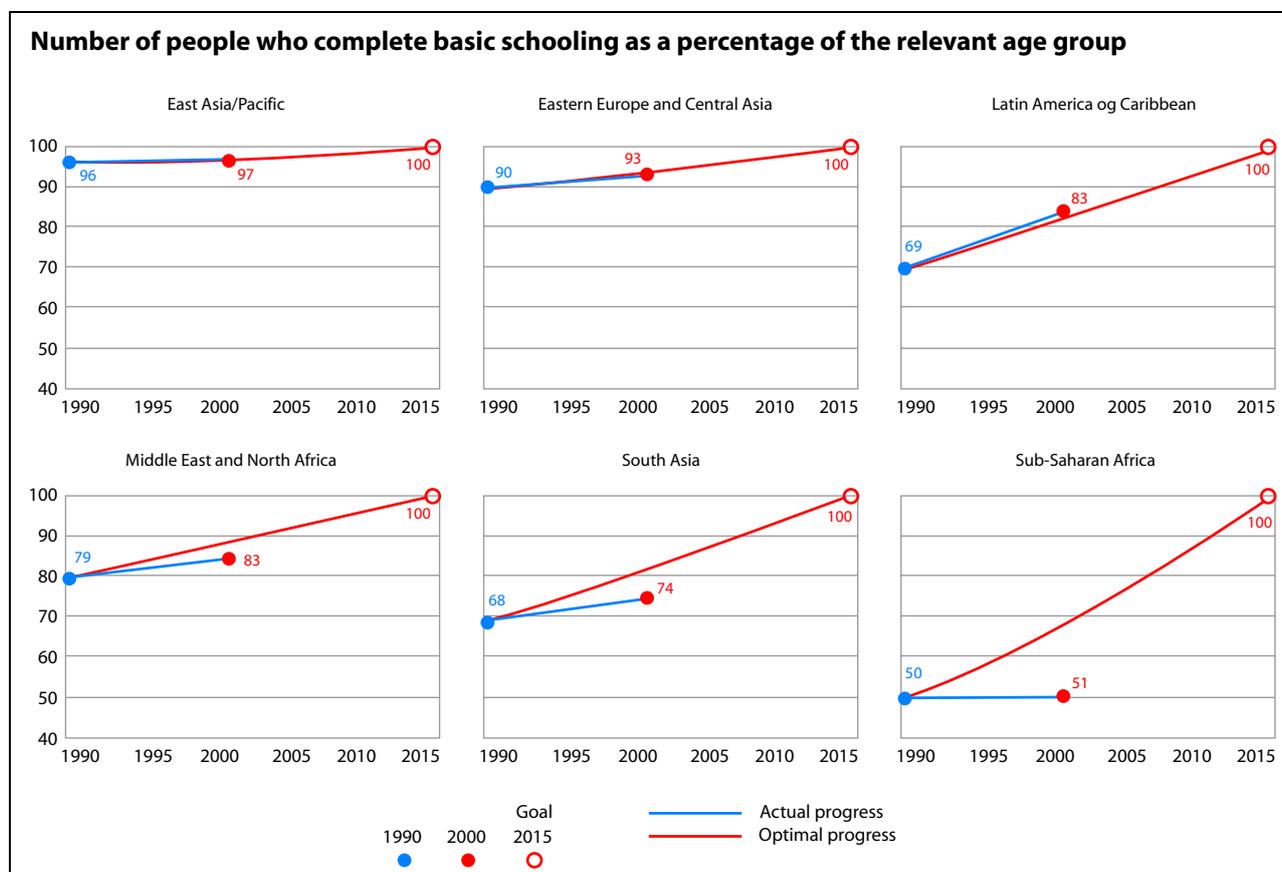


Figure 2.5 Proportion of the relevant age-group that completes primary education

Source: World Bank

challenges, as regards both their possibilities for education and the content of their education.

A study carried out by the World Bank shows that only 37 of the 155 developing countries that were studied manage to give all children a full course of primary education. At the same time, education has proved to be one of the areas where great progress can be made in a short period of time. In Mali, for example, the proportion of children starting primary school increased by more than 20 percentage points in the ten years from 1990 to 2000. In Ethiopia, the rise was almost 22 percentage points in the same period.

Norway is an important contributor to primary education in many countries. In January 2003, the Government presented a Strategy for Delivering Education for All by 2015. See Chapter 5.

2.3.3 Goal No. 3. Promote gender equality and empower women

Subsidiary goal No. 4: Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015.

Gender equality is considerably more than ensuring the right of girls and women to education. The

UN has chosen to operationalize the third Millennium Development Goal in this way, both because there is a very great disparity between the genders in educational levels in many societies, and because studies have shown that educating women is an investment that has significant positive ripple-effects throughout society. In his report on progress towards the achievement of the Millennium Development Goals, presented in September 2003, the UN Secretary General emphasized that the promotion of gender equality is one of the areas where development is progressing too slowly, and that far higher priority must be given to women’s rights. With respect to the participation of women in governments and parliaments, the situation has remained more or less unchanged.

Differences in education between boys and girls are greatest in the regions where the lowest proportion of children complete primary school and the regions with the lowest mean income. In sub-Saharan Africa, the proportion of girls enrolling in primary school in relation to boys has barely changed since 1990. In 1999 the figure was 82 per cent. In South Asia there has been greater progress, but the number of girls starting school

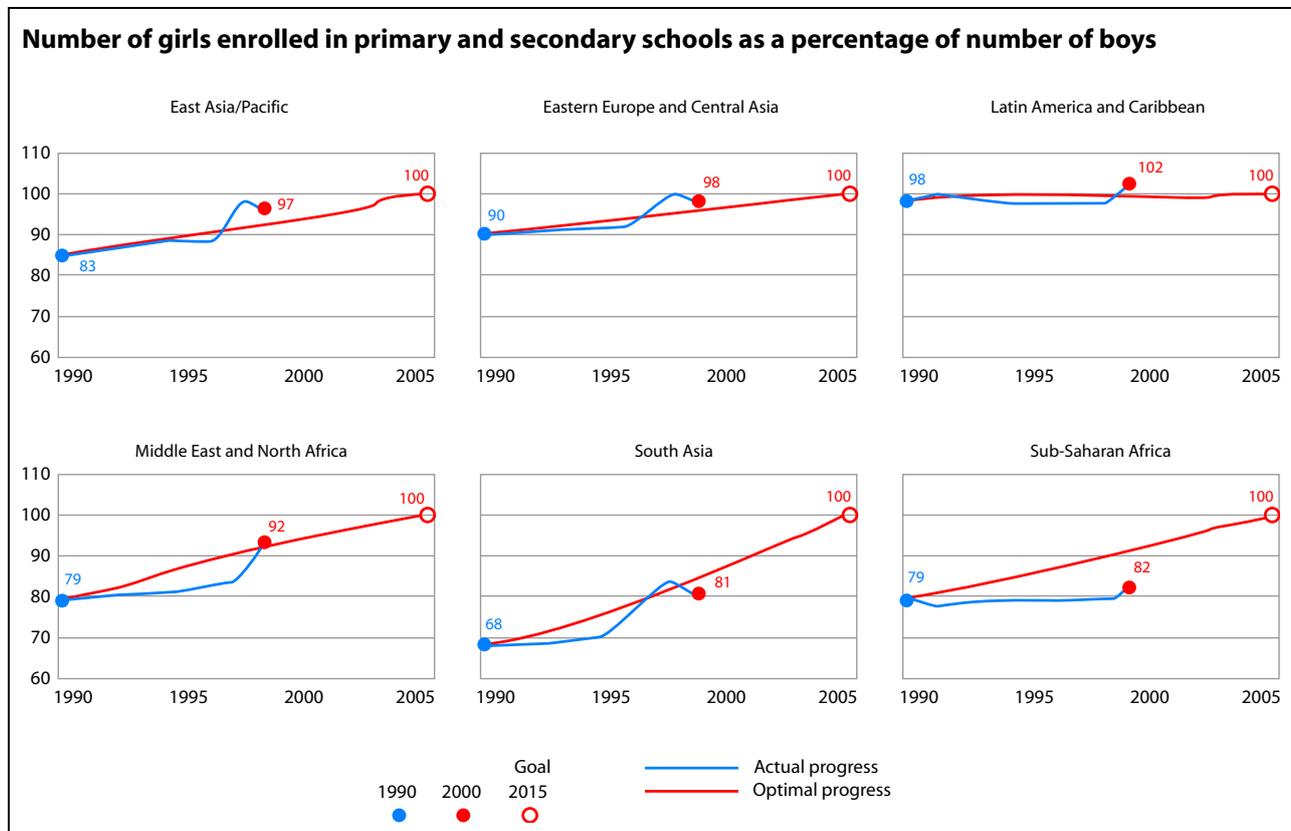


Figure 2.6 Girls who start primary school and secondary school, as a proportion of boys at the same level
Source: UN and UNESCO data

was nevertheless only 81 per cent of the number of boys in 1999.

Ninety-three (60) of the 128 countries for which data is available have either achieved the goal of equality in primary education (the figures in brackets are the numbers for secondary education) or will achieve it in 2005. A further 23 (14) will probably achieve the goal by 2015 provided that development follows the trend for the last ten years. Based on these assumptions, 21 (45) countries will not achieve the goal by 2015. Traditional gender roles must take much of the blame for the current situation. However, many of these countries are pursuing a policy that may lead to gender equality within a few years.

Norway's Strategy for Delivering Education for All by 2015, mentioned under Subsidiary Goal No. 2, focuses on gender equality in primary and secondary education. This applies both to bilateral assistance and assistance provided through multilateral organizations. Norway has established a special programme under the UN Chil-

dren's Fund (UNICEF) to ensure that more girls complete their primary education. As a result of the success of this programme, at the World Education Forum: Education for All in Dakar in 2002, UNICEF was given special responsibility for coordinating international efforts to promote education for girls. The girls' education programme has now been expanded into a multi-donor fund with contributions from several countries. Norway almost doubled its contributions to the UNICEF girls' education programme in 2002 and 2003. Norway is also a member of the leadership of the Fast Track Initiative, which is a special arrangement to ensure that all countries with good education plans are given sufficient resources. The World Bank chairs the Fast Track Initiative, which focuses especially on education for girls. Norway has also helped to ensure that UN organizations cooperate on the Fast Track Initiative, and Norway participates in the international management of the initiative.

Promoting women's rights is an important

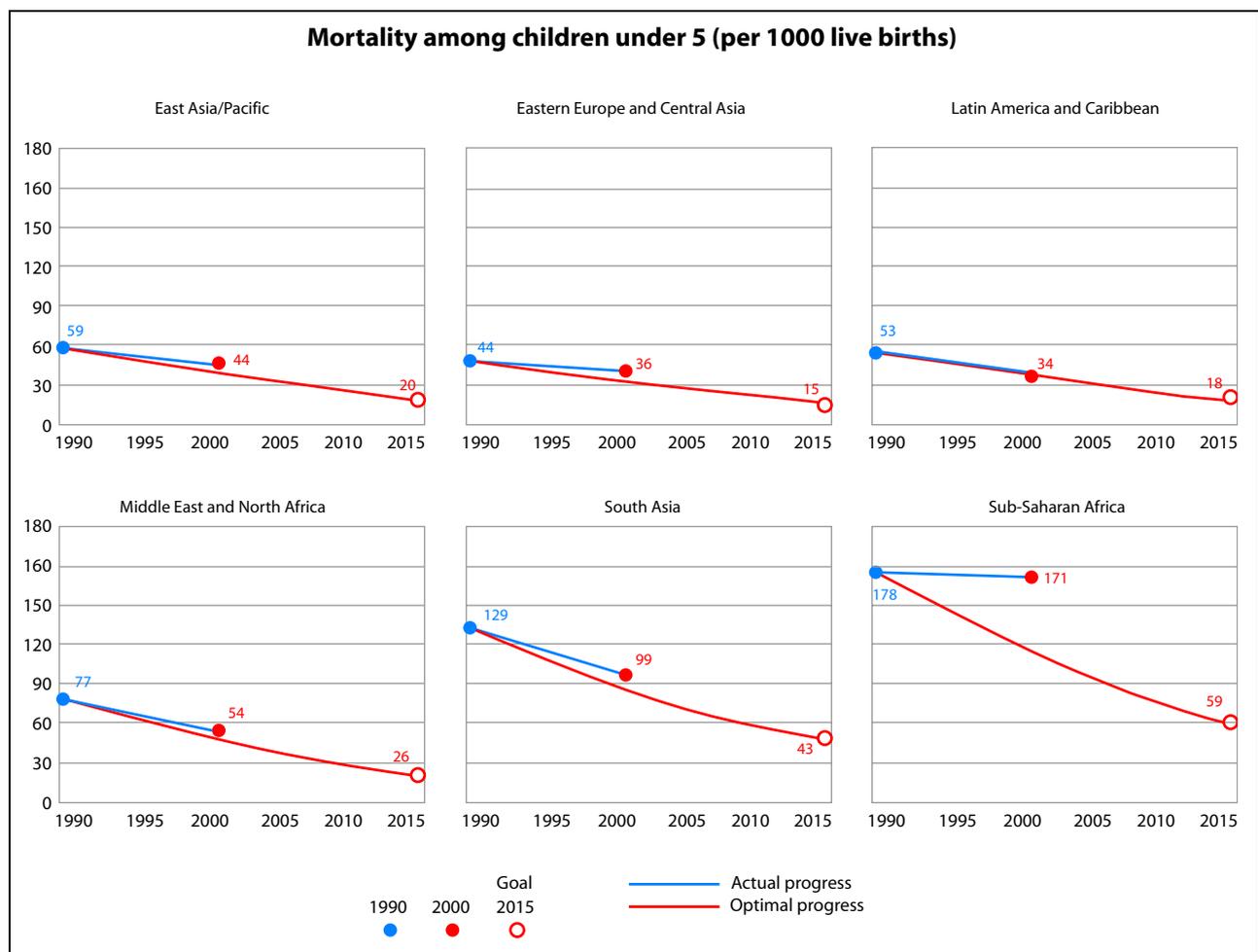


Figure 2.7 Mortality among children below the age of 5 (per 1000 live births)

Source: World Bank

means of liberating resources to fight poverty. When progress towards the gender equality goal is measured within the framework of the Millennium Development Goals, the proportion of women in political decision-making positions is included. Development is extremely slow in this area, from a low starting point. The Government takes the view that efforts to promote women's rights must be reinforced and seeks to achieve this both through targeted measures and in political dialogue in multilateral organizations and partner countries.

The goal of equal access to education for boys and girls must be achieved by 2005. This is the only Millennium Development Goal for which the time-limit is set earlier than 2015. The Government will therefore help to ensure that special international efforts are made to achieve the goal of gender equality in basic education.

2.3.4 Goal No. 4. Reduce child mortality

Subsidiary Goal No. 5: Reduce by two thirds the mortality rate among children under five by 2015

In low-income countries, more than one in ten children die before they reach the age of five. More than 10 million children die each year from diseases that they could have been protected from by a combination of good care, proper nutrition and basic medical treatment. In high-income countries the ratio is 1:143.

Child mortality has dropped rapidly in the past 25 years, by around 19 per cent. In 1980, only about 850 out of one thousand children lived to see their fifth birthday, while the number of children who died before the age of five declined to 103 per thousand in 1990 and to 91 per thousand in 2000. However, there are major regional differences. In sub-Saharan Africa, no significant progress was made in the 1990s and in some countries war and/or the HIV/AIDS epidemic have led to increased child and infant mortality.

Progress was slow in Oceania and parts of South and Central Asia as well.

There are many causes of child mortality, so a variety of instruments are needed to reduce it. Higher incomes, stronger focus on public health care, access to safe drinking water, improved sanitation and improved education for girls and young mothers will help. So will reduced dependency on wood as an energy source, because it leads to unhealthy air pollution in the home. Immunization, to which Norway is a major contributor, is another important factor.

Norway strongly emphasizes the importance of contributing to national health programmes. Programmes under the auspices of multilateral organizations that focus primarily on children's health also have high priority in Norway's development policy. Furthermore, Norway is a significant contributor to major vaccination programmes and programmes to combat HIV and AIDS.

In the near future, the Government will present a new Strategic Plan for Children in Development Cooperation which will describe in more detail the priority areas and strategies for the Government's efforts on behalf of children.

2.3.5 Goal No. 5. Improve maternal health

Subsidiary Goal No. 6: Reduce by three quarters the maternal mortality ratio by 2015

On a global basis, more than 50 million women suffer from deficient reproductive health services, frequent pregnancies and serious pregnancy-related diseases. Every year, more than 500,000 women die from complications in connection with pregnancy and childbirth. The mortality rate is highest in Asia because most poor people live there, but the risk of dying is greatest in Africa. One out of every sixteen women in countries with a high birth rate in sub-Saharan Africa risks dying from these types of diseases during her lifetime. In North America only one in every 3,500 women runs a similar risk.

There are not enough good data to measure the trend in maternal mortality over the past 15 years, but given the major problems in this field in sub-Saharan Africa and South Asia, the UN Secretary General has expressed considerable uncertainty about whether progress in the next twelve years will be sufficient to achieve the goal.

The high mortality rate is largely due to the lack of health care for pregnant women and women in childbirth and a lack of follow-up after the birth. It is also important for childbearing women to attend health clinics, but they are often prevented by distance, their financial situation and tradition.

As in the case of the other health-related goals, the development of health services, particularly primary health services, is an important prerequisite for reducing maternal mortality.

Norway primarily contributes towards the fulfilment of the fifth Millennium Development Goal through its contributions to central multilateral organizations that have programmes for pregnant women and women in childbirth.

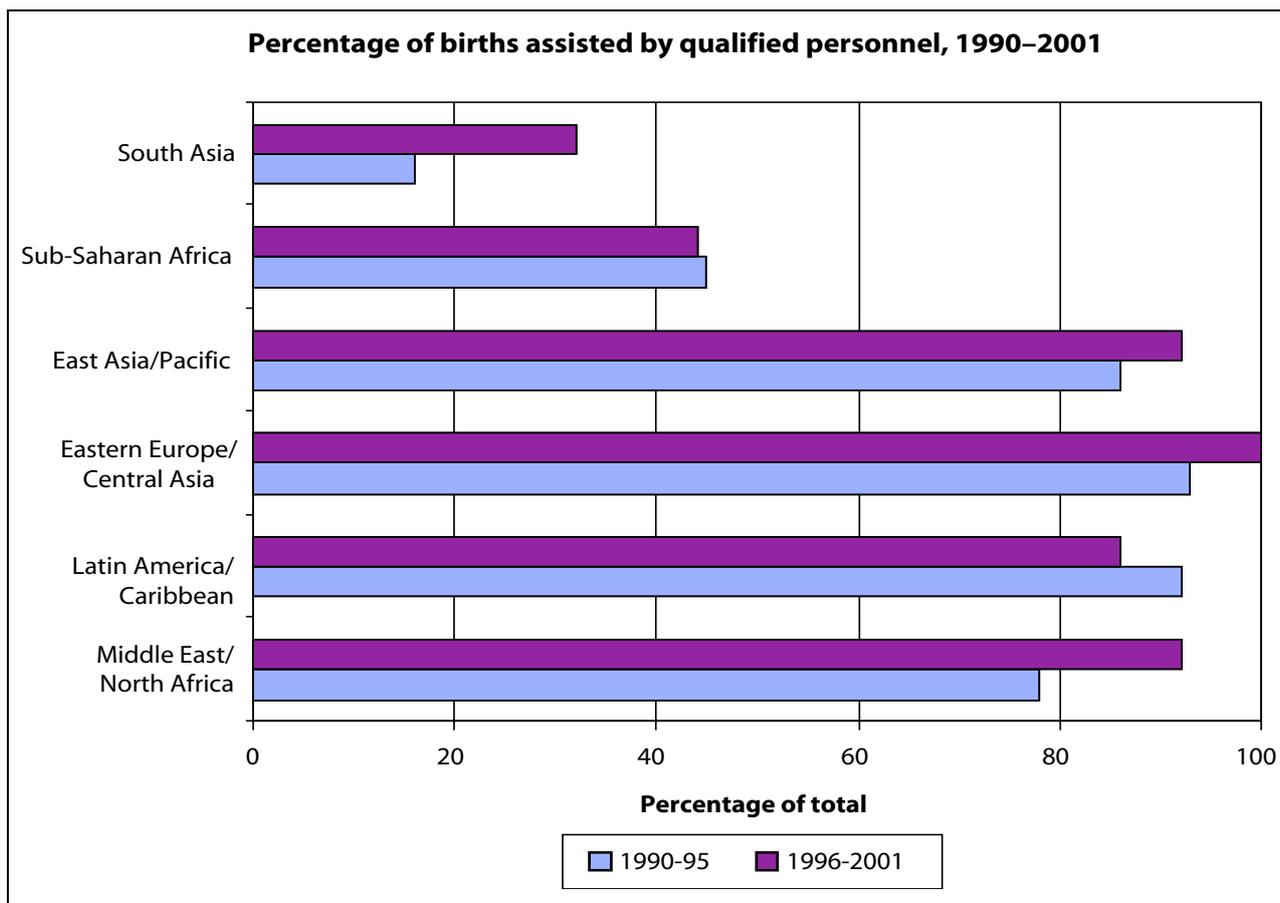


Figure 2.8 Births assisted by qualified health personnel (percentage of total)

Source: WHO and the World Bank

2.3.6 Goal No. 6. Combat HIV/AIDS, malaria and other diseases

Subsidiary Goal No. 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Subsidiary Goal No. 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

HIV/AIDS, tuberculosis and malaria are the diseases that take the most lives in the world, and all of them have the greatest impact on poor countries and poor people. These diseases interact in ways that intensify their overall impact.

The economic burden that these epidemics inflict on families and societies is enormous. It has been calculated that tuberculosis costs the average patient three to four monthly incomes a year. Tuberculosis kills approximately two million people every year. Malaria takes 1.1 million lives every year. Ninety per cent of deaths occur in sub-Saharan Africa, and this disease is the cause of 25 per cent of child mortality in the region. It is estimated

that sickness absence, death and other effects of malaria inhibit growth in Africa by about 1.3 per cent per year. This is equivalent to a loss of growth of more than 20 per cent over a 15-year period. Similar scenarios have been produced for the HIV/AIDS epidemic. There is therefore no doubt that effective prevention and treatment programmes save lives, reduce poverty and contribute to economic growth. Figure 2.9 shows the enormous differences in the HIV/AIDS infection rate.

The forecasts for the HIV/AIDS epidemic are increasingly gloomy. Fourteen million children have been orphaned so far and this number may grow to 25 million by 2010. Nevertheless, one third of the countries that are hardest hit have no strategic plans in place to deal with this situation. Life expectancy is being sharply reduced in the countries that are hardest hit. In Botswana it dropped from 65 years in 1990-95 to 40 years in 2003 and may fall to 27 years in 2015. The authorities are seeking to remedy this by various means. HIV/AIDS weakens public services because employees die, are too ill to work or have to care

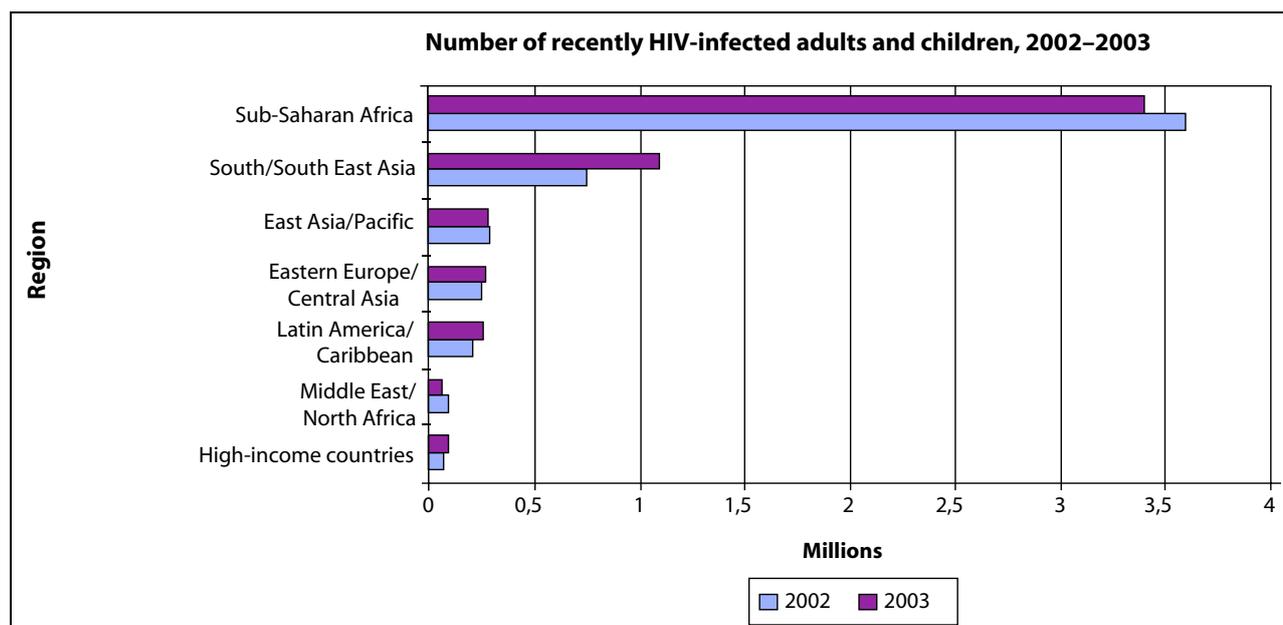


Figure 2.9 Adults and children recently infected with HIV in 2000 and 2003 (million)

Source: World Bank, UNAIDS

for sick relatives. Many countries in Africa are unable to train enough teachers and health workers to replace the ones who die. The epidemic also seriously affects the country's human resources and knowledge base.

A total of USD 4.7 billion was allocated to combat HIV and AIDS in 2003. This is a significant increase compared with two or three years ago. The estimated annual requirement up to 2005 is USD 10 billion – a figure that will grow considerably thereafter.

Norway is an active participant in efforts to combat HIV/AIDS and the other serious diseases that claim many lives in poor countries. Norway's contribution to the fight against HIV/AIDS is described in further detail in Chapter 5.

2.3.7 Goal No. 7. Ensure environmental sustainability

Subsidiary Goal No. 9: Integrate the principles of sustainable development into country policies and programmes: reverse loss of environmental resources

Subsidiary Goal No. 10: Reduce by half the proportion of people without sustainable access to safe drinking water and satisfactory sanitary conditions by 2015

Subsidiary Goal No. 11: Achieve significant improvement in the lives of at least 100 million slum dwellers

Human activity and settlement have led to a loss of biological diversity, stronger concentration of greenhouse gases in the atmosphere and the spread of chemicals that are hazardous to health and the environment. These are global problems that threaten livelihoods on Earth and have the strongest impact on the poorest people. The Plan of Action from the World Summit on Sustainable Development in Johannesburg in 2002 states that protection of eco-systems and integrated management of land, water and biological resources are crucial to sustainable development. Improved management of natural resources helps to safeguard the income and nutritional base of poor people. Sustainable management of natural resources is also closely linked to access to clean drinking water. It is the poorest people who are most severely affected by water-related damage to health, and are most vulnerable to floods and natural disasters caused by non-sustainable water resource management. At the Johannesburg Summit, the goal was therefore to reduce by half the number of people without access to safe drinking water, supplemented by a goal to also reduce by half the number of people who lack basic sanitation services by 2015, and to halt non-sustainable use and exploitation of water resources and develop plans for integrated water resource management by 2005. The achievement of the goals for clean water and sanitation services is crucial for

the environment, health, food production and other value creation.

The energy sector is responsible for a substantial part of global greenhouse gas emissions. The need for a significant reduction in emissions of greenhouse gases therefore makes special demands on the energy sector. Global energy consumption increases with the rising world population and people's desire for economic growth and improved quality of life. The people in high-income countries, who comprise 15 per cent of the world's population, consume half of the energy in the world and produce more than half of the CO₂ emissions. Global warming threatens crops and livelihoods. Effective energy saving, in both developed and developing countries, is therefore vitally important for global environmental sustainability.

Subsidiary Goal No. 11: Achieve significant improvement in the lives of at least 100 million slum dwellers

The United Nations Human Settlements Programme (UN-HABITAT) has calculated that there are approximately 900 million slum dwellers in the world today. Around one third of the population in the world's towns and cities live in slum areas, and this figure is as high as 78 per cent in the least developed countries. Ninety-four per cent of slum dwellers live in developing countries. Without major efforts to improve access to water, satisfactory sanitary conditions, secure tenancy

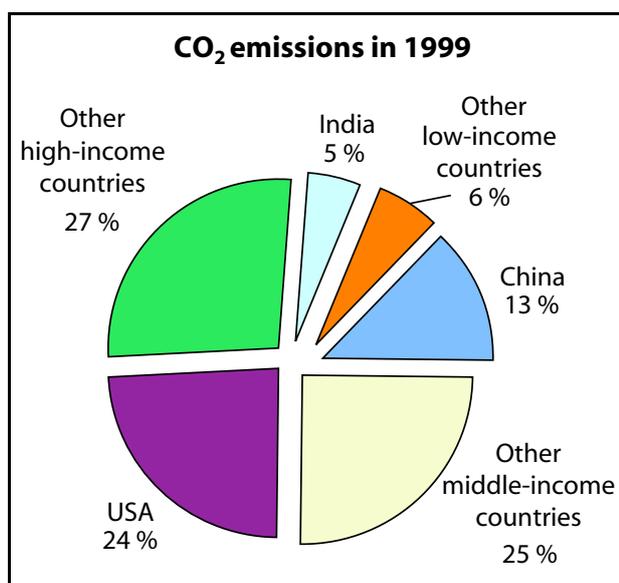


Figure 2.10 CO₂ emissions 1999

Source: World Bank

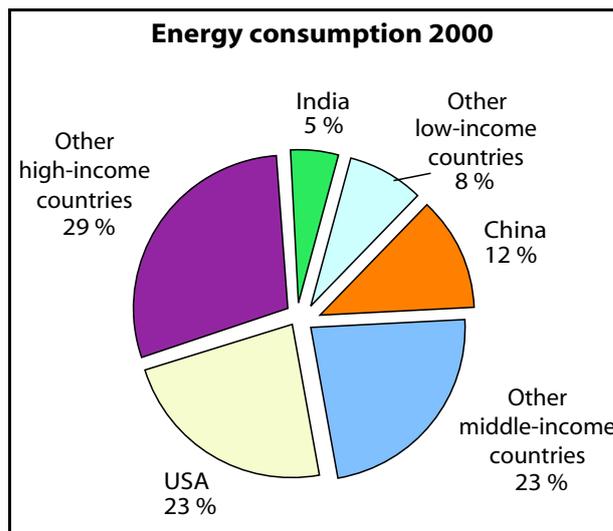


Figure 2.11 Energy consumption 2000

Source: World Bank

contracts and improved housing, this figure may rise to 1.5 billion by 2020.

At the Johannesburg Summit, countries committed themselves to supporting African countries in implementing the Habitat Agenda⁴, which includes sustainable urbanization, housing and efficient urban governance.

The Plan of Action for implementation of the goals and principles of Agenda 21, which was presented as part of the central government budget for 2004, Report No. 1 (2003-2004) to the Storting, indicates how Norway will contribute to sustainable development in the environmental and social sectors, and contribute to national and international economic growth. The international aspect is an integral part of the Plan of Action.

2.3.8 Goal No. 8. Develop a global partnership for development

Subsidiary Goal No. 12: Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction – nationally and internationally

Subsidiary Goal No. 13: Address the least developed countries' special needs. This includes tariff- and quota-free access for their exports, enhanced debt

⁴ The main document from the Second UN Conference on Human Settlements (Habitat II) in Istanbul in 1996, concerning the development of housing for all and sustainable settlement development.



Figure 2.12 A collective effort is required to improve living conditions for the world's slum-dwellers

Source: Scanpix

relief for heavily indebted poor countries (HIPC), cancellation of official bilateral debt; and more generous official development assistance (ODA) for countries committed to poverty reduction

Subsidiary Goal No. 14: Address the special needs of landlocked and small island developing States

Subsidiary Goal No. 15: Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term

Subsidiary Goal No. 16: In cooperation with the developing countries, develop decent and productive work for youth

Subsidiary Goal No. 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries

Subsidiary Goal No. 18: In cooperation with the private sector, make available the benefits of new technologies – especially information and communications technologies

Millennium Development Goal No. 8 emphasizes that both the developing countries themselves

and the industrialized countries are responsible for providing good framework conditions for poverty reduction. It clearly lays down that the international framework conditions for trade and debt must be further developed and improved, respectively, and also points to the need for improved policies and governance in the developing countries. It is in this Millennium Development Goal that the partnership concept and the clear obligations of the industrialized countries are most evident. The quid pro quo required from the developing countries, i.e. that they improve their governance, is also clearly stated in documents such as the final declaration from the International Conference on Financing for Development in Monterrey, Mexico in 2002, often referred to as the "Monterrey Consensus".

International framework conditions, particularly the regulations that govern international trade, are of crucial importance for most developing countries' opportunities to achieve economic growth and develop sustainable business and industry. Protectionism in the industrialized countries impedes the growth and development of

important sectors in the developing countries. Various calculations have been made of the cost to developing countries, in terms of lost opportunities, of customs barriers, quantitative import barriers and subsidies for business and industry in the industrialized countries. It may be difficult to arrive at clear figures for this, but there is broad agreement that such measures cost the developing countries many times more than they receive in official development assistance for poverty reduction.

Calculations by the World Bank show that protection against imports of textile products in the high income countries costs the developing countries around 27 million jobs. The World Bank has also calculated that farm subsidies in rich countries cost the developing countries more than USD 300 billion a year in 2001. Subsidies such as these lead to lost foreign currency revenues and reduced growth in the agricultural sector in developing countries, the sector that employs a large proportion of the poorest people. West African countries that produce large quantities of cotton have recently succeeded in drawing the world's attention to the effects on producers in poor countries of industrialized countries' support for their own cotton producers. Calculations also show that full opening up of international trade can increase growth in the development countries enough to lift 300 million people out of poverty by 2015.

The challenges associated with efforts to adapt the international framework conditions for trade to the ambitions for poverty reduction are enormous. In this area there are serious conflicts of interest between certain groups in the industrialized and developing countries (cf. Chapter 3).

International efforts to achieve good, sustainable solutions to the debt problems of developing countries largely take place in connection with the Heavily Indebted Poor Countries (HIPC) Initiative. Debt relief as an international framework condition and Norwegian measures in this area are described in Section 3.4 of this report, which concerns Norway's Plan of Action for Debt Relief and Development.

Progress is being made in efforts to ensure that people in developing countries have access to essential drugs. In 1997 (which is the last year for which figures are available) in many countries, including several of Norway's partner countries or main partner countries, 50 per cent or less of the population had access to such drugs, and much remains to be done before the situation is satisfactory. This includes international patent

regulations, which are intended to meet the need for incentives for innovation, national conditions, development assistance and cooperation with the private sector.

There has been a sharp rise in the use of modern information and communication technology in recent years, and the poor developing countries have lagged behind in this area. The World Summit on the Information Society (WSIS), the first phase of which was held in Geneva in 2003, focused, among other things, on how development in this field in poor countries can be accelerated. Norway participates actively in this work. Further information about the situation and Norway's contribution in the ICT area may be found in Section 3.7.

2.4 Progress towards the Goals must be monitored

The system for measuring progress towards the Millennium Development Goals comprises 8 goals, 18 subsidiary goals and 48 indicators. In sum, these provide a clear picture of development in relation to various aspects of the goals. The UNDP is responsible for reporting on progress to the UN Secretary General, and in this context largely bases its conclusions on information provided by individual developing countries. At country level, there is a growing tendency for the goals and indicators in developing countries' Poverty Reduction Strategy Papers to be based on the Millennium Development Goals. This helps to coordinate the efforts of the various players and reduce duplication of work.

Even with specific indicators, it is not easy to measure progress towards the various goals in developing countries. Statistics are often deficient and changes that are reported year-on-year are often projections based on old and sometimes unreliable data. Furthermore, the changes that can be traced over a period of time as short as a year are small. Both bilateral donors and multilateral development organizations are supporting the effort to obtain a better basis for measuring development. The UNDP provides financial and technical support to enable countries to produce progress reports themselves. An international consortium, PARIS-21, which comprises most of the countries, organizations and institutions involved in development assistance in the statistics area, has been formed to improve the statistical base. The goal is to enable public administrations

to improve their national financial management, facilitate the implementation of measures, and measure progress towards the Millennium Development Goals. In the health sector, a new initiative, the Global Measurement Network, which is supported by the World Health Organization (WHO), the World Bank and the Bill and Melinda Gates Foundation, is currently being established to develop indicators and statistics.

Other initiatives also support efforts to achieve progress. In Africa, many of the countries that support the New Partnership for Africa's Development (NEPAD) have joined forces and established a forum along the lines of the OECD, called the African Peer Review Mechanism (APRM), for voluntary examination of the policies of member states.

The inputs of the industrialized countries will also be monitored. The World Bank has taken upon itself the responsibility for registering and reporting on total transfers of resources that promote the achievement of the Millennium Development Goals. Deciding which resources have a positive impact on progress towards the goals and which do not is a comprehensive and difficult task. Trends in framework conditions and access to resources over time will indicate which incenti-

ves and measures are required to maintain resource transfers at an acceptable level throughout the measurement period. Given the time lag that will naturally occur between inputs of resources and results, and given the significant amount of interaction between the goals, we are facing major challenges as regards directing funds towards specific countries or sectors. However, the knowledge that is acquired through the World Bank project may be valuable in enabling us to adjust our course along the way.

A group of OECD countries is now establishing a common format for reporting on how they are following up Goal No. 8. One of the intentions of such reporting is to promote the work that is needed to ensure that the policies of the industrialized countries support the Millennium Development Goals. Norway has been one of the prime movers in this area. The UNDP, the OECD, non-governmental organizations and independent research institutions will also report on the fulfilment of Millennium Development Goal No. 8. This type of work is extremely complicated, for many reasons. Chapter 3 provides a more detailed description of the challenges that will have to be faced by the industrialized countries in following up the eighth Millennium Development Goal.

3 Global partnership for development

Global partnership is a fundamental prerequisite for success in the fight against poverty. The partnership concept was the cornerstone of the agreement on the Millennium Development Goals and therefore has great symbolic value in political terms. However, the partnership concept is far more than a symbol. The first seven Millennium Development Goals reflect the fact that the developing countries have the primary responsibility for planning their national policies in such a way that efforts to reduce poverty have the desired effect. Millennium Development Goal No. 8 entails an important recognition that good international framework conditions and steps taken by the industrialized countries are also essential prerequisites for success in the fight against poverty. Millennium Development Goal No. 8 relates to ambitions that are common to both developing and industrialized countries, and goals that require the industrialized countries to also demonstrate their willingness to contribute to the structural changes that are necessary for success.

As described in Chapter 2 and Appendix 1, Millennium Development Goal No. 8 lays down that further development of the international framework conditions for trade is an essential element of poverty reduction, and that special consideration must be given to the least developed countries. Steps should be taken to ensure tariff- and quota-free market access for exports from these countries. It also lays down that poor countries with sound economies that pursue poverty-reducing policies, and countries with an especially heavy debt burden, must be given sustainable debt solutions and significantly more development assistance than they receive today. Furthermore, it states that developing countries' access to affordable drugs must be improved. Goal No. 8 also requires efforts to be made, in cooperation with the private sector, to make new technologies, especially information and communications technology, available to developing countries. It also mentions other important factors relevant to poverty reduction.

The subsidiary goals under MDG 8 are relatively specific – even if there is plenty of room for

interpretation here as well. In international forums, extensive work is being done to specify and operationalize the goals.

3.1 A consistent development policy

One of the subsidiary goals under Millennium Development Goal No. 8 is to promote good governance, nationally and internationally. There is broad agreement that good governance in developing countries is a crucial precondition for the achievement of the Millennium Development Goals, and work to help improve governance in developing countries has been an important element of development cooperation for many years. At the same time, it is important to develop international standards that will be binding on both developing and industrialized countries. The UN Convention against Corruption, which was adopted on 31 October 2003, was an important milestone in this connection. Efforts to promote good governance in developing countries are discussed in more detail in Chapter 6.

The responsibilities of the players

The question of what the responsibilities of the industrialized countries must be in the effort to achieve the subsidiary goal of good governance, nationally and internationally, concerns those aspects of national policies in industrialized countries that have an international impact as well as the influence industrialized countries exercise on international rules, regulations and conventions which affect the political and economic framework conditions for developing countries. For example, high agricultural subsidies in many OECD countries have a detrimental effect on developing countries' agricultural production for both internal consumption and export. This is one example of a situation that the rich countries should remedy if they are to promote a non-discriminatory trade regime, as required by Millennium Development Goal No. 8. Nor should industrialized countries ignore the fact that some companies

from these countries bribe decision-makers in developing countries in order to achieve advantages, thereby lowering standards of business ethics and governance in the country concerned.

The responsibility of the industrialized countries for helping to develop international framework conditions in a more development-friendly direction must therefore be interpreted relatively broadly. This responsibility includes adapting their own national policies, and at the same time exerting influence on international factors so that the framework conditions for development are improved. Negotiations and other work in important international organizations will come within the scope of what, in this context, are perceived international framework conditions. However, the concept is far broader and entails recognizing that measures in many areas that fall within the competence of a nation state have ripple effects beyond that state's borders.

This is not a new recognition – the globalization debate touches on important aspects of these issues, and in the debate on a new economic world order in the 1970s and 1980s the focus of attention was precisely on international framework conditions, with emphasis on trade and debt. Higher, more stable commodity prices and improved terms of trade between raw materials and industrial products were among the main demands. The responsibility for disparities in the global economy was ascribed to the industrialized countries, however, and there was little focus on national responsibility or national policies in the developing countries. Similarly, several development theories have emphasized the impact of international framework conditions on development. The dependency theory went furthest in stressing that the effects of the industrialized countries' policies on developing countries have a crucial influence on their possibilities for development.

Towards greater agreement on joint responsibility and effort

Developing countries and industrialized countries have emphasized differently the relative importance of international framework conditions and domestic conditions in the developing countries. Over the years, this has led to many conflicts between the industrialized countries and the developing countries in international politics, and has made the work of finding common platforms more difficult. The conflicts still exist, but the Mil-

lennium Development Goals represent great progress in efforts to establish a common platform for international poverty reduction – a platform that was reinforced in the final declaration from the International Conference on Financing for Development in Monterrey, Mexico, in 2002. With its emphasis on joint responsibility and joint efforts, this declaration is a milestone, and there is now international agreement that we cannot place the entire blame for poverty in the world on the shoulders of the developing countries, or on international framework conditions alone. There is great political symbolic value in making it clear that global partnership is essential for success, and that the industrialized countries also have important commitments to fulfil.

Coherent policies – inputs and results

Fulfilling the commitments of the rich countries means that their results must also be measured and they must report on their own progress in efforts to achieve the Millennium Development Goals. The Government regards this type of reporting as a useful instrument in efforts to achieve genuine global partnership on the goals, and an important supplement to the reports that are produced on progress in individual developing countries. There is no global agreement to produce such reports, but at the summer meeting of the UN Economic and Social Council (ECOSOC) in 2003, Norway and other like-minded countries took the initiative for such reports to be produced and for this work to be made part of the sphere of responsibility of the OECD. The Government also supports the work the OECD is currently doing to establish criteria for evaluating the policies of member states from this perspective. The Government takes the view that, in time, the OECD should publish reports on the coherence of member states' policies and the implementation of Millennium Development Goal No. 8, and find suitable mechanisms for reviewing progress in this area too. A process of this nature should be based in one of the central financial committees of the OECD that has inter-sectoral competence. This would ensure that poverty reduction is strongly based on an inter-sectoral approach and does not become a separate discipline.

Extensive efforts are being made to arrive at an agreed understanding of which factors are most important with respect to the need for improved coherence in the policies of the industrialized countries. In 2003, the Center for Global

Development, an independent research institution in the USA, launched criteria for this purpose, the Commitment to Development Index¹. In this index, the OECD countries were compared on the basis of how much they seek to contribute to development and poverty reduction. The index comprised rankings for aid, trade, investment, migration, peacekeeping and the environment. The index had methodological weaknesses and there was disagreement about the extent to which it covered the most important aspects of “commitment to development”. It nevertheless illustrated an approach that the Government believes to be correct in principle.

Norway achieved a fairly average score in the country rankings. It was particularly the rankings for trade and environment that reduced Norway's standing. The part of trade policy that is linked to trade in agricultural products had an especially negative impact for Norway. The index had several weaknesses in this area.

Norway and some like-minded countries have decided to initiate their own reviews of the coherence of poverty reduction policies. A Norwegian review was initiated in the wake of the Government's Action Plan for Combating Poverty in the South towards 2015, published in 2002. Many sectors were reviewed with a view to implementing changes that can help to improve the coherence of Norway's policies. The first phase of this work is expected to be completed in 2004 and a report will be published.

The Government also wishes to communicate clearly to the governing bodies of relevant multilateral organizations the necessity of coherence in policies to promote poverty reduction.

Peace-building and development

Peace is an essential prerequisite for poverty reduction. Conversely, development is an important precondition for lasting, stable peace. Violent conflicts are expensive and waste resources, and they create poverty. On the other hand, poverty can be a contributory cause of violent conflict. The negative consequences are felt far beyond the geographical problem areas. Death, destruction of people's livelihoods and the breakdown of countries' economies, institutions and democratic processes result in a sharp decline in

the resources that are available for social and economic development. Security in everyday life, security of life and property and the rule of law are also among the preconditions for development discussed in the Millennium Declaration.

This is part of the reason why the contributions of the industrialized countries to peace, security and peace-building play a central role in the analyses that are carried out of their efforts to pursue coherent policies to promote poverty reduction. The Commitment to Development Index used the volume of contributions to international peace-keeping operations as a subsidiary measure of such coherence. The challenges in the field of peace-building and development are discussed in more detail in Chapter 9.

Due to their generally weak negotiating position, developing countries benefit from agreements that regulate international relations in an open, predictable way. The alternative is often the survival of the fittest. The various international agreements should safeguard the interests of developing countries in a satisfactory manner. Both the lack of regulations and regulations that are not sufficiently adapted to the special needs of developing countries can have a negative impact on their ability to combat poverty. Areas of policy that were formerly left to individual countries have gradually been included in international regulatory frameworks. One example is the WTO Agriculture Agreement, which regulates national agricultural subsidies in member states.

One of the general problems faced by poor countries is that a great deal of capacity is required to take part in the active international negotiations that take place in many arenas. The Government emphasizes the importance of giving the least developed countries the opportunity to participate by providing financial and other assistance.

The effort that is required to achieve measurable progress in relation to the various subsidiary goals under Millennium Development Goal No. 8 shows that improvements in framework conditions are essential if poverty is to be reduced. However, other international framework conditions are also very important in promoting poverty reduction and development. This chapter therefore also covers framework conditions that are not mentioned under Millennium Development Goal No. 8, but which the international community currently regards as being vitally important for development and poverty reduction. They include peace, security and migration.

¹ An index of policy coherence that is planned to be published each year and was published by the Center for Global Development for the first time in 2003.

The Government will:

- work to ensure that the industrialized countries report on their own efforts to support Millennium Development Goal No. 8 and on their efforts to increase coherence between various parts of their own policies, and will actively participate in the international processes in the OECD and other forums that have been initiated in connection with this issue.
- continue to study how Norway's policies affect poverty reduction in developing countries. A report will be prepared.

3.2 Trade policy and market access

For the developing countries, the international framework for world trade is among the most important international framework conditions².

The developing countries and world trade

Today there is broad agreement that economic development and trade are important driving forces in the fight against poverty. For most developing countries, improved market access for their goods and services in industrialized countries is more important than the total development assistance transfers they receive. The countries in sub-Saharan Africa in particular have so far participated in international trade to only a limited extent. They have therefore benefited little from the integration that has otherwise taken place in the global economy.

Taken as a whole, the developing countries have become more involved in international trade in the past two decades. Most of the rise in their share of world trade is ascribable to populous countries, such as China, India and countries in South-East Asia. Of the developing countries, some, such as Brazil, Argentina and South Africa, are competitive on agricultural export markets, while Thailand, China and Chile are among the world's biggest exporters of seafood. India's computer software exports increased from USD 225 million in 1992-93 to USD 1.75 billion in 1997-98. These are clear examples of how developing countries can succeed on international markets. However, Africa's share of global trade in goods dropped during the 1990s, from 3 per cent to 2 per cent.

² Cf. Subsidiary Goal No. 12 under Millennium Development Goal No. 8.

Box 3.1 Trends in exports from the least developed countries

In 2002, the least developed countries (LDCs) accounted for about 0.6 per cent of global exports of goods. Their total exports that year amounted to USD 38 billion, of which oil exports from four of the least developed countries (Angola, Equatorial Guinea, Yemen and Sudan) amounted to USD 14 billion, exports of processed products from seven LDCs (Bangladesh, Cambodia, Laos, Lesotho, Madagascar, Myanmar and Nepal) amounted to USD 12 billion and commodity exports from 36 LDCs amounted to USD 11 billion. Total exports from the oil-exporting LDCs increased by an average of 11 per cent per year in the period from 1990 to 2000. The corresponding figure for LDC exports of processed products was an average rise of 15 per cent per year. On the other hand, the majority of LDCs experienced an average decline in exports of 1 per cent per year. This was ascribable to a combination of external and internal factors, such as falling commodity prices, limited market access, a lack of product diversification and few export products, macro-economic and currency factors and, in some cases, internal strife and conflicts. LDCs' exports of services, which amounted to around USD 6 billion in 2002, accounted for only a marginal proportion of global exports of services. For some LDCs, however, trade in services is an important and growing export sector.

Why developing countries need export revenues

Developing countries need substantial amounts of capital to be able to make essential investments. The most important sources of such capital, for both the private and the public sectors, are export revenues, foreign investments, remittances from citizens working abroad and development assistance in the form of grants and loans. If developing countries are to succeed in establishing a sustainable, long-term balance between expenditure and revenues, and avoid the debt trap and aid dependency, it is important that development assistance as a source of finance does not become dominant over too long a period. Export revenues

play a key role here as a source of both tax revenues for the public authorities and capital to invest in business and industry.

Export revenues can finance imports of factor inputs, technology and expertise, which will hopefully result in increased productivity and create new jobs. Increased tax revenues from export enterprises can be spent on developing public services and financing investments in essential infrastructure, such as roads, railways, ports and telecommunications. Investment in trade and private sector development has important economic ripple-effects for both the local community and the country as a whole.

Dismantling trade barriers can result in cheaper factor inputs and consumer goods, cheaper and better infrastructure and a broader selection of products, and can encourage competition. Countries that open their doors to increased trade will find that sectors and branches that were previously protected from foreign competition will have to adapt to new operating parameters. This will necessitate domestic restructuring and affect the prices of various products and services.

This means that increased trade will not automatically lead to more poverty reduction. If countries are to reap the greatest possible benefit from increasing their participation in international trade, it may therefore be necessary to introduce supply-side improvements, changes in tax and distribution policy, improvements in other national framework conditions and governance, and to implement reforms in such a way that the interests of vulnerable groups are safeguarded. However, it will be extremely difficult to achieve

sufficient economic growth, development and poverty reduction without more trade.

The importance of common trade regulations

For developing countries, it is vitally important that there be a strong, open and predictable regulatory framework for international trade that will prevent their interests in this area from being set aside by larger, more powerful countries. This framework must take into account the special needs of developing countries, especially the least developed countries. For both the developing countries and countries like Norway, which have open economies and are highly involved in foreign trade, it is therefore crucial that the WTO continue to develop stable, predictable operating parameters for world trade and provide protection from arbitrariness, protectionism and the “survival of the fittest”.

The vast majority of the WTO’s 146 member states are developing countries. The mandate for the ongoing round of negotiations, “the development round”, was adopted at the WTO Ministerial Conference in Doha, Qatar, in November 2001. In these negotiations, efforts are being made to ensure that developing countries, and particularly the least developed countries, take greater part in the growth of international trade.

Improved market access is especially important for developing countries. This applies particularly to agricultural products and to textiles and clothing, where many developing countries have comparative advantages. These are the two types of goods that the poorest developing countries are best equipped to export. However, several industrialized countries protect and subsidize their agricultural and textile industries. Furthermore, it is not easy to export labour as a partial solution to the poverty problem. Even on a temporary basis, increasing labour immigration is a difficult political issue in most rich countries. If the developing countries are to be satisfied with the results of the WTO negotiations, it will probably be necessary for the industrialized countries to make concessions that may lead to structural adjustments, reorganization of economic policy and more flexible arrangements for temporary work permits. Moreover, sufficient account should be taken of the fact that the developing countries cannot always take upon themselves such comprehensive commitments, depending on their level of economic development.

Box 3.2 Developing countries miss out on substantial export revenues

Many calculations have been carried out to show how important it is to dismantle import barriers and subsidies that block exports from developing countries. These calculations indicate that the loss of potential export revenues to developing countries is several times greater than total development assistance transfers from rich to poor countries. For example, estimates by the World Bank show that the developing countries could earn USD 159 billion a year if import tariffs on industrial and agricultural goods were reduced to 5-15 per cent.



Figure 3.1 Many developing countries are dependent on revenues from cotton production

Source: Corbis

It is unlikely that the negotiations will be concluded by the original deadline of 1 January 2005. If their conclusion is postponed for several years, confidence in the multilateral trading system may be weakened, which will result in growing protectionism and a proliferation of bilateral and regional trade agreements. This will result in far less predictability in world trade and will be in the interest of neither the developing countries nor Norway.

Trade in agricultural products

A large number of developing countries strongly emphasize that the rich countries must reduce their tariffs on agricultural products, eliminate all forms of export subsidies and reduce national agricultural subsidies. At the same time, several developing countries wish to protect their own agricultural production from imports.

UN Secretary-General Kofi Annan has expressed it as follows:

“At the Millennium Summit, world leaders resolved to “spare no effort” to free their fellow human beings “from the abject and dehumanising conditions of extreme poverty”. Specifically, they pledged to halve the proportion of the world’s people living in those conditions by 2015. Probably no single change would make a greater contribution to fulfilling that pledge

than fully opening the markets of prosperous countries to the goods produced by poor ones.”

In the poorest countries, as many as 80-90 per cent of the population live in rural areas, and most of them earn their living in the primary industries. This applies to most of Norway’s partner countries. Exports of a limited number of commodities or agricultural products are often the most important source of income the poor developing countries have to finance their development plans. Developing countries with a non-diversified export structure are vulnerable when crops fail or world market prices for their export products fluctuate sharply. They therefore need to diversify their economies in order to achieve a broader export base and thereby a more secure income base. In this situation, development of the agricultural sector with a view to a greater degree of local processing of products and diversification into more products and industries will be vital.

However, the industrialized countries’ high tariff barriers and their application of tariffs that increase in step with the degree of processing of an agricultural product block exports of agricultural products from developing countries that could otherwise have been sold on the industrialized countries’ markets. This does not encourage diversification of developing countries’ exports. Various types of environmental and health regulations also pose significant challenges for the developing countries. Furthermore, the industrialized countries make widespread use of various types of export subsidies and other national subsidies for agricultural products. The OECD has calculated that agricultural subsidies in the industrialized countries amount to approximately USD 300 billion per year – around six times as much as official development assistance.

Not least as a result of its geographical location and harsh climate, Norwegian agriculture cannot compete with the most effective agricultural producers on a global basis. Norwegian agriculture is therefore dependent on continued tariff barriers and subsidies. Norwegian agriculture has a temperate product range that is narrower than that of the major industrialized countries. Norwegian agricultural production is largely sold in Norway and Norway exports no significant amounts of subsidized products to global markets. However, the Government recognizes that increased exports from the South of agricultural products, including exports to the Norwegian

Box 3.3 Initiative against cotton subsidies

Four poor African countries (Benin, Burkina Faso, Mali and Togo), which want to remedy a situation in which their most important export product has to compete with strongly subsidized products from rich industrialized countries, have proposed eliminating cotton subsidies. Extensive US subsidies, amounting to USD 3.9 billion in 2002, i.e. three times as much as the USA's assistance for Africa, led to a reduction in the world market price for cotton and a deterioration in the competitive situation for the poorest African cotton exporters. The demand that cotton subsidies be eliminated has substantial symbolic and moral force.

Source: World Bank

market, can help to promote economic growth and poverty reduction in developing countries.

Criticism has been raised against rich countries importing agricultural products from poor countries that sometimes suffer from famine. Food shortages are the exception in most countries. The countries that are most vulnerable to drought, fluctuating harvests and starvation are those that are too dependent on local production. More varied agricultural production, with good opportunities for selling products not only locally but also regionally and internationally will be a means of promoting a higher level of production and improved food security for vulnerable groups and areas as well.

Hunger affects vulnerable groups in individual countries and regions and must be combated by a variety of measures, including internal distribution, good framework conditions that encourage productivity growth, general economic development, efforts to improve the situation of women, children and marginalized groups, etc. Countries need revenues to finance such measures. Putting general obstacles in the way of exports on the grounds of protecting vulnerable groups will not make a positive contribution to food security. On the contrary, countries must decide for themselves which products they wish to export in order to ensure a broad production base and generate revenues. In certain situations, developing countries may find it appropriate to introduce temporary bans on exports of agricultural products themselves, as

Zambia did on exports of maize when the country suffered a food shortage in 2003.

Through increased trade with developing countries and in other ways, the Government wishes to promote increased agricultural productivity in these countries, which will lay the economic foundations for ripple-effects that will ease their transition from poor agricultural communities to countries with a more varied and robust economic structure. Cf. also the reference to Fighting Poverty, the Government's Plan of Action for Agriculture in Norwegian Development Policy in Chapter 7.6.

Trade in textiles, clothing and other industrial products

Norway has led the way in eliminating all textile quotas and significantly reducing tariffs on industrial and textile products. As early as in Proposition No. 1 (2002-2003) to the Storting, the Government gave notice that it wishes to eliminate the remaining tariffs on industrial goods. This will particularly benefit the developing countries, since in the field of industrial products the only remaining tariffs are on clothing and certain other finished textile products. These are typical products exported by developing countries. Many developing countries are also concerned to achieve reductions in industrialized countries' tariffs on other industrial goods, including fish and fish products.

When tariff barriers and quotas are reduced, several countries will wish to introduce other trade barriers to prevent cheap imports. It is therefore important to reach agreement on tightening the multilateral anti-dumping regulations to prevent such measures from being implemented on an arbitrary basis and for purely protectionist reasons.

Tariff reductions in developing countries

Developing countries have special arrangements in the WTO, including less comprehensive obligations, longer transitional periods and technical assistance. Such arrangements are especially favourable for the least developed countries. Many developing countries are sceptical about reducing their own tariffs. One of the main arguments is that developing countries need freedom of action to formulate national policies in order to be able to build and further develop their national business and industry. Furthermore, tariffs are a

good, simple source of government income. These are important considerations. However, comprehensive tariff barriers have unfortunate effects for developing countries as well. Products become more expensive, both for ordinary consumers and for business and industry. Trade between developing countries is impeded, and narrow special interests sometimes benefit most from tariff protection. The dismantling of tariffs and other trade barriers can promote rationalization and productivity growth in developing countries. It can also improve the conditions for increased South-South trade. Regional free trade areas and economic cooperative arrangements between developing countries can make a positive contribution to developments of this nature.

Developing countries that take upon themselves international trade obligations show that they realize the importance of providing predictable operating parameters for business and industry, which in turn can increase their possibilities for attracting foreign investment. It is also important for developing countries at a higher level of economic development to open their borders to imports from poorer countries. Furthermore, it is important to introduce an efficient taxation system so that the government does not become too dependent on tariff revenues to finance expenditure on essential infrastructure and services. Development assistance can promote the transfer of expertise and the development of institutions with this in mind.

Trade in services

Services account for more than 60 per cent of global GDP and constitute the most rapidly growing sector in the global economy. The dismantling of national barriers has paved the way for increased trade across national borders. The development of global supply chains has also made trade in goods more dependent on services such as transport, telecommunications and financial services. A considerable proportion of trade in services takes place between the OECD countries, but developing countries also export services. For example, India has acquired special expertise in the field of computer services, and exports such services extensively. For many developing countries, it is especially important that their citizens have greater opportunities to obtain temporary employment abroad, since a substantial proportion of their exports of services take place through labour contracts. The importance of tem-

porary employment abroad is also emphasized by the least developed countries. (See Section 3.5 on migration).

The WTO and developing countries' access to drugs

The widespread HIV/AIDS epidemic in many developing countries has further accentuated the question of poor developing countries' access to affordable drugs.

A special declaration from the WTO Ministerial Conference in Doha in 2001 stated that the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) does not prevent WTO members from introducing measures to protect public health, among other things through the provisions under the TRIPS Agreement concerning compulsory licensing.

Most developing countries where diseases such as HIV/AIDS are rife are totally dependent on importing suitable, reasonably-priced drugs and therefore benefit little from the provisions of the TRIPS Agreement concerning compulsory licensing. In August 2003, agreement was reached in the WTO that drugs can be exported on the basis of a compulsory licence to developing countries that do not have their own production capacity, as part of these countries' efforts to acquire affordable medicines. Norway and Canada are the first countries to implement this arrangement in their national legislation. The TRIPS Agreement gives developing countries that have not formerly provided patent protection for pharmaceutical products a transitional period until 2005 to introduce such protection. This has enabled the poorest countries to obtain affordable generic drugs from India, which has an advanced pharmaceutical industry. Other developing countries where the original product is not protected by patent have also been able to benefit from this transitional arrangement. However, from 1 January 2005, this advantageous scheme for developing countries will cease.

Compulsory licensing, or a threat of compulsory licensing will then, to a certain extent, be able to help keep the prices of patented drugs down in developing countries. Furthermore, it will be important for research-based industry to make an effective contribution by offering lower priced drugs on markets with little purchasing power. Purchases based on tenders where larger groups of buyers act collectively may also help to reduce prices.

Developing countries' need for trade-related assistance

The developing countries need trade-related assistance in two areas. Firstly, there is a need for a broad range of measures to increase their opportunities to utilize the export potential that already exists. Secondly, it is essential to improve their capacity to take part in international negotiations on trade regulations. If developing countries are to be able to participate more in international trade, it is therefore essential to reduce or eliminate trade barriers in the form of tariffs and quotas and increase the focus on trade-related technical assistance.

Many developing countries currently have few goods to sell that meet the standards of quality, price and regularity of supply demanded by international markets. There is therefore a need for extensive assistance to develop and upgrade production capacity and expertise on the supply-side, especially in poor developing countries (see Chapter 7). Improved training for the labour force, development of necessary infrastructure, rationalization of production, product development, quality assurance, improved sales and marketing expertise, and training in the various regulations and provisions of importing countries are important factors in this context.

In recent years, there has been greater focus on the need for "Aid for Trade", and comprehensive technical and financial assistance is now being provided, both through bilateral cooperation programmes and through multilateral organizations, to develop the supply side, with special emphasis on poor developing countries.

The Government stresses that such assistance must be based on the needs of the developing country concerned and that trade must be integrated into countries' own development plans and poverty reduction strategies. It is also important for inputs from the various players to be coordinated as well as possible.

The World Bank is a large, important contributor towards building up production capacity and necessary infrastructure for trade in developing countries. The UNDP and the UN Food and Agriculture Organization (FAO) are also contributing more in this area, with emphasis on technical assistance and competence-building.

Export products from developing countries must meet the quality standards, health and environmental regulations, labelling regulations and origin requirements set by industrialized countries.

The industrialized countries have especially strict requirements for food products and plants. The WTO Agreement on the Application of Sanitary and Phytosanitary Measures determines the extent to which member states may use protectionist measures to protect human, animal and plant health, while the WTO Agreement on Technical Barriers to Trade, sets similar standards for provisions concerning quality, labelling, consumer protection, etc. In Norway's case, the implementation of these provisions is largely harmonized with the EU through the EEA Agreement. This applies, among other things, to common rules for imports from third countries.

Other important multilateral providers of trade-related technical assistance are the UN Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC) and the WTO. In recent years, the Government has increased its support for trade-related assistance through these organizations and has actively supported cooperation programmes between these three organizations and the Bretton Woods institutions (the World Bank and the International Monetary Fund (IMF)).

The purpose of the Integrated Framework (IF) for trade-related assistance for the least developed countries is to promote improved integration of trade into the development plans and poverty reduction strategies of developing countries, and to promote improved coordination and utilization of both bilateral and multilateral trade-related technical assistance. The Integrated Framework is a joint programme involving the WTO, the World Bank, the International Monetary Fund, the UNDP, UNCTAD and the ITC. Norway is one of the main contributors to this programme and has also taken upon itself the role of coordinating follow-up to this programme in one of its main partner countries, Malawi.

Norway has actively supported the Joint Integrated Technical Assistance Programme (JITAP) for African countries, the goal of which is to strengthen and coordinate the efforts of these organizations to develop competence in African countries to enable them to participate in multilateral trade negotiations. The programme has recently been expanded from eight to sixteen African countries and now includes the majority of Norway's partner countries in Africa.

The main task of the WTO in the field of trade-related assistance is to increase knowledge of the trade regulations themselves. This is important, not least because it provides assistance for develo-

ping countries to enable them to fulfil their obligations and increase their negotiating expertise so that they are better able to promote their interests in multinational negotiations.

Norway was one of the initiators of the establishment of an independent advisory centre on WTO regulations where developing countries, particularly the least developed of them, can receive legal training, support and guidance with respect to the WTO regulations and procedures for resolving disputes.

UNCTAD's programmes are particularly aimed at capacity and institution-building in the field of trade and investment, with a view to improving the integration of the developing countries, particularly the least developed ones, into the global economy. Assistance to prepare countries for participation in multilateral trade negotiations and membership of the WTO is an important element of UNCTAD's activities. Norway concentrates its support on areas where UNCTAD is regarded as being particularly well qualified, such as investment, debt management and competition policy.

The ITC's activities are primarily aimed at the private sector, with a view to increasing the export opportunities of developing countries through product and enterprise development and through marketing activities. Norway has concentrated its contributions to the ITC on programmes that focus especially on South-South trade, electronic trading and special programmes for trade and poverty reduction.

Norway has also increased its support for trade-related assistance in bilateral development cooperation in recent years, including under the Government's Strategy for Support of Private Sector Development in Developing Countries. This kind of support is aimed at both developing production capacity and developing necessary infrastructure and institutions to promote trade. There is now special emphasis on technical assistance in the field of quality improvement and quality control. In this area, Norway and Sweden have carried out a major study of the existing need for technical assistance and capacity-building in the veterinary and phytosanitary fields in partner countries in Africa. This study is now being followed up in bilateral development cooperation. This type of assistance not only helps to ensure that countries' agricultural products are able to meet important health and environmental requirements on export markets, but also lays an important foundation for stable production of safe food for their own populations.

NORAD's various measures to promote exports to Norway and other EEA countries have been further developed in recent years. In cooperation with Norwegian companies, a database has been established with the aim of providing links between potential exporters in developing countries and Norwegian importers.

Improvements in market access for developing countries

The General System of Preferences (GSP) for imports from developing countries is a voluntary arrangement that may be used by industrialized countries to give developing countries unilateral trade advantages over and above the general tariff reductions under the WTO. Arrangements such as these are believed to have played an important role for many developing countries. GSP schemes have been criticized for being unpredictable, for varying widely, and for entailing complicated regulations. Countries that are not covered by such schemes have criticized them for resulting in unequal treatment of countries that are at the same level of economic development. Other countries have expressed concern that the tariff advantages they enjoy under the preferential schemes will be less beneficial when general tariff reductions that will benefit all countries are introduced. In the WTO, preferential tariffs have become a bone of contention, both in negotiations on improved market access for industrial products and in negotiations on agricultural products.

Reductions in general trade barriers, such as tariff barriers, facilitate economic growth and development. This is in the long-term interest of all countries, including the countries that are covered by the preferential schemes. For the poorest developing countries, various preferential schemes will play an important role in future. Improved market access, among other things through reductions in or the elimination of general tariffs, is one of the developing countries' most important demands in the ongoing WTO negotiations. This particularly applies to agricultural products, clothing and textiles, where many developing countries have comparative advantages. These are also sectors that many rich industrialized countries wish to protect. Norway has led the way with respect to textiles, where it has already eliminated all general tariffs on fabrics and all import quotas. The Government also intends to eliminate all the remaining tariffs on industrial goods.



Figure 3.2 Coffee pickers in Central America

Source: Corbis

The Norwegian GSP scheme was introduced in 1971 and has been improved on several subsequent occasions. In 1995, the agricultural part of the scheme was altered after Norway changed to tariff-based import protection for agricultural products. In that year, the least developed countries (LDCs) were allowed duty-free access for all products except wheat, flour and animal feed.

Effective from 1 July 2002, imports of all products from LDCs are exempt from tariffs and quotas. Imports of industrial products from other developing countries are also tariff-free, with exceptions for certain types of textiles and clothing. Imports of non-sensitive agricultural products are also tariff-free and, on the whole, there has been a 10-15 per cent reduction in tariffs on products that are also produced in Norway.

All Norway's main partner countries belong in the LDC group and benefit from the exemption from tariffs and quotas that applies to these countries. However, many partner countries are in the low-income category, or other categories used by international development organizations that do not qualify for tariff exemption or other measures under the decision on the elimination of all tariff and non-tariff barriers against LDCs. This applies

to countries such as Kenya, Indonesia, Vietnam, South Africa and Guatemala.

As a supplement to the general tariff reductions that will result from the new negotiating rounds in the WTO, it will be in the interest of developing countries for Norway to make further improvements to the GSP scheme. The Government is therefore initiating a review of the GSP scheme in order to find out if it is possible to simplify and improve the current arrangements, cf. Proposition No. 21 (2002-2003) to the Storting relating to taxes, duties and tariffs and Budget Recommendation No. 1 (2002-2003) to the Storting. The Government will consider whether the number of recipient countries should be changed, whether developing countries outside the LDC group should be offered greater tariff reductions than they are allowed under the current scheme, and whether the administrative requirements and routines should be simplified. The review will be considered in conjunction with the ongoing negotiations in the WTO.

The importance of South-South trade

There is currently a great deal of activity in many developing countries with a view to negotiating

free trade agreements, not least at the regional level.

Various initiatives to increase South-South trade may help to promote private sector development and economic growth in developing countries. Through their development activities, donors support measures to increase South-South trade, including in regional organizations such as the Southern African Development Community (SADC). It can often be easier to sell an export product to a neighbouring country than to a country on a different continent. Through increased economic integration and closer cooperation between different developing countries, countries can also adjust gradually to increasing competition and thereby ease the transition to stronger integration into the global economy as well. Initiatives such as these may therefore serve as useful supplements to efforts to improve the integration of developing countries into the international trading system. The countries that negotiate such initiatives may need a broad range of support, ranging from the financing of technical experts on trade issues to investments in infrastructure and marketing activities.

Developing countries that have not traditionally entered into such agreements, such as India and Korea, are now initiating negotiations. The establishment of regional free trade agreements and free trade areas is partly a goal and partly a reality for regional organizations in Africa, Latin America and Asia.

Norway and other EFTA countries have been involved in negotiations with the Southern African Customs Union (SACU), which comprises one LDC (Lesotho) and four middle-income countries (Botswana, Namibia, Swaziland and South Africa).

As regards the WTO negotiations in particular, reference is made to the Minister of Foreign Affairs' reports to the Storting, in which he states that the Government wishes to help ensure that the WTO is able to continue to play a vital role as an open, predictable and binding framework for world trade and thereby help to promote economic growth and welfare in developing countries, and that the Government wishes to help the developing countries, and especially the least developed countries, to become better integrated into world trade, among other things by improving market access for their goods and services.

The Minister of Foreign Affairs will, in an appropriate manner, return to the Storting with further reports on the progress of the negotiations, Norway's positions and their possible implications.

The Government will otherwise:

- help developing countries, and in particular the least developed countries, to better utilize their export potential and their market opportunities, which includes providing assistance for necessary development of production capacity and expertise.
- increase bilateral inputs in the trade-related area, with special emphasis on supporting product development and quality control
- contribute further towards strengthening trade-related assistance through multilateral organizations, among other things so that developing countries, and particularly the least developed countries, receive better training in trade regulations to enable them to actively promote their interests in important negotiating processes.
- as a supplement to the multilateral trade negotiations, facilitate a higher level of exports from developing countries to Norway by improving and simplifying the Norwegian GSP scheme.

3.3 Investment

The poorest countries need long-term foreign direct investment (FDI) to combat poverty. FDI is normally more stable, long-term capital than portfolio investment. FDI is also regarded as a more attractive type of capital than loans, since the investor normally shoulders a large part of the risk associated with the investment, and because it often entails importing technical experts who provide training for local employees. Both technology and expertise are transferred. For poor developing countries with underdeveloped financial markets, such investments are therefore a source of much-needed capital.

The poorest countries receive a relatively small proportion of the global volume of FDI. According to the UN Conference on Trade and Development (UNCTAD), approximately 28 per cent of total foreign direct investment went to developing countries in 2001, while only 0.5 per cent found its way to the 49 least developed countries.

In many developing countries, capital flight and the lack of investment by their own citizens are a problem. The criteria for investment applied by domestic investors are largely the same as those applied by foreign investors: capital goes to the areas that yield the best return when both

political and commercial risks are taken into account. If investments are too risky for foreign investors, they are normally too risky for domestic investors as well.

The International Finance Corporation (IFC), which is a part of the World Bank group, provides venture capital in the form of loans and equity capital to lower the threshold for such investments in developing countries. The World Bank's Multilateral Investment Guarantee Agency (MIGA) guarantees FDI in developing countries against political risk and thereby helps to increase the flow of such capital. Norway will continue to support these institutions. Norway has established an investment fund entitled NORFUND, which cooperates with these and other international and national investment and guarantee institutions to provide investment capital, loans and guarantees. Approximately one third of NORFUND's investments must be channelled to the least developed countries.

Experience gained in Asia in the 1990s clearly shows the potentially great effects of economic and financial integration. Integration, and especially openness to foreign direct investment, led to a very high level of economic growth. However, fundamental economic imbalances were gradually built up, including an unrealistic exchange rate which, in conjunction with weak credit risk assessment on the part of the banks and a lack of supervision of the financial institutions, led to economic bubbles. The Asian crisis in 1997 had an especially strong impact on the poorest countries, not least because these countries rarely had social security nets. Although the situation has improved greatly in many of these countries in recent years, partly as a result of the clearing up operation after the crisis, the lessons learned indicate that in many cases it is appropriate to exercise necessary caution in liberalizing short-term capital flows. The Asian crisis illustrated the need for national measures, such as monitoring of financial institutions, and the importance of international bodies that can help to prevent and, to a certain extent, remedy such crises. The Government supports the important work that currently has priority in the international financial institutions and groups (such as the IMF, the World Bank, the Financial Stability Forum and the G8) to help developing countries and newly industrialized countries to establish national oversight bodies that can play a stabilizing role, and to study the global challenges. In the Government's view, however, the work of finding good solutions to the problem of the lack of international crisis resolu-

tion and prevention mechanisms does not have sufficient momentum. This challenge will be followed up in international organizations that operate in this area, and in the OECD context.

The Government will:

- reinforce its cooperation with multilateral organizations that provide financing and guarantees to encourage more investment in developing countries, particularly the poorest countries.
- participate actively in the OECD's efforts to find ways of strengthening the synergies between development assistance and investment.

3.4 Debt and debt relief

Norway has had a high profile in international efforts to deal with the debt problems of developing countries for many years. The Government intends to maintain its high level of ambition and has recently presented a Plan of Action: Debt Relief for Development as a supplement to Towards the Year 2000 and Beyond: The Norwegian Debt Relief Strategy, which was originally presented in 1998. The Plan of Action, which is discussed below, concerns Norway's contributions to a lasting, international solution to the debt problems of developing countries. Thanks to the Debt Relief Strategy Financing Facility, which amounts to NOK 3.173 billion and of which just over NOK 1.8 billion remains, debt relief under this facility is not provided at the expense of other important development assistance that is financed from the ordinary development assistance budget. The Plan of Action lays down the principles for using Norway's debt relief strategically, in a way that benefits only developing countries and not other creditors. Norway was the first country to advocate 100 per cent debt forgiveness for the poorest countries, and is the only OECD country not to charge bilateral debt relief against the development assistance budget. In other words, Norwegian debt relief genuinely comes in addition to other development assistance programmes.

Brief status report on the current debt situation³

The Heavily Indebted Poor Countries (HIPC) Ini-

³ Cf. Subsidiary Goal No. 15 under Millennium Development Goal no. 8.

tiative was launched in 1996. The purpose of this initiative was to systematically link debt forgiveness to criteria for debt relief needs, and to conditions relating to economic policy and governance, so as to ensure that the freed-up funds would be spent on poverty reduction. Twenty-seven countries have so far been granted debt relief under this scheme and ten of them have completed their treatment and had most of their bilateral debt cancelled. A further eleven poor countries will qualify for debt relief under the HIPC mechanism provided that they emerge from war and conflict and improve their governance systems. According to the current regulations, this must take place before the end of 2004, when the deadline for qualifying for HIPC treatment expires. However, this “sunset clause” has been extended before and will probably be extended again.

A great deal has been achieved on the debt front. The burden of debt of the HIPC countries has been significantly reduced, especially since the initiative was strengthened in 1999. However, this is not least due to the fact that the sharp reduction in debt that is prescribed – usually 90 to 100 per cent – takes effect as soon as the countries concerned have reached the scheme’s decision point. Creditor countries are usually required to provide 90 per cent debt relief. However, most of them provide 100 per cent relief, although with certain reservations concerning which debt is included. Between the decision point and the completion point, debt relief is provided as interest and repayments fall due. In other words, countries do not have to wait until the completion point before they can benefit from debt relief. In this way, more funds can be channelled to poverty reduction programmes at an early stage.

In many countries, the strong reduction in debt servicing has been a crucial factor in realizing a substantial rise in investments in areas such as health and education. The World Bank has calculated that the first 22 countries to reach the decision point under the HIPC system increased their inputs into social programmes by a total of USD 3.4 billion in 2001 and 2002. Approximately 40 per cent of these funds were spent on educational programmes and 25 per cent on health programmes. The funds will otherwise be spent for purposes such as basic infrastructure, governance reforms and HIV/AIDS programmes. On average, in the period 2002–2005 these countries will spend approximately seven per cent of their GDP on social measures, mainly in the health and education sectors. By comparison,

average annual expenditure on debt servicing after HIPC treatment in the same period is calculated to be two per cent of GDP. For the 27 countries that have so far been granted debt relief under the HIPC Initiative, the World Bank has calculated that expenditure on poverty reduction programmes in 2002 (particularly health and education) was almost four times as high as expenditure on interest and debt repayments. In 1999 the ratio was at best one to one. During this period, HIPC countries’ investments in health and education rose from approximately 6 per cent to approximately 9 per cent of GDP. In a short time, the debt servicing burden has thereby been sharply reduced while expenditure on areas such as health and education has significantly increased. The resources that are freed up for poverty reduction when countries have qualified for the scheme are largely spent as intended, i.e. on improving the lives of poor people.

Over time, the HIPC Initiative will lead to a reduction of about two thirds in the poorest countries’ foreign debt. For the 27 remaining HIPC countries, it is estimated that the current value of debt will be reduced from USD 77 billion to USD 32 billion. If extraordinary debt forgiveness from creditor countries, including Norway, is included, the current value will be reduced even further, to USD 26 billion. The average ratio of debt to annual export revenues for HIPC countries is expected to be reduced from almost 300 per cent at the decision point to 128 per cent in 2005, when most of the countries that are now qualified are expected to have completed their HIPC treatment. These countries are assumed to be able to manage their remaining debt. A debt/export ratio of 150 per cent is the limit that has been estimated for financially sustainable debt servicing.

Important debt policy challenges

One of the most important remaining challenges concerns the debt relief provided by the multilateral institutions under the HIPC Initiative. The World Bank’s International Development Assistance Fund (IDA) alone needs USD 10–11 billion to meet its share of HIPC financing in the years ahead. Norway has long argued in favour of – and to a large extent achieved agreement that – regular replenishment negotiations should be held for the HIPC Trust Fund, preferably in such a way that contributions are paid in well in advance of the successively increasing financing commitments. This will provide greater predictability and more

Box 3.4 The Main Stages of the Debt Relief Process under the HIPC Initiative:

1. The countries concerned must draw up a coherent development strategy called a Poverty Reduction Strategy Paper (PRSP), which also forms the basis for the provision of other assistance by the World Bank and the IMF and, to a growing degree, by other donors. The PRSPs are updated regularly.
2. The World Bank, the IMF and the debtor country conduct a joint debt sustainability analysis to determine whether the country's debt situation is sustainable. If the country's foreign debt exceeds 150 % of anticipated annual export revenues and/or 250 % of the government's disposable income, the debt is regarded as unsustainable and the country may qualify for debt relief. In some cases where the country in question has a very open economy and is therefore particularly vulnerable to changes in external parameters such as commodity prices, the country may be eligible for debt relief even if its foreign debt and/or debt-servicing burden are smaller than the above-mentioned criteria.
3. If the country qualifies for debt relief under the HIPC mechanism, it must, before debt relief is provided, carry out specific measures based on its PRSP in order to ensure that the debt relief contributes to development and poverty reduction. When these measures have been implemented, the country reaches the decision point, when the amount of debt relief that must be provided in order to render its debt sustainable is calculated, on the basis of the above-mentioned criteria. As a rule, the Paris Club creditor countries provide 90 % debt relief when the decision point is reached. Other bilateral creditors are expected to do the same. On this basis, a calculation is then made of the amount of debt relief the multilateral creditors, such as the World Bank and the IMF, must provide to reduce the debt to the targeted level of sustainability. When the decision point is reached, agreement is also reached as to which further measures - which must be based on the country's PRSP - must be carried out in order for the country to be able to reach its completion point. Debt relief may be stopped during the interim period between the decision point and completion point if the conditions for debt relief are not met. The length of the interim period will depend on the implementation of the PRSP and associated conditions, but the period is normally two to four years.
4. When the completion point is reached, the volume of the country's debt is reduced so that its future debt situation is sustainable based on the criteria mentioned in point 2. This means that the country is guaranteed the agreed debt relief for a period that often extends 10-15 years after the completion point, depending on the situation in the individual country. Several of the Paris Club creditors forgive all remaining debt at the completion point. Norway was the first country to introduce this practice. The multilateral creditors continue to forgive a certain percentage of debt to ensure that the country's debt burden remains sustainable. When the completion point is reached, an updated debt sustainability analysis ("recalculation") is carried out. If the analysis shows that, due to exogenous shocks during the interim period, the ratio of the government's debt to GNI will exceed 150/250 %, a decision may be made to give the country additional debt relief in order to enable it to meet the debt sustainability criteria.

regular payment commitments, while at the same time ensuring a more or less reasonable division of the burden. Norway is prepared to contribute more than its mathematically fair share of the burden.

Sustainable debt

In future it will also be important to ensure that

countries that complete their HIPC treatment really have enough of their debt cancelled so that servicing of the remaining debt does not exceed what they can reasonably be expected to manage. When ordinary HIPC debt relief is insufficient to ensure sustainable solutions, and when this is due to external economic shocks over which the countries themselves have no control (e.g. a fall in

commodity prices), Norway supports flexible “topping up” of debt relief under the HIPC Initiative. In the same way as extraordinary bilateral debt relief, multilaterally agreed “topping up” of this nature will help to ensure that countries’ debt situation remains sustainable after the end of the HIPC round.

National debt management is becoming an increasingly important issue, not least in relation to countries that have completed their HIPC treatment. Completed HIPC treatment does not necessarily mean that countries are eternally immune to new debt problems, and it is crucial to ensure that countries whose debt problems have been solved do not incur new debts. The main responsibility rests with the countries themselves. For poor countries, this is a difficult but nevertheless essential balancing act. They must be restrictive about taking up new loans unless the risk is regarded as being very low and the return substantial. Furthermore, the management of remaining debt obligations in many countries must be better coordinated with monetary and fiscal policy. National efforts must be supported by solid technical assistance, including further development and financing of well-tested computer systems and analytical tools.

Creditor countries are jointly responsible for today’s debt problems. It is therefore also their responsibility – and this includes Norwegian lenders and guarantors – to ensure that future loans and credits are based on sound risk analyses.

Countries emerging from war and conflict deserve special attention in connection with debt policy. Norway has presented special proposals for post-conflict countries in the Paris Club. Several countries affected by conflict, such as Sudan and Liberia, are candidates for HIPC treatment. The debt relief they could be granted before they qualify for HIPC treatment would normally leave a number of debt commitments for which creditor countries will be able to demand repayment. It is very unfortunate if countries that are in a critically important reconciliation and reconstruction phase are forced to channel scarce resources out of the country. This often takes place concurrently with international donor initiatives to find resources for reconstruction, and concurrently with the same countries receiving substantial sums of money in development assistance. The fact that some parts of such assistance have to be spent on servicing debt gives cause for concern. The challenge will therefore be to provide quicker, deeper debt relief for post-conflict coun-

tries at the “pre-HIPC” phase without undermining their motivation to seek HIPC treatment and focus on the serious, implementable poverty reduction that is associated with the HIPC procedure. The Government will make efforts to achieve this.

The HIPC Initiative applies only to the poorest indebted countries. There is growing international recognition that middle-income countries can also have debt problems that are so serious that debt relief is necessary. To a certain extent, Norway was ahead of the trend in this area when, in 2002, it launched ideas for debt reduction for middle-income countries through collective debt swaps. The Evian Approach under the Paris Club, which was adopted in October 2003, also provides for debt relief for middle-income countries if traditional deferred payment will not provide a sustainable solution to their problems. The practical-political implementation of the Evian Approach, which is so far a general, flexible framework, will be a major challenge in the years ahead.

Another challenge is to follow up efforts to establish a multilateral debt negotiation mechanism that includes both private and public creditors. The IMF’s proposal for the establishment of a Sovereign Debt Restructuring Mechanism (SDRM), which Norway supported, has been put on ice until further notice, primarily due to opposition from the USA and many middle-income countries. However, the need for more comprehensive debt mechanisms with better coordination between public and private creditors – and quicker and less costly debt settlement – remains. A proposal from the UN Secretary-General for the establishment of a special international working group must be viewed in this context. Norway supports this proposal. The challenge lies in bringing the follow-up to the SDRM debate onto a sensible track where all the relevant players are heard and consensus is achieved on models that can be implemented in practice.

“Illegitimate debt”

The criteria for debt relief are constantly being reviewed. This policy will be the subject of almost continuous change and development. The process of change must be based on debate. This also applies to the question of “illegitimate debt”.

International common law is based on the premise that new regimes take over the international obligations of their predecessors, regardless of the nature of the former regime. There are a few

historical examples of this common law being challenged and wholly or partially set aside. After the USA took over Cuba from Spain in 1898, the US authorities refused to pay Cuba's debt to Spain on the grounds that the debt had been incurred on behalf of the Cuban people without their consent and with the use of armed force. Reference has also been made to the debt settlement with Germany in 1953 and a debt agreement with Indonesia in 1967 as (partial) examples of cancellation of "odious" debt. The international debt relief movement has recently begun to refer to these examples in its arguments in favour of cancelling what is now called "illegitimate debt".

Non-governmental organizations usually define debt as being "illegitimate" when it has been incurred by undemocratic regimes, when it has been used for what are regarded as morally reprehensible purposes (such as the purchase of landmines or the financing of suppressive regimes), when repayment is a threat to fundamental human rights, when the debt has grown to unsustainable proportions as a result of external factors over which the country has no control (e.g. higher market rates), and when debt that was originally commercial is taken over by the government of a debtor country (through the triggering of government guarantees).

However, loans and credits are necessary instruments for financing trade and development and normally entail interest rate risk. Furthermore, high interest rates for a certain period of time are not in themselves a criterion of illegitimacy. Nor is the fact that problems arise for countries that have entered into agreements with high fixed interest rates. Nor can the fact that commercial debt has become public debt through government guarantees reasonably be regarded as a criterion of illegitimacy. Such guarantees are necessary if enterprises in poor countries are to be able to obtain credits for trade and investment at all. There are also major delimitation problems in connection with deciding what is "dictator debt", which should be cancelled, and what is not. For example, it is difficult to decide when a regime changes from being democratic to being a dictatorship. Moreover, it is highly problematic to define debt that has certainly been incurred by dictatorships but for good purposes, such as profitable investment or to avert a crisis, as "illegitimate". Nor does it simplify the matter when democratic regimes sometimes borrow money to buy weapons and landmines.

The term "dictator debt" has also been used as

a more specific variety of "illegitimate debt". It is clear that both the debtor and the creditor must be responsible for ensuring that loans are financially justifiable, that they are spent on measures that promote development, and that they cannot in any way help to undermine fundamental human rights. Multilateral creditors seek to ensure that borrowers meet these requirements. For example, loans from the World Bank may not be spent on military armament or on investments in the tobacco or alcohol industry. Loans are only provided after thorough assessments of the development effect of the investment or the programme that is being financed. The demands that are now made for borrowing countries to present a coherent poverty reduction strategy paper (PRSP) help to ensure that the borrowing country, including civil society, retains its responsibility for and the control over the use of borrowed funds.

Many other factors must also be considered in connection with the possibility of basing debt relief on legitimacy arguments. For example, capital flows to countries with external financing needs may be reduced, while the associated interest costs increase. If debt can subsequently be defined as "illegitimate" on the basis of factors that were impossible to predict when the loan was granted, the risk for all types of lenders will be high, resulting in a significant danger of reduced access to financing and more expensive loans for the poorest countries. The lack of an internationally agreed definition of the term "illegitimate debt" could otherwise result in uncertainty and reduced creditworthiness for countries that are today balancing on a knife-edge as regards lenders' creditworthiness assessments.

Another aspect is that many of the countries that are assumed to have such "illegitimate debt" or "dictator debt" are middle-income countries. This has important implications in terms of debt volume. For example, the total foreign debt of Iraq, Argentina and the Philippines is estimated to be USD 309 billion. The debt of these three countries alone is more than three times as great as the total debt of the 27 countries that have so far qualified for HIPC treatment, which is approximately USD 99 billion. If debt cancellation based on legitimacy assessments were to become a reality, the relatively prosperous developing countries would receive most of the debt relief that is granted.

The way the system functions today, debt cancellation has to be financed, and with the exception of Norway's debt cancellation under the Debt

Relief Strategy, most creditor countries that take part in such operations charge the bilateral debt relief that is granted against their development assistance budgets, regardless of whether it goes to poor countries or middle income countries. From this perspective, the debt of the three countries mentioned above is equivalent to almost six global aid budgets. Debt forgiveness also has to be financed when the creditors are multilateral organizations and, once again, the funds must come from aid budgets. With the budgets within which debt relief operates today, large-scale forgiveness of “illegitimate” bilateral debt for middle-income countries would make massive inroads into the development assistance that is currently provided for the poorest countries. Another dilemma is that some of the debt is owed to commercial banks, which have lent money to various “illegitimate regimes”. With today’s debt system, this would entail major cuts in development assistance budgets.

The debate on “illegitimate debt” is nevertheless important because it can persuade lenders to adopt a more prudent “precautionary” approach than they would otherwise have done. This may result in a refusal to grant loans to countries and regimes which, on moral grounds, should not be granted loans today. Furthermore, the debate entails greater focus on countries emerging from war and conflict. Independently of this debate, Norway has advocated granting faster, deeper debt relief for poor post-conflict countries even before they are granted HIPC status.

We cannot exclude the possibility that, in future, agreement may be reached on methods for determining whether dictators have incurred debt that must be regarded as illegitimate. Among other things, it has been suggested that the part of Iraq’s debt that was incurred by Saddam Hussein must be regarded as illegitimate on both economic-political and moral grounds. Consequently, despite many weighty arguments against basing debt relief on legitimacy considerations, work should continue to be done on these issues.

The Plan of Action: Debt Relief for Development Towards the Year 2000 and Beyond:

The Norwegian Debt Relief Strategy, which was published in 1998, presented a strategic plan for active Norwegian efforts to find lasting solutions to the debt problems of poor countries through binding international cooperation. For the first time since Norwegian aid loans were forgiven in

the 1980s, the strategy aimed to use Norwegian debt relief strategically, and this included unilateral debt forgiveness in addition to Norway’s international obligations. One of the main conditions for such debt relief was that it must be implemented as part of or after multilaterally coordinated debt relief operations – in other words at a time when further debt relief would benefit indebted countries and not other creditors. The Debt Relief Strategy was a political reaction to the Norwegian Ship Export Campaign, which in its time was the origin of a substantial part of Norway’s claims on poor countries.

Since the Debt Relief Strategy was presented, approximately NOK 1.6 billion of developing countries’ total debt to Norway has been forgiven. Approximately NOK 1.3 billion of this has been charged against the Debt Relief Strategy Financing Facility, which originally totalled NOK 3.173 billion. Consequently there is still about NOK 1.8 billion that can be used for debt relief without being charged against the development assistance budget. All countries with debts to Norway that come under the HIPC Initiative now have all the interest and loan repayments owed to Norway forgiven as they fall due. The remaining debt can be cancelled through the Debt Relief Strategy Financing Facility when they complete their HIPC treatment.

Since 1998, Norway has also allocated approximately NOK 1.7 billion for internationally coordinated debt relief operations. The main types of operation are cancellation of debt to the World Bank, cancellation of debt to commercial banks and, not least, contributions to the HIPC Trust Fund, which finances the debt relief provided by the multilateral development banks under the HIPC Initiative.

Nevertheless, much necessary debt relief work still remains to be done. There is still a need for most of the instruments that were described in the original Debt Relief Strategy. Of the eight qualified⁴ and four potential⁵ HIPC countries against which Norway has claims, only two countries – Tanzania and Benin – have completed the HIPC cycle and had all their bilateral debt to Norway cancelled. Other qualified countries have passed the HIPC decision point and thereby benefit from debt relief in practice.

⁴ Benin, Tanzania, DR Congo, The Gambia, Ghana, Guinea, Senegal and Sierra Leone. Norway was also a creditor when Uganda reached its HIPC completion point, but no longer has claims against this country.

⁵ Ivory Coast, Liberia, Myanmar/Burma and Sudan.

The Government's updated debt strategy, the Plan of Action: Debt Relief for Development, which was approved by the Government in March 2004, is partly a status report five years after the first plan was presented, partly a contribution to the ongoing debt policy debate (both in Norway and internationally), and partly an updating and expansion of the use of instruments. The new Plan of Action does not affect the basic premises for Norway's debt relief policy, which will continue to be:

- to strengthen and rationalize the multilateral debt relief mechanisms, because this is more crucial in solving the debt problems of poor and indebted developing countries than what Norway does with its relatively modest claims.
- targeted, unilateral measures that will benefit countries' development and poverty reduction processes, with a special view to encouraging other, larger creditor countries to implement new, improved debt relief measures.

Most of the instruments described in the original Debt Relief Strategy will continue to be used, including strong support for the HIPC Initiative and support for the World Bank's various debt relief programmes for poor countries.

The Plan of Action also includes reinforced debt relief measures for countries emerging from war and conflict. This applies both to support for clearing these countries' arrears in multilateral financing institutions and faster, deeper debt relief in the period before these countries achieve HIPC status. Norway will make efforts to ensure that the Paris Club establishes a general principle whereby the current interest and repayments of post-conflict countries are either forgiven as they fall due or capitalized until such countries qualify for HIPC treatment. Furthermore, the Plan of Action states that hereafter Norway will not collect interest and repayments from post-conflict countries. This will benefit conflict-ridden countries such as Sudan and Liberia, and possibly also Myanmar, if and when a lasting peace is achieved.

The new Plan of Action also provides for participation in multilaterally-coordinated debt swaps with countries that are not covered by the HIPC Initiative, whereby debt is forgiven provided that countries commit themselves to implementing measures that will promote development and reduce poverty. This can take place as an extension of a Norwegian initiative in the Paris Club, which has also been presented to the G8 countries. There are plans for such debt swaps with

Pakistan and Vietnam, in cooperation with Canada and the Asian Development Bank respectively. Priority is also given to a possible debt swap with Ecuador, in cooperation with the Inter-American Development Bank (or possibly the World Bank).

The Plan of Action also helps to dispel what has been something of a debt policy taboo by supporting the idea that, after closer assessment, middle-income countries with serious debt problems should also be able to qualify for debt reduction, cf. the new Evian Approach in the Paris Club. It is important for middle-income countries with debt problems to also have credible debt agreements, thus rendering repeated and frequent debt negotiations with the Paris Club unnecessary. In some cases, this calls for debt reduction rather than mere deferment of payments.

The revised Debt Relief Strategy otherwise advocates more systematic international cooperation to improve debt management in the poorest countries, among other things by establishing a Consultative Group on Debt Management (CGDM) for all the players who today provide technical assistance in this area. This proposal was well received at the UN General Assembly in autumn 2003 and gained positive mention in the debt resolution that was adopted.

As mentioned above, Norway supports a proposal from UN Secretary-General Kofi Annan for the establishment of a special, broad-based, international working group to study the question of a comprehensive and practically implementable debt negotiation mechanism. As stated above, Norway supports the idea of a multilaterally-based study of the question of "illegitimate debt". However, it has been difficult to agree on the establishment of such a group and this matter is being followed up by the UN Secretariat.

In the continuation of Norway's debt policy, it will naturally be a political goal to ensure that the Debt Relief Strategy Financing Facility, where NOK 1.8 billion still remains, is fully utilized. Equally naturally, this must take place in such a way that debt relief contributes to genuine poverty reduction. The main challenge in debt policy is to ensure that debt relief is and remains as good a development policy instrument as development assistance. This applies whether debt relief is provided through the HIPC Initiative, through unilateral measures for poor countries, through debt swaps with middle-income countries or as an element of international debt operations for countries against which Norway does not necessarily have claims. The new Plan of

Action is an important element of this ongoing effort.

The bilateral debt relief that is proposed or outlined in the Plan of Action must be covered from the Debt Relief Strategy Financing Facility. To the extent it may be relevant to grant debt relief for other, more recent bilateral claims than those covered by the Debt Relief Strategy, an unsolved budgetary issue arises. The budgetary treatment of such debt relief will have to be submitted to the Storting. If the financing facility is “used up” at some time in the future, new budgetary solutions must also be sought. The Plan of Action does not cover any future bilateral debt relief that requires new allocation.

Contributions towards financing the debt relief provided by multilateral financial institutions under the HIPC Initiative and support for international debt relief operations will be financed from the development assistance budget.

Like its predecessor, the Plan of Action: Debt Relief for Development is regarded as a “living instrument”. It will be revised and updated as and when necessary.

The Government will:

- actively support the HIPC Initiative for the poorest, most indebted countries and continue to work to ensure full financing for and further improvements to this scheme.
- supplement HIPC debt relief with unilateral measures so that, on certain conditions, we cancel 100 % of HIPC countries’ debt to Norway, and work to ensure that as many creditor countries as possible do the same.
- actively support and influence the work of the Paris Club which, as regards bilateral debt, is the main arena for practical implementation of the HIPC Initiative and for debt negotiations with other countries.
- work to promote the establishment of a Consultative Group on Debt Management to improve the flow of information and coordination between development assistance players in this field.
- work to ensure that all debt relief benefits debtor countries and not other creditors.
- support international debt relief operations, especially the World Bank’s debt reduction facilities, as an important supplement to bilateral debt forgiveness.
- contribute towards cancelling the debts of poor developing countries to other developing countries, provided that a special mechanism is established for this purpose and such support makes good use of development assistance funds.
- consider supporting national debt funds to relieve the multilateral debt servicing burden of developing countries, both as a targeted debt policy instrument and as a special element of Norwegian budget support in general.
- work to promote more systematic multilateral cooperation to improve debt management in the poorest countries, which includes using development assistance funds, to help prevent new debt problems.
- help to pave the way for HIPC treatment for countries that have been affected by war and conflict (post-conflict countries) by providing grants for coordinated operations to clear the arrears of individual countries to international financial institutions.
- advocate measures which ensure that post-conflict countries that are candidates for HIPC treatment do not have to spend scarce resources on servicing external debt.
- advocate multilaterally coordinated debt swaps with specific countries that are not covered by the HIPC Initiative (mainly middle-income countries), so that debt reduction is granted provided that these countries implement development or environmental measures with the funds that are freed up.
- more generally, work to ensure that middle-income countries with structural payment problems also have sufficiently comprehensive debt agreements, if necessary including debt reduction, so that repeated, frequent debt negotiations are rendered unnecessary.
- work to ensure that the Paris Club adopts a more flexible attitude to moving cut-off dates, which limit which debt can be renegotiated, in such a way as to take into account countries’ solvency and creditworthiness.
- continue to seek better mechanisms for debt restructuring based on the SDRM proposal, but within a UN context where this can bring practical results and promote cooperation between relevant institutions.
- participate actively in the international debate, introduce perspectives from civil society into the debate and, when this is considered appropriate, put controversial ideas on the agenda.
- support a (possible) study of “illegitimate debt” carried out by relevant multilateral institutions, aimed at making practically implementable recommendations.

3.5 Migration

Industrialized countries' policies with respect to opportunities for people from developing countries to work in other countries for a short or longer period of time are regarded as being an important part of the international framework conditions for development⁶. This issue is not directly mentioned in the Millennium Development Goals, but is indirectly connected to areas such as job opportunities for youth and others, and is assessed in the work that is being done on developing "commitment to development" indicators by the OECD and others.

Globalization has led to growing labour mobility across national borders, largely in the form of the movement of skilled labour between OECD countries. Immigration to Norway has also grown significantly in the last ten years, and approximately 7 per cent of Norway's current population was born abroad. The rise in immigration is largely due to the flow of asylum-seekers to Norway since the end of the 1980s, but is also a result of the Government's active policy to recruit labour to Norway, also from countries outside the EEA.

One of the main proposals from the developing countries in the ongoing round of WTO negotiations is that workers from developing countries should have greater access to temporary employment abroad. There is now growing focus on the positive aspects of labour emigration for the developing countries.

The OECD countries' openness to labour immigration is one of the elements that are considered in connection with surveys of countries' total contributions towards global poverty reduction.

It is estimated that approximately 175 million people⁷ live outside their countries of origin today. This is equivalent to three per cent of the total global population. According to the UN High Commissioner for Refugees, 10.5 million of these people are refugees and entitled to international protection. Most migrants have largely chosen to settle in another country. The motives for such migration vary, but in general people move from poor conditions and a poor environment where the possibilities for personal development are

Box 3.5 Money transfers from emigrants to their country of origin – global

Calculations by the World Bank show that, at the global level, official transfers to their countries of origin from workers from developing countries with permanent or temporary residence permits abroad amounted to approximately USD 72 billion in 2001 – or about 40 per cent more than all official development assistance. (This figure may be two or three times higher when unofficial channels are included). This amount more than doubled between 1988 and 1999. These funds are largely spent on investments and consumption in developing countries and thereby stimulate economic growth. The World Bank also estimates that if rich countries had permitted as much as 3 per cent of their labour force to come from developing countries, this amount might increase to USD 160 billion.

limited in the hope of finding a better life for themselves and their families.

Almost every country in the world is affected by immigration and emigration. Nevertheless, countries in the South dominate the list of countries with the most emigrants and countries in the North dominate the list of countries with the most immigrants⁸.

Most of the people who emigrate retain close ties with their home countries and feel committed to the people who remain behind. Money transfers to families in their countries of origin are therefore substantial. The size of transfers varies significantly from one developing country to the next – in many countries, transfers from emigrants far exceed the official development assistance the country receives. This applies to Bangladesh, Sri Lanka and Nepal, for example.

It is not clear whether there is a positive connection between emigration from poor countries and development in those countries. The money transfers indicate that the connection is positive, while the loss of skilled workers indicates the opposite. Many of the people who move to a diffe-

⁶ A central element of the OECD's work on coherent policies to promote development.

⁷ Published by the International Organization for Migration.

⁸ According to the UN (1999), the biggest emigrant countries are Mexico (6 million), Bangladesh (4.1 million), Afghanistan (4.1 million) and the Philippines (2.9 million). The biggest immigrant countries are the USA (35 million), Russia (13.3 million) and Germany (7.3 million).



Figure 3.3 Illegal immigration is extensive

Source: Corbis

rent country are resourceful and capable of contributing to value creation both at home and in the country to which they emigrate.

The international migration debate used to focus mainly on the loss of skilled labour. However, the general assumption that emigration of human capital weakens the prospects of economic growth in many developing countries has been modified, among other things by studies carried out by the World Bank⁹. They show that legal migration largely comprises relatively highly educated people, but that not such a large proportion of the best-educated people emigrate. Incidentally, the fact that the people with the highest education move out does not necessarily have a totally negative impact on the economic situation in the country of origin. At the same time, a “brain drain” problem may arise in certain areas. For example, it is a serious problem for many developing countries with a large proportion of HIV/AIDS-infected people that the rich industrialized countries actively

recruit health personnel who are needed to control the epidemic and provide treatment. The Government will raise this matter in relevant international forums.

International migration tends to be more temporary. People move to a lesser extent to another country to live there permanently, but move from country to country (serial migration) and home again (circular migration). If immigrants choose to return home after receiving a qualifying education and developing practical experience, the “brain drain” becomes a “brain gain”. The International Organization for Migration (IOM) has initiated programmes in several countries to persuade well-qualified migrants to return home and take part in their country’s development.

Of the people who currently live in a country other than their own, a relatively large proportion have avoided that country’s immigration control. This in itself is a negative aspect of international migration. Moreover, many people use human traffickers and criminal networks, thereby adding to the rise in international crime. Fighting crime related to international migration is a priority task for the Norwegian immigration authorities and

⁹ Richard H. Adams Jr.: International Migration, Remittances and the Brain Drain: A study of 24 Labour-Exporting Countries. World Bank Policy Research paper 3069, June 2003.

Box 3.6 Money transfers from Norway to countries of origin

The IMF survey of the 20 most important source countries for money transfers in 2001 (Balance of Payments Yearbook/Global Development Finance 2003) shows that Norway is the twentieth largest source country, accounting for USD 0.7 billion of transfers. Denmark is at the same level.

Large sums of money are transferred from Norway to Pakistan, for example, because people from Pakistani backgrounds constitute one of the largest minority groups in Norway. These transfers largely appear to benefit the senders' own family in his/her country of origin and are spent in areas such as housing construction and education for family members. Substantial sums of money are also transferred from Norway to Sri Lanka and Somalia.

In some cases, the funds transferred from industrialized countries to developing countries may also be used to support various groups in conflict situations. This also applies to funds transferred from Norway. The International Organization for Migration (IOM) has recently focused on the possibilities for channelling some of the transfers into small-scale social development projects, where the migrants themselves own shares in the projects. Projects such as these could also be important in situations where steps are being taken to facilitate the return to their countries of origin of refugees who have been residing in countries such as Norway. In certain situations various micro-credit arrangements might be useful.

police, and is high on the agenda in international police cooperation. This is also reflected in the Government's Plan of Action to Combat Trafficking in Women and Children.

Crime related to international migration can be reduced to a certain extent, although it cannot be totally eliminated, by permitting more legal migration. In recent years, Norway has relaxed several restrictions to make it easier for foreign job-seekers to find work in Norway. In addition to changes in immigration legislation, the Labour Market Authority, in cooperation with similar

agencies in other countries, has carried out several programmes to recruit qualified workers to sectors where there is not enough domestic manpower. These programmes have largely been carried out in European countries, but in future they may also be relevant for developing countries.

Migration as an element of bilateral programmes accounts for only a small proportion of total migration and will probably continue to do so in future. The main thrust of international migration will continue to be based on individual initiatives and choices. Countries that are attractive destinations, such as Norway, seek to regulate migration. In contrast with the situation for refugees, few international norms to govern countries' regulations in this area have been developed. Several initiatives have been taken to strengthen the international regulatory framework. In 2001, the Swiss government initiated a consultative process with a view to improving the control of international migration, known as the Bern Initiative. The goal is to clarify areas of common understanding between emigration, transit and immigration countries and to identify good examples of successful control initiatives at national, regional and global levels.

The Global Commission on International Migration (GCIM) was established in 2003 at the initiative of UN Secretary-General Kofi Annan. The Commission's mandate is to consider how to improve control of international migration. Kofi Annan has strongly emphasized that international migration is potentially advantageous for both emigrant and immigrant countries. Unregulated migration, which has become widespread in our time, reduces the support for international protection of refugees. This is a matter of concern for both the UN High Commissioner for Refugees and the Government. The High Commissioner has taken the initiative on several occasions to put matters such as the link between development and international migration on the agenda. There is a clear tendency for these processes to include countries in both the South and the North who understand the common challenges of international migration.

Processes such as these must mature over time and be long-term in nature because immigration touches the core of national interest. Migration has only been given high priority on the UN agenda fairly recently. There is stronger focus on the effects on the country of origin, transit country and recipient country of different and sometimes mixed refugee and migration flows, and this may lead to clearer standards for regulating inter-

national migration. The Government will monitor and participate actively in these processes.

The Government takes the view that controlled migration has advantages for both the country of origin and the recipient country. Among other things, migrants can transfer financial resources, knowledge and information back to their country of origin, which may promote economic and political development.

The Government will

- support studies by the UN and other international organizations to find out how to improve the regulation of international migration.

3.6 International environmental and natural resource management

The sustainable management of environmental and natural resources is a crucial prerequisite for development¹⁰.

Extensive international cooperation is essential if we are to halt the degradation of the ecological systems upon which we depend for our economic development and social and cultural welfare. The main problem areas are degradation of productive agricultural and grazing land, deforestation, degradation of water quality and reduced access to water, over-fishing, and increased social and ecological vulnerability due to climate change and the loss of biological diversity. Although these are global threats, the consequences are even more far-reaching for many of the poorest countries and population groups, which are more directly dependent on natural resources for their income and livelihoods and have limited capacity to adapt. These are therefore important framework conditions for many developing countries.

As the Globalization Report (Report No. 19 (2002-2003) to the Storting) points out, more equitable distribution of the consumption of natural resources is necessary if poor countries are to be able to achieve living standards equivalent to those in the prosperous part of the world. Realization of the close linkages between environment, development and poverty reduction was the basis for the recommendations of the World Commission on Environment and Development and the UN Conference on Environment and Development in Rio de Janeiro in 1992. In conjunction with the chemical

conventions, the global plan of action for sustainable development – Agenda 21 – and the three Rio conventions on climate, biodiversity and desertification have given us an important legal framework and a political platform for cooperation and common efforts to solve the global challenges we are facing.

The World Summit on Sustainable Development in Johannesburg was an important further step in increasing understanding and knowledge of the connections between poverty, the environment and natural resource management, and the need for improved coherence between economic, social and environmental policies to ensure sustainable development. While large parts of the world's population are living on or close to the poverty line, total human production and consumption are so great that they threaten the global environment. That is why the Summit defined poverty reduction, sustainable natural resource and environmental management and sustainable production and consumption as the main challenges. During the preparations for the Summit, UN Secretary-General Kofi Annan proposed that priority should be given to five areas: water, energy, health, agriculture and biological diversity. They were the subject of the WEHAB Initiative, and at the Summit goals for these five areas were defined and a series of measures were initiated.

The UN Commission on Sustainable Development (CSD) is an important political arena for the development of a common understanding and common responsibility for dealing with the challenges associated with efforts to promote sustainable development. The CSD is an international forum whose mandate is to monitor the implementation of Agenda 21 and the results of the Johannesburg Summit. The Commission also focuses strongly on developing partnerships with private players – both non-governmental organizations and commercial enterprises.

The Government's goal is to strengthen the UN's role in work on sustainable development, among other things by seeking to ensure that the CSD becomes a more relevant forum for political dialogue on the central issues associated with sustainable development.

Following up the various Millennium Development Goals and the Johannesburg Goals has priority in the programme for 2003-2016. In the first two-year period, the emphasis is on water, sanitation and settlement issues. Under the auspices of the CSD, the focus will be on energy in the period 2006-2007. Norway has already started preparing

¹⁰ Cf. Millennium Development Goal No. 7.

for the work on energy for sustainable development. Norway's chairmanship of the CSD from May 2003 to 2004 provided an opportunity to stake out the course for further international work on sustainable development, with special focus on the poverty and development aspect. The Norwegian chairmanship emphasized the importance of vitalizing the CSD as an overarching policy body for sustainable development by adopting a stronger regional approach, and laid the foundations for more integrated discussions between technical experts and ministers with portfolios relevant to dealing with water and settlement-related issues under CSD 12.

Many regional and national plans of action have been prepared to implement the international environmental agreements. The main challenge in the years ahead will be to translate these plans into practical action. As a party to the multilateral environmental agreements, Norway has pledged to contribute technology transfers and financial resources (efforts to be made in connection with bilateral assistance are discussed in Chapter 5).

The Global Environment Facility (GEF) was established in 1991 to help developing countries and countries with transitional economies to meet global environmental commitments, among other things by covering the additional costs of measures that result in global environmental advantages in the fields of climate, conservation and use of biological diversity, protection of the ozone layer, international water issues, measures to prevent desertification and environmental toxins. So far, the GEF has contributed over USD 4 billion for more than 1000 projects in more than 140 countries in these fields. The GEF also administers two new climate funds for developing countries, one for the least developed countries and a special fund for climate change. Norway has contributed to the first of these.

Partnership is one of the foundations of the GEF's activities. The input of USD 4 billion has generated more than three times as much in joint financing. Norway contributes approximately NOK 57 million a year on a regular basis. At the same time, Norway participates in financing selected individual projects.

In recent years, the demand for GEF financing has far exceeded the available funds, and this has increased the pressure for stricter priorities and greater emphasis on the achievement of results. A comprehensive evaluation in 2002 concluded that the GEF had so far been a success. It also stated that there was room for improvement.

In its programme for the period 2002-2006, the GEF intends to spend a large proportion of its funds on human resource development to support the implementation of the Rio conventions. This will partly be integrated with GEF projects and partly incorporated into an overall programme, in accordance with the conventions and after consultation with organizations that have relevant experience.

The evaluation is being followed up by the GEF executive board, and Norway participates actively in this process. There is special emphasis on the work being done on a new strategic plan for cooperation with the private sector, which is scheduled to be completed in 2004. More joint financing will be a central issue.

Norway has supported a study under the auspices of the GEF on the local advantages of global environmental measures. Work is also being done in the OECD and at the bilateral level to improve the documentation of such advantages.

The Government will:

- help to strengthen international focus on the consequences of global environmental problems for poor countries and their dependency on natural resources.
- continue to regard the GEF as an important body in international efforts to improve the financing of global environmental measures in poor countries, and consider increasing Norway's contribution to the next replenishment of the GEF's multi-donor fund for the period 2006-2010. Further contributions to the two new climate funds for developing countries will also be considered.
- focus on implementing the international environmental conventions in development policy.
- help to strengthen developing countries' own capacity in the field of natural resource management.

Biological diversity

Conservation and sustainable use of biological diversity are essential prerequisites for the achievement of several of the Millennium Development Goals, particularly the goal of reducing poverty and ensuring ecologically sustainable social and economic development. Food security, health, value creation for the poorest people, environmental vulnerability and eco-system services are key concerns. Traditional and modern medicines lar-

gely originated from natural biological diversity. Food production also began from natural biological diversity, and natural biological diversity can help to solve important challenges in today's food production systems, e.g. adaptation to new climatic conditions. Moreover, control of pest organisms and pollination are important linkages. Natural ecosystems contribute to the conversion of nutritional substances and the cleaning of water.

In our time, biological diversity is declining more quickly than ever before. At the World Summit on Sustainable Development in Johannesburg, countries committed themselves to significantly reducing the loss of biological diversity by 2010. The Convention on Biological Diversity, which has been ratified by 188 countries, including Norway, is the most important instrument for international cooperation to achieve this goal. The design and implementation of national plans of action to implement the Convention are an important part of this effort. Biological diversity is also one of the priority areas in the UN Secretary General's WEHAB Initiative.

Developments in biotechnology are providing significant opportunities for more effective food production and for combating disease. Correctly used, biotechnology will benefit mankind. However, appropriate account must be taken of the environment, health, ethics, social benefit and sustainability. The growing international trade in genetically modified organisms represents a special challenge to biological diversity.

In connection with the implementation of the EU Patent Directive in Norwegian law the Government decided to implement measures to contribute towards conserving biological diversity and promoting the interests of developing countries so that they can reap the benefits of using genetically modified materials themselves.

Firstly, when the law is applied, Norway will ensure that practices are restrictive with respect to the patenting of living organisms. Furthermore, Norway will seek to avoid weakening developing countries' possibilities for retaining the flexibility provided under the TRIPS Agreement, among other things by not permitting the patenting of plants and animals and certain methods of producing plants and animals. Norway takes the view that small farmers in developing countries must be able to use plant genetic resources and livestock, also in reproduction, without having to pay more taxes, even if the genetic material is patented.

A provision has been incorporated into Nor-

wegian law whereby information must be provided about where the plant genetic material originates from when an application is made for patent protection, so that the profit can be fairly divided.

Norway will work in relevant international forums to develop mechanisms that will ensure that developing countries profit from the use of genetic materials and traditional knowledge linked to such use.

As regards the requirements under the TRIPS Agreement to provide effective protection of plant varieties, Norway is concerned to ensure that the developing countries will still be able to take into account their own development level and agricultural structure. The developing countries' rules for protection of plant varieties should therefore continue to meet the need for local management of seed corn by small farmers so that they can, without limitation, use seed corn from their own crops on their own farms. An effective national protection system for plant varieties can be achieved in various ways, among other things through the International Union for the Protection of New Varieties of Plants (UPOV).

There is currently discussion in several forums, particularly the World Intellectual Property Organization (WIPO), on how indigenous peoples and local populations in developing countries can achieve special protection for various types of traditional knowledge, e.g. in connection with traditional agriculture and the development of drugs. Norway is concerned to ensure that such protection is not only laid down in national legislation but is also recognized internationally.

In 2003 Norway and 76 other countries ratified the Cartagena Protocol on Biosafety. It is intended to ensure that trade in and the use of living genetically modified organisms are not harmful to biological diversity or health. The Protocol covers all living genetically modified organisms (animals, plants, fungi, micro-organisms, viruses, etc.).

The first time a genetically modified organism is imported into new territory (animals, plants, micro-organisms) a special procedure is initiated for obtaining prior consent from the importing country. Among other things, the importing country is entitled to base its decision on national legislation, which must be in accordance with the objective of the Protocol. Countries that do not have national regulations, i.e. most developing countries, must be able to base an import decision on relevant provisions in the Protocol.

The Protocol recognizes a country's right to base an import decision on the Precautionary

Principle. This means that a lack of scientific certainty due to inadequate information or knowledge about the possible harmful effects on biodiversity or health cannot prevent a party from prohibiting or limiting imports to avoid or reduce such harmful effects.

Genetically modified organisms for food, animal feed and further processing must be labelled “May contain GMO”. At the first meeting of the parties, Norway will seek to achieve agreement on global labelling rules for genetically modified organisms.

The Cartagena Protocol also contains provisions on capacity-building and human resource development to ensure effective implementation of the Protocol in developing countries and countries with transitional economies. Norway will contribute to this through its development cooperation.

The international negotiations on plant genetic resources illustrate the close links between the rights perspective and poverty reduction. The rights perspective concerns the rights of the local community to local varieties of plants that they have cultivated over generations. The poverty perspective concerns the need of farmers in developing countries to have access to new methods of plant improvement and for improved material for cultivating varieties for greater food security.

The Convention on Biological Diversity also concerns patents and protection mechanisms for genetic resources. It will be necessary to support the development of national regulations and institutional capacity to fulfil international commitments in this area, and to follow up the Cartagena Protocol. In this connection, Norway played an active role in the negotiation of a plan of action for phytogenetic resources and the agreement on phytogenetic resources was adopted at the General Conference of the UN Food and Agriculture Organization (FAO) in Rome in November 2001.

The FAO International Treaty on Plant Genetic Resources for Food and Agriculture commits the parties to the conservation and sustainable use of resources that are important for the world’s food supply and to achieve equitable distribution of the benefits that arise from the use of plant genetic resources. The Treaty contains provisions concerning “farmers’ rights”, i.e. a recognition of farmers’ historical contribution to the development and conservation of plant genetic resources. The Treaty also recognizes a state’s sovereign right to its plant genetic resources and its right to regulate access to them in national legislation. A

Box 3.7 The involvement of farmers in plant genetic improvement in Central America

The Development Fund is involved in a plant genetic improvement project in Central America whereby approximately 950 poor farmers receive assistance to acquire knowledge to improve food security. The farmers are actively involved in improving local varieties of maize and beans, which are two of the most important ingredients in the diets of poor families in Central America.

The farmers are organized into research groups to identify the varieties of plants that are best adapted ecologically to factors such as disease and climate so that they can help to ensure a more reliable harvest. By utilizing their knowledge of local species in this way, the farmers both help to increase the yield and conserve biological diversity.

A regional network of farmers’ organizations, non-governmental organizations, research institutions and universities in Mexico, Guatemala, Honduras, Nicaragua, Costa Rica and Cuba provides advice and assures the quality of the work that is done. This extensive network ensures that the dissemination of the knowledge that is acquired is extremely cost-effective. So far, almost 80,000 people have benefited directly and indirectly from the project.

multilateral system is being established that will give the parties easier access to plant genetic resources. Most of the plants that have global importance for food and animal feed are included in the system. The Treaty also contains provisions on capacity-building to conserve resources in developing countries. New biotechnology may also provide new possibilities for poor countries, but it must be used responsibly and the technology must be available, while the ethical issues will have to be addressed in connection with cooperation on trade and development. Norway will particularly contribute towards increasing partner countries’ capacity to meet these challenges.

Under the Convention on Biological Diversity, guidelines have been adopted for access to and distribution of the profit from the use of genetic resources, known as the Bonn Guidelines. These

guidelines are a compromise between the demands of developing countries for sovereign rights over their resources and the demands of many OECD countries for easier access to such resources. Countries are urged to demand that the country of origin of genetic resources is stated in patent applications and that information is also provided as to whether the patent application is based on traditional knowledge from indigenous or local populations. When Norway decided to implement EU patent legislation in Norwegian law, which entailed greater freedom to patent biological material, a provision in line with this recommendation was incorporated into the Norwegian Patent Act. The changes mean that patent applications must now include the name of the country that supplied the genetic resources and, if known, the country of origin as well. The applicant must also state whether prior consent was obtained before the genetic resource was taken, if this is a requirement in the supplier country.

In future, it will also be vital to ensure innovation and the development of new, improved food plants, drugs, etc. It will also be interesting to learn from the development of information and communications technology, where much of the innovation today takes place in open source networks where all new solutions are readily available. This has proved to accelerate innovation rather than prevent it.

The Government will:

- pursue an active policy, nationally and internationally, to combat the loss of biological diversity.
- contribute to the development of technology that can identify genetically modified food products when they are imported, on the basis of a restrictive, precautionary approach to the introduction of genetically modified organisms in nature (cf. a project supported by Norway in Zambia).
- in general, help to improve research and administrative capacity in developing countries to enable them to deal with the challenges relating to genetically modified organisms.
- seek to promote agreement on global rules for the labelling and identification of genetically modified organisms, and agreement on a negotiating process for the formulation of international rules relating to responsibility and compensation for damage caused by genetically modified organisms.

- contribute actively to the negotiation of an international regime under the Convention on Biodiversity for equitable distribution of proceeds from the use of genetic resources – as agreed at the World Summit in Johannesburg.
- help to bolster the capacity of developing countries to implement national and regional plans of action to meet their obligations under the Convention on Biological Diversity, and contribute to cooperation on technology and the transfer of technology in cases where this is necessary and desirable.
- help to ensure that the discussion on protection of traditional knowledge is given higher priority on the agenda in relevant international forums.

Climate

Climate change is a global phenomenon, but the negative aspects have a stronger impact on poor countries and people. More frequent extreme weather, fluctuating precipitation that causes floods and droughts, rising sea levels, unpredictable food production, less access to drinking water, changing climatic zones, etc. have a strong impact on many impoverished people. In most places, this vulnerability comes in addition to existential conditions that are already fragile. Degradation of land, desertification and drought are largely due to climate change. Poor people's dependency on natural resources and climate, their limited capacity to deal with the negative effects of such changes, a fragile infrastructure, etc. make them even more vulnerable. Among the developing countries, small island states are particularly exposed to rising sea levels and extreme weather. The least developed countries (LDCs) are also especially vulnerable and are given special treatment under the UN Framework Convention on Climate Change, adopted in 1992.

Climate change due to human interference will occur as a result of previous emissions, regardless of any future agreements that may be achieved on emission reductions. Consequently, adaptation to climate change should also be regarded as part of a coherent development policy. Types of vulnerability will vary between regions and countries, and possible strategies and measures must be adapted to the specific challenges that exist, nationally and locally.

While the Climate Convention contains no binding or numerical commitments or deadlines, the Kyoto Protocol, which was adopted in 1997, does

contain such commitments. In the Kyoto Protocol, the industrialized countries recognized their historical responsibility for greenhouse gas emissions and agreed to binding, numerical emission commitments. The Kyoto Protocol is the first legally binding international agreement that contains specific commitments to reductions in emissions of greenhouse gases.

The necessary regulatory framework for ratifying the Protocol was not put in place until 2001.

The commitments for the first period of the Protocol (2008-2012) will not be sufficient to stabilize global greenhouse gas emissions, or to meet the climate challenge. It is essential to achieve significant additional reductions in global emissions if the long-term goal of the Climate Convention, i.e. “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climatic system” is to be achieved.

For the developing countries, it is a prerequisite that, by conforming to the Kyoto Protocol, the industrialized countries lead the way and set a good example. The developing countries have no specific emission commitments, either under the Climate Convention or under the Kyoto Protocol. Some developing countries generate relatively large and rapidly growing emissions and, as a whole, the developing countries may soon be responsible for a larger proportion of total emissions than the industrialized countries. However, the developing countries participate in work on the Convention on the same footing as the industrialized countries, and the latter have committed themselves to supporting the climate-related efforts of the developing countries in many areas.

The most important long-term challenge in climate policy is to initiate negotiations on a more ambitious global climate regime for the period after 2012. Such negotiations are scheduled to commence in 2005 at the latest.

The Government is now working to achieve a more ambitious and global climate regime that also includes countries that do not currently have emission commitments under the Kyoto Protocol.

In this respect, it is particularly important to involve developing countries in cooperation to reduce global emissions without this threatening their possibilities for economic and social development. If we are to manage to reverse the trend, it is crucial that as many countries as possible are included in global cooperation to limit emissions of greenhouse gases after 2012.

In our relations with developing countries, it is

essential to build confidence and open the door to more types of commitments and forms of cooperation that can help to reduce emissions. Norway can play an important role as a bridge-builder in relations with developing countries and thereby contribute to a less polarized global dialogue between the industrialized and developing countries.

In Report No. 15 (2001-2002) to the Storting, the Government emphasized its desire for the private sector to be the driving force in the use of the Kyoto mechanisms, through international quota trading and joint implementation between industrialized countries, and project-based cooperation with developing countries through the Clean Development Mechanism (CDM), which in this context is a unique source for practical transfers of technology to developing countries. Through the CDM, industrialized and developing countries can cooperate on projects that promote sustainable development in the developing country and at the same time help to reduce emissions of greenhouse gases. Investor countries are permitted to use the emission reductions they have achieved in such projects to meet parts of their quantitative emission commitments under the Kyoto Protocol.

The Government will:

- support institutional development and capacity-building in developing countries, and support technological cooperation to prevent emissions of greenhouse gases.
- increase its focus on supporting adaptation measures in developing countries, in cooperation with other donor countries and relevant multilateral organizations.

Deforestation

One third of the largest cities in the world¹¹ obtain a large part of their drinking water from protected forest areas. Water from precipitation areas with natural forest is of higher quality than water from other precipitation areas. Forests also provide raw materials for essential products to meet a variety of needs. The production, processing and sale of forest products are an important source of income in poor countries. Forests are also important for the climate and crucial for the conservation of biological diversity.

Deforestation is a serious international problem. The reasons for deforestation and degrada-

¹¹ 33 out of 105.

tion of forests are complex. They are often linked to general macro-economic conditions and factors outside the forestry sector. One problem is that alternative use of land is regarded as being more profitable than forestry. Measures are therefore required to halt deforestation and promote sustainable forest management. Illegal logging is another serious problem in many countries. It accelerates deforestation, depletes biological diversity and prevents the authorities from collecting revenues from forestry operations. There is international agreement on the need for measures to ensure sustainable forest management, strengthen national enforcement of legislation and regulations in the forestry sector, and prevent illegal international trade in forest products.

Although many of the world's forested areas are in developing countries, all countries must help to maintain biological diversity and combat climate change. Assistance to promote sustainable natural resource management from Norway and other industrialized countries is an important contribution to this effort.

In the Government's view, Norway's national regulations for timber sales should be based on

international, inter-governmental arrangements that are founded on multilateral agreements or conventions. This is necessary in order to ensure that the criteria are non-discriminatory, predictable and in accordance with Norway's other obligations. It is important that measures do not unintentionally affect poor countries that are engaged in sustainable forest management and whose timber exports constitute an important source of income. Even though there are many voluntary certification arrangements for timber, there are currently no international, intergovernmental arrangements or regulations for evaluating the extent to which timber is based on sustainable forest management. Norway has therefore advocated that the International Tropical Timber Organization (ITTO) be given a stronger mandate to work on issues relating to illegal felling and certification arrangements.

In other relevant multilateral forums, Norway will also support measures and processes that promote legal, sustainable forestry at the global level. These forums include the FAO, the United Nations Forum on Forests (UNFF) and the Convention on Biological Diversity, which has adop-



Figure 3.4 Road-building in the rain forest

Source: Corbis

ted an expanded programme for biological diversity in forests that is clearly aid-oriented.

At the bilateral level, Norway has worked with several countries on forestry management and deforestation issues. At the World Summit on Sustainable Development in Johannesburg, Norway signed a bilateral Memorandum of Understanding with Indonesia to combat illegal logging and illegal trade in forest products.

The Government will:

- make active efforts to find multilateral solutions that ensure legal and sustainable forestry management at the global level.
- help to ensure that consideration for sustainable management of forest resources is incorporated into national poverty reduction strategy papers.
- help strengthen developing countries' capacity to formulate and implement national forest programmes.

Land degradation, desertification and drought

Land degradation, desertification and drought are a threat to food security, economic development and the livelihoods of a billion people in more than one hundred countries. Most desert areas are in Africa, where 65 per cent of the total land mass consists of dryland areas. In many of the poorest developing countries, where poverty reduction and economic development will largely depend on the natural resource base, it is crucially important to maintain the productivity of ecological systems, which means sustainable and holistic management of land, water and energy resources.

The UN Convention to Combat Desertification (UNCCD), which deals with land degradation, water scarcity and drought in a coherent and consistent manner, is the one of the three Rio conventions that has especially high priority in developing countries, and particularly African countries. The Convention focuses strongly on ensuring sustainable livelihoods for poor people in rural areas, among other things by mobilizing civil society and the local population to find solutions to the problems.

Sixty-five per cent of the poorest people in sub-Saharan Africa live in dryland areas. Increased assistance to implement the Convention to Combat Desertification may therefore be an important contribution towards reducing poverty. Measures

Box 3.8 Effective conservation of the rain forest

The Xingu Indian reserve in the Brazilian province of Mato Grosso is a green island in an ocean of deforestation. The thirteen Indian tribes in the area have jointly managed to protect their 28,000 square kilometres in the face of massive external pressures from cattle ranchers, loggers and soybean farmers. While deforestation around the reserve is accelerating at record speed, the reserve is intact and the Indians are enjoying social development, improved welfare and increasing autonomy in their relations with the outside world.

The Indian territories in Brazil function as the most effective protectors of the natural resources and biological diversity of the rain forest. Up to 2001, deforestation in the more than one million square kilometres (three times the area of Norway) that have been designated as indigenous territories in Brazil's Amazon region was only one per cent. Deforestation in other protected areas, such as nature reserves and national parks, varied between two and eight per cent, depending on the type of deforestation, and in non-protected areas it was 19 per cent. If we are to achieve Millennium Development Goal No. 7, which is to reverse the loss of natural resources and biological diversity, close cooperation with indigenous peoples and other traditional population groups will be an essential instrument.

The Rain Forest Fund has been cooperating with the Indians in the Xingu Reserve for ten years. This cooperation is based on their constitutional exclusive right to use their traditional areas. Activities under the project include Indian monitoring of the reserve's borders, culturally adapted education, sustainable economic development, and human resource development for Indian organizations. Similar projects in other Indian areas in Brazil cover rain forest areas in the Amazon region equivalent to the entire area of Norway.

under the Convention may also be important in reducing countries' vulnerability to climate change and in helping to increase preparedness for droughts or flood disasters. Measures to improve water resource management, especially

at the regional level, have priority under the Convention.

The main instruments for achieving the objectives of the Convention are national, sub-regional and regional action plans and programmes. Norway has previously provided extensive support for the formulation of national action plans in particular, not least through the UN. Most developing countries have now adopted national action plans to implement the Convention. Several regions have also formulated regional or sub-regional action plans. For example, measures to combat land degradation, desertification and drought are among the main priorities of the environmental initiative in the New Partnership for Africa's Development (NEPAD).

National plans of action provide a useful framework for joint efforts and partnership with bilateral and multilateral donors and with civil society, and they include the private sector and national non-governmental organizations and research institutions. The Government therefore regards it as important to ensure that such plans of action are well integrated with countries' national poverty reduction strategy papers.

The Government will:

- participate actively in the work being done on the UN Convention to Combat Desertification to combat land degradation, desertification and drought, and contribute to poverty reduction and improved living standards for people living in dryland areas.
- continue to promote the participation of civil society in the implementation of the Convention to Combat Desertification.
- help to improve the capacity of developing countries to implement regional and national action plans to implement the Convention to Combat Desertification, and integrate these action plans into national poverty reduction strategy papers.

Water and sanitation

Effective and sustainable water resource management is essential for the environment, health, food production and other value creation. 1.2 billion people currently lack access to clean drinking water and 2.4 billion people lack access to basic sanitation services. The Millennium Development Goals and the goals laid down in the implementation plan from Johannesburg to halve these fig-

ures by 2015 play a key role in the fight against poverty. If these goals are to be achieved, many countries must change the way water resources are managed today.

The primary responsibility for the water-related development goals rests with national authorities, but not the entire responsibility. The international community is clearly responsible for providing good framework conditions through more and better coordinated inputs from donor countries and multilateral organizations, global monitoring of the achievement of goals, and good management regimes for trans-border water resources.

A large number of international institutions and programmes are currently involved in water-related issues. However, their work is less effective due to the lack of coordination between them. Norway has on many occasions advocated that the UN should take a leading role in the water sector and, with the international financing institutions, initiate a coordinated water offensive against poverty. As in other areas, Norway also emphasizes the importance of coordination between donor countries with respect to water issues in developing countries. Norway supports certain central partnerships in the water sector, such as the Global Water Partnership (GWP) and the Water Supply and Sanitation Collaborative Council (WSSCC).

The international community is also dependent on inputs and results being monitored in order to ensure that the priorities are correct and new resources are mobilized. The Commission on Sustainable Development (CSD) sessions in 2004 and 2005 supplement the work being done by the UN Task Force in this area, and can contribute to a necessary global monitoring regime for the water and sanitation goals within the mechanisms that are already established. In many countries, cooperation on trans-border water resources is an essential precondition for national water resource management. Norway has been involved in cooperation with the Nile countries for several years, where significant progress has now been made, and otherwise supports the work that is being done by the Global Environment Facility (GEF) on international waterways. Norway has also ratified the UN Convention on the Law on the Non-navigational Uses of International Watercourses, adopted in 1997, and has requested other countries to do the same so that this Convention can enter into force.

Box 3.9 Urban problems in developing countries

Half the world's population live in urban areas, and this percentage is growing. The large towns and cities are centres of dynamic economic development, but are also hotbeds of disease, crime, pollution and poverty. In large towns in many developing countries, more than half the population live in slums and lack access to suitable housing, clean water and satisfactory sanitation.

UN-HABITAT supports the authorities' efforts to meet these challenges, which have gradually assumed such proportions that there is a special subsidiary goal dedicated to them in the Millennium Development Goals (cf. Chapter 2, Millennium Goal No. 7). Among other things, UN-HABITAT works closely with the World Bank on the Cities Alliance, a programme to upgrade slum areas.

Several aspects of Norwegian development policy are relevant to the problems of large towns and cities. They include assistance to improve the legal framework for property and use rights, support for micro-financing, assistance to promote exports and to improve power supplies, sector support for health and education, etc. Norway has also contributed to the establishment of a multi-donor fund in cooperation with UN-HABITAT to provide clean water in slum areas. The Norwegian WEHAB allocation, which was established in connection with the Johannesburg Summit, will partly be spent on joint financing with UN-HABITAT to alleviate urban problems.

Many coastal areas are highly vulnerable to natural disasters. Floods and storms are increasingly frequent, and they particularly affect the highly populated areas of Asia.

According to estimates by the FAO, fish account for 20-30 per cent of the total intake of animal protein in the poorest countries in Asia and Africa. Moreover, exports of seafood, including aquaculture products, are an important source of income for many developing countries, and this is a sector that still has growth potential. In 1997, the developing countries accounted for 90 per cent of the world's aquaculture production and almost two thirds of landings of edible fish from the sea. It is therefore important, both for local populations and at the national economic level, to ensure that these resources and their habitats are sustainably managed. This is far from a matter of course in many places.

With the extension of the economic zones of coastal states to 200 nautical miles, 90 per cent of the world's fisheries come under national jurisdiction. However, many countries lack knowledge of their own resources and lack the capacity to manage these large ocean areas in a responsible manner. Important fishing licences are sold to foreign interests without the coastal states themselves being able to control catches.

Many fish stocks migrate between the jurisdictions of several countries and international waters. Regional organizations have been established, or are currently being established, to manage common fish stocks and issue fishing licences both within and outside the economic zones.

All these factors present new and important administrative responsibilities for coastal states, which need biological and fishery expertise and institutions that are able to implement essential measures to regulate fishing and protect the environment. Research and administration require investment and cooperation at all levels – local, national and international. Norway has worked with several countries in recent years, particularly coastal states in Africa and Asia, to build scientific and administrative expertise and corresponding institutions. As a result of Norway's considerable experience in the management of living marine resources and systems for enforcing and monitoring regulations, coupled with the well-established networks of Norwegian research and management institutions in many recipient countries, it is natural to continue to focus on cooperating in this area in the years ahead. This also supports

Marine resources and environments

The oceans cover 70 per cent of the world's surface and provide extensive, valuable resources that, to a large extent, are not satisfactorily conserved. The oceans and coastal eco-systems function as recipients of and depositories for most of the waste produced on land. This has consequences not only for marine food production but also for health, tourism, local living conditions and recreation. Habitats are destroyed, biological diversity is depleted, river deltas and other coastal zones are eroded.

the work Norway does in many international and regional bodies to ensure effective protection of marine environments and sustainable exploitation of resources.

Hazardous chemicals and toxic waste

In the past fifty years, a variety of chemicals have increasingly become part of global everyday life, and exposure to hazardous chemicals poses a serious long-term threat to health and the environment. The chemicals that are most dangerous for the environment, often called environmental toxins, know no national borders. They are transported by air and sea currents far from where they were first emitted. For example, the Arctic regions are especially vulnerable to long-range transport of environmental toxins. All countries therefore have a common interest in halting emissions of environmental toxins.

Chemical products account for almost ten per cent of world trade. Production is expected to almost double by 2020. By far the strongest growth is expected to be in the developing countries, whose capacity for handling hazardous chemicals is weak.

Impoverished people in poor countries are highly exposed to chemicals from hazardous waste as a result of weak regulation of chemicals, and they often have little understanding of how chemicals can be used responsibly. Toxic chemicals that are prohibited in Norway and other western countries are still used in developing countries, such as the pesticides DDT and Lindan.

Chronic diseases that are partly due to toxic chemicals are a growing problem in developing countries and among poor people. The World Health Organization (WHO) estimates that the incidence of such chronic diseases is rising and from 2020 onwards may have a stronger impact on public health in developing countries than infectious diseases.

Children are especially vulnerable to hazardous chemicals due to their involvement in various types of labour. Studies from India show that the majority of poison victims are children under the age of five. Environmental toxins are also transferred to embryos during pregnancy and transferred to children through breast milk, which makes the children particularly vulnerable. In this connection, increased exposure to mercury and lead leads to impaired physical and mental development.

International efforts are necessary to meet

these challenges, and three global conventions have been established: the Stockholm Convention on Persistent Organic Pollutants, the Rotterdam Convention on the Prior Informed Consent (PIC) Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, and the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal.

A global strategy for chemicals will also be formulated, which is expected to be adopted in early 2006. Norway considers it important for the Johannesburg goal of significantly reducing chemicals that are hazardous to health and the environment by 2020 to be an overarching guideline for the strategy, and for the precautionary principle to be included in this work. Human resource development in developing countries relating to the handling of heavy metals and old stocks of toxic chemicals has been a key concern.

The Government will:

- promote coordinated efforts to reduce or halt emissions of chemicals that are hazardous to health and the environment.
- promote the integration of chemical issues into international development cooperation
- support multilateral and bilateral efforts to reduce exposure to chemicals that are hazardous to health and the environment in developing countries.
- pursue an active national and international policy to halt emissions of environmental toxins, including heavy metals, and support the development of a global strategy for chemicals.
- play an active role in encouraging support for binding conventions and developing greater capacity to implement them.

3.7 Transfers of knowledge and technology

In general, more effective transfers of knowledge and technology are crucial instruments in efforts to realize all the Millennium Development Goals¹².

Access to knowledge and technology is a vital factor for growth, in both developing countries and industrialized countries. It is therefore impor-

¹² Cf. Subsidiary Goal No. 18 under Millennium Development Goal No. 8.

tant that the industrialized countries support this in their policies and practices, and contribute to the development of international standards and mechanisms that will encourage poor countries to participate in the knowledge-based economy. Access to education of satisfactory quality, access to essential drugs and vaccines, and access to technology that promotes sustainable environmental and resource management (energy, petroleum, water and the environment) and for other important purposes are important in this context.

Cooperation on education

A lack of development and poverty lead to an educational deficit, which in turn impedes development and prevents poverty reduction. To achieve the Millennium Development Goal of universal primary education by 2015, secondary education must be able to ensure recruitment to institutions of higher education, which train teachers and renew and maintain the knowledge base on which education is based. Moreover, higher education must be at a level that can lay the foundations for research that will promote competence and build capacity. In this context, secondary, upper secondary and higher vocational and professional education are important.

In many international forums, such as the UN Educational, Scientific and Cultural Organization (UNESCO) and the OECD, Norway actively promotes the establishment of common principles and procedures for quality assurance of education. These efforts will continue, especially through work on the UNESCO/OECD Guidelines on Quality Provision in Cross-border Higher Education, for which Norway chairs the steering committee.

Extensive non-commercial cooperation takes place between universities in large parts of the world. Institutions in developing countries are increasingly included in this cooperation and thereby have access to the global institutional network.

Norway helps to raise the standard of education and research in developing countries by promoting greater integration of educational and research institutions into the global knowledge network. The goal is to establish a state of equality in which academic results from developing countries are internationally accepted. This requires assistance to acquire equipment and capacity so that developing countries and well-equipped institutions in the North can establish an interna-

tional infrastructure with access to the knowledge network. Norway is making substantial investments in institutional cooperation. The cooperation agreement between Norwegian universities and colleges on the Norwegian Council of Universities' Committee for Development Research and Education is a crucial element of this cooperation. Norway's efforts to help improve the quality and quantity of research institutions in developing countries are a follow-up to UNESCO's Plan of Action for Higher Education, presented in 1998.

Research to combat poverty diseases

On a global basis, infectious diseases are the cause of approximately 59 per cent of deaths in the countries with the lowest average income, compared with 34 per cent for the world as a whole. In sub-Saharan Africa, infectious diseases and health problems in connection with pregnancy, birth and malnutrition account for 66 per cent of illness, compared with only 8 per cent in the industrialized countries. The poorest people are especially vulnerable. Pneumonia, diarrhoea, tuberculosis and malaria account for approximately 20 per cent of global illness, but the research funds allocated for these areas amount to less than one per cent of total private and public research financing¹³.

Few – if any – poor developing countries have sufficient resources to carry out research at a sufficiently high level and with sufficient breadth to develop good methods of preventing and treating poverty diseases, including HIV/AIDS. With certain important exceptions, neither public nor private research in industrialized countries has given priority to these diseases. This particularly applies to the development of vaccines and other methods of prevention. In many ways, research in the industrialized countries gives a distorted picture of global health problems. Only 10 per cent of total resources for medical and health research are spent on 90 per cent of global illness. This is often referred to as the 10/90 gap¹⁴. Reviews of official allocations through the Research Council of Norway and estimates of priorities in Norwegian research institutions indicate that the situation is even worse in Norway: it is probable that only around 5 per cent of Norwegian medical and health research focuses on diseases and health problems in developing countries¹⁵.

¹³ Figures from the Global Forum for Health Research.

¹⁴ Calculated by the Global Forum for Health Research.



Figure 3.5 Immunizing children

Source: Scanpix

However, Norway has a considerable amount of expertise in fields that are relevant for research aimed at combating typical poverty diseases. In cooperation with the Ministry of Education and Research, the Ministry of Foreign Affairs and the Research Council of Norway, the Ministry of Health has therefore initiated a programme to increase research in this field.

Through research cooperation, Norway helps to improve the capacity of developing countries to carry out their own research into the health challenges they are facing. Norway is also the biggest contributor to the WHO/World Bank/UNDP/UNICEF research programme on neglected tropical diseases. Furthermore, Norway participates actively in the European and Developing Countries Clinical Trials Partnership (EDCTP), which is the EU's new programme to finance research projects, capacity-building and cooperation between research institutions in industrialized and developing countries on the three poverty-related

diseases HIV/AIDS, tuberculosis and malaria. As a result of its participation in the EDCTP, Norway is committed to doing its own research into poverty diseases. It is desirable to involve relevant industrial companies in this cooperation, in terms of both inputs and financing.

To develop an effective vaccine against HIV and make it available to developing countries as quickly as possible, the Government supports the International AIDS Vaccine Initiative. To support the development of microbicides (an HIV prevention method for women), the Government supports the International Partnership for Microbicides (IPM). These are both international initiatives that promote high-level research cooperation between donor countries and developing countries.

The Government will:

- establish a research programme to increase the efforts of Norwegian public and private research institutions to solve global health problems.

¹⁵ These estimates were produced by the Research Council of Norway.



Figure 3.6 Woman with mobile phone. Namibia

Source: Corbis

Information and communications

The information and communications technology (ICT) revolution has transformed a large part of the world from a post-industrial society into an information society. It has opened up new possibilities for the exchange of knowledge, education and training, and for promoting creativity and inter-cultural dialogue. It also poses challenges as regards equality. We now have a global economy, and knowledge-based and private investors are developing production chains across national borders. The technological infrastructure and a well-educated population are among the crucial competitive factors considered by investors when they choose where to establish their businesses.

The poorest countries have been unable to keep up with this technologically-driven development and have ended up on the wrong side of the “digital divide”. In 2002, 36 per cent of the population in the industrialized countries had access to a

computer, 33 per cent had access to the Internet, and fixed and mobile telephone coverage was 103 per cent. In sub-Saharan Africa, 1.2 per cent had a PC, 1.1 per cent used the Internet and just over 5 per cent had access to a telephone. Norway’s partner countries in the region are below the average. Regardless of which angle this is viewed from, and although the growth rate for these indicators is high, the low coverage of these key technologies clearly puts these countries at a disadvantage. Millennium Goal No. 8 therefore includes a requirement for the rich industrialized countries to help ensure that poor countries and population groups can also take part in the ICT revolution. The challenge is to develop this technology to the benefit of both the private sector and economic development, and in order to meet the development challenges in the fields of education, health and good governance more effectively.

It is necessary to identify the direct development effects of ICT more clearly. The UN ICT Task Force is currently studying this. Furthermore, in 2004 the UNDP will present a report, based on the lessons learned from seven countries in Asia, that will show a clear connection between targeted use of ICT and achieved results in areas such as health and education. This study will also provide useful information on the significance of ICT for economic and social development, and thereby development activities in general.

The World Summit on the Information Society (WSIS) in 2003, in which Norway took part, which was the first of its kind, focused on the challenges for development policy. Approximately sixty heads of state and government and many ministers took part, alongside representatives of the private sector and civil society. (The second phase of the summit will be held in Tunis in 2005.) The Government agrees with the summit’s conclusions that broad access to ICT is an important factor in the development process and a crucial factor in securing health and education services and promoting good governance. The summit also emphasized the importance of ICT development being given a content that takes into account linguistic and cultural diversity, is adapted to national and regional needs, can contribute to social and economic development, and encourages universal participation.

In this connection, the Government wishes to point out that respect for freedom of expression and other human rights are also important pre-conditions for development in the ICT area.

There is a need for substantial investment and the private sector must play a key role in this respect, in developing countries as well. However, the Government wishes to point out that the developing countries, in accordance with their poverty reduction strategies, must clarify how ICT can help to meet fundamental development challenges and must consider the role of the authorities and the country's need for resources.

The Government particularly emphasizes the importance of the potential inherent in partnerships between industrialized and developing countries, and between the private and public sectors. Partnerships between private and public players will play a pivotal role in Norway's follow-up efforts in this field, in line with the NORAD/Telenor/Grameen Bank "Grameen Phone" initiative and the good results achieved in Bangladesh.

The Government:

- regards ICT as one of many important instruments to solve the problems of developing countries and, in dialogue with developing countries, will stress the comparative advantages of ICT in areas where they clearly exist.
- will continue its active efforts to make ICT available to developing countries with a view to solving fundamental poverty problems. The Strategy for ICT as an Instrument in Development Policy will be updated.

3.8 Combating corruption and money-laundering

Rich countries are responsible for ensuring that illegal financial activities, either based in their own country or at the international level, do not affect poor countries. Corruption is a type of crime that is widespread in many of the poorest countries. Corruption lays claim to substantial resources and is therefore a serious obstacle to development. It breaks down respect for the institutions on which society is based and thereby leads to the degradation of social structures. Large-scale corruption entails one who offers and one who accepts. The one who offers often comes from a western company, and the proceeds from corruption are often managed by western financial institutions. Studies by the World Bank and Norwegian research institutions show that such proceeds are sometimes used to finance war. The extraction industries are particularly exposed to

Box 3.10 Grameen Phone – a success story from Bangladesh

The Norwegian telecom company Telenor means more to the economy of Bangladesh, one of Norway's main partner countries, than Norwegian government-to-government assistance. The Telenor-controlled company Grameen Phone is now the second largest taxpayer in Bangladesh and contributed more than NOK 662 million to the Bangladeshi treasury in 2002 – about five times as much as Norway's development assistance for Bangladesh in the same year. The company's profit was NOK 322 million. Since it was established in March 1997, Grameen Phone has paid NOK 1.7 billion in taxes to the state of Bangladesh.

In 2003, Grameen Phone reached one million subscribers and now covers 70 per cent of the national mobile phone market. The company itself currently has more than 800 employees, but it creates ripple effects throughout the country, and more than 50,000 people are now making a living from the company's activities. Through the Grameen Bank micro-credit programme, 40,000 poor women in as many villages have been granted loans to acquire mobile phones. They earn a living as "live telephone exchanges".

In total, approximately 50 million of a total of 129 million people in Bangladesh now have access to a telephone through Grameen Phone. Through the mobile telephone network, communications technology is spread to people who do not have access to a fixed telephone. Approximately 700,000 subscribers have a fixed telephone, and they are largely concentrated in large towns and cities.

corruption. Efforts to combat corruption through international agreements and in connection with governance reform are discussed in greater detail in Chapter 6.

Money-laundering

Money-laundering means bringing funds acquired through criminal activity into circulation in ways that make them look as though they are the result of legal activity. For organized criminals, this is an essential element of their operations.

Money-laundering takes place on a large scale, across national borders, and in ways that can make the funds difficult to trace. Barriers to such activity are essential if we are to limit criminals' possibilities for benefiting from their activities, and thereby help to reduce the profitability of such enterprises.

Money-laundering is one of the issues on which increasing attention has been focused in recent years. There is a close connection between corruption and money-laundering. Large-scale corruption normally brings large gains. Without money-laundering, it is difficult to manage or use the funds acquired through criminal activity. Money-laundering is based on either a lack of caution or direct violation of the law on the part of financial institutions or others. The many tax havens are also a significant part of the problem. Measures to combat money-laundering are crucial in the fight against corruption.

In Report No. 19 (2002-2003) to the Storting (the Globalization Report), the Government discussed the international aspects of both corruption and money-laundering in detail and proposed measures to combat them.

The international standard-setter, the Financial Action Task Force (FATF), plays a pivotal role in this effort. Norway has participated in this important work since 1991 and has taken part in revising the recommendations for measures to combat money-laundering, which were completed in 2003. Work has begun on incorporating the recommendations into Norwegian law. One of the measures, which may be particularly important in the fight against money-laundering and corruption, concerns the special rules for the establishment of commercial relationships with foreign persons who are politically exposed.

Another aspect is the implementation of the second EU directive against money laundering¹⁶ in Norwegian law through the Act of 20 June 2003¹⁷. This Act requires more groups and professions than before to report suspicious transactions to the money-laundering unit at the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM).

¹⁶ European Parliament and Council Directive No. 2001/97/EU on amendments to Council Directive 91/308/EEC concerning preventive measures against the use of the financial system to launder money.

¹⁷ Act relating to measures against laundering of the proceeds of criminal acts, etc. (the Money-laundering Act)

Combating corruption

Although the rich industrialized countries generally suffer from less corruption than the rest of the world, they have a clear responsibility for the serious corruption problems in poor countries. This is because companies based in industrialized countries often offer bribes. Their banks manage funds that originate from corruption and embezzlement in developing countries, and they are sometimes too willing to silently accept that their counterparts evidently and openly misuse funds that come from large contracts with western companies.

The companies that offer bribes to politicians and senior civil servants are largely based in prosperous countries. In 2002, Transparency International published a Bribe Payers Index, which is an attempt to give an idea of the extent to which companies based in different countries have a tendency to offer bribes. Countries based in Southern Europe, the USA and Japan are high on the list. Australian, Swedish and Swiss companies are the least corrupt, while Russian and Chinese companies came at the bottom of the index, which covered 21 countries.

Whether a company pays bribes or not naturally has a decisive influence on how the company's presence affects the political structure or climate of the host country. Furthermore, we must ask to what extent companies that are widely exposed to regimes that are known to misuse public funds, often from the sale of natural resources, help to maintain the system, also in cases where direct bribes are not part of the transaction. We should focus more on how companies and governments can together formulate standards for transparency and accountability that can help to limit the scope for authorities to embezzle profit from their countries' national resources. The UN Convention against Corruption can be an important instrument in this effort. Various voluntary measures, such as the OECD Guidelines for Multinational Companies, the UN Global Compact and the Extractive Industries Transparency Initiative (EITI), which is described below, are examples of the types of measures that, in time, may provide guiding principles for cooperation between governments and companies engaged in economic activities in areas where corruption occurs.

The Government's dialogue with Norwegian companies, including oil companies, covers the question of how authorities and companies, individually and jointly, and as a part of essential inter-

national cooperation, can help to reduce the scope for this type of corruption. The work being done by the Petroleum Directorate, Petrad and other institutions to help improve the quality of petroleum administration in many developing countries can also be viewed in this context.

Kompakt was established in 1998 to support Norwegian companies' work on Corporate Social Responsibility (CSR). Kompakt is a meeting place for authorities, companies, employers' organizations, the trade union movement, non-governmental organizations and research institutions. The purpose of their cooperation is to increase awareness of the challenges companies may encounter abroad and their corporate social responsibility. In 2004, the major Norwegian companies that are members of the UN Global Compact have been incorporated as members of Kompakt to ensure that this cooperation is in accordance with current events in this field. Since 2004, corruption has been one of the topics on Kompakt's agenda.

The behavior and reputation of Norwegian companies abroad is not only an important matter for the companies themselves, it is also important for Norway as a nation. Similarly, Norway's image and Norwegian foreign and development policy are part of Norwegian companies' profile in their encounters with partners from other countries.

This has to do with the social responsibility of business and industry in a field where synergy gains can be realized from equitable cooperation between the private and public sectors. The government's goal is for Kompakt to make a relevant contribution to promoting a clear Norwegian profile in this area.

Development assistance can also foster corruption. Critics maintain that aid organizations tend to shut their eyes to the misuse of aid funds. Very little research has been done on the connections between development cooperation in general and corruption. It is unwise to dismiss such criticism. As a result of development assistance, substantial sums of money are transferred to weak administrative systems that have limited capacity for control. Donors are responsible for ensuring that assistance is provided for what the country needs most and is actually used for this purpose.

The Government's policy is for Norway to lead the way in this effort and to focus on these issues in dialogue with other donors.

Repatriation of funds obtained through corruption

The UN Convention against Corruption provides the framework for international anti-corruption efforts. A more detailed account of the Convention and of parties' obligations may be found in Chapter 6. The Convention against Corruption is the first to regulate the issue of repatriation of funds obtained through corruption. This is an important step forward. On certain conditions, states now have an obligation to repatriate funds arising from corrupt acts.

In many countries, persons in important positions (including heads of state) have received bribes and embezzled public funds. The money has usually been deposited in western countries, in accounts in the name of either the person concerned or members of his/her family. When a new government comes into power in the country, the hunt for the funds begins. In this situation, it has proved extremely difficult to have the funds transferred back to the country itself. It has also proved extremely difficult to achieve cooperation on investigation in the countries where it is assumed the funds have been deposited.

The question of repatriation of funds obtained through corruption was a high priority for the developing countries and was also one of the most difficult issues during the negotiations on the UN Convention against Corruption. The Convention contains provisions to regulate this and states now

Box 3.11 Examples of serious corruption

Although it is difficult to estimate the total figures for corruption, there are certain illustrative examples:

- Sese Seko Mobutu probably stole USD 5 billion from Zaire's treasury. At the time, this was equivalent to Zaire's total debt burden.
- It is estimated that the Shah of Iran embezzled USD 35 billion.
- Former Nigerian dictator Sani Abacha and his family are believed to have unlawfully acquired between USD 5 and 6 billion.
- Fladimiro Montesino, former Peruvian president Fujimori's security chief, transferred USD 227 million abroad.
- It is estimated that Saddam Hussein has embezzled approximately USD 2 billion a year from the Oil for Food Programme since 1997.

Source: UN Criminal Justice Information Network (UNCJIN), Ministry of Justice.

have an obligation to repatriate such funds, on certain conditions.

It is very important to ensure that these funds are repatriated. They amount to enormous sums of money that should benefit the inhabitants of poor countries, for example by being invested in education and health services. These countries often have substantial debt burdens as a result of irresponsible borrowing by the same powerful people who have unlawfully deposited funds abroad. When the funds are repatriated, however, it is crucial to focus on the importance of good governance. The deficiencies in governance that made the embezzlement of such enormous sums of money possible must be remedied so that the funds do not disappear again in the hands of new rulers. The provisions in the UN Convention on preventive measures are therefore crucial in this context.

Norwegian measures

As a result of the focus on policy coherence and Norway's involvement and obligations in development policy, it is clear that Norway must at all times pursue an active anti-corruption policy. Strict legislation and robust enforcement are essential to reduce the risk of Norwegian players, consciously or unconsciously, having an adverse effect on public finances and the political culture in other countries. Good dialogue with business and industry is also important in order to promote cooperation with the private sector.

In the summer of 2002, the Ministry of Justice and the Ministry of Foreign Affairs established a three-year anti-corruption and money-laundering project. The project is largely internationally oriented and the project team is responsible for Norway's participation in many international cooperative measures, including the Financial Action Task Force (FATF) and the anti-corruption body of the Council of Europe (GRECO), and it participates in evaluations under the auspices of many international cooperative projects.

In cooperation with the Ministry of Foreign Affairs, the project team has also participated actively in anti-corruption work in the OECD and in the negotiations that led to the new UN Convention against Corruption. The project team will be involved in strengthening anti-corruption work in central multilateral organizations and global and regional forums. The project team is currently revising the Government's Plan of Action to combat Financial Crime, which will be presented in 2004.

In 2003, Norway introduced new, advanced anti-corruption legislation. There are thus few legislative amendments that must be made to meet the obligations under the UN Convention against Corruption. However, under Norwegian law the confiscated proceeds of criminal acts, including corruption, are paid to the Treasury, cf. Section 37d of the Penal Code. Norway will consider whether there is a need for amendments to implement the provision concerning the repatriation of the proceeds of corruption in Norwegian law.

The Groupe d'Etats contre la Corruption (GRECO) agreement is an intergovernmental agreement between members of the Council of Europe, effective from 1999. Norway ratified this agreement in 2000 and was evaluated in 2002. The evaluation report gave a positive account of the authorities' anti-corruption efforts, but also pointed to certain areas that should be improved, including the formulation of guidelines and procedures for "whistle-blowing" and consideration of the possibility of using special investigative methods in corruption cases. The recommendations have been implemented.

The new Act relating to the Office of the Auditor General (cf. Recommendation No. 54 (2003-2004) to the Odelsting) states that, through its audits, the Office of the Auditor General shall help to prevent and uncover irregularities, and that its obligation to observe confidentiality shall not prevent the Office of the Auditor General from giving evidence and presenting documentation when an investigation has been opened in a case, or from informing the police if matters that give grounds for suspicion that a criminal act has taken place should come to light. The Act simplifies cooperation with other public control authorities.

Norway also takes part in international efforts through the OECD to deal with tax havens. Furthermore, Norway advocates that the IMF should focus more strongly on corruption and money-laundering in its economic reviews of member states. In March 2004, the Executive Board of the IMF decided to continue its cooperation with the FATF. Among other things, the FATF will provide experts who will be contracted to work for the IMF. They will participate in and provide technical expertise in connection with the IMF's work with member states to combat money-laundering and the financing of terrorism. This cooperation will be evaluated after two years.

Initiatives to combat corruption linked to the extractive industries

The majority of the Earth's petroleum resources are concentrated in countries where democracy, human rights and transparency in public administration are weak. Some states with rich natural resources also have poorly developed political institutions. Due to the increasing international involvement of the Norwegian petroleum industry, Norwegian companies and authorities must enter into relations with an increasing number of countries that have weak traditions for democratic control of the revenues from extractive industries. This has led to greater attention being focused, by both the authorities and commercial companies, on the question of how international cooperation can ensure that petroleum activities promote political and economic development.

The Extractive Industries Transparency Initiative (EITI) was originally a British initiative, based in the G8, aimed at achieving greater transparency regarding cash flows between companies in the extractive industries and their host countries. The aim is to ensure that reporting on the basis of agreed standards will create openness about revenue flows, prevent corruption and promote the equitable distribution of revenues¹⁸. Norway is one of the main supporters of this initiative. Norwegian oil companies, which are among the most transparent, support the EITI.

Due to Norway's role as an oil-producing nation and its experience of managing oil revenues, it is especially well qualified – and has a special responsibility – to do its part in relation to the issues the EITI aims to address. Unlawful or unethical management of the revenues from natural resources can have a strong negative impact on social development. In conjunction with the Norwegian assistance that is already being provided to promote good management of petroleum resources, Norway's support for the EITI can help to reduce the danger of oil revenues having such consequences.

The EITI model for publishing the revenues from the extractive industries according to the criteria that have been formulated by the EITI does not have global support. However, as a result of the work done through the EITI network, many

individual countries have agreed to use the EITI standards – some outside and some within the cooperative framework. They include Ghana, Nigeria and Azerbaijan. Many petroleum- and mineral-exporting countries are expected to follow suit as pilot countries in the course of 2004.

The EITI has encountered difficulties in western countries as well. It has been maintained that transparency is a government responsibility that cannot be laid at the door of private companies. However, there are now many indications that there is a growing understanding of the issues and the initiative may gain a broader foundation among western countries as well. The goal must be for transparent reporting to become a global standard, to the benefit of both governments and market players.

Norway will actively support the EITI initiative and make efforts to achieve the broadest possible support for it by providing financial support, by encouraging measures in relevant countries and through political contacts, including in Norway's partner countries.

The Government will:

- give high priority to efforts to combat corruption and money-laundering in Norway and continuously focus on the need to further develop legislation and ensure robust enforcement.
- follow up work on the UN Convention against Corruption in Norway by:
 - reviewing existing legislation and regulations, and presenting proposals for possible necessary changes as part of the preparations for ratifying the UN Convention, and as part of further follow-up,
 - engaging in active dialogue with Norwegian companies on the implications of the UN Convention in particular and anti-corruption awareness in general.
- help to ensure that corruption and money-laundering have priority in the IMF's reviews of member states' economies.
- help to ensure that the fight against large-scale corruption and money-laundering is intensified internationally through the broadest possible follow-up of the new UN Convention.
- work with Norwegian companies and in international forums to promote greater transparency concerning revenues from the extractive industries, among other things through the EITI Initiative.

¹⁸ Further information about the Extractive Industries Transparency Initiative may be found at www.dfid.gov.uk.

3.9 Influence in international forums

Increased influence is a prerequisite if the developing countries are to have an impact on formulating the framework conditions that are crucial to their development¹⁹.

International cooperation entails seeking common solutions and compromises. The UN, the World Bank and the IMF work on the principle of consensus. In the World Bank and the IMF, the voting power of member states is allocated according to contributions and capital guarantees that reflect their historical share of the global economy. This implies that the rich countries control the majority of the votes. However, in these institutions, countries' negotiating apparatuses are at least as important as their formal voting power. It is therefore common to both the UN system and the Bretton Woods institutions (the World Bank and the IMF) that they seldom or only exceptionally take a vote. In most cases, the parties negotiate until they reach agreement and most decisions are made by consensus, partly as a consequence of the high intensity of the Executive Board processes. Nevertheless the significant differences in the relative influence of shareholder countries affects the outcome of the discussions. The distribution of votes and the degree to which voting is used varies from one organization to the next.

Of course, this means that countries do not all have equal influence. In practice, the developing countries, and particularly the least developed countries, have fewer opportunities than the industrialized countries to influence the formulation of international rules and regulations, and to secure their rights. They often lack both the capacity and the financial strength that is required to study and assess issues in sufficient detail in connection with negotiations.

Norway has been one of the leading countries in initiating action to ensure that the poorest countries have a genuine opportunity to influence important negotiating processes. Norway has helped to enable developing countries to fully participate in the preparations for and to participate in the negotiations at the main UN Summits. This support includes technical assistance for developing countries to enable them to build sufficient capacity to study the issues, and to prepare for and participate actively in negotiations. Norway

has also financed the participation of civil society organizations from developing countries in important conferences and meetings.

Multilateral organizations have also helped to give developing countries more genuine influence. In many countries the UN system plays a central role in capacity-building and, by providing independent advice to the authorities, also in their negotiations with other multilateral organizations, such as the IMF and the World Bank. The UN Development Programme has played an especially important role in this area, while UNICEF and the World Health Organization (WHO) have made significant contributions.

Having sufficient capacity to make their mark in this comprehensive process is of crucial importance for countries' actual influence. In this area, the developing countries are worse off than the prosperous countries because their share of the vote in international forums is often small and they are therefore members of large constituencies. The African countries are in a particularly unfavourable situation because they have only two Executive Directors in each of the Bretton Woods institutions to represent 46 countries. In this connection, the World Bank and the IMF are working on a number of measures to improve the situation of these countries that can be implemented fairly soon. They include assistance to develop relevant expertise both at the African Executive Directors' offices in Washington and in the administrations of individual African countries at home, seconding personnel from African countries to their Executive Directors' offices, improving electronic communications between member states and Executive Directors' offices, and increasing participation in future IDA negotiations. Work is also being done to offer independent policy-related research and advice in connection with issues that are addressed at the World Bank and the IMF. Norway supports this work and has also strongly emphasized the importance of improving the possibilities of the African authorities to formulate and present their own views, rather than merely strengthening the capacity of the two African Executive Directors' offices in Washington. Measures such as these, which are fairly simple to implement, may help to increase their influence.

There have also been discussions of other, more fundamental changes in the voting and capital structure, including a proposal to increase the number of basic votes (which are not based on relative GDP), which will increase the voting power of developing countries. The Government

¹⁹ One of the main focuses in the OECD's work on policy coherence to promote development.

may support a proposal to increase the relative number of basic votes. However, there is little international consensus in this area so far, among other things because such changes would require amendments to the World Bank and IMF Articles of Agreement, but this is still a topic that is actively discussed, not least in the Development Committee. Norway has made it clear that even if an increase in the number of seats on the Executive Board may reduce the efficiency of the Board's work, it will not exclude the possibility of a third African director, so that the total number of executive directors is increased from 24 to 25. This could give the African countries greater representation on the Executive Board while still retaining its basic structure.

It should also be pointed out that Norway's formal influence in the Bretton Woods institutions is limited. Norway has a voting share of 0.78 per cent, besides which it is a member of a constituency group of eight countries, which comprises the five Nordic countries and the three Baltic States. Together, they have a 3.52 per cent share of voting power, which is still small. However, "negotiating power" is more important than formal voting power, particularly because voting power is seldom applied on the Executive Board. Close cooperation in the constituency group gives both individual countries and the group as a whole a stronger position on the Board, and there is reason to believe that Norway's constituency group has greater influence on the development of the bank's policy than its total formal voting power would suggest. This is partly due to the fact that the countries in Norway's constituency group have a strong domestic apparatus which is quickly able to analyse the issues that are to be dealt with by the Board and prepare instructions for the discussions. It has been shown that in a situation where most decisions are made by consensus, good arguments based on sound analyses are listened to. Norway's cooperation with the World Bank, including the provision of financing for various studies and feasibility studies, has proved to be another important channel of influence.

The World Trade Organization (WTO) also works on the principle of consensus. In practice, this means that member states negotiate until they agree. The decision-making process includes formal and informal meetings where all members are present, and informal discussions between small groups of countries with similar or conflicting interests. However, the lack of information about what is going on has led to dissatisfaction

among countries that do not have the capacity to participate in the informal discussions. A greater degree of internal openness has been an important goal for the developing countries, and Norway has played a pivotal role by proposing measures to ensure that all member states have access to information about the negotiations.

With respect to external openness, the member states are strongly divided. The developing countries are generally sceptical about giving non-governmental organizations access to WTO meetings, on the grounds that strong pressure groups may seek to influence member states during the negotiations. Norway has sought to achieve greater transparency in the work of the WTO. The Government has also had close contacts with representatives of civil society and the private sector on WTO issues, among other things through a number of advisory committees comprising members of commercial companies and non-governmental organizations. Furthermore, the Government stresses the importance of supporting the participation of developing countries, among other things by providing travel grants so that representatives of the least developed countries can participate in ministerial conferences under the auspices of the WTO. Norway also contrib-

Box 3.12 The ILO World Commission on the Social Dimension of Globalization

In 2002, the International Labour Organization (ILO) established an independent commission to analyse globalization and its social dimension. It was headed by Finnish president Tarja Halonen and Tanzanian president Benjamin Mkapa, and presented its report in February 2004. The report stated that the international processes known as globalization have great potential as a positive force for development. However, it is necessary to change course in several areas to ensure improved distribution of the potential and costs of globalization. One of the main challenges is to improve the coordination of various areas of national and international policy to achieve the overarching goals, including the Millennium Development Goals. The Government has actively supported the work of the World Commission and is also helping to ensure that the conclusions of the report are followed up.

utes to a special fund for trade-related assistance within the WTO and was one of the initiators for the establishment of an independent advisory centre which provides training, support and guidance on WTO regulations and on procedures for resolving disputes for developing countries, particularly for the least developed countries.

The Government will contribute towards:

- continuing to strengthen the participation of developing countries in the multilateral development banks and the IMF.
- improving the ability of developing countries to exert genuine influence in important international negotiations and conferences, among other things by providing technical assistance and travel grants. The least developed countries will have special priority.
- improving the ability of the UN system to build capacity and provide independent, country-specific advice for developing countries in order to assist their authorities in international negotiations.

3.10 Financing for development

More generous assistance is essential if the Millennium Development Goals are to be achieved²⁰. Calculations by the OECD Development Assistance Committee (DAC) and the World Bank indicate that development assistance must increase rapidly, from the 2002 level of USD 58 billion to approximately USD 100 billion, and that this level must be maintained until 2015 if the goals are to be achieved. According to the OECD, development assistance reached USD 68.5 billion in 2003, the highest ever. Development assistance must also be provided in more effective ways and integrated into the development and poverty reduction strategies of recipient countries. The UN target is for every country to allocate 0.7 per cent of GNI for official development assistance. The average for the OECD countries was 0.25 per cent in 2003. Efforts to increase international development assistance are taking place in many forums, and this issue is high on the Government's agenda. The Government aims to increase Norway's official development assistance to 1 per

cent of GNI. (Further details may be found in Chapter 5.1).

At the International Conference on Financing for Development in Monterrey in 2002, donor countries committed themselves to substantially increasing the volume of development assistance in the years ahead. The Monterrey Conference also accepted the need to find new, creative sources of financing, provided that they do not place unsustainable burdens on the developing countries. The conference resolution refers to a study on this topic that will be prepared by the UN Secretary-General, and mentions, among other things, the proposal for special drawing rights in the IMF for development purposes. The UK, supported by France, has recently presented a proposal for a new International Finance Facility, whereby donor countries would leverage in additional money from the international capital markets by issuing bonds, based on legally-binding long-term donor commitments, which can be used to increase the volume of development assistance in the short term. In this way, donors can more quickly achieve the targets for larger transfers of development assistance in order to finance the implementation of the Millennium Development Goals.

In the Globalization Report (Report No. 19 (2002-2003) to the Storting), the Government announced that its fundamental attitude to creative proposals that can help to strengthen the financing of measures to safeguard global public goods was positive, provided that this is not to the detriment of development assistance and poverty reduction. The Storting supported a positive fundamental attitude of this nature and declared its willingness to consider sources of financing such as a tax on carbon and other environmental taxes, cf. Recommendation No. 118 (2003-2004) to the Storting. However, the greatest challenge is not a lack of mechanisms and arrangements for financing public goods. The main challenge is to mobilize sufficient political support and resources for the work that is already being done through established international instruments. The Storting otherwise referred to the fact that the question of global financing arrangements is a complicated issue and that it is necessary to have a deeper technical and political discussion on both the need for financing and potential new sources of income. On this basis, the Government will continue to have a positive fundamental attitude to efforts to find new global financing arrangements that will be robust, meet the Government's conditions and receive international support.

²⁰ The need for more generous assistance is laid down in Subsidiary Goal No. 13 under Millennium Development Goal No. 8.

4 National responsibility for development and poverty reduction

To achieve genuine, effective poverty reduction in a country, it is essential that the country's authorities pursue an active national poverty reduction policy and that this policy is implemented in practice. This requires active participation and facilitation on the part of the authorities to create the conditions for economic development and growth, it requires broad participation in these processes, and it requires a focused distribution policy. Without such facilitation, development assistance will be ineffective and economic growth will have limited ripple effects.

National framework conditions are also decisive in encouraging manufacturers and contractors to invest, and in promoting production, trade and other economic activities that create revenues and employment and thereby a foundation for economic development and poverty reduction. International framework conditions, which are discussed in Chapter 3 and elsewhere, also play a crucial role in encouraging development and eliminating obstacles to development in developing countries. However, in recent decades, development in different regions has clearly shown how some countries have succeeded in creating better national framework conditions by investing in education, infrastructure and effective national institutions. They have thereby laid the foundations for competitive production and growth and have been able to utilize the potential of the international markets. The authorities' policies are crucial for the creation of such national framework conditions.

Most low-income countries have now formulated, or are in the process of formulating, national development strategies in which poverty reduction is a central goal. These strategies are usually linked to the global Millennium Development Goals and are increasingly forming the basis of both national policy and international development cooperation.

4.1 Good national policies – a prerequisite for development

There is broad international agreement that development assistance is most effective when there is active interaction between international contributions and countries' own efforts to promote growth and equitable distribution. This was summarized in the report of the North-South/Development Assistance Commission (Official Norwegian Report 1995:5) as follows: "a combination of good policies and aid transfers has positive effects, while aid provided in a context where other factors and policies that are not development-oriented work in the opposite direction has no measurable effect on the macro figures". Without a development-oriented and efficient government apparatus, other assistance and development projects will be of limited value.

A similar conclusion was drawn in the World Bank's research report *Assessing Aid*, which attracted a great deal of international attention in 1998 by focusing on the institutional frameworks and conditions that were necessary for aid to be effective. The report called them "good policies and good framework conditions" and argued that when the authorities pursue good policies, donors can increase the volume of aid they provide with good results. Conversely, if the policies are poor, donors should focus on influencing the country's policy with "ideas" but keep the level of aid at a low level. In the debate that followed in the wake of *Assessing Aid*, there was broad agreement on the importance of the authorities in the recipient country pursuing "good policy", but not as much agreement on what "good policy" means in practice in all contexts. This depends on the situation in each country.

The UN Conference on Financing for Development in Monterrey in 2002, where the world's leaders pledged substantial increases in development assistance, also stressed that each country has the primary responsibility for its own economic and social development. The importance of

national policies and development strategies cannot be underestimated. A responsible policy and good governance are therefore prerequisites for effective utilization of development assistance. At the Monterrey Summit, the recipient countries committed themselves to pursue a policy for good governance, which entails responsible economic policies, democratic institutions, peace and security, and respect for human rights.

The same recognition is expressed in the NEPAD Declaration of African countries. In the declaration that was adopted at the summit meeting of what was then the Organization for African Unity (OAU) and is now the African Union (AU) 2001, the African leaders assumed their share of responsibility for eliminating poverty on the African continent. According to the NEPAD Declaration, Africa will itself take the lead in developing and implementing effective poverty reduction programmes and accelerating efforts to achieve Africa's development goals, especially the goal of universal welfare. At the same time, the leaders declared that they will put into practice democratic principles and good economic and political governance, and defend human rights.

However, even though there has been a positive trend in the direction of democracy, respect for human rights and more responsible policies in many developing countries, the situation is complex. There is a great need for reform. In all developing countries that are struggling under poor governance, weak institutions and weak leadership, international cooperation is essential to influence policies in the right direction.

4.2 National poverty reduction strategies

To create a good national basis for international cooperation, most low-income countries have now formulated, or are in the process of formulating, national Poverty Reduction Strategy Papers (PRSPs). The concept of PRSPs was launched by the Development Committee of the World Bank and the IMF as a condition for debt relief under the expanded HIPC scheme (cf. Box 3.4, Chapter 3). The objectives included improving the institutional preconditions for responsible policies, providing a better basis for political choices through broad-based consultation processes, and ensuring that the funds that are freed up as a result of debt relief are spent in a way that promotes poverty reduction.

Box 4.1 Status of preparation of Poverty Reduction Strategy Papers (PRSPs) in Norway's partner countries (March 2004)

- Full PRSPs: Angola (2004), Ethiopia (2002), Madagascar (2003), Malawi (2002), Mali (2003), Mozambique (2001), Nepal (2003), Nicaragua (2001), Pakistan (2004), Sri Lanka (2003), Tanzania (2000), Uganda (2000), Vietnam (2002), Zambia (2002).
- Interim PRSPs: Bangladesh (2003), Indonesia (2003), Kenya (2000).
- No PRSP: Afghanistan, Eritrea, Guatemala, China, Nigeria, the Palestinian Area, South Africa, East Timor.

National poverty reduction strategies have subsequently become a precondition for other concessional financial assistance from these institutions. Norway and most other donors now base their development cooperation on national PRSPs in the countries where they have been adopted and are of acceptable quality.

Since the concept of PRSPs was introduced, more than thirty countries have formulated complete PRSP documents and had them approved as a basis for debt relief and further development assistance. A further 15 countries are well under way and have formulated interim PRSPs.

Several countries will follow suit in the next few years. Thus, all Norway's main partner countries with the exception of Bangladesh have produced a complete strategy, as have seven of Norway's 18 other partner countries. Four partner countries have formulated an interim PRSP, while so far the other eight partner countries, for various reasons, do not intend to formulate a PRSP based on this model. Large middle-income countries, such as China and South Africa, have other planning systems, while countries such as Afghanistan and East Timor are pursuing temporary development plans for the time being.

The new strategies are different from previous development plans

Many developing countries have previously formulated plans and strategies for poverty reduction, either as separate plans or as an element of national development plans. However, the focus on poverty reduction waned in many develo-

ping countries following the economic crises in the 1980s. Instead, there was emphasis on more short-term structural adjustment programmes, which focused on re-establishing the macro-economic balance as an essential prerequisite for further development. As may be seen in the report on changes in this area in Proposition No. 33 (2001-2002) to the Storting, these programmes did not originally focus much on health and education, sectors that had suffered greatly due to the economic crisis.

From the beginning of the 1990s, many of these programmes were supplemented with programmes for social and economic reforms that paid more attention to the social sectors. At the UN Social Summit in 1995, the world's heads of state and government agreed to focus more strongly on all aspects of social development and intensify work on the preparation of national plans and strategies to significantly reduce poverty in the shortest possible time. Many countries further developed their plans in accordance with this resolution, while other countries initiated new plans and strategies, partly with support from the UNDP's special fund for poverty reduction strategies, to which Norway had made a substantial contribution. When PRSPs became a precondition for debt relief under the HIPC Initiative, however, this linkage to the prospects for debt relief became a far stronger spur for national authorities than previous requests and UN resolutions.

The model for the formulation and content of poverty reduction strategies under the PRSP concept also integrated many other new principles to ensure national ownership of the strategies. Firstly, the PRSP must be developed at the national level by the country concerned rather than being based on donors' "recipes" for good policies. Secondly, it must be based on countries' own political systems and on broad-based consultations and participation by as many sectors as possible, including local representatives and civil society, rather than being formulated in a finance or planning ministry and adopted by the government. Thirdly, a PRSP strategy must be multi-sectoral and must normally include all aspects of poverty in the country, rather than just economic growth or just the social sectors. Fourthly, it must be result-oriented and set clear priorities, and it should also include a long-term perspective for poverty reduction.

This was in many ways a breach with previous practice, especially for the indebted countries, which until then had been dependent on structu-

ral adjustment loans from the IMF and the World Bank granted on strict conditions (conditionality) that were largely set by the executive boards of these organizations. The conditions for these structural adjustment packages had been laid down in Policy Framework Papers (PFPs), which were formally presented by the authorities but in practice often formulated by IMF staff. They focused on macro-economic figures and were seldom open to public scrutiny. As a rule, they were not discussed in the country's national assembly and were not always known to the rest of the government before they were signed. Although macro-economic reforms were necessary in order to re-establish economic balance and provide a basis for new growth and development, the way they were agreed and implemented led to a great deal of opposition and mistrust on the part of the authorities and in large parts of the population. The framework documents focused little on the immediate distribution effects of the economic reforms and conditionality. In many countries, the limited ownership of the framework documents impeded their implementation and impact. For many years, Norway therefore criticized both the content and the processes surrounding these structural adjustment programmes, as may be seen, for example in Proposition No. 33 (2002-2003) to the Storting relating to the Norwegian participation in the 13th capital replenishment of the International Development Association (IDA), cf. Recommendation No. 119 (2002-2003) to the Storting.

The PRSP model is a significant innovation in relation to previous structural adjustment programmes on all the following points: focus on poverty reduction in both the short and the long term, combined with a more responsible macro-economic policy; far greater transparency and participation in policy formulation; and a far more solid foundation in policy that is formulated at the national level and adapted to the situation in each individual country.

Comprehensive national processes and participation

The formulation of new poverty reduction strategy papers entails comprehensive processes. As a general rule, thorough studies are initially carried out of the extent and characteristics of the poverty situation, often by means of large-scale household surveys. On this basis, analyses are carried out, draft strategies prepared and priority

Box 4.2 The preparation of Malawi's Poverty Reduction Strategy

The Malawi Poverty Reduction Strategy (MPRS) was presented in April 2002. The process of preparing the MPRS was highly inclusive. The MPRS has largely been well received, both nationally and by Malawi's international cooperation partners. However, the document has not been debated in parliament.

Under the leadership of the Malawian authorities, the MPRS was prepared on the basis of extensive cooperation, over a period of fifteen months, between the authorities, non-governmental organizations, religious organizations, the private sector and donors. The work was divided between 21 working groups on various topics. Consultations also took place at district level. Members of parliament were involved in this preparatory process. Most of the background material for the MPRS came from the Malawian authorities themselves. The Minister of Finance has signed the preamble to the MPRS, where he writes that the strategy represents national consensus on the priorities for poverty reduction. He also writes that the authorities' most important instrument in implementing the strategy is the central government budget.

Donors collaborated on participation in the thematic working groups. Norway represented the donors in the working group on governance and health. Cooperation between Norway and Malawi largely consists of assistance to implement central parts of the MPRS.

areas identified. The intention is then to present and discuss them in a long series of meetings at central and regional levels with representatives of various interest groups in public services and civil society. Views are summarized and incorporated into the final document, for which the authorities are responsible. However the breadth and depth of the consultations that have taken place and the degree to which the consultations have been representative have varied widely from one country to another. In many cases, the influence of publicly elected bodies is weak and only a few PRSPs have been submitted to national assemblies for debate. If national ownership is to be genuine, it is especially important for PRSPs to be

debated in national assemblies and other popularly elected bodies, since they play a vital role in the implementation of an effective poverty reduction strategy.

Although these are national processes, they have been influenced by the fact that the final PRSPs are assessed by the World Bank and the IMF as a basis for debt relief under the HIPC Initiative, and provide the framework for continued development assistance. The World Bank has formulated a comprehensive set of guidelines and provided detailed advice concerning the preparation of PRSPs as regards both the consultation process and the content. However, the impact of this on the process and the final product varies from one country to another. In some countries, such as Uganda, Tanzania and Sri Lanka, the authorities had to a large extent formulated their own poverty reduction strategies before the introduction of the new PRSP concept. They nevertheless had to rework their previous plans to adapt them to the new guidelines. In Nepal, after extensive consultations, the IMF and the World Bank accepted that the country's tenth five-year plan provides the basis for the country's PRSP. While the very first PRSPs, which were formulated in 2000 and 2001, were to a large extent adapted to the new guidelines in order to achieve rapid debt relief, more recent PRSPs are usually based to a greater degree on national processes and national conditions.

The content of PRSPs varies according to national conditions

The new poverty reduction strategies vary in content, depending on the country's situation and which factors are most important for achieving accelerated, long-term improvements in the lives of impoverished people. The more recent strategies are usually based on the Millennium Development Goals or national adaptations of them.

In all poor countries, it is particularly important to promote more rapid economic growth that will provide work and higher incomes for the poorest people. Agriculture is the main sector in most countries, and it is essential to improve the agricultural sector, especially for landless agricultural workers and marginal smallholders. However, the development of alternative industries is just as important for the creation of long-term employment and growth.

All the PRSPs focus strongly on universal

basic education and basic health services. In most countries, most of the poor people live in rural areas, and priority is given to rural development, with focus on basic social services, and improving infrastructure in disadvantaged areas. However, poverty is rising rapidly in urban areas, and several PRSPs also focus on measures for slum-dwellers and the informal urban sector.

Many PRSPs also stress that a stronger, more efficient government apparatus is a necessary precondition for implementing a more poverty-oriented policy, and they include plans for continued reforms of central and local government administration.

Many countries also have serious security problems due to violent conflicts in the region or in the country itself, or widespread violent crime and armed criminals. In such contexts, they stress that without peace and security it will be very difficult to improve living conditions for poor people on a long-term basis.

Norway supports strong national ownership

Norway takes a positive view of the PRSP concept and supports the idea of linkage between debt relief and poverty reduction strategies, among other things to ensure that the funds that are freed up as a result of debt relief are spent on poverty reduction. In the development of this concept, Norway focused especially on the importance of strong national ownership of the strategies. Norway made an active contribution towards clarifying the point that national strategies cannot be approved by external bodies, such as the World Bank and the IMF. The procedure that has evolved is that the World Bank and the IMF assess whether the poverty reduction strategy of each country provides a good enough basis for granting that country HIPC debt relief and financial assistance.

Donor countries are usually invited to give their views on the strategy during the process. Norway's position is that these must be national processes, and it is therefore important for donors to support them and help ensure that as many important interest groups as possible participate and are heard. Norway has therefore provided resources for poverty studies and analyses to ensure that the knowledge base is as good as possible, and to ensure that important interest groups, such as women and environmental organizations, also participate.

Norway's inputs to the PRSP processes usu-

ally focus on the overarching framework conditions, questions of strategic importance and cross-cutting issues. Inputs relating to sector-specific issues are usually provided in the sector dialogue, but may also be included in the dialogue on overarching issues. Norway otherwise assesses the quality of the strategy in relation to the poverty analysis, its legitimacy, and the extent of support for the strategy. There is also emphasis on the content of the strategies that are formulated for economic growth, the management of governance reforms, the participation of women, HIV/AIDS, the environment and sustainable development, plus indicators for monitoring the achievement of goals. Which other areas are important for each country depend on the situation in the country concerned.

Both the World Summit on Sustainable Development and Millennium Development Goal No. 7 emphasize that environmentally sustainable development must be integrated into developing countries' policies and programmes. Norway regards it as a central development policy task to work for genuine progress in this area, and stresses the importance of incorporating focus on the environment and sustainable development into developing countries' poverty reduction strategies, on the basis of national analyses of the challenges and the resources that are available.

Even in countries where there have been genuine consultation processes, there will naturally be disagreement about how a strategy should be formulated and the ranking of priorities. It is therefore more conducive to the promotion of democratic processes to express differing views rather than covering them up and indicating that an artificial national consensus exists. In this context, Norway has underlined the importance of publicly elected bodies, and particularly national parliaments, participating actively in the process.

4.3 From strategy to implementation

For the countries that have formulated poverty reduction strategies under the new concept, the challenge is to translate them into actual policies. A significant amount of political will is required to focus on poverty reduction, and this requires wise governance, since all countries also have to take other factors and special interest groups into account. First of all, implementation entails governments reorganizing the priorities in the national budget. Higher priority must often be



Figure 4.1 Computer training in Tanzania

Source: Corbis

given to public health and universal education, economic growth that reduces poverty, employment, rural development and distribution. Secondly, reforms and improved efficiency are usually required in many sectors and areas, such as public administration, social services, framework conditions for the private sector and agriculture, infrastructure, local administration and the judicial sector. In some countries, including several of Norway's partner countries, such as Uganda, Tanzania, Mozambique, Nicaragua and Vietnam, the process of re-orientation in line with their own national plans and poverty reduction strategies is well under way. However, experience shows that re-orienting the budget, changing political priorities and reforming the civil service take time, and many political and practical obstacles delay the process.

Consequently, if poor developing countries are to assume responsibility for the implementation of an effective poverty reduction strategy, they must have a combination of political will on the part of

the central authorities, capacity, knowledge and willingness in the administration, and good support from the international donor community. Furthermore, factors such as wars and conflicts, natural disasters and international framework conditions must not undermine the possibilities for progress. Political will to take responsibility is particularly demonstrated in authorities' efforts to improve their administration, be open and transparent, allow room for dialogue and participation, promote democracy and human rights and, not least, combat poor governance and corruption.

Many countries are also preparing more specific sector plans and programmes relating to important areas such as agricultural development, health and education, or the transport sector. Over time, such sector programmes will be integrated with more overarching plans, such as the poverty reduction strategies, and this work is well under way in most developing countries that have PRSP programmes.

Follow-up by donor countries

It is a logical consequence of donors' support for the PRSP concept that the poverty reduction strategy provides the basis for development assistance for countries where the strategies have national support and are of acceptable quality. In such countries, poverty reduction strategies have therefore become a pivotal platform for focusing development assistance on priority sectors, and for improving donor cooperation. In accordance with this, Norway's Plan of Action for Combating Poverty in the South towards 2015 states that Norwegian assistance must be based on countries' poverty reduction strategies, and that assistance that is not based on PRSPs, where such exist, will be phased out (cf. Chapter 5).

Norway is therefore concerned to closely follow the PRSP processes, both to ensure that, as far as possible, development cooperation is coordinated with national strategies, and to ensure that the strategies are, to the greatest extent possible, quality assured so that they can function as a genuine framework for development cooperation. Norway emphasizes in particular the importance of countries' willingness to protect the rights of poor people, improve public financial management and combat corruption. Such follow-up must take place at country level in cooperation with the national authorities and other donors, and within donor agencies in discussions on the joint staff assessments of the PRSPs by the World

Bank and the IMF. The assessment of the poverty reduction strategies and the fact that they are also regarded as being a crucial basis for the assistance provided by bilateral donors exacerbates the need for good coordination between the bilateral efforts of donors and the work that is done in the governing bodies of the World Bank and the IMF.

Criticism and future challenges

Both the preparation and the implementation of poverty reduction strategies have been the subject of a great deal of criticism from non-governmental organizations in donor and developing countries, from the opposition in some countries, from the UN system, from researchers and from certain donors.

This criticism can be summarized in the following main points. Firstly, it is maintained that the consultation processes and the participation of special interest groups and players outside the central government apparatus have not been comprehensive enough, have not been “genuine”, and have been ignored in the final strategy documents. Secondly, many critics believe that the PRSPs are not a genuine expression of national priorities but have been adapted to and are too strongly influenced by the political-economic models and development agendas of donors, especially of the World Bank and the IMF. Thirdly, some people maintain that many important topics relating to poverty reduction have been omitted or are only weakly reflected, or that credible monitoring mechanisms are lacking in many areas. This applies to areas such as women and development, trade and environmental policy, marginalized groups, power relationships, crime, corruption and the effects of globalization. It is also maintained that the strategies are irrelevant, since there is such a large gap between the resources that are required to really combat poverty and the small resources the countries have at their disposal and receive in development assistance.

The international donor community is also aware of weaknesses in many of the poverty reduction strategies. A large number of independent studies and evaluations have been carried out concerning participation in the preparation of PRSPs, their content and their implementation. For instance, a study was carried out in 2001 for the multi-donor group Strategic Partnership with Africa (SPA), and a joint donor evaluation was

recently completed of the experience gained from applying the principles that lie behind the PRSP concept in practice. Norway contributed towards the financing of both studies, the purpose of which was also to contribute to knowledge generation and improvements. Both studies gave a diversified picture of the lessons learned so far, with the main emphasis on the positive results that have been achieved in terms of greater transparency and participation in the formulation of the PRSPs, and greater awareness of and focus on poverty reduction as the most important goal of development policy.

Box 4.3 Donor cooperation and discussions in board meetings of the World Bank and the IMF

In Ethiopia, donors formulated joint comments on various drafts of the poverty reduction strategy. These comments concerned both the content and the preparation and consultation process in connection with the strategy. The Ethiopian authorities were informed of the comments, which formed the basis for the comments of bilateral donors to the World Bank's and the IMF's Joint Staff Assessment (JSA) of the strategy. The donor countries thereby also had a better foundation for discussing Ethiopia's Poverty Reduction Strategy Paper in the Board of the World Bank.

In Bangladesh, many bilateral donors believed that development had been negative in several important areas in 2002 and 2003, such as human rights, democratisation, law and order and corruption. This was expressed in several arenas, including at a meeting of donors at the Bangladesh Development Forum in May 2003. At the same time, the World Bank and the IMF were planning comprehensive new development credits without focusing on governance factors. Despite relatively little response from the donors in Dhaka, the Nordic-Baltic director at the World Bank, on Denmark's and Norway's initiative, brought up the difficult governance situation in Bangladesh in the World Bank Board. Other donor countries gradually followed suit through their board members. As a result of this, the World Bank included a requirement for stronger follow-up and clearer conditions for further credit disbursements.

In a review that was presented by the Development Committee of the World Bank and the IMF (September 2003), these institutions strongly emphasized the progress that had been made and the improvements that had taken place in most countries. However, they also summarized some inherent dilemmas that have still not been solved. The authorities' responsibility for PRSPs is often concentrated in a small part of the government staff and does not include all the relevant ministries, so that the linkage between PRSPs and other planning documents is sometimes weak. The authorities often have unrealistically high ambitions when they formulate the goals in the strategy documents. Public financial management is weak and it is difficult to link the central government budget more closely to the PRSP for administrative reasons. The failure to set priorities results in a lack of focus and makes it difficult for all parties to contribute to implementation. Donors are not yet sufficiently coordinated, and many have not adapted their development assistance programmes to national poverty reduction strategies.

The Norwegian Government agrees with much of this criticism, but emphasizes that the concept of national poverty reduction strategies is still relatively new. Many of the elements that have been criticized can be addressed as experience is gained in individual countries and in the donor community. Norway takes the view that the national PRSPs and the experience gained so far are a significant improvement compared with previous practices in many countries, in terms of both transparency and participation in the process, and in terms of their content, which focuses far more strongly on poverty reduction. However, good macro-economic management and stability must still be ensured in order to avoid new economic crises. Much of the criticism arises from excessive optimism about the scope of the changes that can be implemented in such a short time.

In Norway's view, we must continue to work for the best possible implementation of the poverty reduction strategies, and help to ensure that the next review of the concept focuses on improved democratic and parliamentary support. It is also important to help strengthen the quality of the strategies by improving the database, the collection of statistics and analysis. In this connection, there is a need for Poverty and Social Impact Analyses (PSIA). This process is supported by Norway. The Utstein Group (which at the time comprised Norway, the UK, the Netherlands, Ger-

many and Sweden) put this topic on the agenda of the Development Committee of the World Bank and the IMF in spring 2002. Analyses such as these can provide a useful supplement to national analyses and national political debate, thereby contributing insight and information that may lead to better and better-adapted macro economic policies.

Poverty analyses and the processes related to them can also be useful instruments for shedding light on needs that have not been met and indicating the resources that are required to achieve the ambitions of the global Millennium Development Goals and national development goals. There are sometimes large gaps between the resources that are available and the resources that are required to meet such needs. Analyses such as these can provide a better foundation for mobilizing international resources and focusing inputs.

At the same time, it is important to ensure that the strategies that are developed have a realistic basis in the capacity and resources of the country concerned, and in the resources that are likely to be provided through development assistance and other transfers. Developing countries' capacity to utilize international assistance is also limited, and we do not wish to make them more dependent on aid or encourage them to incur new debt burdens. The goal must be for the poor countries, over time, to improve their ability to make productive use of all their human and other resources and thereby reduce absolute poverty.

The long-term perspective for poverty reduction must be combined with more practical and realistic goals for what can be achieved in the shorter term, so that there is a better connection between overarching strategies and annual planning documents. It is these more short-term goals that are now usually incorporated into annual central government budgets and long-term budgets, and are used as a basis for budget support from donors. (Cf. further details in Chapter 5).

One of the biggest remaining dilemmas is how Norway and other donors should deal with countries that do not wish, or are unable, to formulate good poverty reduction strategies, or do not implement them in actual policies. Countries that are in the midst of violent conflicts or are emerging from them, or countries where there are serious differences and governance is weak, will often focus on other, more topical problems and have difficulty in preparing good poverty reduction strategies. Internationally, such countries are sometimes called "low-income countries under

stress” or LICUS countries. In Norway’s view, in such contexts, the most important thing is whether they have authorities with political will who are making credible efforts to resolve the immediate problems and contribute to peace-building or nation-building, and who will be able to create more stable conditions for development and poverty reduction in the longer term. In countries where the authorities do not have a credible policy of this nature, neither Norway nor other donors can support their development programmes, even if they apparently include poverty reduction strategies. Efforts to promote good governance in partner countries are discussed in more detail in Chapter 6.

Donors should refrain from pressing too many of their own views and special interests in this process, taking into account the value of genuine national ownership and thereby the prospects of strategies being implemented and the necessary changes being accepted. At the same time, donors must feel sure that governance and macro-economic policy reforms are so effective and technically well designed that they will help to lift the country out of a difficult economic situation. However, assistance from donors can only contribute to a national development process when the developing country itself genuinely feels that it owns its plans and programmes, rather than promoting donors’ special interests and priorities.

The Government will:

- actively support efforts to prepare national poverty reduction strategies, both through Norway’s participation in multilateral organiza-

tions and at country level where Norway has a significant presence.

- help to improve the quality of poverty reduction strategies and strengthen genuine national ownership, which includes the participation of civil society and the support of popularly elected bodies.
- work to ensure that authorities take full responsibility for implementing their poverty reduction strategies, and that this is reflected in developing countries’ own priorities in central government budgets and actual policies.
- work to ensure that donor countries refrain from dominating policy formulation in low-income countries
- support the preparation of Poverty and Social Impact Analyses (PSIA) of major policy changes recommended by donors
- base Norway’s assistance for developing countries on poverty reduction strategy papers, provided that they are of sufficient quality and have sufficient popular and government support, and work to ensure that PRSPs to a greater extent form the basis of all development assistance from both bilateral and multilateral donors.
- support countries that are in a particularly difficult situation (e.g. after a violent conflict) and that demonstrate credible political will to create the conditions for development and poverty reduction in the longer term.
- in countries where the authorities do not take responsibility for pursuing a poverty reduction policy, concentrate cooperation on special interest groups that are working to realize the Millennium Development Goals and promote human rights.

5 Donor reform – more targeted and more effective assistance

The role of development cooperation is to encourage and supplement the efforts of developing countries to achieve development and poverty reduction. If we are to realize the Millennium Development Goals, extensive reforms are required to make development assistance more effective and more targeted. It is also essential to significantly increase development assistance. Only in this way can such assistance reinforce the effects of improved international framework conditions and active national policies for development and poverty reduction, as described in Chapters 3 and 4 above. Donors have a considerable amount of responsibility for organizing development assistance in such a way that it supports their partner countries' own poverty reduction strategies and contributes towards the realization of the UN Millennium Development Goals. Donors must also coordinate their assistance far better, reduce the financial and other costs for developing countries, assure quality, and ensure that resources are used effectively.

5.1 More aid is essential

Extreme poverty has been described in previous chapters. International assistance is one of the instruments for increasing the flow of resources to the poorest parts of the world so that basic investments in human resources, infrastructure and institution-building can nevertheless take place. Development assistance plays a vital role in financing important public services in many countries, and in many of the poorest countries it accounts for a large proportion of the national budget. Most of the least developed countries will be totally dependent on continued assistance for many years, even if the national and the international framework conditions improve.

International aid transfers stagnated in the 1990s. The UN Millennium Assembly and the International Conference on Financing for Development in Monterrey may have been a wake-up call for donor countries. Most donor countries increased their assistance from 2001 to

2002, and again in 2003. Total development assistance increased from USD 52 billion in 2001 to USD 68 billion in 2003, according to the preliminary figures for 2003. However, this is still not enough, and the momentum of the process must be maintained. Countries that have recently reduced their aid, such as Japan, must increase it again and exceed the previous level. In this context, Norway is among the countries that are leading the way, and its increase in development assistance may promote greater international momentum. The Government's goal is to increase development assistance to 1 per cent of GNI. When this goal has been achieved, development assistance will be maintained at at least 1 per cent throughout the next parliamentary period (2005–2009).

Nevertheless, it is not easy to estimate the size of the additional resources that will be required to achieve the Millennium Development Goals. Both the OECD Development Assistance Committee (DAC) and the World Bank have made estimates that indicate that there is a need for a radical, rapid increase in the total volume of assistance, and in the effectiveness with which it is used. These calculations indicate that the need for transfers of official development assistance is approximately twice as large as the 2001–2002 level, i.e. it must increase from just over USD 50 billion to just over USD 100 billion a year in a few years. This level must thereafter be maintained until 2015 if we are to have any hope of succeeding on a broad basis. The UN Millennium Project is working to incorporate improved estimates of each country's development assistance requirement into poverty reduction strategy papers.

The relative significance of development assistance is particularly high in the poorest countries, where both foreign and domestic investors regard the risk of long-term investment as being particularly great, and which therefore receive few direct investments. These countries also have few prospects, in both the short and medium term, of increasing their revenues by utilizing improved framework conditions for trade and investment.

In addition to official development assistance,

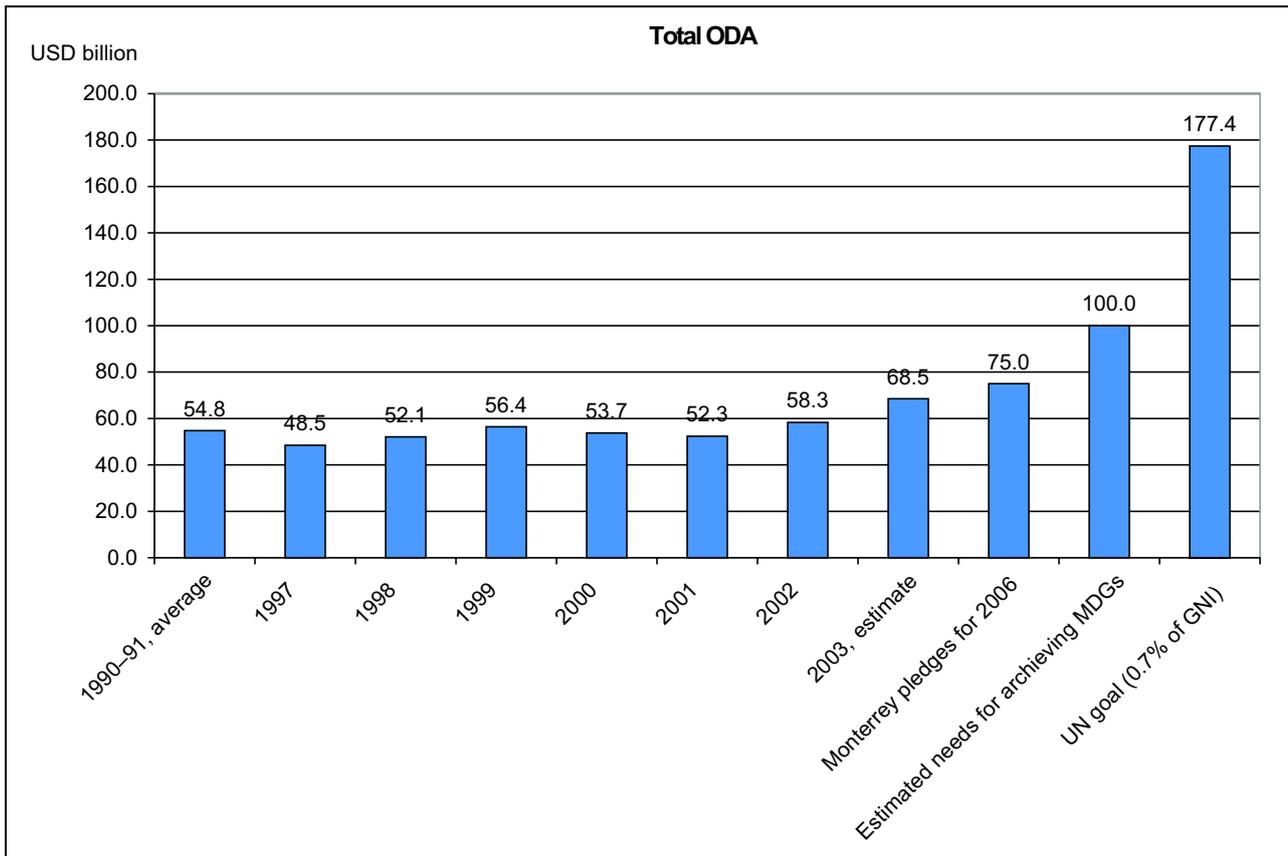


Figure 5.1 Total international development assistance and future requirements

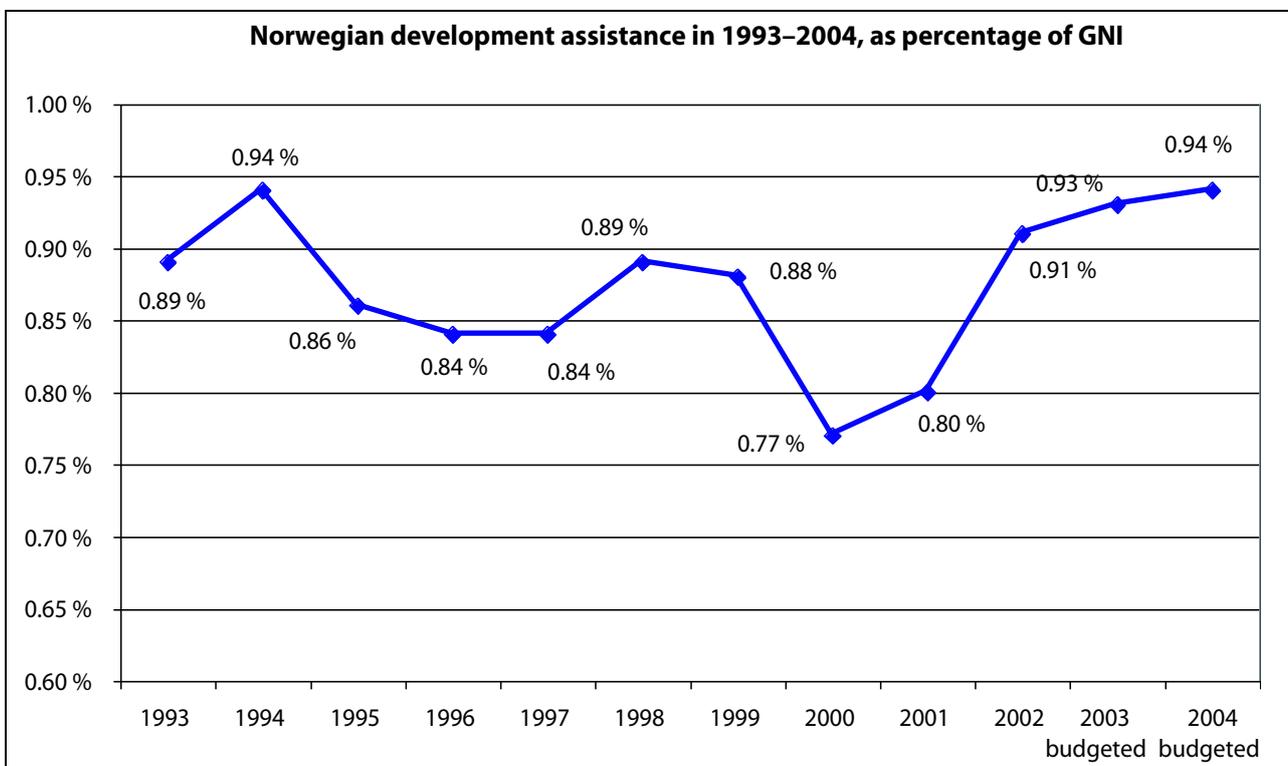


Figure 5.2 Norwegian development assistance, total 1993–2004, percentage of GNI

Source: OECD/DAC 2004

grants are provided by private and non-governmental organizations. According to the OECD, their contributions amounted to USD 8.7 billion in 2002. These funds are collected directly from private donors and come in addition to the funds the NGOs receive from government aid agencies. The large foundations in the health sector are a positive innovation that attracts additional capital from the private sector, other foundations and individuals. Resources such as these cannot replace official development assistance, especially in terms of ensuring efficient public administration and good governance in the developing countries, but they are an important supplement.

The scope of development assistance for individual countries must be adapted to the country's capacity to use the assistance well and achieve permanent improvements. It is important to avoid long-term aid dependency and new debt crises. However, it is also important to ensure macro-economic balance, prevent high inflation and high interest rates, and secure the foundations for the country's own business and industry. Many countries are making efforts to reduce their aid dependency by seeking other sources of finance, and some countries have set a "ceiling" for the amount of new assistance they wish to receive. In other countries, the International Monetary Fund (IMF) warns against new borrowing that will increase the debt burden, and against becoming too dependent on uncertain aid transfers. At the same time, the needs defined in the poverty reduction strategies are enormous. The developing countries therefore need economic policies that are based on the ambitions outlined in the strategies but remain within realistic limits. This may mean that substantial, extraordinary aid funding, for instance from the global health funds, should be adapted in volume and be given sufficient time to be phased in. At the same time, it is important that the multilateral financing institutions recognize the need for flexibility to ensure that extraordinary efforts are made in individual countries to achieve poverty reduction targets that are adapted to the country's special situation and do not merely follow standard solutions.

The Government will:

- increase development assistance to one per cent of gross national income (GNI). When this goal has been achieved, development assistance will remain at at least one per cent of

Box 5.1 Following up the Monterrey pledges

In March 2002, heads of state and government from developing countries and high-income countries met in Monterrey, Mexico, to discuss new strategies to reduce global poverty. If the promises made in Monterrey are kept, the pledges of increased assistance from rich countries will amount to a real increase in annual transfers of approximately USD 16 billion between 2001 and 2006. The following list covers pledges and commitments as of April 2003:

- EU member states commit themselves to trying to increase development assistance to at least 0.33 per cent of GNI in 2006, while EU countries that provide more assistance will maintain their high level. This will increase the EU average to more than 0.4 per cent of GNI.
- Of the EU countries, Belgium, France and Ireland have promised to reach 0.7 per cent of GNI by a certain year, Denmark will maintain a level of over 0.7 per cent, while Sweden aims to reach 1 per cent of GNI by 2006 and Luxemburg by 2005.
- The USA will increase its development assistance by USD 5 billion (almost 50 per cent) above the current level in 2006. It has also announced an additional allocation of USD 10 billion to combat HIV and AIDS.
- Canada will increase its development assistance by 8 per cent a year and double it by 2010.
- Switzerland will increase its development assistance to 0.4 per cent of GNI by 2010.

Source: OECD/DAC: ODA prospects after Monterrey: Update, Paris, 9 April 2003.

GNI until the end of the next parliamentary period (2005-2009).

- work to ensure that other donor countries increase their development assistance to at least the UN target of 0.7 per cent of GNI, and adopt timetables for such increases.
- work at country level to ensure that development assistance is adapted to the need and capacity of the developing country to implement its poverty reduction strategy.

5.2 Development assistance must reinforce national strategies and poverty reduction

The goal of all development cooperation is that it must reinforce the ability and potential of partner countries to reduce poverty. Most poor developing countries are now preparing national Poverty Reduction Strategy Papers (PRSPs) or similar plans, as described in Chapter 4. These PRSPs enable donors, to a far greater extent than before, to use national plans as the basis for development cooperation, so that development cooperation supports the achievement of the Millennium Development Goals.

Cooperation on national PRSPs means that it is the sum of the country's own efforts and the contributions of aid donors that brings results. It also means that it is the authorities themselves that steer development. National ownership of both the plans and their implementation is an important prerequisite for ensuring that the entire development policy is formulated and implemented in a coherent, systematic manner.

Of course, this does not mean that donors hereafter will be passive sources of financing for all proposals and programmes that can be said to be based on a poverty reduction strategy. As described in Chapter 4, many of the strategies that are now being formulated are incomplete and leave room for improvement. In the Government's view, it is the task of Norway and other development partners to participate in the development dialogue and advocate our views to the authorities. The quality and content of partner countries' PRSPs are always evaluated. Within this framework, there must be agreement between the parties on which parts of the development strategy are appropriate for aid financing.

The poverty perspective in development cooperation

In cooperation with the authorities, Norway and the other development partners are responsible for ensuring that cooperation as a whole contributes to the realization of the Millennium Development Goals and any other national development goals. This does not mean that all development funding must be spent directly on welfare, food and health, or target specific groups of impoverished people. It is the combination of general economic growth, good distribution policy, good governance, investment in infrastruc-

ture, health and education, sound management of natural resources and the environment, and certain more targeted measures that create long-term improvements, also for the poorest people. Individual aid projects will seldom be enough to achieve long-term development, even when they target vulnerable groups.

Many programmes will only be effective in the longer term and in conjunction with other efforts. And many development cooperation programmes will also benefit society as a whole rather than just the poorest people. As a general rule, however, joint development cooperation efforts combined with the country's own efforts will help to realize goals that promote poverty reduction. This also applies in individual sectors: results for the poorest people will be achieved by joint efforts.

The most important objective of development cooperation is to succeed in reducing absolute poverty, i.e. to improve the situation of the poorest part of the population, who live on "a dollar a day" or its equivalent. In practice, it is impossible for all poor groups to experience equally great improvements as a result of development cooperation. But the perspective must be clear: development cooperation must take poverty reduction and the Millennium Development Goals seriously and help to realize them.

Norway's priorities

Efforts to combat poverty must be made on many fronts and in many sectors. In its development cooperation, Norway particularly focuses on the following main elements, which are all crucial factors in the realization of the UN Millennium Development Goals:

Firstly, it is vital that the authorities in developing countries develop good governance by protecting fundamental human rights, promoting democracy and ensuring that the administration is efficient and incorrupt. (This is discussed in further detail in Chapter 6).

Private sector development and trade are also essential in order to provide the economic foundation for employment and income that is necessary for poverty reduction. Since Norway gives priority to the least developed countries, especially in Africa, the Government regards agricultural development as the main driving force in the kind of economic development that will include impoverished people. (Discussed in further detail in Chapter 7.)

It is equally important to develop robust civil

societies that can promote the interests of the population and ensure popular participation in transparent political processes. (Discussed in further detail in Chapter 8.)

In countries affected by violent conflict and war, the most important task of development policy is to support efforts to achieve a peaceful resolution of the conflict and promote lasting peace through reconstruction and other measures. (Discussed in further detail in Chapter 9.)

In addition to this, certain sectors and target groups are crucial in efforts to reinforce the fight against poverty in poor countries, where Norway is qualified to make an effective contribution. This applies to education, health and the fight against HIV and AIDS, following up the Johannesburg Summit, and strengthening the rights of vulnerable groups, such as disabled persons, indigenous peoples and children. (These areas are discussed in further detail in Section 5.7 below.) Efforts to promote gender equality and empower women are a fundamental goal of all development policy and are incorporated into all sectors.

In the sections below, we describe in more detail how the Government works to focus atten-

tion on these priority areas in relevant forums, both internationally and at country level, and how both development assistance and other instruments are used. It is not possible to measure efforts in all areas in terms of the consumption of development assistance funds. Figure 5.3 shows the distribution of total bilateral (including multi-bilateral) assistance between the most important sectors¹ in recent years. It shows that, excluding emergency relief and humanitarian assistance, the biggest priority area for Norway's development assistance – and the sector that has grown the most – is good governance aimed at public administration, civil society, and post-conflict reconstruction. Assistance for education has also increased rapidly, while assistance for health and HIV/AIDS, other social services, private sector development (including agriculture and fisheries) and energy and the environment remains at a high level. The category “other social services” includes many multi-sector projects in local com-

¹ The division into priority areas is based on the international standard established by the OECD Development Assistance Committee (DAC).

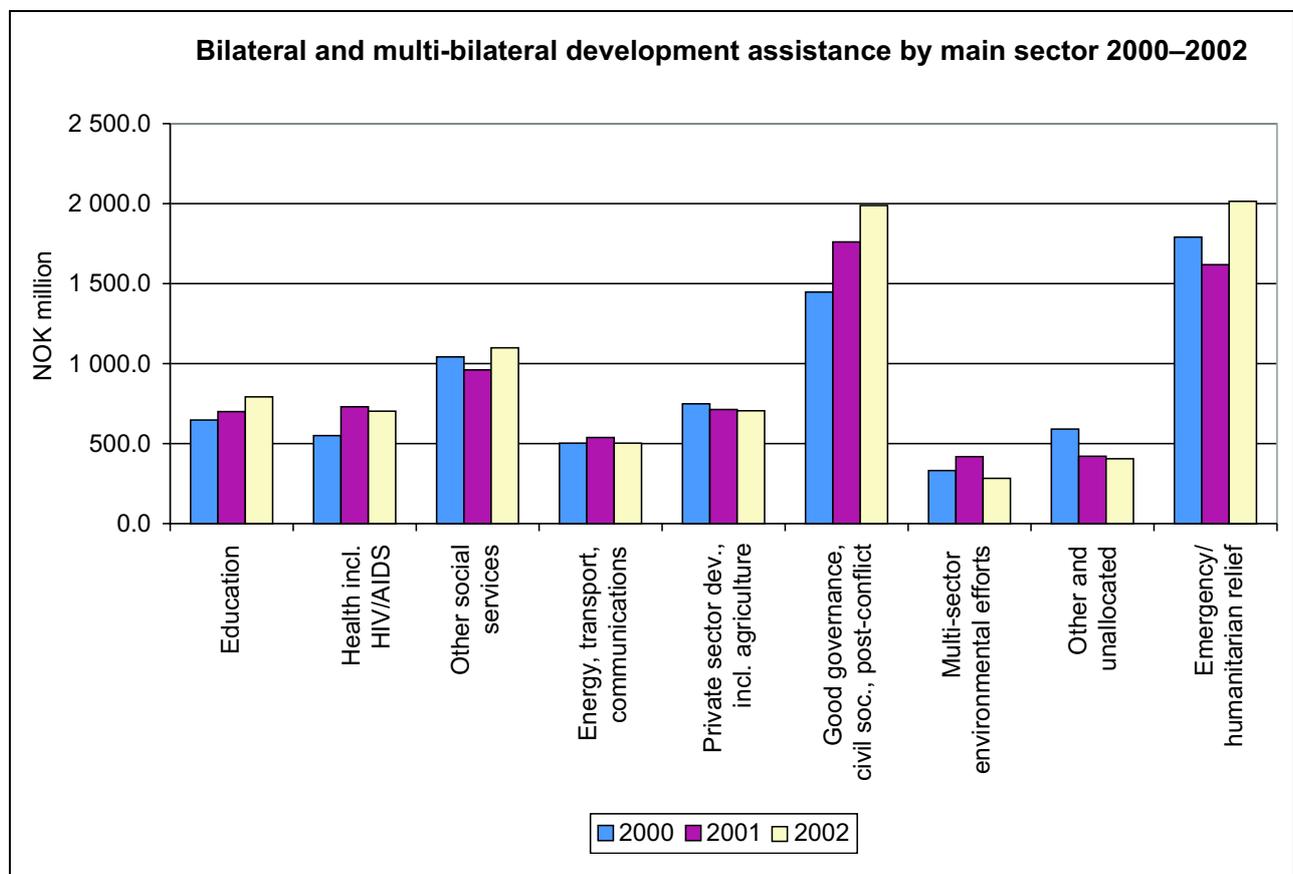


Figure 5.3 Bilateral (including multi-bilateral) assistance, by main sector 2002-2002

munities under the auspices of non-governmental organizations, and the reconstruction of social services after violent conflicts. There will often be annual variations in disbursements for individual sectors due to the content and timetables of the projects, but this does not necessarily mean that certain sectors have deliberately been given higher or lower priority. All in all, the figure therefore illustrates that there is good correspondence between Norway's policies to promote the achievement of the Millennium Development Goals and its priorities in bilateral development cooperation.

The Government will:

- help to ensure that international development assistance is used effectively in relation to the Millennium Development Goals and supports developing countries' own poverty reduction strategies.
- work to ensure that both multilateral and bilateral assistance are based on common efforts to achieve the Millennium Development Goals. At country level, the goal is to help reduce the number of people living below the poverty line. Development assistance can work both directly and indirectly to promote poverty reduction.
- help to reinforce the ability and capacity of authorities, the private sector, non-governmental organizations and the population so that, together and individually, they can achieve lasting improvements and reduce poverty.

5.3 Donor cooperation and new forms of cooperation

Development cooperation – as it has been organized – also entails costs for the recipients. It is still largely fragmented and donor-oriented, and much of it is still organized in the form of individual projects. This fragmentation puts serious strains on the government administration in recipient countries in terms of the demands for separate accounts, separate visits by delegations and specific reports on individual projects. The timing of aid transfers is often unpredictable, and this can cause major problems. Especially in the poorest countries, where the administration has little capacity and serious deficiencies, this leads to an additional and unacceptable burden. The Minister of Finance in Tanzania has received demands from donors for almost 10,000 annual reports on

individual development assistance projects. In Zambia, it is estimated that 1,200 separate donor accounts were established in the central bank in 2003. In Rwanda, the annual contribution from one of the biggest donors came in at 4 p.m. on the very last day of the year. These examples are not unusual. This situation creates unnecessary bureaucracy, unpredictability and poor conditions for the effective use of resources. When we know what resources the country has at its disposal, the situation is even worse. For example, Malawi, a country with less than 11 million inhabitants, has a national budget of NOK 4 billion, one third of the current Norwegian aid budget.

On an individual basis, every project may be useful and important for the people who directly benefit from it, and it may also make a positive contribution as part of a broader sector plan. The division of development assistance between many channels, players and recipients may have led to direct target-group orientation, diversity and creativity. But there are also many other problems arising from project-related assistance, and we should not ignore the fact that it also leads to certain institutions and organizations having a vested interest in development assistance projects because of the “fringe benefits”. This makes it all the more important for donors to act in as coordinated and effective a manner as possible.

It is clear that this fragmentation of development assistance has resulted in inefficiency and inadequate ripple effects. The recipient's sense of ownership is weakened by fragmentation and donor-orientation in development cooperation. Assistance provided in this way is expensive to administer, it takes resources from other important government tasks, and it makes it difficult to focus on the broader development goals. Donor reform is therefore essential.

When recipient countries assume responsibility for their own development and formulate good national development plans and poverty reduction strategies, this means that aid donors both can and should integrate aid-financed measures far better with national programmes, national budgets and their own efforts. There is broad international agreement that development assistance should to a far greater extent be reoriented from individual projects to broader sector programmes, and direct budget support when the situation is appropriate. At the same time, donors are now working more closely on financing, monitoring and reporting. These are the factors that are now called “new forms of cooperation”.

Box 5.2 Bureaucratic overload

A conservative estimate for a typical African country indicates that 600 projects entail 2,400 quarterly reports to be submitted to various aid organizations, and more than 1,000 annual delegations charged with assessing, monitoring and evaluating projects. Each delegation asks to meet key people in the administration, and they all ask the authorities to comment on the reports.

Source: OECD/DAC Harmonising Donor Practices for Effective Aid Delivery, Paris, 2003.

The main goals of the new forms of cooperation are to strengthen the recipient country's genuine ownership, oversight and control of development assistance and common efforts, make development assistance more targeted and effective within a common understanding of what is good development and poverty reduction policy, and reduce the strain on the administrations of developing countries.

Cooperation on more effective use of aid resources

The most important work to harmonize and integrate development assistance takes place at country level. However, it must be supported and encouraged through joint efforts in central organizations, such as the OECD, the UN and the World Bank, and between aid organizations at the central level. At the international level, work is being done to promote greater harmonization between donors and practical cooperation, mainly under the auspices of the OECD Development Assistance Committee (DAC). The Rome Declaration was adopted at a high-level forum that took place in Rome in February 2003, where the World Bank and the regional development banks were co-organizers and where representatives of the UN system took part. This declaration stakes out the course for future harmonization. It strongly emphasizes that development assistance must be provided in accordance with the policies, systems and routines of the recipient country. The representatives of donors at country level should be encouraged to work to achieve harmonization, and should demonstrate a great deal of flexibility in this process.

The commitments made in the Rome Declara-

tion can be divided into four main groups: the responsibility of the recipient country for coordination and leadership; the responsibility of donors to adapt to the recipient country's policy for development and poverty reduction and the recipient country's systems; harmonization of donor activities (delegations, visits, reports, information); and the development of policies and procedures that promote harmonization and alignment. Norway participated actively in the follow-up to and continuation of this work through the OECD/DAC, as well as in harmonization work in many other forums, such as the Strategic Partnership with Africa (SPA). Norway emphasizes that international work on harmonization must support and be realistic in relation to the work that is being done at country level.

The Nordic Plus group of donors (the Nordic countries, the UK, Ireland and the Netherlands) have chosen to formulate a joint plan of action for harmonization instead of the separate national plans that other donors are formulating. One important element in this process is the work of the Nordic Plus donors on harmonizing legal agreements to make it easier to enter into joint agreements between several donors and recipients.

Harmonization and cooperation at country level

In practice, harmonization and donor cooperation take many forms. Cooperation at country level can entail limited joint financing of a single project or coordination of individual projects involving several donors within a sector plan. More extensive cooperation is required to establish a jointly financed sector programme where several donors join forces with the authorities to co-finance a development programme in a specific sector, such as education, health, agriculture or the judicial system, with joint progress plans, reporting, accounting and audits. The most extensive cooperation takes place when several donors provide direct budget support for the central government budget in the recipient country and establish common routines for monitoring and reporting, in parallel with joint measures to strengthen public financial management and control. Coordination can also take place by one or more donors channelling all or parts of their development assistance programme through another donor, which is known as "delegated cooperation". Joint financing through the multilateral organizations can also be carried out by means of jointly financed trust funds or co-financing.

Even without joint financing, a significant amount of harmonization takes place through the preparation of joint routines for negotiations, meetings, reporting, visits by delegations and evaluation. Work is also in progress on establishing joint routines for legal agreements, procurement and tender routines, the use of the recipient country's accounts and audits, etc. Work on sector programmes and direct budget support is discussed in more detail in the next section (Section 5.4). This section concerns the work of harmonization and cooperation in more general terms.

The choice of form of cooperation and assistance depends on many factors, such as the content and quality of the recipient's poverty reduction strategy, the quality of the recipient's management of public finances and the risk of corruption, and the recipient's capacity for administration and reporting. On the donor side, it is largely dependent on the other aid players' willingness and possibilities for coordination. Norway and like-minded countries are actively seeking to harmonize and coordinate their efforts to the greatest possible extent, provided that this is justifiable given the situation in the partner country concerned.

Harmonization also includes active alignment with the recipient's policy for development and poverty reduction, and to the recipient country's administrative routines. This is a major challenge, because there are often serious weaknesses in this area. However, alignment is necessary in order to achieve long-term results, and is an important part of international harmonization efforts. Harmonization only between donors but without alignment will, in the long term, have a negative effect on the recipient's ability to take responsibility for the overall effort to promote development and poverty reduction. Development can only take place if developing countries shoulder this responsibility themselves.

In delegated cooperation, one or more donors channel their assistance through another donor. The delegating donor delegates all dialogue with the recipient and the administrative follow-up to the other donor. This can cover an entire country programme, as in the case of Norway's management of the Swedish country programme in Malawi (see Box 5.3), or individual project or programme support. Even if authority is delegated, Norway (or in the Malawi case, Sweden) retains the responsibility for making decisions on its participation on the basis of a total evaluation. This type of cooperation helps to reduce the total cost

of aid administration. Delegated cooperation is primarily coordination between donors, but may also lead to an efficiency gain for the recipient country as it will have fewer donors to relate to.

Examples of harmonization in practice

The process of harmonization covers a wide field. Not surprisingly, it has made the most headway in countries with a relatively stable political and economic situation where like-minded donors dominate the donor community (such as Zambia, Tanzania, Uganda and Mozambique), while it has made rather less progress in countries with serious political and economic problems (such as Angola).

In Tanzania, where cooperation is based on a good poverty reduction strategy and the authorities themselves encourage coordination between donors, there is a high degree of donor coordination. An important part of this cooperation is related to strengthening Tanzania's administrative system. Norway's assistance for Tanzania is based on a coherent approach entailing discussions on the poverty reduction strategy, evaluation of the national budget, assistance in the form of budget support, assistance for the sector programme for education, and joint programmes in the field of local government reform, the judicial sector, the road sector, rural development and natural

Box 5.3 Delegated cooperation. Norwegian administration of Swedish assistance for Malawi

Since January 2002, Norway has administered all Swedish assistance for Malawi. The joint country programme covers good governance, health, HIV/AIDS and public financial management. Norway and Sweden finance half of the joint programme each. Both Swedish and Norwegian institutions are involved in this cooperation, and the embassy makes use of expertise from both countries.

Delegated cooperation means that, in this case, Sweden delegates authority to Norway to administer its assistance for Malawi. This type of division of labour takes place between Norway and Sweden at programme level in many countries, but it is only in Malawi that it covers all development assistance for a country.

resource management. Norway's policy is to seek joint financing solutions with other donors and follow Tanzania's administrative routines as far as possible.

In Mozambique, 20 out of 28 major agreements are jointly financed and implemented in cooperation with other partners. So far, this has led to a reduction in the workload of the cooperation partner, while for the donors it entails relatively long and sometimes difficult processes to reach agreement on form and content. The lessons learned so far show that this partnership develops and strengthens national ownership, national structures and national procedures. Work will continue on cooperation forums in all sectors and on inter-sectoral topics.

In Nepal, the Nepalese Ministry of Finance recently took over the chairmanship of the general donor forum, which has so far been chaired by the World Bank and the UNDP. Important coordination forums have been established for peace-building, human rights and decentralization. Norway heads the work of donors in Nepal to follow up the harmonization policy, with a view

Box 5.4 Tanzania's strategy for donor harmonization

In 2002, the Tanzanian authorities completed their own plan for how the authorities wish to receive assistance and work with aid donors, the Tanzania Assistance Strategy (TAS). The plan stresses the importance of harmonization and coordination of donor assistance, and of strengthening its own systems and governance to achieve better results from development assistance, and to enable more donor assistance to be channelled through the country's own systems.

This plan provides the basis for harmonization efforts in Tanzania. It is especially positive that the plan also provides the basis for the UN's work in the country, so that it was unnecessary to have a separate planning document for coordination of the UN's own activities. In connection with this strategy, several independent reports have been prepared which highlight both the need for improvements in the authorities' systems and the degree to which donors follow up the recommendations for more coordinated assistance.

to formulating a plan of action. Norway also participates in joint financing of Nepal's Basic and Primary Education Programme.

Although the situation in Afghanistan is very complicated, with a difficult security situation and a large number of players, after an international meeting of donors and authorities in 2003, the authorities initiated a mechanism for improving donor cooperation in priority sectors. Most of Norway's contributions have been allocated to support the Afghan national budget through the Afghanistan Reconstruction Trust Fund (ARTF), which is jointly managed by the World Bank, the IMF and the Asian Development Bank. In the current difficult situation, this appears to be one of the few channels that can promote practical harmonization and recipient control. Norway is therefore making active efforts to persuade more important donors to use this fund.

Box 5.5 Harmonization in practice. Zambia as a pilot country

In the past, Zambia has received assistance for specific projects, but the degree of joint financing is growing. One very important reason for this is the initiative taken by donor countries Norway, Sweden, Denmark, Finland, the Netherlands and the UK in 2002. Ireland subsequently joined this core group of countries. The initiative is called Harmonization in Practice, abbreviated to HIP, and entails commitments on the part of both the Zambian authorities and the donors. Measures include a plan for how Zambia wishes to receive development assistance, greater use of sector programmes, assessment of the possibilities for providing general budget support, and the preparation of joint routines for reporting, planning and control.

Implementing this cooperation is a time-consuming process, not least due to insufficient Zambian capacity. Nevertheless, there is every reason to be satisfied with the process so far. The most important result is the change in mentality. Not only the "original seven" but all donors think and talk harmonization. The World Bank is now a strong collaborator at the local level, and Zambia's president refers to this process in international forums.

The multilateral organizations and harmonization

The multilateral organizations play a central role in harmonization efforts². Multilateral development cooperation is an important contribution to harmonization at the initial stage, since donors join forces to finance a development project through a single organization rather than each making their own bilateral contributions. In practice, however, the multilateral system is also highly fragmented and suffers from a lack of coordination between the various UN agencies. Nor are multilateral organizations capable of administering all types of assistance. They are themselves aware of the need for better coordination and are working to improve it. The UN, the World Bank and the regional development banks all took part in the big harmonization meeting in Rome in 2003 and fully support the commitments made at that meeting.

The World Bank and the IMF have been driving forces in the establishment of Poverty Reduction Strategy Papers as a framework for all international development cooperation, the coordination of assistance in sector programmes and, where appropriate, budget support for their implementation. The World Bank leads the way in many countries to incorporate development assistance into countries' national budgets and establish three-year budget plans for more robust planning of both aid funding and countries' own resources. The regional development banks have often taken part in this process, but have usually been more passive. One obstacle for several of the regional development banks (especially the African Development Bank) and for the IMF is that they are weakly represented in the developing countries and therefore cannot follow the processes so well at country level.

Especially since the UN reform in 1998, the UN system has strengthened cooperation and coordination between the various UN organizations at both central and country level. At that time, a special network, the UN Development Group (UNDG), was established for all the UN agencies that are involved in development, in which the World Bank and the IMF take part as observers. Norway was one of the countries that pressed for the UN reform and for the establishment of the UNDG. At country level, a UN

Development Assistance Framework (UNDAF) has been established in most countries to coordinate the development activities of UN agencies. However, this framework includes only the UN's own organizations and does not cover all international assistance.

At country level, either the World Bank or the UN Development Programme (UNDP) has the main responsibility for coordinating dialogue on development cooperation between donors and the authorities and arranging consultative meetings, round table conferences, development forums or similar mechanisms. In special cases, the multilateral organizations establish multi-donor funds or other financing mechanisms to coordinate or co-finance development programmes.

The UN organizations, and especially the UNDP, formulate their development assistance programmes in close cooperation with the authorities, while the authorities are usually responsible for implementing them. Similarly, the multilateral financial institutions work very closely with the authorities, since it is usually the multilateral financial institutions that provide loans. As a result of all this, both the financial institutions and the UN agencies are in a good position to support and contribute to the formulation of national development policy and poverty reduction strategies.

Nevertheless, in practice at country level, the multilateral organizations' participation in practical harmonization efforts and alignment with national systems varies widely. The World Bank has made the most progress, but both the World Bank and the other multilateral organizations have such extensive, well-established systems of their own for project work, reporting and financial control that it has been difficult for them to integrate their own systems with those of other donor countries, or with the systems of national authorities.

In 2002-2003, the Nordic countries carried out a review of how the World Bank and the IMF followed up the PRSP processes at country level themselves. On the whole, the review showed that they were both constructive partners in this process at country level, although there were also certain criticisms. The ability of both organizations to harmonise procedures varied widely.

The UNDP and other UN organizations have often become rather marginalized in work on poverty reduction strategies, where the World Bank is usually the driving force. They also face a greater challenge as regards changing forms of assistance and working methods. Many UN organizations, such as UNICEF and the ILO, have

² A general description of the multilateral organizations as a channel and partner in development cooperation is provided in Section 5.5.

Box 5.6 The Cities Alliance – cooperation and coordination to upgrade slums

In 1998-1999, the UN Human Settlements Programme (UN-HABITAT) initiated cooperation with the World Bank on a programme to upgrade slums. This resulted in the establishment of the Cities Alliance, in which other UN organizations (the ILO and the UNDP), two regional development banks, ten donor countries and international local government organizations (including United Cities and Local Governments) are equal partners.

A special fund has been established under the World Bank which is used as a basis for agreements with local city authorities in developing countries. The fund is used to give city authorities the necessary expertise to carry out major slum upgrading projects. The city authorities must themselves implement an urban development strategy in binding cooperation with slum-dwellers and their organizations, and in partnership with local private interests. The projects also receive funding, expertise and experience through the bilateral activities of the participant donor countries in the countries and cities concerned. The Cities Alliance strongly emphasizes the importance of mutual learning, whereby the experience gained is disseminated to all participants, and to other countries and cities that are interested.

From 2004, developing countries may also join the alliance, and Brazil was the first member from the "South". South Africa and others are expected to follow suit. The Cities Alliance is thus an example of multi-dimensional cooperation between the World Bank and the UN system, multilateral and bilateral donors, national and local authorities, and local non-governmental organizations. This cooperation has so far proved to be extremely positive.

strong normative roles and act as independent technical advisers for the authorities. They therefore find it difficult to adapt themselves so much to joint programmes that they become anonymous. This is a serious challenge for harmonization efforts.

It is nevertheless clear that, in practice, the multilateral organizations are now making a bet-

ter contribution towards harmonization in development cooperation. This must continue so that it is fully reflected at country level. There is still a long way to go in many places and extensive reforms are required.

Challenges for further harmonization

Harmonization requires a conscious, active effort on the part of both donors and cooperation partners. It takes time for a large number of donors to agree on routines and mechanisms. Since the administrative mechanisms and routines of many recipient countries are still weak, it will be some time before all donors accept them as a basis for their work.

The leading countries in harmonization efforts at international and country level are the Nordic countries, the UK, Ireland, the Netherlands and sometimes Canada. Opinions differ within the EU and work is in progress to achieve a greater degree of internal harmonization. However, several major aid donors, such as the USA, Japan and France, continue almost exclusively to provide more traditional project assistance. For these countries, it appears to still be important to be able to show what their own aid funds have been spent on, while internal administrative rules make it difficult for them to actively participate in harmonization initiatives.

With coordination and joint programmes, no-one can follow the cash flow of a specific donor because it becomes part of a larger financing package. This means that Norway can no longer "plant the Norwegian flag" in front of a school, for instance, because it is the recipient country itself, with several donors, that finances all schools under a more comprehensive education programme. Some donor countries have reservations about assistance from individual countries becoming less visible and believe that it is more difficult to find out whether the funds from a specific donor have been used correctly. The EU's new donor countries are also strongly project-focused. Norway does not share this view since, just like projects, programmes have to be designed in such a way that the results can be monitored. It is a precondition for Norway's participation in donor cooperation that progress reporting and evaluation are carried out as part of such cooperation.

Full joint financing means that the purchase of goods and services is open to public tender, on the basis of the procurement regulations of either the country concerned or the World Bank. Suppli-



Figure 5.4 A market in Madagascar

Source: Corbis

ers compete openly, and with joint financing it is impossible to tie development assistance to the goods or services of a specific donor. Harmonization is impossible without such changes. Some donor countries want to continue to be able to tie aid and therefore refuse to take part in joint financing. Norway advocates continuing to untie aid, but wishes to retain its possibilities for maintaining its institutional agreements and using relevant Norwegian expertise when this strengthens technical cooperation, and provided that this is specifically requested by the recipient.

The Rome Declaration lays down that one important aim of donor harmonization is to achieve better, more effective use of aid funds and lower administrative costs. It is important to implement the reforms in such a way that the work of harmonization does not come in addition to other administrative tasks, particularly for the recipient country. In a transitional phase, such changes may entail more administrative tasks for both the recipient and the donor, so it is important to ensure that this transitional phase is of limited duration.

Coordination means a clearer sectoral division of work between donors if, for example, some donors finance the health sector while others support regional development. Sharing tasks in this way may mean that some donor priorities have to be set aside at country level. Norway strongly emphasizes the importance of effective division of work between donor countries and will channel its bilateral assistance to sectors and areas where there is a need for Norwegian resources and technical expertise, viewed in relation to the inputs of other donors. (Cf. Section 5.8 below on sectoral focus in bilateral assistance).

The Government will:

- intensify its efforts to achieve harmonization in practice at country level
- continue to pursue an active policy to negotiate good, applicable international guidelines for harmonization based on the situation at country level
- further develop the system of delegated cooperation with like-minded countries, but also

Box 5.7 Institutional cooperation and harmonization

The transfer of expertise and experience from Norwegian specialist institutions in the public, private and civil sectors is a central element of development cooperation, and is especially important in countries that are facing major social tasks relating to development and reform processes.

Many Norwegian public institutions have established long-term institutional cooperation with similar institutions in partner countries. Norway's experience so far indicates that a ministry or directorate is well suited to providing technical advice to the partner institution in connection with the development of administration in its own field. The Directorate of Fisheries and the Directorate for Nature Management are examples of two institutions which, through cooperation with their partners in the South, have achieved good results. The transfer of expertise and experience, in the form of institutional cooperation, also takes place within the sphere of non-governmental organizations. For example, the Norwegian Nurses Association works with local players in several countries.

As a result of the growth of larger, more complex sector programmes in development cooperation, development projects within a sector are carried out in a coordinated manner and under an overarching strategy or plan. Among other things, Norway supports a comprehensive education programme in Zambia. In this connection, institutional cooperation has been entered into between the education ministries in Norway and Zambia. The Norwegian Ministry of Education and Research will, among other things, contribute to capacity and human resource development for key personnel and sections in its sister ministry as part of the effort to strengthen that ministry's planning and implementation of the country's education reform. The partner country is responsible for coordinating this cooperation.

enter into cooperation on the division of sectors and roles with other donors with a view to reducing the number of donors partner countries have to deal with

- make active efforts to ensure that donor harmonization leads to simpler administrative procedures, especially for cooperation partners.

5.4 From earmarked assistance to joint support for national programmes

If the authorities of poor countries are to be able to assume responsibility for their own development, they must have greater influence on and ownership of the resources available to them, including development assistance. Donor harmonization plays an extremely important role in achieving this objective, and it is crucial to adapt instruments to this end. This entails a switch from earmarking development assistance resources for individual projects to providing "framework allocations" in the form of either funding for sector programmes or budget support. Reorganizing assistance in this way will enable developing countries to set their own priorities, and assume responsibility for implementation and for reporting on the way resources are used. It is therefore a clear goal for the Government to ensure that a growing share of the development assistance provided to the authorities of Norway's main partner countries is provided in the form of sector programme and budget support, and that financial management and control functions are strengthened. This goal has also been endorsed by the majority of the Storting in several budget debates, including the debate on Proposition No. 1 (2002-2003) to the Storting, cf. Budget Recommendation No. 3 (2002-2003) to the Storting.

Under sector programmes, several donors join forces with national authorities to develop a joint framework programme with joint reporting and follow-up for an entire sector, such as the education sector or important parts of this sector, such as all basic education. Similar sector programmes in the health sector might comprise all primary health services or also include the hospital sector. Donor countries have regular meetings and engage in active dialogue with the authorities to discuss the sector. This activity is often combined with technical assistance and advisory services.

If development assistance for sector programmes is to be more successful than the former individual projects, it is crucial that the authorities take active control of the dialogue with aid donors, and that there is broad consensus on sector policies. As a rule, this means that there must be a long-term sector strategy with clearly defined

goals and targeted results. So far, such strategies have only been drawn up for certain sectors, and not all partner countries have made as much progress. Negotiating good sector programmes with a large number of donors, while avoiding excessive costs in the form of time spent on dialogues, negotiations, planning and follow-up, is a comprehensive, time-consuming process. Sector programmes require that both donors and authorities set realistic goals, and technical assistance is often required to ensure that the programmes are well implemented.

One form of joint donor financing is to place all resources in a joint, but separate account, or to channel them through the country's national budget as earmarked funds. Some donor countries prefer to finance certain elements of a sector programme, as part of overall programme funding. The objective is for development assistance for sector programmes to be administered as far as possible in combination with the authorities' own resources on the basis of an overall ranking of priorities. Within the framework of sector programmes, joint targets are set, an overall budget is drawn up, and an agreed set of progress reports and evaluations are prepared, along with joint accounting and auditing routines. This ensures that implementation is focused on results.

In principle, given the right conditions, budget support is the form of development assistance that most effectively underpins a country's development strategy. This type of support helps to strengthen the national budget's function in coordinating and steering political priorities and to focus attention on overall government activity, in the same way as Norway's national budget. Budget support gives the authorities greater ownership of and responsibility for the effective utilization of development assistance, while donors monitor the use of budget funds and take part in a dialogue with the authorities on overall policy, the implementation of poverty reduction strategies and macro-reforms. This form of support entails far stronger focus on public financial management and is usually combined with technical assistance and other measures to strengthen such management. As a rule, systems are established whereby donors and authorities jointly monitor the use of resources through the national budget, as well as the results of such use.

In many countries, budget support will contribute towards expanding public services in impor-

tant areas such as primary health services, basic education, rural roads or the agricultural sector. The support is usually combined with further reforms, measures to strengthen and rationalize public administration in general and public financial management in particular, which assures control and audit routines and the autonomy of the supreme audit institution. Simplifying and rationalizing the administration of development assistance is an important target, which is achieved when the individual projects of many different donors are replaced by a joint budget support programme.

Sector programmes and budget support have been used before as forms of development assistance. As early as 1976-77, an agreement was entered into between the Nordic countries, the UN Food and Agriculture Organization (FAO) and Mozambique on a broad-based sector programme for rural development that covered most of the agricultural sector and lasted for more than ten years. Similarly, from 1971 and for several decades thereafter, Norway provided support for one of the major Indian programmes for mother-child care and family planning. Various forms of cooperation were established in the 1990s, before the more formalized sector programmes were developed.

Other forms of budget support, such as commodity aid or import support, have been provided since the 1970s. Norway also contributed more general balance-of-payment support and extra grants in connection with structural adjustment programmes in the 1980s and 1990s. Budget support for countries such as Mozambique and Tanzania has in practice developed from these earlier types of support. Debt relief is also a form of budget support, since it enables countries that previously had to service debts to use the money for other purposes. In some countries, the most important object of budget support is to reduce the budget deficit, thereby lowering inflation and interest rates and offering greater access to credit for business and industry at national and local level. While some of the fundamental macro-economic conditions that were set in connection with the structural adjustment programmes are still included among the conditions for budget support, the new types of budget support are usually linked to poverty reduction strategies and are provided by donor countries to support the implementation of these strategies.

Current use of sector programmes and budget support

Norway currently provides support for sector programmes in all its main partner countries and Vietnam, primarily in the health and education sectors, where most progress has been made in establishing this type of joint sector programme. Norway is also engaged in efforts to establish joint sector programmes in the justice, agricultural, energy, fishery and road sectors, as well as for rural development and local government in some countries.

Norway contributed a total of around NOK 400 million in direct budget support (excluding debt relief) in 2002, and approximately NOK 200 million for sector programmes. This accounted for over 25 per cent of government-to-government assistance in 2002, and around 7 per cent of total bilateral assistance. Norway intends to further increase both sector programme and budget support in the coming years.

In countries that are or have recently been at war, direct budget support is currently utilised as an important means of establishing a credible system of public administration, and as a contribution towards the process of nation-building or peace-building. In such countries, as a rule, it is politically important to support the reconstruction of key government functions and basic public services in order to stabilize and reinforce the peace process. This applied, for instance, in the case of budget support for Mozambique in the early stages, and currently for Afghanistan. The authorities of such countries cannot be expected to have drawn up comprehensive plans and strategies for poverty reduction, and will often have weaker administrative systems. A somewhat higher level of risk must also be expected in such circumstances than in partner countries where conditions are more stable. However, in the latter countries, too, it is necessary to control and monitor the use of budget support. In several cases, therefore, Norway has chosen to support multi-donor funds administered by a multilateral organization that assumes responsibility for managing contributions jointly with the new government.

Budget support is provided on this basis to Afghanistan, the Palestinian Area and East Timor for nation-building, reconstruction and peace-building. In two of these cases, Norway channels its contribution through a multi-donor fund. Multi-donor funds have also been established jointly in Iraq by the World Bank and the UN. In Afghanistan and the Palestinian Area, budget support

Box 5.8 Sector programmes. Example: The education programme in Tanzania

The sector programme for education in Tanzania was initiated in 2001. The programme will run until 2006 and is financed by the Tanzanian authorities and a number of donors. The programme strategy and plan of implementation were drawn up jointly by the authorities and donors. The programme comprises all support for the sector, including funding provided by bilateral donors, the World Bank, multilateral donors and aid-financed non-governmental organizations. Joint reports on results are prepared for all donors. The development assistance channelled through non-governmental organizations goes directly to the projects, while the support provided by bilateral donors is channelled through the authorities' financial management systems, and the funds are subject to a special audit.

from Norway and other donors has helped to stabilize the government administration and provide certain basic public services under very difficult circumstances. The situation in East Timor is gradually stabilizing, and developments there may soon make it possible to provide budget support on more ordinary conditions.

Both Norway and other donor countries contribute budget support to other partner countries where conditions now appear to be favourable, seen from an overall perspective. Most partner countries prefer development assistance in the form of direct budget support, if such support is provided under clear conditions and is predictable. All aid donors set such conditions, which are therefore negotiated with each individual country. Before Norway provides further budget support to a partner country, an assessment must be made of the governance situation, the authorities' willingness to implement their poverty reduction strategy, and the quality of public financial management. Risk factors must be assessed in relation to targeted results. Such assessments are normally carried out in cooperation with other donors. As a rule, Norway only provides budget support jointly with other donors, one of which is usually the World Bank. Norway also attaches considerable importance to the analyses and assessments of the International Monetary Fund

(IMF) of the country's macro-economic policy and financial management in this context.

At the start of 2004, Norway had agreed to provide budget support to four of its main partner countries, Malawi, Mozambique, Tanzania and Uganda. In all these countries, Norway is a member of multi-donor groups that work closely with one another and with the World Bank and the IMF in following up the support. Budget support for Mozambique and Tanzania has developed over a long period of time, cf. Box 5.9 on budget support in Tanzania. Budget support for Mozambique was assessed and criticized by the Office of the Auditor General in autumn 2003. The report of the Office of the Auditor General is to be debated by the Storting (Document No. 3: 6 (2003-2004)). The Ministry of Foreign Affairs has taken note of this criticism, and has carried out a number of measures to improve the quality of budget support in future. Support for Malawi was suspended from 2001 to the end of 2003 due to deficiencies in the country's economic policy and financial management. An agreement on budget support for Uganda, particularly earmarked for poverty-oriented budget items (Poverty Action Fund) was entered into in 2002. The experience gained in all countries underscores the importance of multi-donor cooperation and active follow-up by Norway. Marked progress has been made in all countries as regards orientation of the national budget towards priority poverty reduction objectives, and there is strong focus on improving public financial management. In the light of this positive experience, budget support is now being considered in more partner countries.

The switch to jointly financed contributions for national sector programmes and national budgets means that Norway cannot monitor its own contribution in the same way as individual projects. This means that performance reporting, budget control and quality assurance must be carried out jointly by the recipient country and the donor group. (This is discussed in further detail in Chapter 10).

Multilateral organizations and new forms of development assistance

Multilateral financial institutions, especially the World Bank, play an important role in instigating the establishment of sector programmes and budget support. The World Bank is the largest global contributor of support for health and education, which is often channelled into sector programmes

Box 5.9 Budget support for Tanzania

A joint budget support mechanism has been established for Tanzania, in which 13 donors including the EU and the World Bank participate. Based on the country's poverty reduction strategy, a number of measures have been defined for implementation. Framework conditions for the private sector are to be improved, the authorities are to allocate sufficient budget funds to sectors such as education and health, public financial management is to be improved, there is to be continued focus on combating corruption and a number of social indicators are to be improved. The measures are very concrete and measurable, and authorities and donors meet three times a year to assess progress. Donors disburse funds on the basis of the results achieved.

where such programmes have been established. In 2001, the World Bank launched a new form of budget support, Poverty Reduction Support Credit (PRSC), to bolster the implementation of poverty reduction strategies. This support replaces the bank's former structural adjustment loans. The Bank is in the process of formulating a permanent policy for loans to support policy implementation. One of the issues being discussed is whether the World Bank can change its former policy and increase the proportion of total lending for non-earmarked budget support to more than 30 per cent. As mentioned above, there is usually close cooperation and, in some cases, joint agreements on budget support between the World Bank and bilateral donors. However, there are also certain differences, partly because the Bank's mandate does not allow it to take such explicit account of political governance assessments as the bilateral organizations.

The regional development banks make use of similar mechanisms. Since 1999, the IMF has also converted its former structural adjustment loans (ESAF) into a revised mechanism to support poverty reduction and economic growth (PRGF).

The UN system has experienced far greater problems in adapting to the new forms of development assistance. Some of the organizations, particularly the UN specialized agencies, are mandated to serve in an advisory capacity and play a pro-

active international role in promoting international norms and standards that are not always incorporated into national policies. Furthermore, there has been a certain amount of opposition to donor harmonization in organizations such as UNICEF, which has pointed out that the organization is not a traditional donor and is dependent on a certain degree of visibility in order to be able to mobilize resources. The Government's view is that the multilateral organizations must reduce the number of projects to which they contribute and promote clearer national ownership. Sector programmes are a good means of achieving these objectives. The UN must participate in sector programmes by contributing independent technical advisors, and will play an important normative role in shaping new forms of development assistance. As a consequence of the reforms in the UN's development organizations, the Government expects to see significantly improved results in this field.

Continued project support

It is neither possible nor desirable to convert the bulk of development assistance to these "new forms of development assistance" in every country. Government-to-government assistance currently accounts for only 27 per cent of total bilateral development assistance. Several of the countries in Asia and large countries like South Africa and Nigeria often prefer project financing which they then incorporate into their own plans. As a rule, such countries are also better equipped to deal with a wide range of projects. In other countries, the system of public financial management does not yet have sufficient capacity to manage extensive international assistance. And even in partner countries where good national sector programmes have been established, these programmes so far encompass few sectors other than health and education. Norway supports efforts to expand the number of sector programmes and to improve financial management, thereby making it possible to provide sector and budget support to more countries. Most of Norway's partner countries in the low-income group should aim for this type of orientation.

Partly for these reasons, ordinary project support will still be widely provided in the years ahead. All development assistance channelled through non-governmental organizations is project-based, as is all multi-bilateral assistance and the support provided directly to business and

industry. All emergency relief and humanitarian assistance are organized in the form of projects, as is support for promoting democracy and human rights and for reconstruction in the Balkans. Most of the assistance provided through multilateral organizations is still project-based, while the development banks in particular are increasingly switching to new forms of assistance. These new forms are increasingly being used in government-to-government assistance, but for the time being over 50 per cent of this type of assistance is provided for individual projects.

Furthermore, it is easier to carry out activities of a more experimental nature and to introduce new initiatives on a trial basis in the form of projects. Such projects can, for instance, lay the foundation for subsequent large-scale expansion in the form of a sector programme. Many activities that target special or marginalized groups are often carried out as projects run by non-governmental organizations. Individual projects funded through non-governmental organizations are not necessarily a burden for central government authorities, since they can largely be agreed on and implemented at the sectoral or district level.

In the past few years, moreover, new international funds such as the Global Alliance for Vaccines and Immunization (GAVI) and the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM) have been established with contributions from large companies, private donors and government funds.

The Government will:

- work systematically to enable partner countries to manage national programmes and budgets, so that Norway and other donors can switch to new forms of development assistance to a greater degree.
- seek to ease the burden on partner countries by switching to new forms of cooperation on development assistance.
- in cooperation with recipient countries, assess the extent to which project assistance can be used to pave the way for a broader sectoral approach in the longer term.
- in countries where conditions make this possible, encourage the authorities to seek to establish sector programmes in as many areas as possible, and advocate that a maximum of Norwegian and international development assistance be incorporated into such national programmes.

Box 5.10 Many channels and partners in development cooperation

The UN system comprises development funds and programmes such as the UN Development Programme (UNDP), the UN Children's Fund (UNICEF), the UN Fund for Population Activities (UNFPA), the World Food Programme (WFP) and the UN AIDS programme (UNAIDS), specialized agencies such as the World Health Organization (WHO), the International Labour Organization (ILO), the Food and Agriculture Organization (FAO) and the UN Educational, Scientific and Cultural Organization (UNESCO), and emergency relief and refugee organizations such as the UN High Commissioner for Refugees (UNHCR) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

Multilateral financial institutions include the World Bank and the International Monetary Fund (IMF), but also the regional development banks for Latin America (IDB), Africa (AfDB) and Asia (ADB) and special funds such as the International Fund for Agricultural Development (IFAD).

Within the framework of government-to-government cooperation, Norway provides support for a large number of government institutions that include ministries, directorates, semi-governmental institutions and local district administrations. In some cases, institutional cooperation has been established with counterpart Norwegian government agencies.

The spectrum of non-governmental and voluntary organizations is even broader, ranging from large international development organizations like Oxfam, Care, Plan, the International Red Cross Federation and the Redd Barna (Save the Children) alliance, to women's and environmental activist groups, and missionary organizations, professional associations, sport and cultural organizations and, more recently, media and political parties.

There are also a growing number of stakeholders in business and industry, such as investment funds, training institutes, technical and financial advisory services and microfinance organizations.

5.5 Effective development assistance: Use of stakeholders and channels

A wide variety of stakeholders and cooperation partners are involved in both Norwegian and international development cooperation. Norway channels contributions through multilateral organizations such as the UN and development banks, directly through government-to-government cooperation, through non-governmental organizations and institutions, and through business and industry. (See Box 5.10.) The many stakeholders represent a sum total of knowledge, experience and diverse approaches that can multiply the possibilities of bringing about positive changes in a complex world.

The multitude of different stakeholders may be confusing and at times stakeholders may overlap one another and compete for funds and visibility. In practice, however, they also collaborate to a significant degree and coordinate their efforts. However, the different roles they play are not always equally clearly defined. Some non-governmental organizations carry out projects and programmes almost as if they were consultancy firms, while others seem to be implementing their home country's foreign policy. Some UN organizations compete with non-governmental organizations on the fundraising market. It has therefore become more difficult to perceive the dividing lines between them, and there is a greater need to control the use of the various channels.

Figures 5.5 and 5.6 show how the total volume of Norwegian development assistance and the support provided through NORAD, which mainly administered long-term bilateral development assistance, was divided between the most important channels in 2002.

Government-to-government development assistance

The central government in developing countries plays a vital role in building the nation, organizing social development and laying the foundation for economic growth and development. Government-to-government assistance can channel Norwegian assistance into key sectors and processes in partner countries, and forms the core of Norway's dialogue on development with the authorities of partner countries. Government-to-government cooperation makes Norway an active partner in the

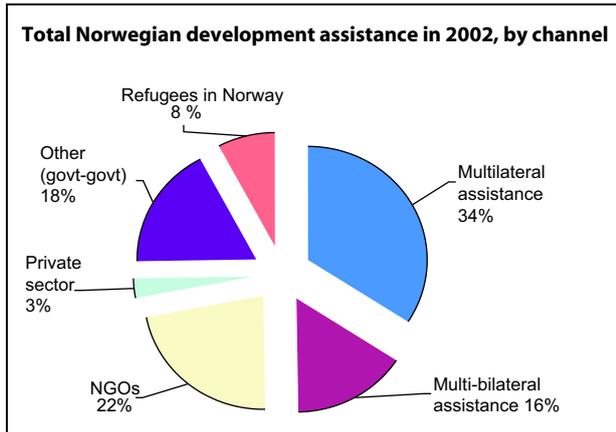


Figure 5.5 Total Norwegian development assistance in 2002, net (excluding administrative costs), by channel

development dialogue on macro-economic policy, civil service reforms and important sectors of society. Experience has shown that Norway is listened to, not only because of the volume of development assistance we provide but also because Norway brings relevant experience and know-how to the development assistance dialogue at country level. The social model that Norway and the other Nordic countries have developed, characterized by a mixed economy and extensive cooperation between the private sector, the central government and non-governmental organizations, continually attracts the interest of developing countries and international organizations.

Up until the late 1980s, bilateral assistance for public institutions and activities in partner countries formed the core of Norway's bilateral development assistance. In 2002, government-to-government assistance allocated from budget chapters for long-term assistance accounted for around 12 per cent of total development assistance (excluding administrative costs), and around 18 per cent if support for official institutions for peace-building, democratization and human rights is included.

Helping to establish and reinforce key public administrative responsibilities and functions is an important part of government-to-government cooperation. For many years, Norway has contributed towards establishing better administrative systems in the fishery, petroleum and other sectors, and towards important official functions such as decentralization, environmental management and the compilation of official statistics. More recently, Norway has increased its support for

institutions that support the promotion of democracy and human rights, anti-corruption measures and measures to improve public financial management. Inputs of this kind are only possible in cases where long-term cooperation with the authorities has been established on the basis of mutual respect and trust.

Bilateral cooperation offers good opportunities to mobilize a broad range of Norwegian resources to promote development. Although more instruments will be utilized, government-to-government cooperation will be a cornerstone of development cooperation with Norway's main partner countries. In the other partner countries, Norway's inputs will be limited to more strategic contributions linked to priority areas for Norwegian development and foreign policy. Through its bilateral work, Norway also acquires experience that is valuable in following up development issues at the international level.

The multilateral organizations

The UN system and development banks are vital channels for efforts to implement the Action Plan for Combating Poverty in the South. Considerable importance is also attached to the multilateral system in the Government's overall foreign policy. It is through international cooperation that Norway can help to meet international challenges.

In 2002 a total of about 34.1 per cent of total development assistance (excluding administrative costs) was channelled to multilateral organizations or their global programmes as general funding. In addition, some 15.5 per cent was allocated to "multi-bilateral" activities (including debt relief), i.e.

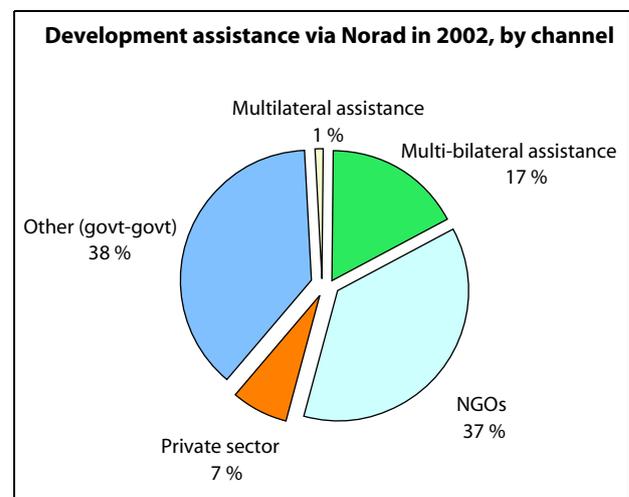


Figure 5.6 Development assistance through NORAD 2002, by channel

earmarked projects in individual countries where a multilateral organization is responsible for implementation. Thus a total of close to half of all development assistance was channelled through multilateral organizations in 2002, which is in line with the goals set for the use of multilateral channels.

Multilateral organizations have a significance that far exceeds transfers of resources. They play a crucial role at both the global and national level as forums for development policy debate and in formulating development policy principles, setting global standards and establishing conventions and plans of action, and by providing extensive advisory services and technical assistance. At country level, the World Bank and the UNDP in particular lead the way in coordinating the efforts of development assistance donors and in the joint dialogue with national authorities. In many developing countries, multilateral organizations also make a very valuable contribution towards strengthening public institutions and their capacity to provide services for their population.

Through multilateral assistance, donor countries can also help other impoverished countries besides those with whom they have established bilateral development cooperation. This counteracts the tendency among bilateral donors to flock around particularly popular recipient countries, while forgetting others. Our common commitment to contribute towards achieving the Millennium Development Goals applies to all countries. Multilateral development assistance may also be easier for developing countries to administer if the alternative means that even more countries provide assistance through bilateral programmes.

The UN system and UN reform

The UN system is unique by virtue of its universal presence and broad mandate, which ranges from peace-building, conflict resolution and human rights to humanitarian assistance and long-term development. Furthermore, it is only through the UN that we can establish global frameworks and standards. The UN system is perceived by most countries as a neutral advisor and partner, which enables the UN to raise issues that are often difficult for bilateral and other organizations to bring up. Developing countries are in a clear majority in the UN, and consequently the meaning of the term “development cooperation” is often more genuine in multilateral development assistance than in much of the traditional bilateral aid.

Norway attaches great importance to reinforcing the role of the UN system in development policy. It is therefore crucial that the UN agencies, together and individually, are efficient, competent organizations that carry out their core mandate and contribute to a concerted effort to realize the Millennium Development Goals. Unfortunately, many of the agencies are regarded as being ineffective, with inadequate expertise and resources to fulfil their roles as standard-setting advisers at the global and national levels, and to contribute effectively and substantially to the development process at country level. However, the agencies differ considerably, as does the way they function at country level.

If the UN system is to be able to play a more pivotal role and carry out its global functions, the reform processes that have been underway for the past 15 years must be continued and intensified. More sweeping reforms than those that have been carried out so far are required. The Nordic countries cooperated on two earlier UN reform packages in 1991 and 1996. These reforms had relatively substantial support on several points, including strengthening cooperation functions in the UN in general, increasing the efficiency of the executive boards of UN funds and programmes, and the introduction of a common framework for UN activities at country level. Nonetheless, there are still several major areas in which the proposed reforms have not been supported, such as a more suitable management structure, a clearer role for the UN Economic and Social Council (ECOSOC), improving the ability of the UN system to provide assistance at country level, and a new financing model that can ensure more stable, predictable resources for the UN’s development work based on a reasonable system of burden-sharing.

The Government is currently working to promote three main reforms of the UN’s development system, in close cooperation with like-minded donor countries in the Utstein network. These reforms are, firstly, to create a better, more coherent and integrated UN at country level; secondly, to achieve better management and policy development at central level; and thirdly, to ensure a greater flow of stable, predictable resources for the UN’s development work.

Coordinating the UN system and achieving better interaction between the UN system and other donors, particularly at country level, is one of the biggest challenges faced by the UN. One main weakness is that the UN’s local coordinator, who is responsible for facilitating coordination in

each country, has neither the resources nor the formal authority to perform this function optimally. The UN “country team”, which comprises all the UN organizations on the spot, can make a constructive contribution to cooperation within the UN system. However, it is essential to develop a far better framework of cooperation and to coordinate the development programmes of the World Bank and the UN at country level, together with bilateral donors, in order to ensure the harmonization of all donor inputs.

The second main challenge is to simplify the management structure of UN funds and programmes. The Millennium Development Goals have made it necessary to adopt a more integrated, coherent approach to development issues. At the same time, development issues must be seen in conjunction with humanitarian issues and conflict resolution. Although the executive boards of UN funds and programmes are now functioning better individually, overall coordination leaves a great deal to be desired. Norway will continue its efforts to promote the establishment of integrated teams at regional level, comprising representatives of the most important UN development organizations in order to ensure good service for developing countries.

The third main challenge lies in the fact that the UN’s development work is clearly under-financed in relation to the tasks to be carried out. Less than ten per cent of global development assistance is channelled through the UN system’s development activities. This means that the UN has not been given the necessary resources to make full use of its advantages. Furthermore, member countries are demanding that the UN play an active role in a number of new areas, but are not allocating sufficient budget funds. The lack of predictable financing has made it difficult for the UN to plan its level of activity over a period of several years. Moreover, only a few countries have assumed responsibility for shouldering the burden of UN development activities financed by voluntary contributions. This results in heavy dependency on a small number of large donor countries. The six Utstein countries alone – Canada, the Netherlands, Norway, the UK, Sweden and Germany – contribute around half of the UN’s voluntary development funding.

Norway has therefore initiated international action to ensure that the UNDP receives USD 1 billion in annual core funding, as a first concrete step towards improving the UN’s development resources. This initiative has been spurred by the

fact that the organization has undergone substantial reforms in the past few years. In the longer term, it is important to ensure that the priorities imposed on the UN system’s development assistance activities by UN member states correspond more closely to the resources made available by the same member states. Norway is therefore interested in promoting the establishment of a joint donor forum with UN funds and programmes that can help to assure more stable, predictable contributions.

Multilateral financial institutions

As the most important sources of financing for the poorest countries, multilateral financial institutions play an essential role in international development cooperation. The term “multilateral financial institution” covers the International Monetary Fund (IMF), the World Bank, a number of regional development banks and the International Fund for Agricultural Development (IFAD). Norway is a member of three regional development banks: the African Development Bank (AfDB), the Asian Development Bank (ADB) and the Inter-American Development Bank (IDB). The Asian and Inter-American regional banks are bigger sources of financing for development activities in their respective regions than the World Bank. Both the World Bank and the IMF have formal status as specialized UN agencies, which the regional development banks do not. Norway has actively sought to promote closer cooperation between the individual regional development banks and between the banks and the UN system. This is now being achieved as one of the important, positive results of the International Conference on Financing for Development held in Monterrey in 2002. This was the first occasion on which all the multilateral financial institutions and the UN collaborated on an international conference on financing for development.

The primary objective of development banks is to reduce poverty. In recent years, they have become increasingly important arenas for discussing development policy issues. The institutions are also important centres of knowledge, and play a growing role in establishing basic principles in the development debate. The World Bank’s and the IMF’s joint Development Assistance Committee plays an increasingly pivotal role as a forum for international development policy negotiations and a standard-setter. The Committee, which convenes at ministerial level twice a year, addresses

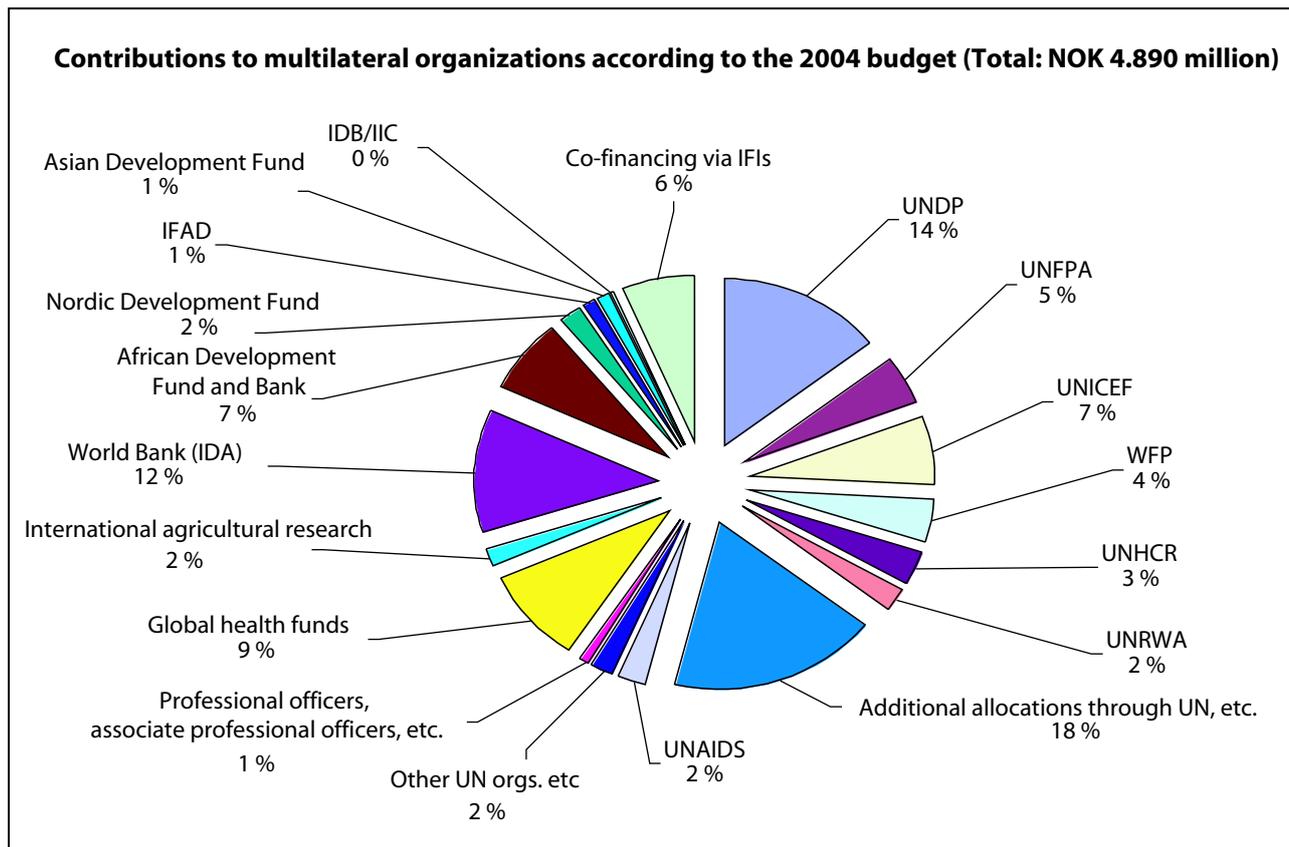


Figure 5.7 Norway's contributions to multilateral organizations. Budget for 2004

general development policy issues of significance for the activities of both the World Bank and the IMF. The HIPC Initiative, the debt relief scheme for the poorest, most heavily indebted countries, and the introduction of the requirement of national, poverty-oriented development strategies as a basis for debt relief and development assistance are examples of measures initiated by the Development Assistance Committee.

The development banks are all largely organized along the same lines. Member countries contribute basic capital in accordance with specific criteria. Only a small part of the capital is paid into the bank. Most of the capital is in the form of guarantees. This gives the institutions creditworthiness that enables them to borrow money on the international financial market on the very best terms. This in turn benefits developing countries with low creditworthiness, since the development banks grant them loans on the same favourable terms. These countries would not have obtained such terms on their own on the international capital market. Thus the development banks act as an intermediary between the developing countries and the international capital market.

Furthermore, all the development banks have special funds for financing development on highly concessional terms, reserved for the poorest countries that are unable to service loans on market terms. The loans in question are interest-free and have a loan period of 40 years and a long grace period (10 years). Most of this financing is provided in the form of contributions paid in by donor countries, based on negotiations that determine the way the financing burden is to be shared between the contributing countries. Norway's contribution to the development banks chiefly consists of payments to these special development funds in accordance with the results of international negotiations, which are approved by the Storting. The previous replenishment of capital in the International Development Agency (IDA) was carried out in 2002, as described in Proposition No. 33 (2002-2003) to the Storting, cf. Recommendation No. 83 (2002-2003) to the Storting.

The International Development Agency is the World Bank's mechanism for providing loans on reasonable terms to the poorest member countries. The 13th capital replenishment (IDA 13) was completed in 2002 with a total capital base of

USD 22.9 billion. Norway's share of the replenishment totals NOK 1.75 billion, equivalent to 1.52 per cent of the replenishment, to be paid over a period of three years. A new development in relation to previous replenishments is the fact that 18–21 per cent of the funds are to be provided in the form of an outright grant. This raises the issue of how to cover "losses" arising from the future failure of recipients of assistance from the Fund to repay loans. Norway is making active efforts to ensure that this issue is included in the negotiations on the 14th replenishment, which began in February 2004.

The day-to-day activities of each development bank are headed by an executive board. Norway is represented in the World Bank by a constituency group comprising representatives of the Nordic countries and the Baltic States which share an executive director (member of the Board). The countries with the largest economies must contribute the most to the basic capital and their votes carry the most weight in the governing bodies. In practice, however, small countries can exercise considerable influence on the institution's decisions, since the executive boards very seldom put matters to a vote. As a rule, resolutions are adopted on the basis of a negotiated consensus. Norway actively seeks to strengthen the influence of developing countries on the World Bank's Executive Board. (See also Chapter 3). In all the regional development banks, developing countries as a group constitute a majority on the Executive Board. Here too negotiations and the consensus principle apply as far as possible.

The World Bank is by far the largest international development institution and the only development bank with a global mandate. The Bank has 184 member countries, with East Timor as the most recent nation to become a member. The World Bank group also comprises the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). These institutions have separate capital bases and staffs, and provide member countries with different forms of support for private sector development. The IFC grants loans and contributes equity capital to private companies in developing and middle-income countries. The MIGA guarantees private investments against non-commercial (political) risks. Both institutions provide extensive analytical and advisory services to borrower countries.

Long-term investment loans have traditionally accounted for around three fourths of the World

Bank's lending. These loans have been used to finance specific projects in areas such as infrastructure, education, health and the environment. Previously dominated by infrastructure projects, the Bank's lending has shifted in the past 10–12 years to focus more strongly on the social sector, health and education. Today the World Bank is the largest external provider of financing for education, health and HIV/AIDS programmes in developing countries. Only about one fourth of the loans have been linked to economic reforms in the same way as the former structural adjustment loans. These loans have now been replaced by budget support and other loans to support national poverty reduction strategies, as described in Chapter 4 and Chapter 5.4, and in Proposition No. 33 (2002–2003) to the Storting, cf. Recommendation No. 119 (2002–2003) to the Storting.

The World Bank has played a growing role as a knowledge bank, partly because it is able to attract well-qualified staff from a wide range of professional disciplines. In recent years, the Bank's research department has presented reports and studies which have had a significant impact on the development policy debate. The World Bank has also been assigned several important functions that are more closely related to foreign policy in the past few years. The role of the Bank as secretariat for the Norwegian chairmanship of the Ad Hoc Liaison Committee in the Middle East process is one example of such functions. Another example is the role played by the Bank in Bosnia following the Dayton Peace Accords. The Bank's research and analysis work is currently focused on the transition between violent conflict and stability in a country, and is supported by Norway and other countries. As a result of this trend, the Bank now often works closely with the UN in the early stages of measures to stabilize countries emerging from conflict, such as East Timor, Afghanistan and Iraq.

The Government will continue to emphasize the importance of strengthening the role of development banks as development institutions with a focus on poverty reduction in practice. The banks should further develop their support for national poverty reduction strategies and facilitate genuine national ownership of such efforts, and must base their overall activities in a country on these strategies. The World Bank must make the necessary changes in its own procedures to enable it to participate to the fullest extent in joint financing of sector programmes through national authorities. Quite a few changes will be required

to make the Bank sufficiently open and willing to participate in the process of harmonizing efforts at country level in all countries. The regional development banks must intensify their efforts to make a constructive contribution to harmonization and coordination at country level. Moreover, it is important to establish broader, deeper cooperation between the World Bank and the IMF, the regional development banks and the UN system with a view to maximizing the overall poverty-reducing effect of the multilateral system's work at country level.

The Government will continue its efforts to ensure that important cross-sectoral topics such as the environment, gender equality, peace-building and good governance are taken into account in the activities of the development banks, to underpin the banks' focus on education and health, and support the banks' work to promote private sector development and sustainable urban development in poor countries.

The Government advocates further intensifying the interplay between the activities of the development banks and Norwegian bilateral development assistance, and drawing on the experience gained in bilateral work to establish the best possible basis for participation in the banks' governing bodies. Nordic cooperation and other forms of alliance-building, particularly the Utstein Group, will be actively used to influence both the World Bank and the regional development banks.

Effectiveness and results in the multilateral system

Responsibility for reporting and evaluating activities lies primarily with the multilateral organizations themselves, and Norway and the other member countries participate in the governing bodies that are responsible for ensuring that the organizations fulfil their mandate as effectively as possible. To achieve this, the reports prepared by the organizations themselves must be supplemented by independent evaluations and assessments carried out by member countries. Norway has initiated systematic cooperation with other donor countries to review the activities of multilateral organizations and the results achieved at country level. The six Utstein countries, along with Denmark and Switzerland, form the core of an informal network called the Multilateral Organizations Performance Assessment Network (MOPAN).

In 2003 Norway coordinated the first multilateral review of the inputs of six multilateral organizations in the health sector in seven partner coun-

tries. The study covered the WHO, UNICEF, the World Bank and the African Development Bank. On Norway's initiative, a new study will be carried out in 2004, which will focus on the contributions of the UN system and the development banks to the harmonization and coordination of efforts relating to national poverty reduction strategies. The results of this study will be followed up in the governing bodies of the respective organizations.

A similar study was conducted jointly by the Nordic countries in 2002-2003 to assess how the World Bank, the IMF and the regional development banks supported efforts to implement poverty reduction strategies at country level and adapted their own development assistance programmes to the priorities defined in these strategies.

In future, the Government will base its allocation of support to multilateral organizations even more clearly on the way the organizations contribute to achieving the Millennium Development Goals within the framework of their mandates. Importance will be attached to assessing the effectiveness of the various organizations, but also to the degree to which the organizations actively promote donor harmonization and rationalization. The Government will consider increasing Norway's support for the multilateral organizations that most actively strive to achieve coordination and implement reforms. This is the reason why the UNDP, which is also responsible for coordinating the UN system at country level, is now receiving more funding from Norway. It may also result in reduced funding from Norway for certain other organizations.

These criteria do not mean that organizations that have potential for improvement will not receive Norwegian support. If the organizations fill an important niche, Norway will nevertheless consider providing support. In such cases, resources must be channelled to those parts of the organization that function satisfactorily and in a way that promotes institutional reform. Examples of this are Norway's dialogue with and support for organizations in the UN system that have clear potential for improvement, such as UNESCO and the FAO.

In the case of the development banks, Norway enters into more binding agreements on contributions for three-year periods based on negotiations with other donor countries on capital increases and a distribution formula. Norway's contribution to the development banks will also be assessed on the basis of the same criteria, i.e. their effectiveness in relation to their mandate and their promotion of donor harmonization.

Combination of multilateral and bilateral development assistance (additional funds and multi-bilateral assistance)

In addition to the general multilateral development assistance that is used for programmes and activities approved by the executive boards of the various organizations, donor countries use multilateral organizations as channels for inputs that are earmarked to a certain degree. Such inputs might be funding for specific measures in certain developing countries (known as multi-bilateral assistance) or additional funds for special priority areas.

This form of development assistance is particularly used for humanitarian efforts and to build peace and democracy in countries that are undergoing a crisis. Additional funds are also used to implement various special programmes in the field of human rights and political governance, as well as the environment, HIV/AIDS, efforts to combat drugs, child labour, etc., where the multilateral organizations are particularly qualified to achieve effective results. The advantage of this form of assistance is that it is often easier for multilateral organizations to work with national authorities in difficult situations, besides which they often possess highly specialized expertise and broad international experience and can recruit personnel at the global level.

Within the framework of bilateral cooperation at country level, multilateral organizations are used to carry out certain programmes and projects. This type of multi-bilateral assistance might, for instance, be provided in situations where Norway finds that organizations such as UNICEF, the ILO or the UNDP have good programmes that contribute effectively to achieving development assistance goals relating to orphans, disenfranchised rural workers, child labour or democratic elections. In some cases, multi-donor funds are established for special purposes, such as coordinating support for transitional programmes and democratic elections in Angola and Afghanistan, or for reconstruction in war-torn areas of Sri Lanka. Multi-donor funds facilitate quality control and monitoring for donors, besides which it is easier for recipients to deal with a single coordinator for the entire group of donors.

The Government uses additional funds to further support the work of multilateral organizations in certain global areas that have special priority in Norwegian development cooperation. The largest of the UN funds and programmes, such as

the UNDP and UNICEF, require additional funding to enable them to carry out their core functions more effectively. The World Bank and the regional development banks receive additional funds to build up technical and professional expertise and finance extra activities. The UN specialized agencies are dependent on additional voluntary funding to be able to assist developing countries within the framework of their mandates.

Excessive earmarking of multilateral funds is detrimental and often hampers the effectiveness of individual organizations. The Government has therefore increasingly begun to channel additional contributions to the multilateral organisations through a joint pool with other donor countries. This applies, for instance, to the UNDP, UNICEF, and the WHO. Norway will continue to provide earmarked additional funds primarily to organizations that have not yet developed instruments to handle purely multilateral additional funds, or if this is warranted in order to influence the policies of the institutions. In the UN system, the main organizations concerned are the ILO, the UN Environment Programme (UNEP), the UN Conference for Trade and Development (UNCTAD) and the International Trade Corporation (ITC).

The new global health funds

In the past few years, new stakeholders have shown an interest in contributing to international development efforts. In the health sector, in particular, new partnerships have been formed in which multilateral organizations and bilateral donors work closely with private sector institutions. Through these mechanisms, new financial resources are mobilized for priority areas. The Government views the global health funds as a useful supplement to the inputs of multilateral and bilateral stakeholders, and considers it positive that the funds have led to the increased availability of resources for and focus on key health challenges. It is very encouraging that the private sector assumes its social responsibility in this way.

Among the new funds and financing mechanisms, the Global Alliance for Vaccines and Immunization (GAVI) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) are particularly important channels for Norwegian development assistance:

The Global Alliance for Vaccines and Immunization (GAVI) was established in 1999 as a framework of cooperation between public and private stakeholders. The purpose of GAVI is to help

ensure that children in poor countries are fully immunized. GAVI has resulted in intensified efforts to provide immunization and has attracted new resources to this field. The Melinda and Bill Gates Foundation is the biggest donor. Norway has been the second largest bilateral donor. Norway has helped to ensure that GAVI works through national health systems and to promote fruitful cooperation with UNICEF and the WHO, in which the UN organizations are heavily involved within the limits of their mandate.

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM): Methods for preventing and treating HIV/AIDS, tuberculosis and malaria have long been available. It is the lack of resources that has been the primary obstacle to saving millions of lives every year in developing countries. In order to obtain the necessary additional resources, particularly to combat HIV/AIDS, the GFATM was established in 2002 on the initiative of the UN with the support of the G8 countries and African heads of state. As a result of three rounds of applications the fund has allocated USD 2.1 billion to 121 countries. Approximately 60 per cent of these funds have been allocated for HIV/AIDS projects.

Ensuring that all the new mechanisms do not cause the fragmentation of efforts at country level poses a challenge. The funds are contrary to the principle that the recipient countries' own priorities must be the guidelines for development assistance. The greater number of stakeholders involved also exacerbates the problems of donor coordination and the authorities' management of development assistance. The same applies to reporting functions. Both donors and recipients face the challenge of harmonizing long-term planning and the shift in recent years from project support to sector support with the support from the new health funds. An attempt is being made to resolve this problem through the management systems of the new mechanisms, and through coordination with multilateral institutions and bilateral donors. There are no simple solutions to these challenges, which must be met at both global and local levels.

At the global level, the Government is working to increase the influence of developing countries on the priorities and allocation criteria of the funds, in part by ensuring that recipient countries have reasonable representation on the boards of the funds. The Government also gives priority to Norwegian participation in the funds' boards to ensure that they operate in accordance with developing policy goals.

The Government also seeks, through both the World Health Organization (WHO) and bilateral development assistance, to strengthen the health sector in developing countries in order to increase their capacity to absorb the increased financial support provided for tasks to which the funds give priority without this affecting other important health care activities. Training health professionals and providing support for a strong, public health sector are important goals. It is also crucial to improve the authorities' capacity to manage the assistance provided by the funds in accordance with their own priorities.

Non-governmental organizations

Non-governmental organizations, which are discussed in greater detail in Chapter 8, now serve as channels for a great deal of bilateral development assistance. In 2002, over 22 per cent of all development aid and as much as 34 per cent of bilateral development assistance was channelled through these organizations. Most of this – over 80 per cent – was channelled through Norwegian organizations, while the rest went to local and national organizations in recipient countries, international organizations, independent foundations and research organizations. A substantial share of this aid is spent on humanitarian assistance and emergency relief, and on reconstruction, peace-building, democratization and the promotion of human rights. However, longer-term development assistance is also increasingly channelled through non-governmental organizations. In 2002, for instance, NORAD distributed over 37 per cent of its total development assistance (excluding administrative costs) through non-governmental organizations. NORAD also provides over 80 per cent of these funds to Norwegian organizations, while over 10 per cent is allocated to national and local organizations in developing countries.

Most of the long-term assistance that is channelled through non-governmental organizations is provided to support the organizations' own projects and programmes aimed at developing civil society and reducing poverty. However, the organizations also carry out priority functions defined in the bilateral agreements with partner countries, or as a supplement to such agreements. Particularly in countries where cooperation with the authorities is problematic, and where the authorities do not assume responsibility for pursuing a credible poverty reduction strategy, non-governmental organizations can serve as a more effective chan-



Figure 5.8 Routine infant check-up

Source: Scanpix

nel for reaching impoverished target groups with effective development projects, and can help to improve the organization of and increase the focus on such target groups with a view to influencing the national authorities. Support for independent organizations, media and political parties in developing countries is also aimed at reinforcing the role of civil society organizations as constructive critics in a development process.

Non-governmental organizations that provide services in developing countries must also view their activities as an integral part of the overall effort to reduce poverty in the host country and help to harmonize and adapt development inputs so as to maximise their effects for target groups. However, a challenge arises if the support channelled through non-governmental organizations increases in partner countries that pursue reasonably good policies, thereby undermining the ability of the public authorities to administer the totality of resources in keeping with national priorities and policies.

Support provided through the private sector

Support provided directly to companies and organizations in business and industry accounts for a small portion of total development assistance, while overall inputs for private sector development are also provided through other channels and instruments, as described in greater detail in Chapter 7. The purpose of direct support is partly to encourage new investment and the establishment of new businesses that create jobs and a better revenue base for the long-term economic

development that is essential to lasting poverty reduction. The Government places great emphasis on the importance of private sector development in developing countries, and considers the support channelled directly through business and industry, including NORFUND, to be a vital element in this work.

Basic premises for use of the various channels

The Government will emphasize the importance of continuing to make extensive, flexible use of the various channels for development assistance. Government-to-government assistance, multilateral organizations, non-governmental organizations and the private sector (business and industry) all have important functions and qualities that are not offered by the other channels.

When distributing development assistance resources through different channels, weight will primarily be attached to how these channels help to achieve the Millennium Development Goals and other important development goals and rights within their respective mandates and areas of activity. Growing emphasis is placed on quality and performance, and on whether the activity underpins national poverty reduction strategies and helps to strengthen national or local institutions and organizations. Importance will increasingly be attached to the significance of good governance and effective public administration in partner countries, and the distribution of development assistance resources will reflect the extent to which the various channels contribute to the achievement of these goals.

Box 5.11 Norway's partner countries in development cooperation, 2004

Main partner countries:

Africa: Malawi, Mozambique, Tanzania, Uganda, Zambia. Asia: Bangladesh, Nepal.

Partner countries:

Africa: Angola, Eritrea, Ethiopia, Kenya, Madagascar, Mali, Nigeria, South Africa. Asia: Afghanistan, China, East Timor, Indonesia, Pakistan, Sri Lanka, Vietnam. Middle East: the Palestinian Area. Central America: Guatemala, Nicaragua.

5.6 Distribution of development assistance between countries

Choice of main partner countries and partner countries

Bilateral development assistance is currently focused on seven main partner countries and a limited number of other partner countries. The number of main partner countries and partner countries was reduced following a review carried out in 2001, when the Storting decided that Norway was to concentrate its development cooperation on Bangladesh, Malawi, Mozambique, Nepal, Tanzania, Uganda and Zambia as main partner countries, and 17 other partner countries. From 2004 it has been agreed that two of the latter (India and Zimbabwe) are no longer to be partner countries in development cooperation, while three other countries (Afghanistan, Kenya and Madagascar) have been included in this group. (See Box 5.11).

Poverty orientation is an important criterion for the selection of countries. The countries chosen by Norway as main partner countries are among the least developed countries (LDC) in the world, they have shown a willingness to pursue a policy oriented towards reducing poverty and their political situation has been relatively stable. In its main partner countries, Norway will strive to establish broad-based cooperation based on the countries' own priorities and any poverty reduction strategies they may have adopted. It is one of Norway's stated goals to seek to engage in predictable, robust development cooperation with these countries, where development assistance projects and programmes will target long-term objectives. Norway combines such projects and programmes with a political dialogue in cooperation with other donors, and attaches great importance to participating in the broad development assistance dialogue on development policy issues. Although development in these countries can be hampered by difficulties and setbacks, Norway aims to adapt the nature of its cooperation to the current situation, while maintaining a long-term perspective. However, if the situation steadily deteriorates and the authorities show no sign of making an effort to improve matters, the Government may reassess the status of the country concerned as a main partner country.

Furthermore, with the consent of the Storting, the Government has selected a limited number of partner countries with which Norway is also

extensively involved in development cooperation. Several of these countries play an important part in securing regional stability and development. In these countries, other donors will have the main role in the development assistance dialogue, while Norway's inputs will be limited to more strategic contributions linked to areas defined as priorities for Norwegian development and foreign policy. In these partner countries, a broader set of criteria forms the basis for cooperation, which also includes support for peace-building and cooperation on global and regional processes. However, reducing poverty is a primary goal in partner countries too, and cooperation has a long-term perspective. Cooperation will usually be concentrated on a selection of priority areas, based on the situation in the individual country, the countries' own priorities, Norwegian expertise, suitable channels and the contributions of other stakeholders. The regional allocations for Central America, Africa, the Middle East and Asia, respectively, are earmarked for partner countries and provided as additional allocations to main partner countries.

Dividing countries up into a limited number of main partner countries and other partner countries has proved to be useful in terms of promoting a strategic focus and priorities in development cooperation. However, experience has shown that cooperation with both main partner and other partner countries must be developed flexibly and adapted to the situation in individual countries, while maintaining a long-term perspective. For instance, the situation in Bangladesh, which is a main partner country, has deteriorated in the past few years and it has been difficult to establish a constructive political dialogue with the authorities. Consequently, the country allocation for Bangladesh has been substantially reduced in the past few years. The security situation and political conditions in Nepal have also been particularly difficult in recent years, but there is still hope that negotiations on a lasting political solution can be reopened. Similarly, the political situation in Malawi, Uganda and Zambia has been unstable at times, thereby necessitating extensive political dialogue as a complement to development cooperation. When the general conditions for development improve, as they did in Mozambique in the 1990s, in Tanzania in the past few years, and as they are apparently doing in Zambia and Malawi at present, this lays the foundation for expanded cooperation and increased allocations of assistance.

However, cooperation, particularly with some of the partner countries, has evolved in such a way that Norway has become involved in the same type of broad political dialogue and comprehensive development cooperation as in its main partner countries. This applies to countries such as Nicaragua, Ethiopia, Sri Lanka, Vietnam and East Timor, and to a certain extent South Africa. In several partner countries, such as Angola, East Timor and the Palestinian Area, Norway is a more important aid donor, relatively speaking, than in certain main partner countries. The volume of Norway's bilateral assistance for certain partner countries also exceeds the aid provided to the main partner countries. The Government regularly assesses whether the level of assistance in each partner country is adapted to the situation in the country and Norway's policy goals.

The allocations to global schemes and multilateral development assistance are made on the basis of different criteria, and are therefore spread between far more countries than the allocations to main partner countries and the regional allocations. This particularly applies to allocations for humanitarian assistance, democratization and peace-building, and for non-governmental organizations and private sector development. These allocations are intended to be used where the need is greatest, such as for emergency relief or peace-building, or where non-governmental organizations have established good cooperative relations with civil society. Multilateral development assistance, including multi-bilateral programmes, also has other objectives and can be provided in countries and regions where the multilateral organizations have relevant programmes.

In 2002, the main partner countries thus

received only 18 per cent of total bilateral development assistance. In the same year, the 17 other partner countries received a total of around 23 per cent of bilateral assistance. The biggest share, close to 60 per cent of the total volume of bilateral aid, thus went to countries other than those in the categories "main partner countries" and "other partner countries". This is largely due to the fact that the extensive amount of development assistance provided for emergency relief, humanitarian assistance, peace-building and democratization, transitional assistance and refugees in Norway, which in total accounts for more than 55 per cent of bilateral aid, is allocated on the basis of different criteria. More than 80 per cent of such assistance goes to countries other than partner countries.

Of the total volume of long-term bilateral development assistance (excluding emergency relief and support for peace-building, etc.), 31 per cent went to Norway's main partner countries and 29 per cent to other partner countries in 2002, while around 40 per cent was provided to other countries. This also includes the extensive support channelled through non-governmental organizations which are widely established in countries where these organizations have cooperation partners. If development assistance is to be focused to a greater degree on main partner and other partner countries, it may therefore be relevant to increase the budget items concerned for the main partner countries and the regional allocation, while reorienting the use of other budget items to target these countries more clearly. The Government will review assistance with this in mind.

The Government finds it appropriate to

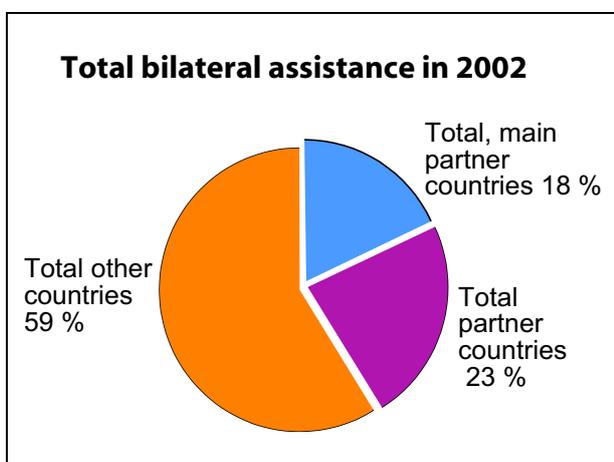


Figure 5.9 Total bilateral development assistance, by category of country, 2002

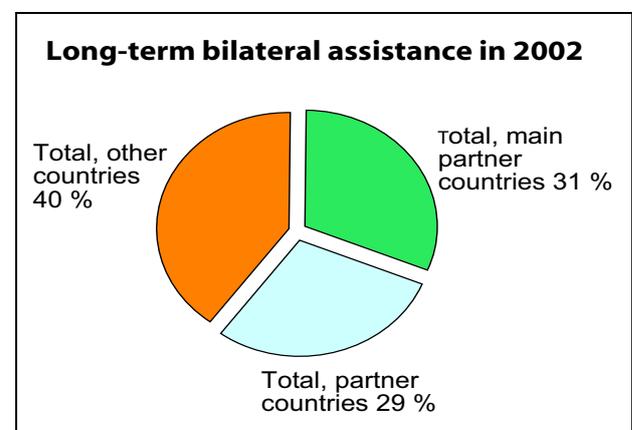


Figure 5.10 Long-term bilateral development assistance (excluding emergency relief, support for peace-building, etc.), by groups of countries, 2002

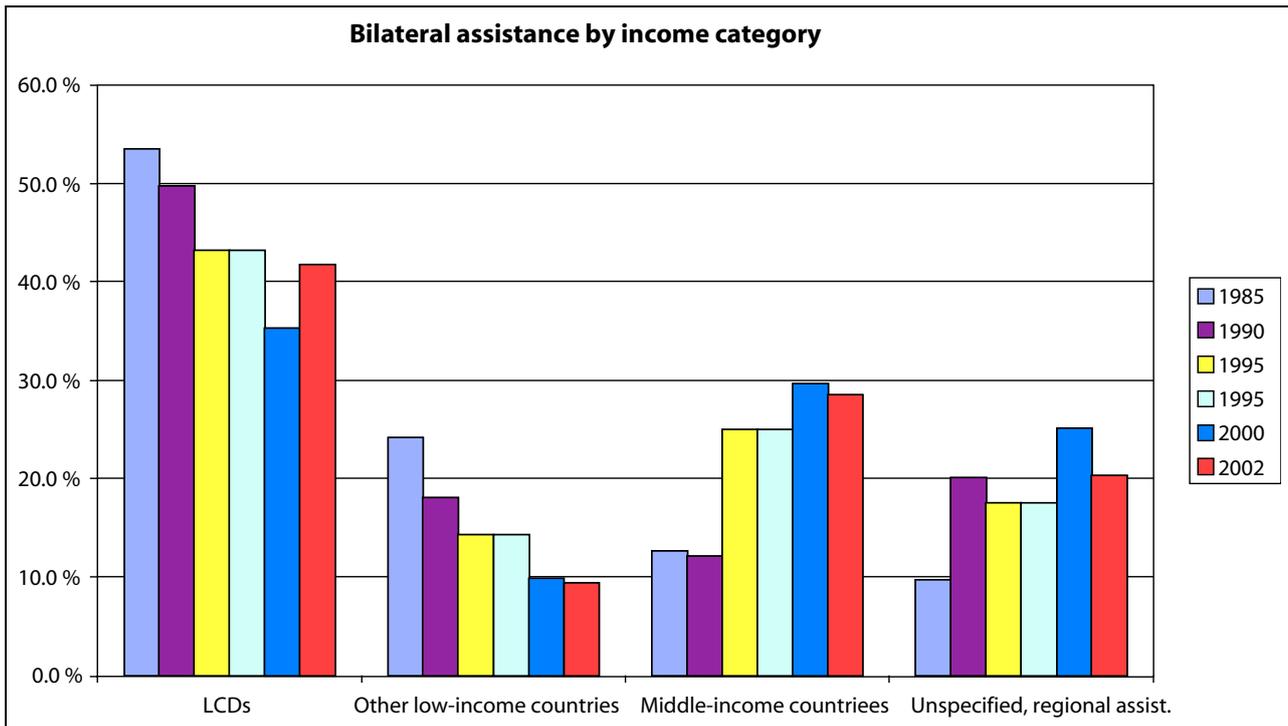


Figure 5.11 Norwegian bilateral development assistance (including multi-bilateral assistance), 1985-2002, by category of country

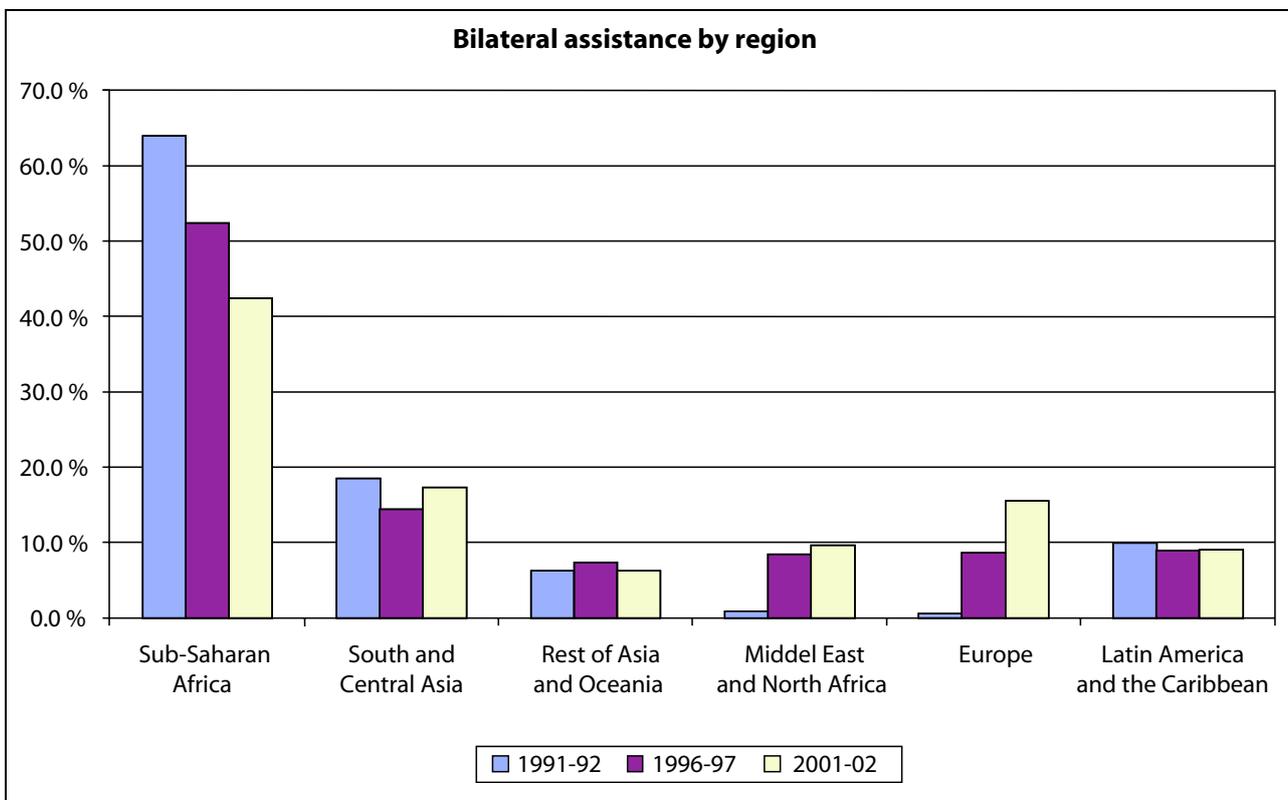


Figure 5.12 Norwegian bilateral development assistance (incl. multi-bilateral assistance), by region (except for unallocated/global)

Source: OECD/DAC

maintain the two categories “main partner countries” and “other partner countries”, thereby underscoring the longer-term, more comprehensive nature of Norway’s development cooperation and political dialogue with its main partner countries. However, the Government will continuously assess the scope and nature of its cooperation, and will submit proposals for changes to the Storting as and when this is necessary.

The Government is also concerned to reinforce the focus on poverty reduction in development assistance, by ensuring that a significant portion of Norwegian aid is provided to the poorest countries, with special focus on sub-Saharan Africa. The goal of providing at least 40 per cent of bilateral assistance to the least developed countries (LDCs) was achieved in 2002, but realizing this objective still requires the use of a number of different budget items.

In order to ensure that development assistance resources are allocated in a way that particularly benefits the countries that are lagging behind in efforts to achieve the Millennium Development Goals, the UK and the Netherlands have recently decided to sharpen the focus of their development assistance inputs. In the recent debate on its Government’s report to the parliament, the Netherlands decided to introduce a target specifying that at least 50 per cent of bilateral assistance, including humanitarian assistance, is to go to Africa. The percentage of Norwegian bilateral aid provided for this region has decreased by 20 percentage points, to 42 per cent, since the start of the 1990s. The UK has established a target whereby 90 per cent of all bilateral assistance, excluding emergency relief, humanitarian assistance and unspecified measures, is to go to low-income countries. Although methods of calculation may differ slightly, a comparable figure for Norwegian development assistance currently provided for Africa would be around 60-65 per cent.

Although the goal of channelling at least 40 per cent of Norwegian development assistance to the least developed countries has been achieved, still only about 50 per cent of the total volume of aid clearly benefits low-income countries, i.e. countries with a gross per capita GNI of less than USD 745. The remainder goes to countries that are not as poor or for purposes that are currently difficult to ascribe to specific countries or categories of countries. The Government wishes to concentrate Norway’s overall bilateral inputs to a greater degree on the countries that have fallen behind in the process of achieving the Millennium

Development Goals and will have no possibility of achieving these goals without substantial support. In this way, Norway can help to lift more countries out of extreme poverty. A more specific target is therefore required for greater concentration of bilateral assistance, excluding humanitarian assistance and emergency relief, like the target set by the UK. This question will be studied and a concrete proposal will be presented in connection with the national budget for 2005. A target of this nature will have to be met gradually, starting with the 2005 budget. It will not entail any relaxation of the requirements for good governance and willingness to implement reforms.

Effectiveness and selection of countries

Recent international research findings and Norway’s own experience show that development assistance has the greatest impact in countries where the economic policy, system of government and other conditions help to foster good development and poverty reduction. Consequently, several multilateral financial institutions and certain major bilateral donors have taken new steps to increase assistance for countries where such conditions prevail, and reduce it for other countries where conditions are generally less favourable.

The fact that the World Bank has developed a set of indicators for assessing policies and institutions, called Country Policy and Institutional Assessments (CPIA), for poor countries that receive loans and grants from the IDA has aroused particular interest. A set of twenty indicators is used to assess countries’ macro-economic policy, trade and market policy, social distribution policy, public administration and corruption. The indicators and the qualitative assessments used by the Bank, and the way in which each country is measured and assessed against these indicators, are the subject of ongoing discussion. The World Bank does not apply the CPIA scores directly in allocating IDA resources, but balances them with the Bank’s own assessments of the progress of and results achieved by current Bank-financed projects and programmes. Resources are then allocated to borrowers on the basis of an overall assessment. In the past few years, in response to active efforts by Norway and other countries, the World Bank has focused more strongly on countries that are emerging from violent conflict or other crises, and that show sufficient willingness to adapt their policies.

Similar systems for allocating development

assistance resources are also being developed by the regional development banks and other financial institutions such as the International Fund for Agricultural Development (IFAD). The UNDP has a more flexible policy, allocating resources to countries primarily on the basis of the countries' ability to formulate and implement good projects and programmes. The criterion of effectiveness is combined with a clear focus on poverty reduction in order to avoid an undesired reorientation of resources away from the least developed countries and low-income countries.

The USA's new Millennium Challenge Account (MCA), which entails an increase in US development assistance of around 50 per cent, or USD 5 billion per year, will also be allocated on the basis of criteria such as "good policy" in recipient countries. For the time being, however, USAID's general aid programme will continue to allocate assistance according to current guidelines.

The UK and the Netherlands have also considered using this type of fixed, "objective" criteria when allocating their bilateral development assistance. In the Netherlands, this approach has been adopted for a small portion of assistance, equivalent to Norway's regional allocations. In the UK, an internal assessment is carried out for each country to determine why allocations to the various countries nonetheless do not conform to this theoretical system of allocation.

As regards Norwegian development assistance, in 2000 the World Bank's Research Department carried out a similar analysis of the way resources were distributed among countries, based on the criteria used by the World Bank itself. The study showed that based on this type of criteria, the distribution of Norwegian development assistance among countries is more effective in promoting growth and poverty reduction than the average for all development assistance, and just as effective as the distribution of the World Bank's IDA resources.

However, there is considerable uncertainty linked to such analyses, which do not reflect the content of development cooperation or the way cooperation and the individual development assistance projects and programmes function in the various countries. Nor do they reflect the way development assistance can be used strategically in certain "difficult" countries where a country like Norway can exert a positive influence through the political development assistance dialogue, or by focusing on peace-building, human rights or other improvements in governance.

It is extremely difficult to find clear, indisputable indicators for good development policy, even though there is broad consensus on the main aspects of such a policy. Nevertheless, this type of analysis is of great interest, because it can provide a clearer basis for debating which conditions must be satisfied in recipient countries in order to make effective use of large-scale development assistance. The Government therefore supports the work that is being done in the World Bank and other financial institutions to adjust the volume of assistance provided to recipient countries according to the quality of the countries' development and poverty reduction policies, and their capacity and willingness to implement them.

As far as Norwegian development assistance is concerned, the Government regularly assesses the situation in each of Norway's partner countries to determine whether the necessary conditions are present to effectively utilize the assistance provided. These assessments cover human rights, democratization, corruption and the quality of public administration, as well as the way in which the countries contribute towards the implementation of their poverty reduction strategies and achievement of the Millennium Development Goals. In conflict-torn countries, the way in which the authorities are dealing with the conflict and promoting peace-building is assessed. The Government will work to further systematize such assessments to render them comparable, and will compare them with the analyses carried out by the multilateral organizations. The Government will attach importance to such analyses, but also to Norway's own experience with the progress of development cooperation in each country, as a basis for the allocation by country of bilateral government-to-government assistance.

The Government will:

- maintain the system of main partner countries and other partner countries,
- increase the budget items that are earmarked for main partner countries and partner countries (regional allocations),
- help to reorient the inputs of non-governmental organizations and the private sector towards Norway's partner countries and other least developed countries (LDC),
- support the work of multilateral organizations to design better criteria for adjusting the volume of development assistance to the qua-

lity of the development and poverty reduction policies of recipient countries,

- continue to carry out regular assessments of the country allocation of government-to-government assistance based on systematic reviews of the conditions required to ensure the effective utilization of Norwegian development assistance in these countries.
- carry out a study to define a more specific target for the greater concentration of bilateral assistance (excluding humanitarian assistance and emergency relief), and present a proposal in connection with the national budget for 2005.

5.7 Important priority areas in Norwegian development cooperation

The poverty that exists in different countries and regions is ascribable to a large number of factors that vary from one area to another, and the war against poverty must thus be waged on many

fronts and in many sectors. Norway cannot contribute to the same extent on every front and in every area. Efforts must be focused in order to be effective.

As mentioned in section 5.2, the Government particularly emphasizes the importance of good governance, private sector development and trade, strengthening civil society, and peace-building in conflict-torn areas. These goals are discussed in further detail in Chapters 6 to 9. In addition, certain sectors and target groups are regarded as crucial to strengthening the efforts to combat poverty in many poor countries where Norway is particularly qualified to make an effective contribution. This applies to education, health and the fight against HIV/AIDS, sustainable development and follow-up of the WEHAB initiatives, as well as to efforts to advance the rights of vulnerable groups such as persons with disabilities, indigenous peoples and children. In 2004 the Government aims to prepare a revised strategy for Norway's work on behalf of children in developing countries. Promoting gender equality and



Figure 5.13 A classroom in Nepal

Source: Corbis

empowering women are goals that permeate every aspect of Norway's development policy. The Ministry of Foreign Affairs' Strategy for Women and Gender Equality in Development Cooperation (1997-2005) will be updated in 2005.³ The Government has also recently presented a special plan for international efforts to combat female genital mutilation.⁴

Norway will work to promote these priority areas in relevant forums, both internationally and at country level, and will use development assistance and other instruments to underpin these priorities. This does not mean that the assistance provided to all partner countries or through all channels will cover all priority areas. The situation in each country will determine Norway's contribution, depending on the needs that must be met, the inputs of other donors, and Norway's special qualifications for providing assistance. Nor is Norway's contribution in each area measurable solely in terms of the development assistance resources provided. In some areas, priority is given to international work and the use of multilateral channels. In other areas, the most effective approach is to promote issues through the development dialogues held at country level and to persuade partner countries' authorities to fulfil their international obligations, while in still other areas it will be most appropriate to collaborate with Norwegian technical and professional experts or civil society.

International cooperation is absolutely pivotal. Where Norway, together with other like-minded countries, has succeeded in creating clearer international understanding and establishing new conventions, international plans of action and possibly a new legal system that protects rights and sets international standards, we have achieved a great deal. When the major financial institutions and the relevant UN organizations follow up this agenda and transfer more resources to the same priority sectors and target groups, the impact will be far greater than can be achieved solely through Norway's development assistance budget.

At country level, development assistance resources are used in combination with foreign policy dialogue in close cooperation with other donors and within the framework of national development and poverty reduction strategies.

The following is a brief presentation of the sectors and target groups on which the Government wishes to place special emphasis, in addition to the cross-sectoral priority of promoting the rights of women and children, and the areas that are discussed in separate chapters (good governance, private sector development, civil society and peace-building):

Education – the first priority

Education is a human right and a prerequisite for economic and social development. Knowledge gives individuals greater human dignity and confidence that they can by their own effort improve their own and their family's life situation. Education promotes health and is crucial to combating HIV/AIDS. Education for all is one of the most important means of eradicating poverty. Through the Dakar Declaration for the Total and Unconditional Cancellation of African and Third World Debt, adopted in 2000, the international community pledged to ensure that no country that takes the goal of education for all in earnest will lack the resources necessary to achieve this goal. That is why education is the primary focus of Norwegian development policy.

Two of the Millennium Development Goals concern education (cf. Chapter 2). Goal No. 2 is that all boys and girls complete a full course of primary schooling by the year 2015, and Goal No. 3 regarding gender equality and the empowerment of women is to be measured by the extent to which there is full gender equality in primary and secondary education by the year 2005, and at other levels of education by the year 2015. A great deal remains to be done to achieve these goals, since 113 million school-age children still lack access to education, and in both South-Asia and sub-Saharan Africa there are 20 per cent fewer girls than boys in primary and lower secondary schools. Nevertheless, these goals can probably be achieved if efforts are intensified.

Focusing on education is not just a question of ensuring that children have access to schools. It is just as much a question of whether children actually learn what they are supposed to, and whether they complete their schooling. School classes in developing countries are often overcrowded. There is a lack of textbooks and equipment. In many cases, what educational material does exist is unsuitable or of poor quality. There are not enough teachers, and teachers are often poorly qualified. Large groups of children perceive their schooling

³ Strategy for Women and Gender Equality in Development Cooperation (1997-2005). Published by the Ministry of Foreign Affairs in May 1997.

⁴ The Norwegian Government's International Action Plan for Combating Female Genital Mutilation. Published by the Ministry of Foreign Affairs in July 2003.

as irrelevant and culturally and linguistically alien. For many parents, sending their children to school means extra expense or lost income from work. In order for all children to be able to receive – and complete – elementary schooling with relevant studies of a reasonably good quality, the primary school system in many countries must undergo extensive development. Simply increasing volume will not in itself be sufficient.

Norway must assume its share of responsibility for ensuring that the international goals are realized. In January 2003, therefore, the Government presented a strategy for Norway's international contribution to the goal of education for all.⁵ In 1999, the Centrist Government presented a strategy to strengthen research and higher education in connection with Norway's relations with developing countries⁶, which is being implemented by this Government. The main goals that were adopted at the Dakar Conference on Education for All in 2000 have been incorporated into Norwegian development cooperation on education.

In its education strategy, the Government has laid down a number of guiding principles for Norway's efforts to promote the goal of education for all. In the Government's view, basic education must be free of charge for everyone and must promote democracy and human rights, and education for girls is a priority task. While the public sector must assume the main responsibility for education, actual educational services can be both public and private. The foremost partners in the education sector are Norway's partner countries and the multilateral organizations, but non-governmental organizations can also be used as they are particularly effective in reaching vulnerable target groups. The partner countries themselves are responsible for formulating their education policy and for ensuring that their populations are offered a basic education. Norway's development assistance for the education sector must be long-term and consistent, and Norway will coordinate its inputs with other development stakeholders. Norway will also support measures to ensure education in emergency situations and immediately following the end of a war or violent conflict.

UNESCO is the main specialized agency for education in the UN system and is responsible for

developing international standards and global education policy, supplemented by UNICEF. UNESCO has a limited presence at country level, but is responsible for monitoring and coordinating the global "Education for All" process. It is important to develop and strengthen UNESCO's ability to fulfil this responsibility. The reports presented annually in UNESCO's Global Monitoring Report are a key factor in this work.

The World Bank is the main source of financing for development assistance for education, and instigated the establishment of the Fast Track Initiative (FTI), the aim of which is to mobilize more resources to strengthen the implementation of the Millennium Development Goal of universal primary education. Norway has helped to ensure that the UN organizations also cooperate on this initiative, and participates in the international steering committee.

The Government contributes actively towards strengthening the multilateral organizations' possibilities of accelerating global efforts to achieve universal primary education, and attaches particular importance to Millennium Development Goal No. 3 to promote gender equality and education for girls. Norway helped to establish a special UNICEF programme to get more girls to complete primary schooling. Due to the positive results achieved through this programme, UNICEF has now been given responsibility for heading the international efforts to promote education for girls. UNICEF's programme for education for girls has now attracted many donors.

The Government will further increase its support for Education for All to 15 per cent of Norwegian development assistance by 2005. The increased funding will be channelled particularly through multilateral organizations, such as UNICEF and the World Bank. Norway already provides a high level of assistance through bilateral cooperation, and the share of support for educational projects and programmes has remained stable at around 15 per cent in the past few years.

Assistance for education for Zambia, Tanzania and Nepal, which are the main partner countries, is channelled through national sector programmes for education, and the same will be done in Bangladesh this year. Within the framework of the sector programme for education in Vietnam, Norwegian assistance focuses especially on marginalized groups. Norway continues to provide support for education in Uganda, Guatemala, Pakistan and the Palestinian Area. Development assistance for education will be increased in Eri-

⁵ Education – the First Priority. Norway's International Strategy for Delivering Education for All. Published by the Ministry of Foreign Affairs in January 2003.

⁶ Strategy for Strengthening Research and Higher Education in the Context of Norway's Relations with Developing Countries. Published by the Ministry of Foreign Affairs in March 1999.

trea and Angola, and Norway is considering doing the same thing in Mali and on Madagascar.

A special problem in many countries with weak educational systems is that both the public and private sectors have little capacity to plan and implement development and expansion programmes. Development is limited not only by inadequate funding, but also by the inability to absorb further financing. As in other sectors, therefore, support for sector programmes in the education sector is viewed in conjunction with support for administrative reforms and the development of public administration.

Despite the strong international focus on basic education for poor countries and population groups, in reality the majority of international development assistance for education still goes to upper secondary and higher education in middle-income countries. In view of the focus on poverty reduction and education in the poorest countries, support for education at the middle and higher levels should be channelled to low-income countries to a greater degree. Developing primary education will create a need for teachers and school administrators. Five or six years of basic schooling is not sufficient to meet the educational needs of either individuals or society. While the main focus must be on primary education, at the same time there is a need to further develop and strengthen the overall educational system, which must encompass lower and upper secondary schooling, vocational training and higher education. Norway will therefore work closely with other development assistance stakeholders to support the efforts of individual recipient countries to achieve balanced development of the entire educational chain. When providing technical and financial assistance for the education sector, Norway will take account of this objective in its intensified efforts to achieve the Millennium Development Goals for education.

Health

Health has long been a priority area of Norwegian development policy, and the Government will continue its strong involvement in the health sector and maintain development assistance to promote health at a high level. Three of the Millennium Development Goals are directly related to health: Goal No. 4 is to reduce by two thirds the mortality rate among children under five by 2015, Goal No. 5 is to reduce by three quarters the maternal mortality rate by 2015, and Goal No. 6 is to halt and

begin to reverse the spread of HIV/AIDS, malaria and other fatal diseases within the same time limit. It has also been established, in a report prepared by the World Health Organization (WHO) on macro-economics and health and in other contexts, that investments in health are also important for achieving Millennium Development Goal No. 1, which is to halve absolute poverty. This is discussed in greater detail in Chapter 2 on the Millennium Development Goals.

A reasonable standard of public health is one of the prerequisites for sustainable, democratic development, value creation and poverty reduction. Poor health is just as much a cause as a consequence of poverty. Most of the sickness and deaths in Norway's partner countries are caused by a small number of diseases. Several of them are reflected in the Millennium Development Goals, such as HIV/AIDS, tuberculosis, malaria, sexually transmitted diseases, diseases related to pregnancy and childbirth, diseases that can be prevented by vaccines, and childhood diseases such as respiratory infections and diarrhoea.

Reducing child and maternal mortality and improving maternal health are key Millennium Development Goals. There are good reasons for this: in low-income countries, more than one child in ten dies before the age of five. More than 10 million children die each year of diseases that they could have been protected against by a combination of good care, proper nutrition, vaccines and access to elementary medical care. More than half a million women die every year due to complications in connection with pregnancy and childbirth. Ninety-nine per cent of these deaths occur in developing countries, and most of them could have been avoided by simple means. Reducing the maternal mortality rate will require increased efforts to improve reproductive health. This means providing access to health care during pregnancy and during and after childbirth. Substantial investments must be made in health systems that make it possible to upgrade the quality and availability of basic services such as midwifery and pre- and post-natal check-ups for poor people.

Young women are a particularly vulnerable group. Young people in developing countries are especially at risk when it comes to undesired sex and pregnancy, the risk of complications following dangerous, illegal abortions, HIV/AIDS and other sexually transmitted diseases, and violence, rape and prostitution. Every year, many very young teenage girls become pregnant and thereby run

the increased risk of complications that an early pregnancy entails. Integrated health services for young people, combined with good information, are critical elements of a preventive strategy targeting young people, but few developing countries have the necessary personnel or resources to implement such a strategy.

Investments in health are one of the prerequisites for economic development and poverty reduction. The WHO study of macro-economics and health clearly identifies the links between economic development, poverty and human resource development. Cost-effective measures do exist. However, there are not enough of them available to meet the need, and they do not adequately reach those who need them the most. Increasing the focus on the health sector will require robust health systems, personnel who are offered sufficient incentives for their work, well-functioning infrastructure, information systems and planning, administrative and management capacity.

The health sector is currently undergoing reforms in many countries, and the number of private stakeholders has increased. At the same time, in many countries experienced non-governmental organizations can do a great deal to improve health. Developing the central government's capacity for policy formulation, management and regulation while facilitating the constructive participation of non-governmental stakeholders poses considerable challenges.

In the international arena, the WHO is the main professional body for international cooperation on health and health policy. The WHO develops global norms and standards and coordinates global health security. Norway works closely with the WHO in many areas, both on national health policy and internationally. The World Bank has emerged as one of the biggest sources of financing for development programmes in the health sector, and now plays a prominent role both internationally and at country level in defining health policy priorities and the way the health sector is organized in individual countries. UNICEF also plays an important role, particularly in vaccination campaigns and other health programmes for mothers and children. The UN Fund for Population Activities (UNFPA) has a special responsibility for reproductive health.

The Global Alliance for Vaccines and Immunization (GAVI) is a key partner in the efforts to provide vaccines for all against communicable diseases. GAVI was established in 1999 as a joint

endeavour between public and other important partners, in which UNICEF and the WHO also played a central role. The Alliance has refocused attention on vaccination after a decade of declining vaccination rates in the poorest countries in the world. As from 2004, Norway is substantially increasing its contribution to GAVI from its already very high level of support. In 2002, Norway was GAVI's second largest country donor. Norway is also concerned to ensure that GAVI and other funds help to generally strengthen the health sector. Norway will assess the future level of its support for GAVI on the basis of a full evaluation of the initiative and will view its activities in conjunction with other development assistance in the health sector.

All the new international initiatives such as Roll Back Malaria, Stop TB, the Safe Motherhood Initiative and the GFATM and GAVI global health funds seek to mobilize resources to intensify efforts to combat "poverty diseases". At the same time, there is an ongoing process in many countries to concentrate donor resources on coherent sector programmes. The aim is to coordinate recipient countries' own sector plans with general poverty reduction strategies, and both sector programmes and the new fund mechanisms for financing must take this objective into account at country level. If we are to help to establish viable health systems and improve public health in partner countries, we must ensure that the different inputs are viewed in an overall context. Furthermore, this overall context encompasses far more than merely the health sector. Some of the main direct causes of disease and poor health are to be found in problems such as malnutrition, polluted drinking water and poor sanitation. Important underlying causes are linked to poverty and the lack of basic education, particularly among women. Meeting these challenges must be a key element of the overall common effort to strengthen the health sector.

Alcohol and other intoxicants also pose a serious threat to public health in poor countries. According to the WHO, alcohol-related deaths and disabilities are the cause of 4.1 per cent of total morbidity in the world, and alcohol is ranked as the greatest risk factor for mortality and disability in countries with transitional economies (the former Soviet Union and Eastern Europe). It has been documented that alcohol consumption increases the risk of exposure to HIV and there is growing awareness of the negative role played by alcohol consumption in the progression of the

disease. Alcohol abuse also affects patients' will and ability to follow a treatment regime for HIV/AIDS. Tobacco-related diseases are on the rise in most developing countries. Traffic accidents have increased drastically in step with urbanization and motorization. All these factors put a significant strain on a vulnerable health system.

In its efforts to improve international health, Norway has largely tapped Norwegian expertise in the fields of tuberculosis, reproductive health and the health aspects of HIV/AIDS. We will now draw more on expertise regarding the links between the health sector and the rest of society in our focus on health in the coming years.

The fight against HIV/AIDS

The HIV/AIDS pandemic has already had a disastrous impact on development in a number of countries, particular in southern Africa, and it is spreading in large parts of the world.

UN estimates show that 40 million people were living with HIV/AIDS at the start of 2004. Twenty million have already died from the disease, and 14 million children are orphans due to HIV/AIDS. Sub-Saharan Africa has been hardest hit, but the number of newly infected persons is now growing fastest in countries such as Russia, Ukraine and the Baltic States. The fact that the epidemic is rapidly spreading in highly populated countries like India, China and Nigeria is also very serious. We are facing a global pandemic that will necessitate a massive, coordinated response in the years ahead. (See also Chapters 1-3, which discuss this problem.)

Combating HIV/AIDS must be a central focus of Norwegian development policy. Efforts will be based on the UN's global strategy. Disease pre-



Figure 5.14 An anti-AIDS campaign in Vietnam

Source: Corbis

vention by means of information, education and attitude changes is still essential to slowing the spread of HIV/AIDS in poor countries. However, now that there is increased access to more affordable medicines, treatment of persons infected with HIV/AIDS is an equally crucial element of the overall effort to fight the disease. There is equal emphasis on prevention, treatment and care in Norway's anti-HIV/AIDS policy. In Africa, where infection is transmitted almost exclusively heterosexually, there is an alarming increase in the number of HIV-infected women. The Government will particularly emphasize the importance of giving priority to the rights of girls and women in order to increase their possibilities of protecting themselves and their children against HIV infection.

During a special UN session in 2001, a Declaration of Commitment on HIV/AIDS was adopted by all 189 member countries. This declaration reflects the unanimity of the international community as regards the steps that must be taken to combat HIV/AIDS in line with the UN Millennium Development Goals. In many countries, however, the authorities are not yet taking this threat seriously enough in their national policies.

Box 5.12 HIV/AIDS in Uganda – a successful turnaround

At a time when most African countries refused to recognize that the AIDS epidemic was a genuine problem, Uganda chose to meet the situation head on. That is why the Ugandan population has managed to turn the trend around. The incidence of HIV/AIDS has been reduced from an average of 20 per cent in the early 1990s to around 6 per cent today. This success can be attributed to early intervention, the strong involvement and candour of the country's leaders, broad-based national partnership, and the ABC strategy – Abstinence, Be faithful and Use of Condoms. Uganda was also quick to ensure that as many people as possible have access to anti-retroviral drugs.

The story of HIV/AIDS in Uganda shows that it is possible to reverse a negative trend. It paid to focus on prevention, and the youngest members of the population were the first to succeed in changing their behaviour. Young people are a special target group at present.

The Joint UN Programme on HIV/AIDS, UNAIDS, was established in 1996 and is now the responsibility of eight UN organizations (including the WHO, UNICEF, the UNFPA and the UNDP) and the World Bank. UNAIDS monitors the spread of the HIV/AIDS epidemic, puts the fight against the disease on the political agenda at global and national level, provides strategic information, mobilizes resources and helps improve coordination of anti-HIV/AIDS efforts. Norway was a driving force in the establishment of UNAIDS, and is the third largest contributor to the programme.

UNAIDS is not a large source of financing for anti-HIV/AIDS activities. The co-owner organizations in the UN and the World Bank, as well as bilateral and private donors, provide greater financial resources. However, they are far from sufficient. In order to obtain more effective financing, the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) was established on the initiative of the UN and with the support of the heads of state of the G8 and African countries. As a result of three rounds of applications, the fund has allocated USD 2.1 billion to 121 countries, and around 60 per cent of these funds have been used to combat HIV/AIDS. The Government supports this global fund and substantially increased its allocations to the fund from 2004.

The fight against HIV/AIDS is a cross-sectoral focus of Norwegian development policy that will be even more important in the coming years. Norway also supports a number of other initiatives such as the International AIDS Vaccine Initiative (IAVI) and the International Partnership for Microbicides⁷ (IPM). Norway is in favour of the UN system and the development banks intensifying their efforts to integrate anti-HIV/AIDS activities into their mandate areas, and is working to achieve this objective in UNICEF, the UNFPA, the WHO, the FAO and the World Bank. UNAIDS should continue to play a key role in collecting and disseminating information, formulating general guidelines and generally coordinating efforts to combat HIV/AIDS within the multilateral system. UNAIDS should also help authorities to coordinate work at country level. The regional development banks have not put HIV/AIDS on their agendas to the same degree as the World Bank, and in the coming months and years Norway will give priority to anti-HIV/AIDS activities in the regional banks.

The World Trade Organization (WTO) has also played an important role in improving access to affordable HIV/AIDS medicines in poor countries. In a special declaration adopted at the Fourth WTO Ministerial Conference in Doha in 2001, it was clearly specified that the TRIPS Agreement does not preclude WTO members from taking steps to protect public health, for instance by implementing the treaty's provisions on compulsory licensing (see section 3.2).

In Africa, where the epidemic has affected every area of society in many countries, strengthening national efforts to combat AIDS is a major challenge. The goal is to establish a single national strategic framework, a single, broad-based national AIDS council and a single common system for monitoring results.

In Zambia, Tanzania and Ethiopia, Norway provided support for the creation of national AIDS councils and the formulation of national AIDS strategies. So far, it is only in Malawi that enough progress has been made to enable Norway and other donors to channel assistance directly into the national AIDS programme. Support is also channelled through Norwegian and local non-governmental organizations in partner countries.

Sustainable development and follow-up of the Johannesburg World Summit

The UN World Summit on Sustainable Development held in Johannesburg in autumn 2002 once again focused attention on the fundamental significance of sustainable development. A coherent approach whereby economic, social and environmental considerations are balanced and seen in an overall context is essential to steer just development that will not compromise the ability of future generations to meet their own needs. In Johannesburg, Norway emphasized that poverty reduction is the foremost challenge in achieving sustainable development. In the development process priority must be given to sustainable management of the natural resources on which the poorest countries are dependent in order to safeguard health and stimulate economic development. In Millennium Development Goal No. 7, which aims at ensuring environmentally sustainable development, one of the key subsidiary goals is to integrate the principle of sustainability into countries' policies and programmes. As stated in the Government's strategy for sustainable development, Norway considers working to achieve real progress in this field

⁷ Means of preventing HIV/AIDS infection, especially among women.

to be a primary development policy task.⁸ This can be done in various ways. In general, Norway will emphasize the importance of incorporating focus on the environment and sustainable development into the poverty reduction strategies of developing countries, based on national analyses of challenges and resources.

The UN has identified a number of areas that will be of pivotal importance if the international community is to be able to realize the implementation plan adopted at the Johannesburg Summit. These areas are referred to as WEHAB (water, energy, health, agriculture and biodiversity). The follow-up of the World Summit on Sustainable Development is given high priority in Norwegian development cooperation. In addition to health and agriculture, which are special priority areas, Norway's efforts to follow up the Johannesburg World Summit will be concentrated particularly on the WEHAB areas. Norway already makes a substantial contribution in these areas. In Johannesburg, Norway pledged to provide additional funds totalling NOK 375 million, which are to be earmarked for the WEHAB areas, over a three-year period, 2003-2005. This increase in support began in the government budget for 2003 and will be continued in the coming years. Through this additional support, Norway will strengthen important bilateral activities to which we already contribute, and contribute to new strategic programmes under the auspices of multilateral organizations. Great emphasis is placed on dialogue with the authorities in recipient countries, and in this area, too, Norwegian inputs must be based on the countries' own plans and priorities. Plans have been drawn up for specific activities within the prioritized WEHAB areas. Norwegian support for the WEHAB areas (excluding health) currently amounts to between NOK 700 and 900 million per year.

In the past decade, developing countries have primarily requested assistance for capacity-building, transfers of technology and financial support for the implementation of measures adopted in international negotiation processes related to the environment and sustainable development. Support for capacity-building and technology transfers is also an vital element of the Johannesburg Plan of Implementation, and will therefore be an important focus in all the WEHAB areas.

The UN Environment Programme (UNEP) and

the UN Human Settlements Programme (UN-HABITAT) are responsible for following up key items of the environmental policy agenda, but equally important is the work being done by development organizations such as the World Bank and the UNDP to follow up in WEHAB areas.

The UNEP plays a central role in reinforcing the environmental pillar of efforts to achieve sustainable development. Norway provides special support for the UNEP programme to build administrative expertise in poor countries on the links between environment and poverty. Through the additional resources it makes available, Norway helps to increase the capacity of developing countries to implement the conventions on biological diversity, desertification, etc. Basing natural resource and environmental management on an ecosystem approach will provide a good foundation for achieving both environmental and development goals simultaneously. Such an approach will also reach the poorest groups who are most dependent on access to natural resources. Moreover, it ensures the realization of synergies in the implementation of the international conventions on climate, biological diversity and desertification.

The Government aims to update the current strategy for environment in development cooperation.⁹ This update will be based on key political documents, including those originating at the Johannesburg World Summit.

As the UN specialized agency in the field of human settlement, UN-HABITAT is responsible for following up the subsidiary goal under Millennium Development Goal No. 7 of improving living conditions in slum areas. In this connection, UN-HABITAT also plays an important role in following up efforts to achieve water and sanitation goals. The organization will be pivotal in the fight against poverty in urban areas and in the efforts to develop sustainable urban communities in the poorest countries, especially in Africa. Norway will continue to actively support UN-HABITAT.

Sustainable energy

According to the Intergovernmental Panel on Climate Change (IPCC), the mean global temperature has risen 0.6 degrees Celsius since 1860 and is estimated to rise a further 1.4 – 5.8 degrees Celsius in the next 100 years. These changes are

⁸ National Strategy for Sustainable Development. Published by the Ministry of Foreign Affairs in 2002.

⁹ A Strategy for Environment in Development Cooperation (1997-2005). Published by the Ministry of Foreign Affairs in August 1997.

linked to a strong increase in the concentration of greenhouse gases in the atmosphere. The energy sector generates a substantial share of global greenhouse gas emissions. The need to significantly reduce such emissions therefore means that measures must be implemented particularly in the energy sector. As a major energy-producing nation, Norway has a special responsibility for promoting an energy policy based on the goal of sustainable development, also through development cooperation.

An important challenge in this connection will be to pave the way for the introduction of new, climate-friendly technology and the development of new renewable sources of energy at an acceptable cost. Global energy consumption is expected to increase by close to 60 per cent in the period up to 2020, and developing countries will soon be outstripping the OECD countries in terms of energy consumption. Nonetheless, some two billion people still lack access to electricity or some other commercial form of energy. About one third of the world's population, mainly in outlying districts, only have access to traditional energy sources such as wood. Less than ten per cent of the population of sub-Saharan Africa (except for South Africa) have access to commercial, i.e. electric, power supplies. At the same time, access to energy at an affordable price is a crucial factor in the fight against poverty. Developing systems to bring energy to consumers in the poorest regions as well is an important objective.

The Johannesburg World Summit in 2002 called for all countries to make more effective use of existing energy sources. Since fossil fuels will continue to play a dominant role in the energy situation in coming decades, efforts must be intensified to ensure the use of better technology for these resources and increase energy saving. However, it is extremely important to accelerate the development and use of renewable energy such as hydropower, wind power, bio-energy, solar energy, wave power, etc. Access to energy is crucial to increasing growth in developing countries. The challenge will therefore be to find sustainable solutions to supply energy at acceptable prices.

A main objective in international cooperation on energy will be to identify areas of focus to which the developing countries themselves wish to give priority in promoting sustainable development. National leadership of development processes is a fundamental principle of Norwegian development policy, also in the field of energy.

This means that it is the authorities of partner countries who determine their own energy priorities, and thus the areas in which they require development assistance. Norway regards it as important to offer Norwegian expertise on hydropower and other forms of energy to recipient countries, but the latter must decide their own priorities. In formulating its principles for development cooperation in the energy sector, the Government has included a premise that any new technology that is introduced in developing countries should have been technically and financially tested.

The Government is in favour of increasing the focus on new renewable energy. Norway's bilateral involvement in this field should be strongly supported by well-qualified Norwegian expertise, as has been done in the field of hydropower, where activities have been followed up by the Norwegian Water Resources and Energy Directorate. The Government will invite other stake holders to join forces in strengthening the effectiveness of development assistance in this field.

In various international forums Norway will seek to boost the use of renewable energy. In the international follow-up of the Johannesburg World Summit, Norway, along with the EU and other like-minded countries, is participating in the Johannesburg Renewable Energy Coalition (JREC), which was established at the World Summit. The coalition was the result of the Summit's failure to set specific targets for increasing the global use of renewable energy, as Norway and other countries advocated. The goal of the coalition is to achieve a significant increase in the global use of renewable energy and to promote investment in and develop markets for such energy. By March 2004, 85 countries had joined the coalition.

Since the World Summit, energy issues have been followed up regionally through the UN Economic Commission for Europe's Fifth Ministerial Conference in Kiev in May 2003, where guidelines were adopted for energy pricing, energy saving and the phasing out of environmentally harmful energy subsidies. The World Conference on Renewable Energy in Bonn in June 2004 will be an important milestone in the continued efforts to further develop and make use of renewable energy on a global basis.

The water sector

More than 1.1 billion people currently lack access to clean drinking water and more than 2.4 billion

people lack access to basic sanitation services. Consequently, an estimated half of the hospital beds in the world are filled at any given time with patients suffering from water-related diseases. Ten thousand people die every single day because of polluted drinking water, and over half of them are children under the age of five.

The “water sector” is a broad concept, and actually comprises several sectors: water supply, irrigation, hydropower and water resource management. Water supply, sewage and sanitation have long been given priority in Norwegian development assistance. In recent years, however, support for water resource management has increased significantly, both in connection with the stronger focus on environmental improvements in development cooperation and in recognition of the major socio-economic significance of water in developing countries.

In many developing countries, the lack of irrigation systems results in a decline in food production. Inadequate preparedness for floods and drought make countries extremely vulnerable to natural disasters. Discharges of sewage and environmental toxins to waterways give rise to extensive health problems. Due to the failure to develop and maintain infrastructure and inadequate pricing and investment mechanisms, the poorest members of the population spend a disproportionate amount of time and money on procuring the water they require for household use. The failure to give priority to water-related questions undermines a country’s development potential because by addressing these questions the country can ensure growth in food and energy production.

Three challenges as regards water are particularly important in international development cooperation. Firstly, building up capacity to manage water resources poses a challenge – development assistance is required to develop management mechanisms in the water sector. There is a need to develop stable legal frameworks that give priority to the poorest people and provide a predictable basis for private investment, and there is a need to see water issues in an overall context in conjunction with other areas. The Government will help to ensure that this is done and to develop integrated plans for water resource management. Part of the increased allocations for water and sanitation resulting from the WEHAB initiative will be used for this purpose. This type of assistance is in line with the goal set at the Johannesburg World Summit to establish integrated plans by 2005.

Secondly, development assistance is required in order to meet the great need for financing in the water sector. In many developing countries, the national authorities will have to give far higher priority to the water sector than it has had thus far. Some of the financing needs can be met by facilitating private investment, both national and international, where this is possible and desirable. A satisfactory social and environmental profile must be secured by establishing administrative legal frameworks. However, the need for financing is so great that increased development assistance is required, particularly in the poorest countries and areas.

Thirdly, it is important to provide development assistance for initiatives and financing systems that give priority to the poorest people. However, willingness to invest in fixed costs for water and sanitation is usually dependent on authorities ensuring the rights of slum-dwellers and others with respect to housing and other services. Increased ownership and better sustainability can be ensured by encouraging small-scale local initiatives, such as systems to collect rainwater. Another way of increasing access to water and sanitation is to encourage the establishment of price mechanisms whereby private individuals, industry and agriculture with strong purchasing power cross-subsidize the poorest users who lack the resources to meet their daily needs. However, this must be decided locally or nationally by the countries themselves.

Biological diversity and natural resource management

Since the Johannesburg World Summit, a rights-based approach has increasingly been linked to the conservation of biological diversity. Many population groups and indigenous peoples in tropical and sub-tropical areas are totally dependent on the conservation of biological diversity if they are to be able to continue their traditional lifestyle. It is therefore important to take account of traditional rights and special needs when elaborating national strategies for development and poverty reduction.

Areas in which it is important to conserve biodiversity often overlap geographically with the land and water areas of different population groups. The local population who have historical ties to these areas may possess rights to the areas they currently use and have used for generations. Even though the local population has built up



Figure 5.15 A rain forest in Central America

Source: Corbis

advanced systems and institutions to deal with their local ecosystems, based on their accumulated knowledge, they must nevertheless often fight for recognition of their rights of use and ownership of their land and natural resources.

The Government advocates greater focus on activities to protect biological diversity, with emphasis on the implementation of resolutions adopted under the UN Convention on Biological Diversity, particularly regarding an ecosystem approach, and the UN Convention to Combat Desertification. Efforts are primarily to be intensified in Africa. Measures to protect tropical forests and indigenous peoples' use of forest resources are given priority in Indonesia and Latin America.

Increased production in order to combat poverty, combined with population growth, makes heavy demands in terms of the sustainable use and management of the natural resource base. Fresh water is a particularly critical factor, and 70 per cent of all fresh water that is used goes to the agricultural sector. Erosion, desertification, salt accumulation and the loss of species diversity are other main challenges. Forest resources have a

function as a source of energy, in water husbandry, as protection against erosion and as a source of food in many developing countries. The need to intensify efforts to promote the sustainable management of water resources, genetic resources, forest resources, marine resources and land resources was emphasized as early as at the World Food Summit in 1996.

The long-term, sound management of natural resources includes developing sustainable production systems in primary industries such as fishing, agriculture and forestry. Environmentally-friendly energy management, efficient energy use, environmentally sound energy carriers and measures that promote cleaner production and prevent pollution are also important. Priority will be given to projects and programmes that promote the sustainable management of water resources. The sound management of limited water resources is important for local populations, sustainable economic development and preserving peaceful co-existence between states. Strengthening the capacity of the national envi-

ronmental management in developing countries will be crucial to these efforts.

Dryland areas abound in many developing countries, and can be extremely vulnerable to seasonal fluctuations resulting in drought and possibly famine. Unpredictable and low rates of precipitation cause variations and uncertainty for both harvests and farm animals. The resource base does not permit high concentrations of people. Because populations are widely dispersed, and in some cases nomadic, building schools, health services, energy, roads and other infrastructure is an expensive proposition. These populations are often marginalized in connection with political decisions made in the capital on the allocation of social goods and development inputs.

Norway has provided development assistance for dryland areas for many years through non-governmental organizations, particularly in Africa. Norway has also helped to build up research expertise in both Africa and Norway with a view to developing more knowledge of development potential in these areas. Norway will maintain this focus in its development assistance, with emphasis on cooperation with civil society and research communities in Africa and Norway. This will now be seen in conjunction with the Plan of Action for Agriculture in Norwegian Development Policy (see Chapter 7).

Norway also provides support for a number of other activities to protect biological diversity and strengthen the management of natural resources. The Government intends to increase efforts in these areas in its follow-up of the WEHAB initiative. As examples of this support, Norway provides assistance to Tanzania for the formulation of a national strategy and plan of action to conserve biodiversity. The programme agreement with South Africa for cooperation on environmental protection aims at implementing South Africa's general goals of sustainable management of the environment and tourism. The global dimensions of China's pollution problems and local adverse effects on health and natural resources are important factors for Norway's development cooperation with China. In Indonesia, environmental cooperation focuses particularly on implementation of the Convention on Biological Diversity, cleaner production in the forestry industry, management of the coastal zone and decentralization of government to the municipal level. Norway also contributes expertise on the sound management of natural resources in areas such as the

petroleum sector, fish and marine resources, hydropower and water resources.

Persons with disabilities

There are around 400 million disabled people in developing countries, many of them among the very poorest, most vulnerable members of the population. Studies show that persons with disabilities are extremely poorly off in terms of income, education and employment. Among disabled persons, women are worst off, being doubly discriminated against, both as disabled persons and as women. The vast majority of children with disabilities in poor countries do not attend school.

International efforts to improve the situation of persons with disabilities have increasingly been based on human rights, and the UN system has supported this approach for the past twenty years. This means that disabled persons are not placed in a special category, but it is taken for granted that persons with disabilities have the same rights as other persons and are capable of making decisions concerning their own lives.

A special plan of action governs development assistance for persons with disabilities.¹⁰ The plan is based on various Storting documents and on the UN Standard Rules on the Equalization of Opportunities for Persons with Disabilities. The core principle in the Standard Rules is that persons with disabilities have the same rights and obligations as everyone else in society.

The Government is in the process of implementing this plan of action, which has a time-frame of ten years and establishes that development cooperation activities must help to ensure that problems related to the life situation of persons with disabilities are identified and taken into account in both bilateral and multilateral development assistance. Efforts to promote the rights of persons with disabilities must be a natural part of dialogue with the authorities of partner countries and in multilateral forums, cf. Report No. 40 (2002-2003) to the Storting on the dismantling of disabling barriers.

Among the international human rights conventions, only the Convention on the Rights of the Child makes particular mention of persons with disabilities. However, the principle of non-discrimination of disabled persons is laid down in the

¹⁰The Plan for the Inclusion of Persons with Disabilities in Development Cooperation. Published by the Ministry of Foreign Affairs in November 1999. This plan has been followed up in NORAD guidelines, The Inclusion of Disability in Norwegian Development Cooperation (January 2000).

1993 Vienna Declaration on Human Rights and in the UN Standard Rules on the Equalization of Opportunities for Persons with Disabilities. This principle is regularly reaffirmed by the UN Commission on Human Rights, which adopts a resolution every year on the human rights of disabled persons. Norway is co-sponsor of this resolution.

Within the UN system, an ad hoc committee is now working on drafting a new UN convention on persons with disabilities and their rights. Norway works closely with the other Nordic countries to support these efforts. The Government wishes to have a rights-based convention that includes non-discrimination, equality, participation and the right of self-determination as key elements. The main responsibility for the situation of persons with disabilities will still lie with individual states. The requirements laid down in the convention as regards implementation must therefore be formulated in such a way as to allow for national alignment. In following up this work, the Government will contact relevant groups in Norway.

Non-governmental organizations play an important role in the work of incorporating the interests of persons with disabilities into development cooperation. The main stakeholders in this context are the Atlas Alliance and disabled persons' own organizations. These organizations have also been important prime movers and dialogue partners in the process of preparing the plan of action. The Government wishes to continue this dialogue through the meeting between the Minister of International Development and non-governmental organizations and in other contexts.

In its cooperation with multilateral organizations, Norway seeks to ensure that groups that are in danger of becoming marginalized, such as persons with disabilities, are included in the organizations' regular programmes. Norway has played a proactive role and provided financial support for this purpose to the WHO, UNESCO and the World Bank. The Government considers it important to ensure that the progress that has now been made in this area is secured and further advanced through systematic follow-up, active policy dialogues and support for strategically important initiatives.

Efforts to abolish land mines are particularly crucial, also in respect of persons with disabilities. Norway played an active role in the process leading up to the ban on anti-personnel land mines. In 2002, the Ministry of Foreign Affairs channelled around NOK 45 million to measures for victims of land mines. The Government will maintain Nor-

wegian development assistance for mine-related activities, both demining and assistance for land mine victims, at a high level. Persons with disabilities will also be taken into special account in other emergency relief work.

Norway will actively seek to ensure that the rights of persons with disabilities are strengthened internationally and that the rights and needs of such persons are included and taken into account in poverty reduction strategies and sector programmes.

Indigenous peoples

Some 300 million people living in around 70 countries all over the world have the status of indigenous peoples. Their situation varies considerably, depending on the natural and environmental conditions in which they live and the political, social and economic framework conditions that the different nations set for their indigenous populations. Economic and social marginalization and problems related to undefined rights to natural resources and land areas affect the life situation of a great many indigenous groups.

ILO Convention No. 169 concerning Indi-

Box 5.13 The right to education of persons with disabilities in Nepal

Nepal is a country of great ethnic, social and cultural diversity and has a topography and climate that make it difficult and costly to provide good educational facilities for the entire population. Nepal's willingness and ability to provide relevant schooling for children with disabilities must be considered from this perspective. Nepal must build up teaching staff that can develop educational programmes for these target groups. In the basic education programme in Nepal that Norway helps to support, the authorities recognize the right to schooling of persons with disabilities by earmarking funds for schools that facilitate integration in both physical and educational terms. The programme is now in its final year and reports show that while the targeted results have been achieved in some areas, major challenges have yet to be met. The work in Nepal shows that long-term efforts are required to meet the goal of education for all.

Box 5.14 Special interest organizations for persons with disabilities – an important tool in the fight for equal rights

In 1996 the Norwegian Association for Persons with Developmental Disabilities (NFU) entered into cooperation with a small local organization for parents with mentally handicapped children in Dar es Salaam, Tanzania. At the time, there was no influential national organization for handicapped persons in Tanzania. In a short time, and with support from NORAD, the NFU helped the local organization to grow significantly. By actively transferring expertise on organization-building and emphasizing parental participation, the NFU helped to make the local organization a nationwide body. The organization is now by far the largest for persons with disabilities in Tanzania. It exerts strong influence on official policies, and protects the rights of disabled persons in everyday life.

igenous and Tribal Peoples in Independent Countries is a key instrument as regards Norway's international obligations in this field. Indigenous peoples are also mentioned in a number of other international conventions, declarations and plans of action. A special UN Declaration is currently being elaborated. The international framework is unequivocally rights-based. This is an advantage, particularly for indigenous peoples' own organizations. Furthermore, indigenous peoples must be taken into account in international framework conditions for conserving the environment and biological diversity and protecting intellectual property rights particularly linked to genetic resources. Donor countries must play a pro-active role in ensuring that indigenous peoples are included and taken into account in the formulation of national development strategies and sector programmes. Ratification of ILO Convention No. 169 requires the establishment of national legal frameworks for the rights of indigenous peoples. The Declaration on Sustainable Development adopted in Johannesburg in 2002 contains wordings on the rights of indigenous peoples that can bring the international efforts to promote such rights a big step forward.

Norway's efforts to assist indigenous peoples in development cooperation are based on ILO

Convention No. 169, and Norway's approach is clearly rights-based. Cooperation aims at the general level to promote recognition of the fundamental rights of indigenous peoples, and at the operational level to strengthen the possibilities and ability of indigenous peoples to advance and manage their interests.

Norway participates actively in efforts to promote the rights of indigenous peoples internationally. Both the central government authorities and, in particular, the Sami Parliament, the Sami Council and non-governmental organizations related to Norwegian indigenous communities contribute to these efforts.

The Government gives high priority to work on elaborating a UN Declaration on the rights of indigenous peoples. Norway participated actively in the establishment of a Permanent Forum for Indigenous Peoples in the UN, a UN consultative body under the UN Economic and Social Council (ECOSOC) established by a resolution adopted in 2001. Here, for the first time, representatives nominated by indigenous organizations and groups participate in a UN body on an equal footing with representatives elected by UN member states. So far, the Government is satisfied with the work of the Forum and will continue to support it politically.

The Government seeks to contribute to the work of the UN Special Rapporteur on the human rights of indigenous peoples by supporting it politically and by submitting reports on the situation of the Sami people in Norway. The Government will also continue to give priority to advancement of the rights of indigenous peoples at the annual sessions of the UN General Assembly and the UN Commission on Human Rights.

In the years ahead, the Government will also emphasize efforts targeting indigenous peoples in development cooperation. These efforts are based on new guidelines drawn up in 2002, which establish that the focus on promoting the rights of indigenous peoples is to be increased and organized in such a way as to render it more coherent and visible. The rights-based approach and the follow-up of the Johannesburg Plan of Implementation will be cornerstones of Norway's further efforts. At country level, the interests of indigenous peoples are to be safeguarded in relevant strategic processes, in dialogue with national authorities and in sectoral cooperation. To a greater degree, assistance provided through Norwegian organizations, directly to local activities and through multilateral channels must be seen in an

overall context. This also applies to normative efforts and work at project level. Contact with the Sami Parliament and Sami and international indigenous communities will be maintained and reinforced, and more attention will be focused on issues relating to indigenous peoples in Asia and Africa.

Promoting the rights of indigenous peoples has gradually also become increasingly important in the development banks. The Ministry of Foreign Affairs has contributed additional funding, primarily to the World Bank and the Inter-American Development Bank (IDB), for studies and projects aimed at strengthening the rights of indigenous peoples. This has made it possible for the IDB to spearhead efforts to put the social equalization of particularly marginalized groups such as indigenous peoples and peoples of African descent on the agenda in Latin America. Norway was the first country to contribute to a multi-donor fund for social inclusion that was established in 2002. The purpose of the fund is to promote the integration of an equalization perspective in official policies and programmes in Latin America and in the work of the IDB.

Another important organization is the International Working Group for Indigenous Affairs (IWGIA). The IWGIA is currently the world's leading international organization for the advancement of the rights of indigenous peoples.

Indigenous issues will be a key focus of follow-up work in relevant WEHAB areas. Indigenous peoples often live in areas where there is rich biological diversity. The tropical rain forests are one example of such areas. Priority will be given to measures that protect the biological diversity of these areas and the rights of indigenous peoples to make sustainable use of resources. In practice, we have seen that recognizing the rights of indigenous peoples is the most effective strategy for conserving natural areas and biological diversity.

5.8 The development dialogue and sectoral focus at country level

Besides its activities in international arenas, Norway focuses on important sectors and target groups through the dialogue on development that takes place at country level. Bilateral and multilateral donors meet for regular discussions and are invited to participate in many of the most important development processes in partner countries. The processes related to the formulation of the

Box 5.15 Direct assistance for indigenous projects

Direct support for efforts targeting indigenous groups is largely channelled through non-governmental organizations. In 2003, the support provided directly by NORAD was concentrated on five countries in Latin America: Brazil, Chile, Guatemala, Peru and Paraguay. NORAD also recently entered into cooperation with the Sami Council in order to be able to draw to a greater degree on the special expertise and experience of Sami groups as regards strengthening the rights and organizations of indigenous peoples. The Sami Council currently receives support from NORAD for two cooperative projects in southern Africa.

countries' poverty reduction strategies (see Chapter 4), where important priorities are identified, are particularly relevant. In many countries, a large number of meetings between donors and authorities are held annually, and these are now often expanded to include representatives from business and industry and civil society. However, the dialogues on the design of important sector programmes and conditions for budget support and follow-up of the government budget are equally important. In all these contexts, Norway's representatives have opportunities to present Norway's views on important priority areas and influence national policies.

It is especially in its main partner countries and some of the other partner countries that Norway has the status of development assistance donor and thereby participates actively in the full breadth of the development dialogue. In other partner countries, Norway has a more focused, strategic development assistance portfolio and it is particularly relevant to take part in the dialogue on the more limited areas in which Norway is especially involved. In the partner countries in which Norway participates actively, the Government's policy is to emphasize the development areas that are discussed in this report and are relevant for the development situation of the country concerned. Norway usually works closely with other like-minded donors and, if appropriate, the entire group of donors to ensure stronger support for the views advocated by Norway.

In countries where Norway contributes general budget support, key sectors can best be followed up by participating in the dialogue on the formulation of partner countries' own policies. This gives the countries' authorities, with the support of donors, the opportunity to focus on education for all, and to bring up other important priorities. In the negotiations on conditions and targets for budget support, specific goals can be formulated for the use of budget funds and a decision can be made as to which development goals are to have priority.

It is an important principle of Norwegian development policy that partner countries themselves must formulate their poverty reduction policy and priorities, and take the lead in implementing this policy. However, this does not preclude Norway from expressing its policy and views through the development dialogue, both bilaterally and in the larger donor community. The Government will therefore place great emphasis on implementing the Norwegian strategies and plans of action for education for all, intensifying efforts to fight HIV/AIDS, following up the Johannesburg World Summit on Sustainable Development and securing the rights of women and children, and will increase its support for and protection of persons with disabilities and indigenous peoples by actively participating in the development dialogue at country level. However, the determination of which areas are relevant and most important in various contexts, and the format that is chosen, must be adapted to the situation in the country concerned.

Sectoral focus in partner countries

As mentioned earlier in this chapter, development cooperation is undergoing extensive reorganization at country level in order to improve the coordination and utilization of development assistance resources. Norwegian government-to-government assistance has been spread too thinly between a large number of development assistance activities in many partner countries. Efforts should be better focused in order to make more effective use of resources and expertise, and reduce the strain on the recipient system of having to deal with many small projects and programmes. This will be in line with the donor reforms mentioned earlier, and will support the establishment of new forms of cooperation. Focusing efforts in this way is also expected to improve performance. Other bilateral donors

such as the Netherlands are now choosing to concentrate their development assistance in individual countries on only a few sectors.

On this basis, the aim of the Government is normally to concentrate Norwegian bilateral assistance that is financed through the country and regional allocations on two or three sectors in each country. Budget support is provided in addition to such assistance. In concentrating assistance, the focus must be on sectors that have priority in Norwegian development policy and are included in the partner country's own strategies and plans, and where Norway is particularly qualified to contribute effectively.

In keeping with the principle of national ownership, the choice of sector must be decided in close dialogue with the authorities of the partner country. It must be based on the country's development plans and poverty reduction strategy, the modalities of development assistance provided by other countries and Norway's own qualifications. Recipient countries' interest in specialized Norwegian expertise in specific sectors will also be a relevant factor. The most likely sectors will normally be education, health and HIV/AIDS, private sector development (including agriculture and fisheries), sustainable development and natural resource management (including energy, water, biological diversity), and public administration. In the dialogue with donors, Norway will emphasize the importance of the donors as a group adequately covering the above-mentioned sectors within the framework of development cooperation.

Donor coordination and the effective use of development assistance resources will be decisive factors when setting priorities. Future agreements in this connection will entail long-term involvement and predictability on both sides, but should also allow for a certain amount of flexibility in order to take account of future changes in the situation and unforeseen needs.

In all partner countries, good governance and good management will be a central concern in both the dialogue and in development cooperation in general. In this field, too, Norway will seek to promote joint donor inputs. In the individual sectors to which Norway contributes, reforms and measures to strengthen public administration will be a cross-sectoral consideration and an integral part of the joint sector programme. Good governance will be regarded as a separate sector, and as a special priority area in partner countries in which efforts will be focused on human rights,

Box 5.16 Cultural cooperation for cultural diversity

Cultural rights are an important part of human rights. The UNESCO report “Our Creative Diversity”, published in 1995, demonstrated the links between social and economic development and cultural diversity. The World Summit on Sustainable Development in Johannesburg in 2002 also established that respect for cultural diversity is an important element of sustainable development. Vibrant artistic, cultural and sports sectors help to build identity and give individuals a sense of belonging and roots. An open and inclusive cultural life offers possibilities for participation in social development and strengthens democracy. All development cooperation in the cultural sphere is founded on the recognition that culture has its own intrinsic value and plays a key role in the development of every people.

Institutional and human resource development are central elements of Norway’s cultural cooperation with developing countries. There is an imbalance in the global flow and exchange of cultural products and cultural services. Globalization has led to a greater diversity of cultural stimuli. At the same time, many smaller cultural communities may find themselves under pressure, particularly from more commercially oriented cultural and media industries. Market forces alone cannot ensure the protection and promotion of cultural diversity. It is important to reinforce the fundamental role of cultural policy in social development. This entails, for instance, helping developing countries to develop the necessary institutional infrastructure, support the development of viable local cultural markets and ensure easier access to cultural products from these countries on the global market.

Cultural, ethnic and religious factors can exacerbate many conflicts. Norway wishes to facilitate broader dialogue between civilizations and the exploration of common values and ethical standards. The increased significance of culture as a medium for contact to build peace and understanding is reflected in growing international interest in “soft power”. One of the goals of cultural cooperation is to strengthen the dialogue between different cultures as a precondition for interpersonal understanding and reconciliation.

Systematic cultural exchanges with develop-

ing countries foster exchanges of ideas and other stimuli, network-building and human resource development. Exchanges between Norway and developing countries are based on the conviction that self-expression through art, culture and sport in itself promotes development. There is growing recognition of the importance of the cultural factor in strengthening free media and public debate. This in turn is crucial for genuine democracy and a well-functioning society. The provision of support for culture through development cooperation is aimed at promoting human rights in general and freedom of expression in particular.

Sports activities can often provide broad-based, effective arenas for activities aimed at promoting reconciliation in conflict-torn areas. They also play a vital role in improving health. This type of cooperation on sport is useful, and the sports movement itself is aware of the role that it can play to such ends. There is reason to emphasize the unique nature of sport in development cooperation, in particular the pleasure and opportunity for self-expression, self-development and mastery that a sport offers, particularly for children and young people.

Cultural heritage management can reinforce local identity and affiliation, and spur people to assume responsibility for the development of the area in which they live. In countries where the inhabitants have different ethnic and religious affiliations, good management of cultural heritage can foster respect for the pluricultural nature of the country and thereby underpin the rights of minorities. Sound management of cultural heritage can also bring financial gain through the development of tourism and focus on reusing traditional buildings rather than building new ones. Norway’s cultural cooperation with developing countries therefore aims to promote cultural diversity by supporting activities that strengthen the work of local groups to protect cultural heritage and reinforce a dynamic cultural life.

By the end of 2004, the Government will launch a special strategy for promoting culture and sport through Norwegian development cooperation.

democracy, other areas of public administration and the fight against corruption.

Concentrating development assistance on a small number of sectors does not mean reducing the emphasis on other cross-sectoral priority areas (such as human rights, women, children, the environment and sustainable development or special target groups). Norway will seek to promote these considerations in relevant sectors in which Norway is involved and in the development policy dialogue. Furthermore, Norwegian assistance for education, for instance, will often have to target groups that do not fit into the ordinary educational system. At the same time, in a number of cases, it will be appropriate to provide special assistance in these areas.

The Government will:

- use the development assistance dialogue and the political dialogue at country level to empha-

size Norway's views on important conditions for development and poverty reduction, adapted to the development situation in individual countries.

- aim to ensure that Norwegian development assistance, financed through country and regional appropriations, is normally concentrated on two or three sectors in each country, excluding budget support.
- incorporate management-related cooperation as a cross-sectoral concern in each sector.
- regard good governance as a special priority area, and in some partner countries as a separate sector.
- confirm that good governance is a crucial factor in all partner countries, and ensure that strong efforts are made in this area in cooperation with other donors.

6 Governance reform, democracy and efficient administration

6.1 What is good governance?

“Good governance is perhaps the single most important factor in eradicating poverty and promoting development.”

(UN Secretary-General Kofi Annan)

Norwegian development policy aims at strengthening the ability of partner countries to pursue an effective policy for promoting development and reducing poverty. If millions of impoverished people are to have a chance to make a better future for themselves, their governments must be less a part of the problem and more a part of the solution. Governments must provide services that reach the poorest members of the population, and that facilitate and stimulate development and ensure more equitable distribution. It must strive to foster a well-functioning society that gives priority to and controls common resources, with institutions at the national and local levels that provide services, secure rights and ensure a good framework for value creation and social life. Democratic processes must assure participation in decision-making processes. Effective governance functions must be established.

Many good development assistance projects and programmes of varying size and scope are implemented which, seen in isolation, can lead to improvement in a sector or for a population group. This is useful, but it is not enough. Regardless of how well-planned or well-implemented each individual project or programme may be, it has only a limited, and sometimes even a negative effect if the overarching policy pursued by the authorities does not promote sound political and economic development. All too often, projects and programmes do not achieve the desired effects over time or do not have the ripple effects that might be expected, due to the inadequacies of local or central authorities. Unless governance functions are improved, development assistance will not generate the desired positive repercussions and projects can easily become isolated measures, rather than steps in a process of sustainable development.

Development assistance can contribute

towards human resource and institutional development with a view to improving governance. However, governance functions can only be improved if there is political will to do so and improvement therefore challenges existing power structures. Processes of change that promote good governance are part of complex, sensitive political processes.

Increased international consensus on the importance of good governance in recent years has spurred far stronger focus on efforts to bolster the ability and will of the authorities in developing countries to implement poverty reduction policy. At the same time, a growing global consensus has emerged in the past decade as to which main principles of good governance must form the basis for more targeted, strategic focus on this area of development policy. Both the restructuring of development assistance towards providing assistance through sector programmes and as budget support and the efforts to promote governance reforms are intended to help achieve the main goal of strengthening the authorities' ability to effectively reduce poverty.

What is meant by good governance?

Governance means the traditions and institutions that form the basis for the exercise of authority and implementation of policy.

While the perception of what constitutes good governance may vary, there is considerable agreement as to the essential, fundamental features of a good system of government. Among the most important of these features are legislative institutions that have legitimacy and popular support, organization of the main government institutions in a manner that respects the separation of power between executive and legislative authority, and an independent judicial system and conformity with key principles of the rule of law. Good governance means an efficient, professional public administration subject to democratic controls that pursues a poverty reduction policy with respect for fundamental human rights. Efforts to combat corruption are also a central element of a good

system of government. The promotion of respect for women's rights and opportunities for broad-based participation in social life and women's representation in governing bodies must also be included in efforts to achieve good governance.

A judicial system that has integrity is an essential element. An open, efficient public administration that is capable of translating policy into practical action in response to the needs of the population, and that has respect for and the ability to secure fundamental human rights is a hallmark of good governance. There must be scope for a dynamic civil society and free and independent media.

A number of elements are instrumental in stimulating value creation in society: good leadership, a responsible macro-economic policy, good public financial management, an efficient, non-corrupt administration, a well-defined legal framework that ensures clear, predictable framework conditions for economic activity, including property rights, a policy that facilitates trade on good, competitive terms for national business and industry and a minimum of unnecessary bureaucratic red-tape for companies seeking to comply with official rules and regulations.

A judicial system that is inefficient or corrupt loses its legitimacy and undermines the security and quality of life of individual citizens. A judicial system of that nature is also detrimental to economic activity and players. Widespread corruption in the interface between public authorities and national and international business and industry is incompatible with sound, effective economic development and erodes political and democratic legitimacy. Corruption deprives the poor of essential rights. Effective efforts to combat corruption are a vital element of good governance.

Good governance has to do, first and foremost, with the quality of the public authorities' administrative system and policies, but a broad definition of good governance also includes the establishment of necessary conditions for a free, dynamic civil society.

Transparency and accountability are values that help to improve public administration and democratic governance. Only if authorities are held accountable in a broad sense, either by means of parliamentary controls, by replacing them in public elections, or more drastically by means of legal prosecution will transparency have the necessary effect. Transparency and accountability therefore play a key role in the process of achieving good governance.

The growing global consensus as regards the main principles of good governance in the past decade has prompted extensive reforms. Many developing countries have instituted democratic reforms and multi-party systems of government, and a number of donors have made development assistance for governance reforms and institution-building a prominent item on their agenda.

The UN Convention against Corruption, which was adopted on 31 October 2003, marked an important milestone in the fight against corruption. The provisions of the convention constitute a global consensus on important elements of good governance¹, and the treaty is thus the first global, binding framework agreement for effective action against corruption. It is therefore essential for future efforts to promote good governance that the UN Convention be ratified by as many countries as possible, and that the provisions of the Convention be implemented effectively and efficiently.

Governance reform is a priority area for almost all development stakeholders. Promoting governance reform and providing advisory services are the core functions of the UNDP, the World Bank provides extensive advice and technical assistance for competence building, and bilateral donor organizations normally identify governance as a special area of focus or as a cross-sectoral topic. UN Habitat carries out a global Urban Governance campaign to promote good governance at the local level.

Box 6.1 Good governance

Good governance means the capacity to effectively formulate and implement policies based on respect for fundamental rights and freedoms and democratic processes and institutions. A good system of government is also characterized by a well-functioning constitutional state and an economic policy that promotes poverty reduction.

Source: World Bank Institute

¹ Chapter 2 of the Convention in particular, which relates to measures to prevent corruption, contains a number of initiatives to promote good governance.

Challenges related to measuring and assessing the quality of a country's governance

The growing interest in good governance in developing countries has led to intensified efforts to identify indicators for good governance and, on the basis of such indicators, to measure the extent to which countries achieve the objectives of good governance. This work is still at an early stage. The World Bank, one of the organizations that have put considerable effort into developing indicators, bases its assessment of the quality of a country's governance on the following six main indicators:

- Participation, democracy and legitimacy (“voice and accountability”)
- Political stability and peace
- Effective, efficient public administration
- The quality of public control bodies
- Compliance with the principles of the rule of law
- Control of corruption

Good governance is basically a normative concept, and there is growing global agreement on the main elements that must be in place in order to achieve good governance, as mentioned in connection with the comments on the UN Convention against Corruption.

The methods for measuring governance behaviour have obvious limitations. The margins of error in the data are considerable, the indicators are not as good as might be desired and it is difficult to measure changes in behaviour over time. From a long-term perspective on support for institution-building, Norway's policy for the promotion of good governance must be ambitious and explicit, but must also take into account the fact that processes of change take time and that a variety of approaches will be required. Among other things, projects and programmes in the various areas of governance will necessitate solutions tailored to different cultures and nations.

Long-term approach, diversity and conditions

Norway wishes to promote improvements in governance over time, and will not primarily strive for short-term symbolic achievements. In its partner countries, therefore, Norway focuses on a number of different topics and utilizes a broad range of instruments, while engaging in cooperation with many different players to foster good governance.

Mixed experience of imposing detailed conditions in connection with development assistance has shown that caution must be exercised as regards automatically resorting to pressure in the form of cuts in assistance when censurable conditions arise. When in such cases it becomes relevant for Norway to consider changing its policy towards a certain country, action must be based on thorough analyses. Such analyses must include assessments of development trends over time. Furthermore, the full range of instruments that are available to promote positive governance must be considered. As a rule, this will mean intensifying dialogue with the country's authorities and will in time often also entail changes in the modalities of development assistance so as to focus more attention on how Norway can help improve conditions that are crucial to developing good governance. In situations where the authorities do not appear to be doing enough to address the challenges inherent in improving governance it is particularly important to place greater emphasis on the role of non-governmental organizations. In this work it is important to maintain close dialogue with other bilateral and multilateral donors to ensure a coordinated approach, both as regards the dialogue on immediate improvements and as regards the need for reforms in the longer term.

In the last couple of years, Norway has in several cases substantially reduced development assistance or suspended it entirely when governance in partner countries has deteriorated. This applied, for instance, to the termination of the balance-of-payment programme for Tanzania in 1994, it has applied to Zimbabwe in the past few years, and it is reflected in the steady reduction of support for Bangladesh.



Figure 6.1 Elections in South Africa

Source: Scanpix

Governance challenges

Developing countries are not a homogeneous group. The differences between them also apply within the broad scope of the governance debate. One of the most important differences concerns countries emerging from conflict. Sometimes a nation must be built from scratch, as in the case of the Palestinian Area, East Timor and parts of the Balkan States. In other cases, the government institutions were very weak and almost devoid of resources, such as in Afghanistan. In situations like these, the governance challenges are enormous and international development assistance can help create stability when it is used to build up the capacity and competence of government institutions. Several of Norway's partner countries that have emerged from conflict are at an early stage of development, but it is nevertheless clear that Norwegian assistance is helping to build institutions that strengthen governance politically, administratively and financially. Another type of governance challenge is linked to the substantial natural resources, such as minerals, oil and gas, of certain developing countries. Such assets pose considerable challenges in terms of governance, particularly as regards transparent, well-ordered financial management of the resources.

Despite great variations, it is nonetheless possible to identify certain main challenges that to varying degrees confront a large number of poor countries:

The democracy challenge:

Partly in the wake of the wave of reforms in the 1990s, many countries that were formerly one-party states have now held free elections and established essential, democratic government institutions. In many of these countries, free media and several non-governmental organizations have also been established. These are among the major advances that have been made in the field of governance in the past 10-15 years. However, popularly elected institutions in these countries often have limited influence, and electoral traditions have certain deficiencies. In some cases, for instance, the presidency and other parts of the official machinery concentrate power and influence in the hands of a small circle of individuals, while the value of constructive opposition is often underestimated. Moreover, traditions as regards holding politicians accountable for decisions and policy results are often weak. Further-

more, political parties are often weak, with limited internal democracy and varying contact with voters.

However, the situation is not static and such deficiencies are often core issues in the day-to-day political debate in many of Norway's partner countries. This means that Norwegian efforts to improve governance must be adjusted continuously and dynamically to take account of a political reality in a constant state of flux.

The rule of law challenge:

The justice sector is seldom given the highest priority when scarce resources are allocated. A great many countries have to contend with serious problems in their judicial system, such as low capacity, a case backlog of several years, overcrowded prisons and rampant corruption. This results in human rights violations and an insecure climate for investments and contracts. Poor people have few constitutional rights in practice and are often the victims of arbitrary treatment. Norway has provided assistance to strengthen the judicial system in several of its partner countries.

The public administration challenge:

Public administration of the main instruments of financial management is an area of central government administration in Norway's partner countries in which there have been relatively significant improvements in the last decade. There are few other administrative sectors in which equally positive results have been achieved. In general, the government systems often have weak institutions and poor planning and monitoring tools. The public sector is often inefficient and disinclined to respond to the needs of poor, vulnerable population groups or business and industry, and supplies a small number of high-priced, low-quality services. However, many countries are currently carrying out major reforms to promote a less centralized, more efficient and service-minded public administration that can reach those who most require its services. Strengthening local government is crucial to ensuring the efficient delivery of services and performance of functions that are significant for poverty reduction.

The corruption challenge:

There has been a positive trend as regards putting corruption on the political agenda. A number

of countries have instituted legal proceedings against high-ranking government officials who have been involved in corruption. This is encouraging. However, it can hardly be said that so much progress has been made in this field that the phenomenon of corruption has been reduced. Corruption is still a major contributing cause of high-priced services and the undermining of social institutions and structures.

Insecurity:

Many countries are at war or in a war-like state and there is little stability. This situation is often accompanied by a high crime rate, with the result that the safety and security of ordinary citizens are at risk.

Norway's partner countries are confronted by these governance challenges to differing degrees. If development policy is to be effective, it is essential that development assistance donors help to improve the governance situation in the various countries. As far as possible, therefore, Norway will carry out such measures through joint donor cooperation. The Government has initiated a systematic review of the governance situation in Norway's partner countries to examine the challenges and problems facing them, ascertain what possibilities exist for improving the situation and determine who can help to achieve this goal ("agents of change"). This will provide the basis for assessing which measures can be initiated and how they can be carried out.

Although the situation varies from one country to another, two types of measure in particular have proved to produce results: firstly, measures to increase the capacity and competence of central government institutions and administration, and secondly, various measures to strengthen control bodies. The latter include internal control functions such as supreme audit and credit oversight institutions, various ombudsmen and anti-corruption agencies. They also include external players that may exercise a variety of informal controls, such as free media, civil society, political parties and elected representatives. Strengthening these control bodies also has the effect of preventing corruption.

Cooperation and risk:

In some cases, donors cooperate closely on coordinating efforts and sharing tasks. This applies, for instance, in the joint dialogue with recipient

countries in connection with the preparation of poverty reduction strategies and with regard to reforms in connection with budget support and sector programmes. In the field of governance, however, there are still too many individual projects and programmes and too few strategic approaches. The Government will seek to increase donor coordination and strategic focus on improving governance.

Helping to build institutions and strengthen capacity and expertise are demanding forms of development assistance. It is always easier to build roads or power lines than to build up the expertise of individuals or the public administration. Norway has taken part in this type of cooperation with many countries and has learned from experience that it takes a long time to achieve results. This has also been confirmed by several evaluations. Nonetheless, it is extremely important to provide assistance for this particular purpose. Unless the capacity of the public sector is reinforced, governance will deteriorate to the detriment of the private sector, business and industry and individuals.

Helping to build and support institutions in countries that are striving to restore stability after a war or armed conflict is a vital element of the peace-building process. However, this is particularly demanding work that requires a strong long-term perspective and is very high-risk. Further information about this work may be found in chapter 9.

6.2 Political dialogue and development assistance for governance reforms

Norway attaches great importance to the bilateral development policy dialogue on governance challenges which it conducts with its partner countries at several levels. Norway also adopts four other main approaches in its effort to improve governance. This applies to Norway's participation in development assistance programmes, its work through international organizations and Norwegian legislation:

- Norway provides financial and technical assistance for specific projects and programmes to strengthen the capacity and expertise of its partner countries, bilaterally, in cooperation with other donors, through multilateral organizations and through international professional organizations for important central government institutions.

- Norway participates actively in efforts to establish agreed international norms and rules to serve as guiding principles for the governance of a country, through standard-setting within the UN, within the OECD, etc.
- Norway helps to put governance and the problem of corruption on the agenda through its work in central bodies in multilateral development organizations.
- Improvements are made in Norwegian legislation on corruption and a dialogue is conducted with Norwegian business and industry with a view to reducing the risk of Norwegian players deliberately or unconsciously contributing towards corruption in other countries.

Governance aspects are integrated into large parts of the Norwegian development assistance portfolio, including the parts that are not primarily oriented towards these aspects. Funding is also provided for more specific measures to improve governance. Furthermore, Norway helps in various ways to keep the human rights dialogue alive in its partner countries. Norwegian non-governmental organizations support local non-governmental organizations that play a critical role at country level.

The practices and democratic experience of Norwegian municipalities should also be put to effective use in development cooperation. As part of its follow-up of the UN Millennium Development Goals, the Government has, through the National Budget for 2004, in the section on the National Agenda, initiated action to promote partnerships between municipalities in Norway and local communities in developing countries in order to transfer knowledge relevant to local administrative infrastructures.

Development policy dialogue is an important instrument for promoting better governance in Norway's partner countries. Dialogue is a natural part of a range of processes which include work

on poverty reduction strategies, annual donor meetings and work on budgets and sector programmes. However, there is a need to better coordinate the dialogue on development policy between donors, and Norway needs to reinforce its work on this dialogue. Greater emphasis on political dialogue is a consequence of the recognition that development policy is largely political work that cannot be reduced to the mere administration of funds or projects.

In all Norway's partner countries there is a continuous political tug-of-war for power and influence, just as there is in Norway. If development policy is to succeed, it must be designed in such a way as to ensure that those who are fighting to secure greater opportunities for the poor can succeed. That is why it is so important to promote good governance, and that is why development policy is primarily politics.

The scope and main modalities of development assistance to promote good governance

Norway provides extensive development assistance for the promotion of good governance in developing countries and is increasing this assistance. At present, NOK 1.7 billion, more than 15 per cent of total Norwegian development assistance, goes to what the OECD classifies as assistance for good governance. Table 6.1 shows the ten countries that received the largest amount of Norwegian assistance for good governance in 2002. It can be seen that much of this aid goes to countries and areas that are in the throes of serious conflict or emerging from devastating wars, and to countries to which Norway provides active support for human resource development and to strengthen the capacity of the central government administration through budget support and other means.

Figure 6.2 shows that approximately one third of development assistance for good governance is

Table 6.1 Geographical breakdown of bilateral development assistance (incl. multi-bilateral assistance) for governance in 2002

Country	NOK 1000		NOK 1000
The Palestinian Area	126 273	Angola	51 294
Mozambique	80 062	Sudan	47 330
Afghanistan	65 719	Croatia	34 620
Bosnia-Herzegovina	65 505	East Timor	33 687
Sri Lanka	59 730	Others	1 024 895
Guatemala	54 317	Total	1 643 432

channelled through civil society organizations to improve governance. Twenty-five per cent is provided for projects and programmes to strengthen respect for human rights. Peace-building (including demining) is the third largest category, while substantial funds are also provided for administrative reforms, public financial management, reinforcement of the justice sector and long-term economic planning.

As can be seen in Figure 6.2, good governance is not a sector in the ordinary sense, but support for this purpose is an important component of the development assistance provided for several areas of society and is administered by means of many different instruments. Good governance is a key topic in the general political dialogue with partner countries, an important topic in work on developing global conventions and agreements on international standards and efficient, effective approaches in development assistance, and a priority area for technical assistance.

Good governance is an important topic in negotiations on the establishment and expansion of agreements on budget support and sector programmes. Both multilaterally, such as within the framework of the World Bank, and in other similar contexts where Norwegian bilateral funds are used, comprehensive studies are made of and a dialogue is conducted concerning the quality of the administrative bodies that receive and administer the funds. These analyses often lead to demands for improved administration in various areas. Areas that require follow-up in the form of technical assistance and other types of cooperation to strengthen administration are also identified.

Multilateral stakeholders such as the UNDP and the World Bank are heavily involved in public sector capacity-building, and Norway and other donor countries provide funding and expertise for this type of activity.

6.3 Some key areas of focus

Norwegian efforts to promote better governance through development cooperation target the promotion of human rights, democracy, the rule of law, stronger public administration and the fight against corruption.

Efforts are mainly concentrated on strengthening:

- electoral institutions, parties and publicly elected bodies.

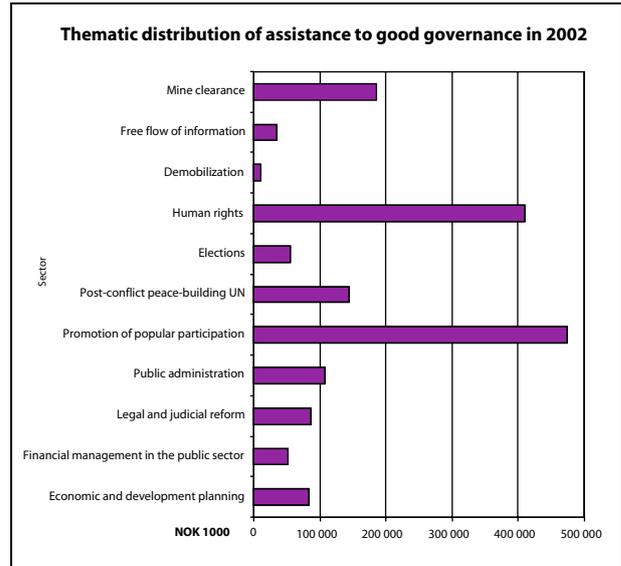


Figure 6.2 Breakdown of Norwegian development assistance for good governance in 2002, by topic

Source: The subdivisions in the figure are based on the OECD classification of assistance for governance (DAC main sector 150, Government and Civil Society). This includes multi-bilateral assistance.

- the rule of law.
- public administration in general, and public financial management in particular.
- control functions exercised by the public administration such as supreme audit services, credit supervision and ombudsmen.
- democratic control of the public authorities, by promoting transparency and accountability. The media and other organizations in civil society play an important role in this connection.

Democracy

Strengthening democratic institutions and processes, for instance by promoting transparency, separation of powers and accountability, is an important priority in efforts to improve governance. The reforms that have been carried out in the past few years in many of Norway's partner countries with a view to establishing a multi-party system of government are a significant step forward. Such reforms must be supported and democracy must be given the necessary conditions to establish deeper roots. Over time there may still be a tendency, even among popularly elected government leaders, to focus less on the need for reform while tightening their hold on power by taking action that is liable to weaken the system of representative government and the reform process. Political

dialogue can help to prevent this erosion of democratic principles and reforms. If such transitions and democratization processes are to succeed in general, it is important for institutions that normally play a pivotal role in connection with changes in power - such as electoral organizations, the press and genuinely democratic parties - to have developed a certain influence and dynamic. Unless such fundamental conditions are secured, both public administrative reforms and political reforms will have far less effect than desired.

Norway helps partner countries hold elections, build up institutions to ensure free and fair elections and build up expertise in political parties and the press. Assistance is provided for processes at the central level, but also to promote democratic institutions at the district and local levels. Efforts to pave the way for a constructive opposition are part of the process of helping to establish democratic traditions more firmly. The same applies to efforts to increase the transparency of political processes and to foster a culture in which elected representatives are accountable to voters and the opposition for the policies they pursue. Most of Norway's partner countries face an important challenge in terms of achieving greater respect for the genuine separation of powers between the central governing bodies. As a rule, this means that it is essential to strengthen the role of parliaments and the independence of the judicial system. Norway follows up the political dialogue on such issues by providing assistance to strengthen democratic institutions. This includes support for elections, for efforts to strengthen national and local popularly elected bodies and for players in civil society who work to promote democracy. A number of Norwegian institutions are involved in cooperation projects to this end, including the Christian Michelsen Institute, the Norwegian Association of Local and Regional Authorities and the Norwegian Centre for Human Rights. However, the majority of the bilateral assistance provided for this purpose at country level is channelled through the United Nations Development Programme (UNDP).

One of the core functions of the UNDP is to promote a democratic system of government. Norway pursues a long-term development policy strategy aimed at strengthening the role of the UNDP as a central advisor to authorities in developing countries. Emphasis is primarily placed on building capacity and providing advice in

order to develop sound democratic institutions by strengthening parliaments, judicial systems, electoral systems and anti-corruption efforts. As a result of Norway's work in this field, the UNDP has chosen to establish its Centre for Democratic Governance in Oslo, partly in order to take advantage of Northern European expertise in this area. Norway also supports UNDP's governance work through the organization's central bodies, by using the organization as a channel in partner countries and by providing assistance through a multi-donor fund for the promotion of democratic governance. Using the UNDP as a channel has proved to be very positive in many countries, while in others, and sometimes in places where the reform process is extremely sensitive, the results have been more mixed. Norway is concerned to ensure that the UNDP is an effective channel for efforts to promote reforms. Norway therefore seeks to contribute in various ways to building on the positive experience gained both through the UNDP's governing bodies and at country level. By doing this in addition to providing financial support, Norway can help ensure that the positive lessons learned can serve as a model for future activities.

In the past few years, the World Bank has established contact with an extensive network of parliamentarians in both industrialized and developing countries. One of the main objectives of this process is to help build up an understanding of and the capacity to address development issues and to encourage parliamentarians to play an active role in tackling the most important poverty challenges. It may be relevant for Norway to provide support for such initiatives.

In recent years, Norway has carried out evaluations of the governance situation in its partner countries. The goal has been to gain greater insight into the solidity of democratic structures and the quality of public administration, and to identify problems, challenges and opportunities, bottlenecks and agents of change in both the public sector and civil society. The conclusions of these reviews will serve as the basis for planning future projects and programmes and, in part, for Norwegian embassies' ongoing efforts to address governance issues in the various countries. They will also be part of the starting point for dialogue on these topics with non-governmental organizations and multilateral players such as the UNDP and the World Bank.

Public administrative reforms

A great many countries are in the process of carrying out extensive reforms in the field of public administration. These reforms are aimed at decentralizing, rationalizing and upgrading the quality of public services, eliminating unnecessary bureaucratic regulations that impede the establishment of local businesses, and reducing corruption by reducing the scope for discretionary and arbitrary decisions. Reforms of the wage and career system are usually also included. This is a strategically important area because it is partly by ensuring that civil servants have a wage that they can live on and establishing transparent, clear procedures and qualification criteria for the recruitment and remuneration of personnel that national authorities, with support from development assistance donors, can tackle the problem of dependency, nepotism and corruption in the public sector. Such measures are reflected in the UN Convention against Corruption.

Norwegian support for administrative reforms have so far focused mainly on decentralization and improvement of public administration at the local level, efforts in the health and education sectors and the development of key management tools in the field of statistics. Examples of such support include assistance for local administration programmes in Tanzania and South Africa, support for education projects and programmes in Nepal and for the health sector in Malawi. However, growing attention has been focused on technical assistance and other measures to improve key management instruments in public administration in the past few years. Among other things, more support has been provided for the efforts of the UNDP, the World Bank and other multilateral players to promote administrative reforms.

Administrative reforms also encompass important sectors of business and industry and the environmental area. From the point of view of developing countries, Norway has particularly valuable experience in the management of oil and gas resources, the environment, information and communications technology, energy and hydropower, general water resource management, shipping and fisheries. A number of specialized Norwegian organizations, both public and private, work in these sectors and provide transfers of expertise and technical assistance. This applies, for instance, to the Norwegian Pollution Control Authority, the Directorate for Nature Conservation, the Directorate of Cultural Heritage, the Norwe-

gian Mapping Authority, Noragric, the Directorate of Fisheries, the Institute of Marine Research and the Norwegian Water Resources and Energy Directorate. The Norwegian Petroleum Directorate and Petrad contribute towards building up expertise in the petroleum sector. Helping to build capacity in environmental management and supporting institutions that provide advice to industry, the agriculture sector and local authorities is a way of supporting efforts to limit pollution that is harmful to health and the environment and of promoting sustainable development. Another important focus in recent years has been on efforts to strengthen public financial management in Norway's partner countries, usually in connection with agreements on budget support. This is described in more detail in section 6.4.

The rule of law

Well-functioning judicial systems are essential to ensure the fundamental safety and security of all citizens as well as the stability and predictability that are required by financial players in order to run their businesses. Furthermore, a well-functioning judicial system and non-corrupt police force play an important role in safeguarding the rights of the poor.

In the majority of the poor countries in the world - and a number of others - the police force and judicial system function extremely poorly. In opinion polls, these sectors are consistently mentioned as being among the most corrupt. Major corruption cases are seldom brought to court and the courts have a backlog of several years of cases to try. In such a situation, poor people in particular have few legal safeguards. Persons who commit criminal acts know that there is little likelihood of their being prosecuted. It is therefore essential to reform and strengthen the police force and judicial system in most of Norway's partner countries. Unless the rule of law is improved, these countries have little chance of attracting private investments from either foreign or domestic capital owners. However, this requires sweeping reforms and initiatives across a broad front. This process has begun in many partner countries. In Guatemala, Uganda, Kenya and Madagascar, for instance, comprehensive reforms have been launched to this end. Vietnam is undergoing a major process to reform the judicial system. In general, reforms are based on the principles of the rule of law in accordance with international standards.

Norway's support for efforts to promote the rule of law is largely channelled through the biggest, most influential development players; so far, Norwegian experts have been involved only to a small degree. Norway provides assistance for a major reform programme in Guatemala and Kenya, the construction of courtrooms in Zambia and, until recently, for a training programme for judges in Ethiopia and for other personnel in the justice sector in Mozambique. For many years, Norway has also provided extensive technical and financial assistance for training in women's law through a regional programme at the University of Harare in Zimbabwe. In partner countries such as Zambia, Nicaragua, Kenya and Madagascar, major reforms are currently being carried out in this field.

Improving control functions

National audit institutions play an important role in preventing the misuse of government funds and Norway provides substantial assistance to improve the institutional capacity of these bodies. The largest amount of bilateral support is provided in Zambia, where the Norwegian Office of the Auditor General has been actively involved for several years as a technical cooperation partner for the Zambian supreme audit institution. Norway also provides substantial support from the development assistance budget for the International Organization of Supreme Audit Institutions (INTOSAI) for training programmes and the development of international audit standards. The Intosai Development Initiative is currently located in the offices of the Norwegian Office of the Auditor General. Norway and other donors jointly finance a major competence-building programme for supreme audit institutions in developing countries.

Besides the national audit authorities, the national ombudsmen offices, human rights commissions and anti-corruption agencies play a vital part in the efforts of Norway's partner countries to promote good governance and fight corruption. However, their status, authority and resources vary considerably, and in many countries the powers and resources they have been given are far from sufficient to exercise their functions. Nevertheless, in the past few years, the governments in several of Norway's partner countries have significantly strengthened these institutions, supported by substantial development assistance from Norway and several other donors.

In many partner countries, the political parties have deficiencies similar to those that can be seen in other areas of society: a lack of internal democracy, a lack of communication with their own voters and corruption. In autumn 2002, as part of the effort to strengthen the political parties and the ability of partner countries to carry out important democratic functions, the Government established the Norwegian Centre for Democracy Support. Through this centre the expertise of Norwegian political parties can be put to use in efforts to promote democracy. By sharing their experience and knowledge with political parties in developing countries, Norwegian political parties can play a part in fostering good governance in these countries. The Government attaches great importance to this work and will submit an assessment of the centre to the Storting at the end of the trial period.

It is not sufficient that official authorities are subject only to internal controls carried out by the central government's own control bodies. It is essential that players in civil society also follow closely the debates, decisions and work of public bodies. This issue is discussed in greater detail in chapter 8. In the past few years, many organizations in civil society have focused their attention on corruption. One important organization in this respect is Transparency International (TI), which now has autonomous national branches in more than 90 countries. Norway provides support for the TI's international secretariat and some of the national branches, including the TI secretariat in Norway.

Among civil society players, however, the media, especially the press, have a particularly important part to play in efforts to expose poor governance and to serve as a channel for debate. In 2003, Norway provided over NOK 50 million in development assistance to strengthen the media in its partner countries. A special mechanism to support free media and reinforce their function was established in January 2004 in order to further intensify Norway's efforts in this field. Capacity-building is a key objective of the new mechanism, which will give priority to further education for journalists in order to enhance the quality of journalism in Norway's partner countries.

The Government will

- continue to provide support for the promotion of democracy and respect for human rights, in

- part by helping to strengthen popularly elected bodies.
- reinforce Norway's involvement in general administrative reform programmes, by increasing support for the programmes and by placing them on the agenda in its dialogue with the authorities.
 - strengthen independent governmental control institutions, and ensure that Norwegian assistance in this field is maintained at the current level.
 - maintain the substantial support provided for civil society organizations that call for transparency and accountability on the part of the authorities in partner countries, and that mobilize people against corruption and other abuses of power. Support will be channelled through Norwegian players, directly to local organizations or through certain international organizations.
 - place greater emphasis on improving the conditions under which the media operate in Norway's partner countries. A key objective in Norway's dialogue with national authorities will be to promote the principles of freedom of expression and the right to information. Support for independent media will be increased.
 - help to ensure that reform of and institutional capacity building in the police force and judicial system are on the agenda of multilateral agencies such as the UNDP and the development banks, and contribute resources for such purposes. Where conditions are favourable, Norway will also become actively involved in these sectors in bilateral development cooperation.

6.4 Public financial management and control

The quality of public financial management is decisive for whether the funds managed by the public authorities are put to effective use, and is therefore crucial to reducing poverty in developing countries. This includes the quality of the entire central government budget process, revenues and tax receipts, disbursement, accounting and auditing routines in public administration at the central and local levels, and not least the way in which the system functions in practice. Helping to improve public financial management in a country is one of the most concrete ways the country itself and external players can contribute towards reducing corruption.

Improving tax policy and tax revenues is also a



Figure 6.3 There is a great need for equipment and materials

Source: Corbis

significant aspect of the process of improving public financial management. In most poor countries, tax revenues are very low, particularly taxes from affluent population groups. By increasing tax receipts, the range of public services can be expanded without a resultant increase in aid dependency or debt. However, this is a long-term and politically sensitive process.

Attention has therefore long been focused on the quality of public financial management in development assistance, both in the form of assessments of this type of management in individual countries in order to monitor and ensure that aid funds are used effectively, and through the provision of technical assistance and support for institutional development aimed at upgrading financial management in partner countries. Civil society organizations in Norway's partner countries have a role to play in public debate on this issue, and development assistance includes efforts to increase the expertise of relevant organizations in this field, including tax policy, where this is natural.

Marked improvements in many countries

Public financial management and control is a field in which there have been marked improvements in many countries in the last decade. Concrete indications of this trend are greater correspondence between central government budgets and actual expenditures, the more rapid preparation and auditing of central government accounts, less loss, etc. in many countries, including Tanzania (see box 6.2). Where improvements have taken place, this is often due to a combination of political

will in individual countries, better routines with a clearer distribution of responsibility and the introduction of computerized systems that make it more difficult to use public monies for purposes other than those intended. External players like the World Bank, the IMF and bilateral donors have also played a positive part by carrying out analyses of public financial management, transferring experience from other countries and providing technical and financial assistance for reforms. An important objective of such reforms is to reinforce the central government authorities' control of the use of public funds.

However, a great deal still needs to be improved, and there is no doubt that in many countries

weak public financial management is still one of the main reasons why policies and, not least, the use of public funds and development assistance, do not contribute more effectively towards reducing poverty. Remedying this situation is therefore a priority for Norway.

Increased international cooperation on public financial management reforms

When implementing public financial management reforms, internationally accepted standards can help to give the reforms legitimacy. The World Bank and the IMF play a key role in this field, both as lenders and as advisors to and cooperation partners for a large number of developing countries (cf. section 3.8).

In recent years, several measures have been initiated to further develop these approaches and improve donor coordination in the field of public financial management. These initiatives include efforts to improve insight into how well public financial management functions in developing countries, to carry out joint reviews to provide a more coherent picture of public financial management in individual countries and to ease the burden on recipients by reducing the number of visiting delegations, help to develop better analysis tools for assessing public financial management based on agreed standards, and develop more coherent, better coordinated and more effective programmes for improving public financial management in developing countries. Norway has increasingly addressed these challenges and played an active role at country level and in international cooperation on improving public financial management.

Greater focus on public financial management in partner countries

In the past few years, Norway has increased its efforts in the field of public financial management reform in its partner countries by means of a wide range of projects and initiatives. These include participation in joint reviews and assessments of the quality of public financial management in partner countries such as Tanzania, Mozambique, Malawi, Ethiopia and Nicaragua. An important goal of agreements on budget support and sector programmes is to ensure that the authorities in partner countries have better control of and responsibility for their own policies. As a rule, therefore, measures to improve public administration are an integral part of these forms of development cooperation.

Box 6.2 Marked improvements in public financial management in Tanzania

Until recently, Tanzania had a decentralized system of public financial management that gave central government institutions considerable freedom to use funds without ensuring that there was provision for such expenditure in the central government budget.

A sweeping reform has been initiated to improve central government financial management and control. An integrated financial management system introduced in 1998/99 is now in use in all parts of the central government administration, and is being introduced in district administrations.

By centralizing authority to give the green light for use of public funds, establishing restrictive routines for such use and making it easier to trace misuse of funds, the control of public funds has been significantly improved, and funds can now be tracked through the entire budget system.

The system of public financial management was evaluated by the World Bank and the IMF in 2001/2002. The reviews showed that considerable progress had been made, but that there was a need for further reinforcement. The authorities, in consultation with donors, have drawn up plans to continue the reform process on the basis of the reviews. Cooperation between the Norwegian and Tanzanian Ministries of Finance aimed at improving Tanzania's tax system is one of the current activities that will be part of the continued reform programme.

Box 6.3 Support for administrative reforms in Uganda

In Uganda, Norway's contribution to the parts of the central government budget that target poverty reduction is an important means of supporting political and institutional reforms related to the country's poverty reduction strategy. Norway participates in joint dialogues between donors and the Ugandan authorities on administrative reforms, while Norwegian support is earmarked for budget items that specifically target poverty reduction (the Poverty Action Fund).

The programme of reforms agreed upon between the authorities and their development cooperation partners is presented in the form of a summary of policy action. This places particularly strong emphasis on public sector reform, in areas such as public procurement, financial management, payroll systems and terms of employment for civil servants, and anti-corruption measures. A small number of "prior actions" are presented to the Executive Board of the World Bank as prerequisites for budget support from the bank in the following year, while all bilateral donors assess the overall programme.

Experience so far indicates that by providing budget support donors have collectively succeeded in bolstering and in some cases accelerating comprehensive administrative reforms. The Norwegian Government's proposal that the Ugandan parliament should enact anti-corruption legislation has now been made a precondition for budget support. It is unlikely that this legislation would have been adopted unless budget support had been used as a means of pressure.

Norway provides assistance for the development and implementation of reform programmes and technical assistance for improving public financial management in fields such as macro-economic planning, statistics, audits and local administration in countries like Mozambique, Tanzania, Malawi, Vietnam and Zambia. A number of Norwegian institutions have been involved in this work as technical advisors and in more long-term institutional cooperation with their sister institutions in the South, such as the Ministry

of Finance in Tanzania, the supreme audit institution in Zambia and the central bureau of statistics in Malawi.

Norway also provides assistance for reviews of the tax system in Central American countries in cooperation with the Inter-American Development Bank and the Swedish authorities and other organizations. An important objective of these reviews was to identify ways of increasing tax revenues in order to improve central government finances, thereby making it possible to improve social services.

The Government will:

- put financial management more clearly on the agenda in its dialogue with partner countries, particularly in discussions on poverty reduction strategies, and in cases where Norway provides budget support and sector support.
- take active part at country level in reviews of public financial management and the development of reform programmes by providing technical and financial assistance, and possibly by actively involving Norwegian institutions, particularly in countries where Norway provides budget and sector programme support.
- continue to promote better international coordination and harmonization of efforts to strengthen public financial management.
- support international and regional institutions for technical cooperation.
- improve the expertise and capacity of the Norwegian development cooperation administration in the field of public financial management.
- help to increase financial management expertise in relevant civil society organizations.

6.5 Corruption - the enemy of development

"The international community simply must deal with the cancer of corruption, because it is a major barrier to sustainable and equitable development."

(James Wolfensohn, President of the World Bank)

Corruption can be defined as misuse of position for private gain. The purest form of corruption is to give or receive bribes. However, the problem is more complex. Corruption is a form of misuse of power and there is often an undefined, unclear

dividing line between what is unlawful misuse of a position and what is merely a controversial, but not unlawful (mis)use of a position of power. For instance, a corrupt decision-maker does not necessarily always demand immediate financial reward for doing someone a “favour”. The person in question can also deliberately build up a relationship of dependency in which his clients owe him a debt of gratitude, which they can clear at a later date by performing return services of a varying degree of lawfulness.

Strictly speaking, the definition of corruption only includes bribes and no other form of economic crime, such as theft, embezzlement or the gross misuse of public funds. However, the concept of corruption has lately been considered to also cover these types of economic crime.

Until recently, attention was primarily focused on misuse of official positions. However, with the growing degree of privatization and in a situation where what used to be the natural responsibility of public services is now provided by the private sector in certain countries, such as hospitals and waterworks, attention has increasingly also been directed towards the private sector and civil society organizations. Corruption is also widespread in the private sector and in the wake of the major scandals that were exposed in companies like ELF, Enron and Parmalat, there is increasing focus on corruption and other unlawful transactions in the private sector.

Different forms of corruption ranging from small-scale to large-scale

Corruption is not a uniform concept; it exists in a



Figure 6.4 Corruption is widespread

Source: Corbis

wide variety of forms and at every level of society. The form encountered by most ordinary people is a suggestion or demand by a public official for extra payment, i.e. a bribe, in return for which the official in question will perform his regular duties at a reasonable speed and with reasonable quality. Questionnaire surveys in a number of countries have shown that this type of small-scale corruption (also known as bureaucratic corruption) is particularly widespread among customs authorities, the police and courts of law, but is also found to a significant degree in the public health service and the education sector.

Small-scale corruption has grown explosively in the last twenty to thirty years, particularly in Africa where it used to be very limited in scope. The revenues that can be earned by taking bribes and selling stolen medicine or schoolbooks may be crucial to the ability of public employees to support their families. Some people have therefore chosen to call small-scale corruption need-based corruption.

Small-scale corruption is neither innocent nor innocuous. Although the amount exacted each time is usually small, it is often an impossible sum for the many poor people who are thus deprived of access to important services. The legal safeguards of the poor are usually the first victim of small-scale corruption.

Far fewer people come into direct contact with large-scale corruption. It is not easily observable, and consists in individuals at the top of the social pyramid exchanging irregular payment for goods and services (kickbacks), or accepting bribes and other dubious services in exchange for large sales contracts, concessions and licenses. Thus decisions are not made in the best interests of society, but are governed by the personal interests of the decision-makers. This is also called political corruption and can lead to situations in which business interests, by offering bribes and other services to political decision-makers, control their votes to such a degree that they exercise a direct influence on legislation and regulations to their own advantage.

Public sector procurement of goods and services, including major infrastructure projects, is prone to corruption and misuse of power. The development of effective rules for public procurement is an important means of reducing opportunities for corruption, and efforts are being made to harmonize rules of this type in several forums. Another area of activity that is particularly exposed to corruption is the allocation of concessions

and licences for the extraction of valuable natural resources, primarily oil, gas and minerals but also forests, land, fish and water. Where there is little transparency in processes related to the privatization of state enterprises, a well-positioned elite can acquire substantial assets in return for a modest sum of money. Such practices have been very widespread in many former communist countries as well as in developing countries.

Large-scale corruption is largely international. Foreign companies often offer bribes to high-ranking decision-makers in the central government administration. Presumably the question of a bribe is initiated just as often by the person offering it as by the recipient. There is reason to assume that large-scale corruption has become more prevalent in the past few decades. Improved global information flows and communications may be said to have expanded the scope of opportunity for this type of crime.

In many countries, the political situation is unstable and future developments are hard to predict. In countries like these, the elite have a strong motive for acquiring wealth as quickly as possible. In some countries, the prospect of rapid enrichment may well be the very force that drives a person to seek public office, and the battle for positions in fact becomes a fight for access to such resources. The fight for positions and thereby access to resources may take place in the political arena, but in many cases the fight for resources is also an independent driving force that leads to violent conflicts.

Corruption hampers sustainable development

There is now broad international agreement that corruption is a social evil that impedes social and economic development. When public funds are stolen or misused, less remains for public investment and services. The poor are hardest hit when this happens. Large-scale corruption bleeds the central government of vital foreign exchange earnings.

At the same time, the quality of the public infrastructure tends to be lower in heavily corrupt countries than in other countries at a corresponding level of development. Contractors recoup the money they have spent on bribes by supplying lower-quality products. Inspectors responsible for quality assurance can often be bribed. There are countless examples of such circumstances coming to light when buildings or other structures that have been erected under conditions of

Box 6.4 The extent of corruption

The World Bank estimates that global corruption amounts to approximately USD 80 billion per year. In comparison, official aid transfers from the OECD countries totalled USD 58 billion in 2002. According to UNCTAD's World Investment Report, Bangladesh attracted 50 per cent less in foreign investments in 1999 as a direct consequence of corruption than would have been the case under different conditions.

this kind are struck by natural disasters such as an earthquake or flood.

Due to corruption, investors incur additional capital costs in the form of bribes. Furthermore, legal safeguards are often poor and predictability correspondingly low. In such circumstances, neither domestic nor foreign capital owners are particularly interested in making long-term investments.

As a result of corruption, the quality of management and decision-making is reduced, the trust between the population and the public sector is undermined and society "crumbles".

Where is the problem of corruption greatest?

It is difficult to measure the extent and effects of corruption. Despite a strong increase in research on this topic in the last decade, there is currently no reliable documentation of the extent of corruption in any society. The Corruption Perception Index that is published annually by Transparency International is based on studies of how corrupt the public sector and politicians in individual countries are perceived to be. This does not provide an accurate estimate of the extent of corruption, nor does it include the kind of corruption that mainly takes place in the private sector. Nevertheless, the Index provides a useful indication of the situation.

According to this index, public sector corruption is considered to be limited in Northern European countries. The biggest problems are to be found in the poor countries of the world. Although there is no one-to-one ratio between the degree of poverty and the degree of corruption, in a large group of countries there is a clear correlation between how widespread the corruption problem is perceived to be and how poor the country is.

This poses a great challenge for development cooperation as well. However, even if Norway were to cooperate with countries other than its current partners, the corruption problem would not have been significantly smaller in those countries. All the poorest countries in the world are encumbered with this problem, and development cooperation therefore means largely having to cooperate with countries in which corruption is a major scourge of society. In its development policy, therefore, the Government has given top priority to combating corruption.

Comparative research has not found any clear link between various traditions of government and the extent of corruption. For example, there are no grounds for maintaining that there is consistently less corruption under a democratic system than under a dictatorship or authoritarian regime, if countries at approximately the same level of development are compared. Nor is it the case, as many have believed, that there is less corruption in countries with more decentralized systems of government, and it has not been possible to substantiate that there is more corruption in countries with high trade barriers than in countries with a more open economy. Factors that are likely to have the effect of systematically limiting corruption are a functioning, independent judicial system, a free press and freedom of expression, transparency in public administration and public sector wages that are sufficient to provide a living.

Corruption is often a conspicuous problem in countries that have deposits of valuable natural resources such as oil, gas, diamonds and other important minerals. This applies in particular to developing countries and countries with transitional economies and weak governance that have suddenly acquired substantial revenues. Instead of benefiting large parts of the population in the form of greater investment in health and education, gains from the exploitation of natural resources have in some countries been reserved for the wealthy elite. In some countries such gains have given rise to or prolonged war or armed conflict. Thus for many countries and population groups, rich reserves of oil and other natural resources have become more of a curse than a blessing.

International treaties - the UN Convention against Corruption

In the past few years, international standards have been set very rapidly in the field of corruption, spearheaded by the OECD Convention on Com-

bating Bribery of Foreign Public Officials, which was adopted in 1997 as the first, comprehensive, binding treaty in this field. However, it is the UN Convention that provided the necessary legally binding instrument that can lead to a global breakthrough.

In accordance with the new FATF recommendations, no country may permit its financial institutions to invoke the duty of confidentiality as grounds for refusing to divulge to the authorities information on funds that may be linked to serious crime, including corruption.

On the contrary, in most cases, it will be mandatory to report such transactions to the authorities, or a judicial order may be issued requiring that such information be disclosed. Financial institutions have a strict duty to identify their clients, including the real owner of the funds involved in the transaction.

The goal of the FATF is for its recommendations regarding money laundering to be implemented in every country so that no country can act as a money laundering channel. A breakthrough in this work took place in March 2004 when the World Bank and the IMF decided to use the FATF standards as the basis for the reviews of the financial sectors of its member states which the two institutions are responsible for carrying out.

However, the issue of real ownership continues to pose a challenge. Ownership can still easily be concealed in various corporate mechanisms. There are still many countries where extensive use of bearer shares makes it possible to own shares anonymously. In other countries trusts offer similar possibilities. These issues are likely to be the most controversial in further efforts to combat money laundering.

The World Bank has established a system for blacklisting companies and persons who have been involved in corruption. Apart from that, there are few examples of international blacklisting. This measure raises complex issues as regards legal safeguards, and on consideration several countries have decided not to establish a system of blacklisting. Norway will take part in future OECD discussions on this issue.

The UN Convention against Corruption was adopted by the UN General Assembly on 31 October 2003. Ninety-five countries have signed the Convention, which will come into force when it has been ratified by thirty countries. So far, one country has ratified it and other countries are expected to follow suit in the near future. In view of the high priority given by the Government to

Box 6.5 Important international treaties and agencies in the fight against corruption and money laundering

A number of regional conventions and treaties on combating corruption have been entered into between developing countries. Norway provides support for the implementation of the SADC Protocol against Corruption. In July 2003 the African Union adopted the African Convention on Preventing and Combating Corruption, which had been signed by 20 states by the end of the year.

The OECD Convention on Combating Bribery of Foreign Public Officials entered into force in 1999. The amendments made in 2003 to the Norwegian Penal Code have brought Norwegian legislation fully into line with the Convention. Among other things, this means that Norwegian companies are prohibited from paying such bribes.

The Council of Europe Criminal Law Convention on Corruption covers active and passive corruption, corruption in a national context, private sector corruption and corruption of foreign persons and companies. It came into force in summer 2002 and was ratified by Norway in January 2004.

The Council of Europe Civil Law Convention concerns the right to compensation, etc. for persons who suffer damage resulting from acts of corruption. Norway aims to ratify this convention in the course of 2004.

The Financial Action Task Force on Money Laundering (FATF) is the primary instigator of and standard-setter in international efforts to combat money laundering and encompasses 31 countries. Among the OECD countries, the Czech Republic, Korea, Hungary, Poland and Slovakia do not participate in the task force. South Africa, Russia, Brazil, Argentina, Singapore and Hong Kong are among the non-OECD countries that participate in this cooperation framework.

specifically targets corruption and it covers areas that have not previously been regulated by international treaties. This applies, for instance, to the provision concerning the return of funds derived from corruption. A global treaty of this nature will be of major significance for international cooperation in general, and will be of great importance for countries that need to reinforce their policy and institutions in this field. Furthermore, on some issues the convention goes further than other international instruments against corruption. When enough countries have ratified it, the convention will therefore be a very valuable instrument in the fight against corruption.

The convention is comprehensive in scope. It contains a number of provisions on preventive measures, including requirements for rules regarding public procurement, rules of employment and transparency in public administration. In the private sector, the convention makes it mandatory for banks to report suspicious transactions. It also imposes an obligation on states to criminalize various acts committed by public officials, including both offering and receiving bribes. Furthermore, the convention contains provisions on investigation and international cooperation. Detailed rules have been drawn up for mutual assistance. For instance, a state has a duty to assist another state even if the condition of double criminal liability (i.e. the action is a criminal offence in both countries) is not satisfied. However, such assistance can only be provided if it does not involve the use of coercive means.

As a result of a compromise, certain provisions of the UN Convention are obligatory, while others are optional. As far as prevention is concerned, for instance, a number of non-binding measures have been listed that will be useful in efforts to combat corruption both nationally and globally. They largely target the development of strong, effective institutions, which in the vast majority of developing countries will require an extensive, long-term effort and substantial technical and financial assistance. In the interests of efficiency, it is important that donors coordinate this assistance well. The UNDP and the UN Office against Drugs and Crime (UNODC) should have a special responsibility for ensuring that developing countries receive the assistance they require to implement the Convention.

Norway played a strong proactive role in promoting the establishment of a follow-up mechanism that is as effective as possible. The Convention contains only a few guidelines in this respect.

combating corruption, an effort should be made to ensure that Norway ratifies the UN Convention without delay. The aim is therefore for Norway to ratify the Convention in the second half of 2004.

In many ways, the Convention represents a watershed: it is the first global convention that

The meeting of participating states, which is to be held within one year of the convention's entry into force, will decide the details of this mechanism. Norway will then continue its efforts to promote a follow-up mechanism that is as robust as possible.

Corruption is combated by a number of means

The first stage of international anti-corruption work can be described as a phase of awareness-raising and mobilization. The extent and consequences of corruption have been documented and the problem has gradually been placed on the agenda of important international forums. The second stage consists of establishing an international framework by setting standards and adopting conventions. The third stage is the most challenging. It consists of implementing and enforcing the standards. This work has barely begun.

Combating corruption has been one of the primary goals of Norwegian development policy since the first Bondevik government, in its development policy statement to the Storting in 1999, identified corruption as one of the main obstacles to social and economic development. NORAD followed up with a comprehensive plan of action for promoting good governance and combating corruption. This plan comprised a number of measures specifically designed to intensify Norwegian support for anti-corruption activities in Norway's partner countries, and reduce the risk of Norwegian development assistance funds being misused.

Corruption cannot be combated by only one set of instruments. Long-term efforts within several dimensions are required in order to achieve results. Limiting the scope for corrupt behaviour is largely a question of implementing general measures to improve governance. The most relevant measures are described in the UN Convention against Corruption. They are oriented towards transparency and access to information, control bodies and the chances of effective prosecution, separation of powers and political opposition and the quality of public administration. A number of more specific measures to fight corruption supplement and reinforce the general effort described above to improve governance.

The UN Convention against Corruption imposes an obligation on all countries to prepare cross-sectoral, national strategies to combat corruption. Many developing countries have strategies of this nature and others are being drawn up. Norway actively supports this work, both bilaterally and

by providing assistance through the funds of multilateral organizations, primarily the World Bank.

The support provided to implement concrete reforms and individual projects, such as assistance for supreme audit institutions and other control measures, is far greater in scope. Some of the bodies to which support is given have explicitly defined combating corruption as their main objective. However, the bulk of this assistance goes to measures that seek to fight corruption as one of several goals, and that contribute indirectly towards achieving this goal by reducing the scope for corruption. This is done most effectively and durably by helping to build societies where there are transparency, democratic control and separation of powers, and effective judicial systems. These are fundamental elements of a democratic society, and are general goals for the Government's efforts to promote good governance. This is essentially also a development policy that focuses on rights.

Increasing transparency, both within public administration and in the private sector, is important in fighting corruption, misuse and poor administration. The population's own access to information and demands for change are the best agent of change. In many countries, targeted measures to increase access to information have led to radical improvements in certain areas. In Uganda, when it was suspected that funds provided for education were disappearing en route between the central authorities and the individual school or pupil, a campaign was carried out entailing the mandatory provision of information concerning the funds allocated to the school sector in the various districts each month. At the same time, regional and local authorities were required to make public the amount of funding that was spent locally and on each school. This led to a drastic improvement in tuition and greater assurance that the resources were reaching those for whom they were intended. Similar steps have also been taken in Malawi and Tanzania with good results.

Norway has played a proactive role in urging multilateral organizations to make the fight against corruption one of their main priorities. The World Bank is the multilateral organization that provides the most comprehensive support for anti-corruption measures, and assistance from Norway for thematic funds has played a strategic part in the development of this support. By providing funding for the UN Global Programme against Corruption and the UNDP's Governance

Fund, the Government also seeks to intensify the efforts of UN organizations to combat corruption.

Measures to combat corruption (and more generally to promote good governance) are often politically controversial. They have little chance of success if they are forced on countries from the outside as a condition for loans or grants if the country's own political leaders do not really wish to implement them. In this respect, UN organizations and regional development banks can play a strategically important role that has not yet been exploited to the fullest extent. They have a good chance of gaining acceptance for politically demanding reforms due to the strong sense of ownership that developing countries have in regard to these institutions.

The Government attaches great importance to donor coordination and joint reviews of the lessons learned from anti-corruption work, such as through the OECD's Development Assistance Committee. Particularly close cooperation has been established with the Utstein countries and the World Bank. Among other things, the Utstein countries have established a joint U4 Anti Corruption Resource Centre, which is located in the Christian Michelsen Institute in Bergen and is lar-

gely web-based. The resource centre provides information and literature, prepares course material and handbooks on fighting corruption in development assistance, and serves as a forum for the exchange of lessons learned and best practices in development cooperation.

Minimization of the risk of corruption and misuse of Norwegian development cooperation funds

The widespread corruption in Norway's partner countries poses significant challenges for development cooperation. General measures to strengthen public administration and control institutions in developing countries are important in order to reduce the risk of developing assistance being misused, as discussed in section 6.4. Further details of the way in which Norway follows up development cooperation projects and programmes with a specific view to preventing corruption and controlling Norwegian funds may be found in chapter 10.

Preventing corruption in the petroleum sector

Norway has a large, well-functioning petroleum sector. Many developing countries with a petroleum industry face a major challenge when it comes to the public administration of this industry and management of the revenues it generates. The Extractive Industry Transparency Initiative (EITI) (cf. chapter 3) focuses particularly on transparency in relation to revenues from this industry. Besides the demand for Norwegian industrial expertise and technology, there is therefore considerable interest in the way Norway manages its petroleum resources and the revenues from this industry. This applies to several of Norway's partner countries. In response to this demand the Norwegian petroleum sector has established a number of different instruments:

Petrad is a body in the Norwegian development cooperation community that transfers expertise and helps build management capacity in the petroleum sector. Its activities are targeted towards senior managers in state-owned oil companies and the public administration in developing countries. Petrad works closely with the Norwegian Petroleum Directorate and the Norwegian Oil and Gas Partners (Intsok) where this is relevant.

The Norwegian Petroleum Directorate helps build up institutions in developing countries that have petroleum deposits. An important aspect of

Box 6.6 Technical cooperation in the petroleum sector

The Norwegian Petroleum Directorate has signed a cooperation agreement with the Angolan Petroleum Ministry (MINPET). Under this agreement, a programme of visits in Norway has been carried out with focus on macro-economic management. Through meetings with institutions such as Statistics Norway, the Norwegian Ministry of Finance and Norges Bank, Angolan politicians and senior government officials have been given an introduction to Norway's petroleum taxation system, the Norwegian Petroleum Fund and the way the petroleum sector affects other business and industry. The Directorate has also arranged training programmes in the audit and inspection of metering systems and the valuation of oil and gas production volumes, which are important to ensure that the petroleum revenues realised correspond to actual production. These are measures that help to reduce the risk of loss due to corruption or inadequate control routines.

its work is to provide assistance for the development of organizational infrastructure, administrative routines and regulations. The Norwegian Ministry of Finance and the Norwegian Central Bank are also involved in building up expertise on the establishment of systems for the sound management of revenues from the petroleum industry.

The Norwegian Oil and Gas Partners allocates project funds that can be used to strengthen the administration of petroleum resources in prioritized countries, including mapping of the social effects of direct Norwegian investments in countries that possess major petroleum resources, but where the central government administration is weak.

The Norwegian petroleum companies play a key role in transferring expertise to cooperation partners in developing countries, often represented by the host country's state-owned oil company. This transfer of know-how is therefore very important and includes building institutional capacity, developing administrative routines and training personnel at all levels.

Through the Petropol research programme, Norway supports research projects that examine the relationship between the oil industry and ethical issues such as corruption and the management of petroleum revenues.

The Government will:

- make active efforts in relevant fora to continue work on achieving effective treaties to combat corruption and money-laundering.
- actively follow up the UN Convention against Corruption in international fora and work to develop a follow-up mechanism that is as robust as possible.
- ratify the UN convention in the course of 2004, thereby helping to ensure its early entry into force.
- in the near future consider which channels and measures should be used to encourage Norway's partner countries to ratify and implement

the UN convention as soon as possible. This process will be carried out jointly with bilateral and multilateral players.

- ascertain how Norway, bilaterally and through multilateral channels, can provide its partner countries with technical assistance and help in upgrading competence to enable them to implement the provisions of the UN convention.
- emphasize the importance of the follow-up of the UN convention being given priority in the relevant multilateral organizations.
- seek to ensure that funds derived from corruption are returned to their proper owners. This process must take place within the framework of the UN Convention and Norway must work in close cooperation with like-minded countries to ensure that the needs of individual developing countries are met.
- adopt a broad-based approach in efforts to combat corruption.
- put the fight against corruption high on the agenda in policy dialogue with partner countries and in cooperation with other donors,
- urge the UNDP, other relevant UN organizations and international financial institutions to intensify their efforts to combat corruption and support these efforts by providing funding and by participating in relevant governing bodies.
- continue the work of the U4 Anti-Corruption Resource Centre.
- support international organizations and networks that contribute effectively towards getting authorities and companies to take the fight against corruption seriously,
- actively support the EITI Initiative and seek to ensure that it has the broadest possible support by providing financial assistance, through projects and programmes in relevant countries and through political contacts, also with Norway's partner countries.
- engage in technical cooperation and institution building to combat corruption linked to revenues from extractive industries.

7 A more dynamic private sector - the role of development assistance

7.1 Private sector development and the UN Millennium Development Goals

Companies and manufacturers in developing countries are the bedrock for the value creation that is required to fight poverty and achieve the UN Millennium Development Goals. A more dynamic private sector is therefore a prerequisite for poverty reduction. Private sector development creates value and jobs, provides financing for infrastructure and social services and generally promotes development and economic growth. Development assistance is and will continue to be important, particularly in the poorest countries, but unless economic activity and value creation increase in developing countries, it will be impossible to realize the Millennium Development Goals. It is the value created by companies and industries that will secure both economic growth and public welfare services, thereby rendering impoverished developing countries less dependent on aid. In many ways, development assistance must focus on helping to provide a favourable climate for this value creation.

In the past few years, several developing countries have implemented economic reform processes, some of which are aimed at improving the operating parameters for business and industry and promoting international investment. The reforms are intended to provide greater freedom of action for the private sector on the domestic market and increase trade and international investment. The central government continues to play a key role in this process, but there is now less focus on directly state-owned business enterprises than before. On the other hand, there is more focus on the need for a responsible macro-economic policy, business development policy, necessary institutional framework conditions and a sensible distribution policy.

Poor framework conditions and a regulatory framework that is often excessively bureaucratic make it difficult to start up and develop business activities in many developing countries. The lack

of successful exports is not due only to the trade barriers of other countries, but often to the low priority given to private sector development, the lack of good products, little knowledge of complex regulations in importing countries, poorly developed infrastructure coupled with elaborate, time-consuming routines, a lack of resources and weak result-orientation on the part of the local authorities. These same conditions make international business and industry sceptical about investing in poor developing countries, despite the fact that many countries are rich in natural resources and can offer cheap labour.

Private sector development is also impeded by the lack of financial resources and expertise at all levels, among manufacturers, companies and contractors. In most of Norway's partner countries, most of the value creation takes place in the agricultural sector and other economic activity in rural areas. The role of the informal entrepreneur sector in urban areas is growing in step with the rapid rate of urbanization. In both urban and rural areas there is a great need for venture capital. At the same time specialized industrial and commercial expertise must be built up and developed in individual companies and in trade organizations, and investments in vocational training are required to create a qualified workforce that is well adapted to a rapidly changing labour market.

The Strategy for Norwegian Support for Private Sector Development in Developing Countries

Private sector development is a main priority of Norwegian development policy. In 1998, the Bondevik I government presented the first coherent Norwegian strategy for support for private sector development in developing countries, cf. Proposition No. 1 to the Storting (1998-99). The strategy lays the foundation for greater Norwegian focus on private sector development, and establishes the following main guidelines for development assistance for this sector:

- Norwegian development assistance for private

sector development in developing countries is based on the fight against poverty and the collective global efforts to achieve the UN Millennium Development Goals by 2015. A poverty-oriented policy in this area means providing support on the best possible terms for value creation for national and international business and industry in individual partner countries. Emphasis is also placed on supporting measures that directly benefit poor countries and population groups and create new jobs in highly impoverished areas.

- Promoting better framework conditions for business and industry in partner countries is a key goal of development assistance for private sector development. These conditions include a responsible macro-economic policy, efficient central government administration, good physical infrastructure and a good institutional and legal framework for business activities, investments and trade.
- The strategy also stresses the need to mobilize the resources and expertise of industries and companies in developing countries. This means providing various forms of financing (investments, loans, guarantees and other financial services) and business development services, improving products and technology and building capacity in companies and trades in order to meet quality standards on global markets. NORFUND is the most important Norwegian instrument for encouraging investment in developing countries.
- Norwegian business and industry are important partners in the implementation of official development policy. The private sector possesses valuable expertise in many fields that is pivotal to creating new activities and profitability, also in developing countries. Support schemes administered through NORAD and NORFUND offer good opportunities for Norwegian companies and trade organizations, and several arenas for cooperation between the private sector and official authorities have been established. The untying of industrial and commercial financing facilities increases competition for contracts that are financed through Norwegian development assistance. At the same time, opening up the global market for aid-related deliveries has provided greater opportunities for Norwegian companies, for instance in the EU context.

99) to the Storting, a broad majority of Storting representatives endorsed the Government's strategy for private sector development in developing countries. Since then active efforts have been made to implement the strategy. There is focus on integrating private sector development into country and regional programmes in partner countries, particularly so as to be able to contribute effectively to improving framework conditions for business and industry. Comprehensive studies have been carried out to identify bottlenecks and opportunities for strengthening private sector development in a number of partner countries. In pilot countries such as Sri Lanka and Uganda, the strategy has prompted a broad range of joint ventures between business and industry in those countries and Norwegian companies.

Like Norway, a number of donor countries and multilateral organizations seek to strengthen private sector development in developing countries. Coordinating initiatives and measures with the business development policy of national authorities and with the activities of other donors is an important goal of Norwegian efforts in this field. It is important that these efforts be organized in a well-coordinated, coherent manner so as to avoid a tendency towards an indiscriminate assortment of individual projects that become a burden for the recipient countries' administration. In many countries, Norway works primarily through multilateral organizations or in close cooperation with other donors. Direct Norwegian efforts are mainly concentrated in partner countries where Norway is well qualified to make a useful contribution and where there is a demand for Norwegian public and private sector expertise.

Agriculture is the predominant source of value creation and employment in the poorest countries, often accounting for 80-90 per cent of export revenues. Consequently, private sector development in the agricultural sector, which encompasses players ranging from individual smallholders and entrepreneurs to agriculture-based industrial activities, is a key focus of efforts to implement the strategy for private sector development in developing countries. In spring 2004, the Government presented a special plan of action for agricultural development in which great importance is attached to private sector development. The focus on the private sector in this plan of action is therefore commented on especially in section 7.6 below.

The fishery sector is important in many of Norway's partner countries, both as a source of

food for the countries' own population and as a basis for the development of local enterprises and export industries.

Fisheries in deep-sea and coastal waters and inland waterways and aquaculture have undergone major changes in the past few decades, with significant consequences for growth, poverty reduction and the environment in developing countries. To a large extent, fishing and aquaculture have developed from primarily a relatively weak, specialized local activity to become an important part of a rapidly growing global network of producers and markets. This also poses a challenge in the context of development assistance.

The limited supply of wild fish has opened up new market opportunities for farm-raised fish. Fish farming is a growth sector that offers great potential for the development of rural areas. Provided that it is developed under environmentally sound conditions, this sector can be a durable source of income, particularly for population groups that are currently among the least privileged. Many of the least developed countries would now like development assistance to develop aquaculture activities.

Norway's experience of providing development assistance for the fishery sector in the last twenty years has been good, and this is an area in which Norway has considerable expertise in both the public and private sector. Evaluations of Norwegian development assistance for fishery management, training programmes and other activities to build up expertise and capacity in the fishery sector have been positive in the past decades. The Government plans to continue to provide technical assistance in this sector.

The informal economy employs a large part of the population in primary industries and over half of the workforce in developing countries outside these industries. Families and producers in the informal sector suffer extensively from the lack of rights and the lack of access to services, which in turn leads to the underexploitation of capital and entrepreneurship in a very large part of the population in poor developing countries. Providing assistance for entrepreneurs in the informal sector by strengthening their rights and increasing their access to financial services is an important objective in the fight against poverty, particularly as regards urban poverty.

The Government will continue its efforts to implement the Strategy for Norwegian Support for Private Sector Development in Developing Countries, with emphasis on further integrating

this focus into country and regional allocations in Norway's partner countries, actively participating in multilateral initiatives and increasing cooperation and contacts with Norwegian business and industry.

7.2 Support to improve framework conditions for business and industry

In many developing countries, the institutional preconditions for creating good, predictable operating parameters for business and industry are weak. This impedes domestic investments and private sector development and makes it difficult for countries to attract foreign investment.

Good operating parameters range from peace and political stability, good governance and a responsible macro-economic policy to laws and regulations more specific to business and industry, property rights and good, transparent systems of corporate management and auditing. Development assistance for the promotion of better operating parameters is therefore also administered in a wide variety of ways and provided through many channels, both bilaterally and multilaterally. National ownership and support are fundamental principles that apply to this type of aid in the same way as in other areas of development assistance. The broad-based dialogue with national authorities offers good opportunities to draw greater attention to the need to improve framework conditions for business and industry.

The following are important areas of focus in Norwegian and international development assistance for improving framework conditions for the private sector:

A responsible macro-economic policy is a basic necessity for private sector development. While this cannot be objectively defined, there is broad global consensus as regards the key pillars of such a policy, i.e. low inflation, realistic rates of exchange and public financial controls. A well-balanced, predictable tax policy is also extremely important from the viewpoint of business and industry.

Norway participates actively in the dialogue between its partner countries and donors on macro-economic policy and reforms. Donors emphasize the importance of good macro-economic policy for value creation in general and the freedom of action of business and industry in particular. At the same time, we have seen how

important it is to ensure a firm basis of support for necessary reforms in national political processes, government administration and the population at large.

Transparent, efficient government administration is a prerequisite for increased growth. Several of Norway's partner countries have implemented reforms of key administrative bodies, but in many countries these institutions are still encumbered with slow, complicated procedures, corruption and generally inadequate capacity. For example, the efficiency of the central government administration and the institutions that provide services for the private sector are factors in the World Bank's assessments of whether countries have a good investment climate. Norway supports efforts to improve central government administration through bilateral and multilateral channels,

with emphasis on combating corruption. This work is described in greater detail in the section on good governance in chapter 6.

Strengthening legislation

Norway and other donor countries help to develop legal frameworks that are relevant to business and industry through both bilateral and multilateral channels in partner countries. This concerns legislation on property and property rights, contracts, accounting, audits, banking and financial markets, stock exchanges, insurance, bankruptcy, competition, employment and the environment. Strengthening and often simplifying the legal framework for private sector activity is crucial to increasing value creation and employment in many countries.

Many of Norway's partner countries in the South have shown great interest in Norwegian management and regulation of natural resources such as oil, hydropower and fisheries in particular and the maritime sector in general. This has given rise to long-term cooperation on legislation and administration in these areas, in which Norwegian ministries, directorates and consultancy firms have been engaged in transferring relevant experience. The goal of this cooperation is to contribute towards sound management of natural resources in general, with particular focus on regulation and promoting the role of the private sector.

Box 7.1 Measurement and comparison of the quality of countries' investment climate

Investment climate assessments (ICAs) are an important element of the World Bank's strategy for support for the private sector. They are a tool for the systematic analysis and comparison of the investment climate in various countries and thus the prerequisites for increased private investment and business development.

The goal is three-fold: i) to identify aspects of the investment climate that are most significant for increasing productivity and employment, ii) to identify and measure changes in the investment climate in individual countries over time, and iii) to compare investment climates across national boundaries in order to stimulate a "competition" to achieve the greatest possible improvements in conditions for private sector development.

The ICAs ascertain the amount of time company management spends on contact with public authorities and how long it takes and how many permits are required to start up a new company, as well as more general questions concerning corruption, the level of education of the workforce, etc. ICAs are part of a range of initiatives supported by Norway within the new Norwegian donor fund for private sector development and infrastructure in the World Bank.

Box 7.2 Norwegian donor fund for support for the private sector and infrastructure in the World Bank/IFC

In 2002 Norway and the World Bank (including the International Financing Corporation (IFC)) agreed to establish a separate donor fund for support for the private sector and infrastructure. This is an important Norwegian effort to improve the framework conditions for private sector development in developing countries. So far, Norway has channelled NOK 110 million into this fund. A key objective is to ensure that high priority Norwegian positions in areas such as improving governance, strengthening investment climates and infrastructure services for impoverished groups are better integrated into the World Bank's overall efforts to strengthen the private sector. Half of the funds are earmarked for African countries.

The private sector needs a good physical infrastructure. Efficient, accessible infrastructure reduces production and transaction costs, and increases productivity and international competitiveness. In many poor countries, good, reasonably priced products are often not exploited commercially due to poor physical infrastructure, particularly in the transport sector. Norway has long experience of efforts to develop key physical infrastructure in partner countries in a wide range of sectors including power supply, road construction, ports, water management and telecommunication services. Infrastructure with a view to improving services in poor countries and regions will continue to have priority in Norwegian policy for private sector development. As the level of private financing increases and infrastructure measures are carried out, particularly in cooperation with the multilateral development banks, international and Norwegian business and industry will increasingly be involved in this work. This can also open new doors for Norwegian companies.

Ensuring that the administrative framework is in place is a precondition for a satisfactory

increase in private investment. With a growing degree of infrastructure projects being financed by private investors, it is also of critical importance that the national authorities are capable of assuring the necessary public regulation of sectors. This necessitates the establishment of the requisite legislation and administration. Norway will therefore continue to play an important role in helping to establish framework conditions of this nature in sectors in which we have considerable expertise and good experience, such as the power supply and water management sectors.

Investment in human resources

The report of the International Labour Organization (ILO) on global employment trends in 2004 shows that in 2003 global unemployment rose to the highest level ever registered by the organization. Unemployment increased most among young people aged 15-24, one of the main target groups for the achievement of Millennium Development Goal No. 8 (see chapter 2). This is a serious situation; youth unemployment, in addition to social problems, contributes to increased violence and social unrest. Norway contributes to projects and programmes in many of its partner countries to increase employment and create a better functioning labour market in both rural and urban areas.

The heavy emphasis put by Norway and other donor countries on improving the level of education in developing countries also contributes greatly to promoting private sector development and increasing international investment. In many places, however, there is a significant imbalance between the skills offered by educated groups and those that are actually required by business and industry. Many highly educated persons either work in a public sector characterized by an excessively large workforce and low productivity or are unemployed, while businesses have a crying need for manpower with relevant expertise. Norway provides support for labour market policies and measures to remedy these imbalances through UN agencies such as the ILO, through the World Bank and bilaterally. In Tanzania, Norway provides assistance for vocational education at university level. Practically-oriented vocational training must generally be given higher priority, as is pointed out in the Government's education strategy which was launched in January 2003. Norway provides support through several channels for vocational training and other training programmes and



Figure 7.1 Private sector development creates jobs

Source: Scanpix

match-making programmes in connection with Norwegian companies' involvement in developing countries.

Better cooperation between the authorities, the private sector and trade organizations

Both the Confederation of Norwegian Business and Industry (NHO) and the Norwegian Confederation of Trade Unions (LO) have long been involved in projects and programmes in Norway's partner countries to strengthen independent organizations in business and industry, thereby also strengthening dialogue between the private sector and the authorities and between the social partners. In the agricultural sector, the Royal Norwegian Society for Development has played a part in organizing farmers at the local level.

Another important thematic area of institutional cooperation is the focus on promoting corporate social responsibility: both national and international companies are increasingly expected to assume responsibility for the sound management of working conditions within the company and for the impact of their operations on society and the environment outside company walls. It is essential that business and industry in developing countries are involved in addressing these concerns and in determining the agenda for corporate social responsibility. It will be increasingly important to be familiar with standards and norms in these fields in order to be able to compete effectively on international markets.

Norway seeks to promote fundamental labour standards through organizations like the ILO that are a forum for cooperation between employers, employees and official authorities, and in various bilateral contexts. The ILO is an effective instrument for maintaining focus on and monitoring countries' compliance with such standards, which are of major importance for the welfare and safety of workers all over the world. The Government also works closely with LO and NHO and other Norwegian organizations within the framework of the Consultative Body for Human Rights and Norwegian Economic Involvement Abroad (KOMPAKT) in addressing issues related to human rights and corporate social responsibility.

Partnership between the private sector and non-governmental organizations, in which the parties join forces in efforts to achieve social goals, is an interesting approach that is now being developed in several countries. The HIV/AIDS epidemic is one of the most important current

challenges for such alliances which often also involve multilateral players. NHO and Amnesty International have jointly drawn up a checklist for human rights and the private sector which Norwegian companies are urged to comply with in every country in which they operate. The Norwegian authorities generally expect Norwegian companies to observe the same ethical and social standards in other parts of the world as they do in Norway. Several major Norwegian companies have entered into cooperation with non-governmental organizations on efforts to promote development.

Build capacity for increased trade and exports

It is characteristic of the poorest countries that they have little capacity to develop products and services for export that are attractive enough and that satisfy the high formal requirements set by western markets. Norway is engaged in active bilateral and multilateral efforts to strengthen developing countries' ability to develop suitable lines of export for international markets. The International Trade Centre (ITC) is an important partner in this work. The ITC also plays a key role in broad-based cooperation to increase the trading capacity of the least developed countries. The International Monetary Fund (IMF), the World Bank, the UN Development Programme (UNDP), the World Trade Organization (WTO) and the UN Conference on Trade and Development (UNCTAD) are also important partners in this cooperation, which is called the Integrated Framework for Trade-Related Technical Assistance for the Least Developed Countries (IF). One of the IF's primary concerns is to help ensure that the trade aspect is integrated into LDCs' national policies. Norway actively supports this work both politically and financially.

Relevant instruments in this work range from measures to improve national administrative and regulatory frameworks to measures specifically designed to strengthen the capacity of companies and industries to produce high-quality goods and services. In the agricultural sector, in particular, there is a great need to develop quality norms and control mechanisms to meet the stringent quality standards applied on the global market. An area on which Norway puts great emphasis is helping to promote increased exports by improving sanitary and phytosanitary conditions at the local level. Norway provides support for partner countries that is earmarked for improvements and qua-

lity assurance mechanisms that are essential if the countries are to succeed in exporting goods and services to the EU/EEA market.

Broad-based cooperation has been entered into with business and industry and importers in Norway with a view to increasing exports from developing countries to the Norwegian and European markets. Within this framework of cooperation, support is provided for feasibility studies to assess the possibilities of establishing commercial lines of import. Support is also provided for product and market development, quality improvements, quality control and food safety. The guarantee scheme for imports from developing countries also offers importers protection against substantial financial loss due to defective quality or late delivery. A key player in this scheme is the Federation of Norwegian Commercial and Service Enterprises (HSH) which, with support from NORAD, has established a database aimed at linking Norwegian importers to quality assured exporters in developing countries. The Government also supports several initiatives run by voluntary foundations such as the Forum for Trade with Developing Countries, the Initiative for Ethical Trade and Max Havelaar. The latter two promote ethical trade with focus on working conditions, wages and product prices for plantation workers and small-scale producers in developing countries.

The Government will:

- give higher priority to improving framework conditions for business and industry in developing countries.
- make active bilateral and multilateral efforts to promote concrete initiatives to improve the investment climate for both local companies and international investors.
- continue to emphasize the importance of improving infrastructure in developing countries, with the primary focus on impoverished countries and population groups.
- place greater emphasis on vocational training and other measures to promote labour market adjustments that increase private sector employment.
- facilitate the active participation of Norwegian governmental and non-governmental organizations and companies in efforts to build up institutions and expertise for private sector development in developing countries.
- open the door for greater private sector partici-

pation in technical development cooperation in areas in which businesses and industries possess expertise that is in demand.

- expect Norwegian companies to comply with the same social, environmental and ethical standards in developing countries as in Norway, and join forces with Norwegian companies and organizations in intensifying efforts to promote corporate social responsibility and fundamental environmental and labour standards in developing countries.
- increase bilateral and multilateral efforts to increase the capacity of poor developing countries to procure revenues and jobs through trade, locally, nationally and internationally.

7.3 Increase companies' access to resources and services

Providing support directly to individual companies and industries in developing countries is another main approach to private sector development in the South. There is a pressing need for this type of support. A great many companies lack access to both capital and know-how. Assistance in this area consists of providing advice and building up expertise as well as providing financing and related services to individual companies or groups of companies or industries. Financial support can be provided in the form of investments in equity, concessional loans and various guarantee schemes. Bilateral players, multilateral development banks and other development organizations have a variety of instruments to strengthen the

Box 7.3 The need for trade-related technical assistance – Honey from Nepal

Nepal is one of the poorest countries in the world and products from Nepal have duty and quota-free access to the Norwegian market. However, the country has no laboratories that meet the requirements for monitoring residuals in honey production. This prevents Nepal from exporting honey, not only to Norway but to the entire EEA. Norway has initiated efforts to assist Nepal in establishing the necessary control system through human resource and institutional development. The Ministry of Agriculture and NORAD are involved in this work.

private sector and provide loans to or invest in local or regional financial institutions, which can then channel the resources to individual companies.

The Government is concerned to promote a dynamic private sector at the national and local level in developing countries. Additionality and risk willingness are key factors: Norwegian development assistance for this sector must not be used to finance initiatives that compete directly with private companies or finance institutions. With a view to increasing employment, efforts should be focused on small and medium-sized companies and the informal sector in urban and rural areas, even though measures that contribute towards providing favourable conditions for larger companies can also be effective in terms of promoting development and are assessed accordingly. Like most other OECD countries, Norway has untied support schemes for exports and private sector development for the least developed countries (cf. Budget Recommendation No. 3 (2001-2002) to the Storting). Norway has also made the decision to untie such assistance applicable to other developing countries, except for developing countries in South-Eastern Europe. This means that most of the development cooperation financing facilities, apart from independent technical assistance, are now open to international competition.

Multilateral initiatives and arrangements

An important part of Norwegian inputs in these areas go through multilateral channels. The World Bank and the major regional development banks all have large programmes under which different types of support are provided to companies in developing countries. The World Bank and the Inter-American Development Bank have special, relatively autonomous institutions that target the private sector, i.e. the International Financing Institute (IFC) and the Inter-American Investment Company (IIC), respectively. Support and incentive schemes for business and industry are administered by special private sector departments at the African Development Bank and the Asian Development Bank.

Lending, either directly to companies, or through regional or local financing institutions which in turn provide loans to small and medium-sized companies is the most comprehensive approach in this area. Direct investments in equity are also a widely used instrument, whereby

development banks assume joint liability in companies and are often represented on boards of directors where they can participate actively to ensure the commercial success of the enterprise. Guarantees are an important instrument for reducing risk for both international investors and local businesses. In the World Bank, the guarantee function is carried out by the Multilateral Investment Guarantee Agency (MIGA).

The International Monetary Fund and the development banks also focus considerable attention on promoting a well-functioning financial sector in developing countries that can serve as an effective link between savings and investment. This applies primarily to the banking system and stock exchanges. In the long term, this is a crucial factor for private sector development.

The development banks have expertise, networks and a critical mass that enable them to play a significant role in promoting business and industry in the regions in which they operate.

These players also administer important, non-financial support schemes for companies, usually called business development services, and schemes to foster the development of local market structures.

All in all, activities that target the private sector account for only between five and ten per cent of the banks' total portfolio, but this percentage is increasing as the private sector expands into new sectors and thematic areas in various regions in the South.

Several UN organizations also provide valuable support for companies and industries. Norway works closely with the UN Organization for Industrial Development (UNIDO) and the International Labour Organization (ILO) in these fields in many countries to provide business development and financial services for small companies. Norway also works closely with the International Trade Centre to provide support for product and business development with a view to increasing exports from developing countries.

Norway supports the efforts of multilateral organizations to stimulate business and industry in developing countries, with emphasis on orienting assistance towards reducing poverty, focusing on small and medium-sized enterprises and enhancing coordination between various players and between different measures. In 2003 the UNDP established a commission to examine how the private sector contributes to development. A key objective of this work is to identify ways of encouraging the establishment of small and

medium-sized enterprises, particularly in the least developed countries. Norway considers this work important and will help to ensure that the work of the commission is followed up in the UN and in other relevant development cooperation.

Bilateral efforts

An important aspect of implementing the strategy for Norwegian support for private sector development in developing countries is to integrate private sector development into different areas of Norwegian development cooperation. While responsibility for investments in developing countries lies primarily with NORFUND, the main emphasis in other types of bilateral activities is on improving framework conditions. Existing support schemes specifically designed to promote the development of business and industry are now being reviewed in the light of the experience gained of international reforms in the development assistance market and to strengthen the basis for such schemes in individual developing countries. The emphasis on private sector development in general strategic cooperation with partner countries in the South is particularly important in the agricultural and fishery sectors, both of which are crucial to value creation and employment in most of Norway's partner countries in the South.

A review has recently been carried out of the conditions for private sector development in partner countries in cooperation with others, including the Confederation of Norwegian Business and Industry. The review mapped bottlenecks, needs and opportunities for Norwegian support for improving framework conditions and contributions to companies and industries in Norway's main partner countries and selected other countries (Sri Lanka, Vietnam and Nicaragua). The review, which was based on the needs of the countries and local business and industry, has identified areas in which the Norwegian authorities and private sector are particularly qualified to make a contribution.

Business Development Services (BDS) are an example of assistance that targets individual companies and is now being given priority in Norwegian development assistance. BDS is a collective term for services designed to improve a company's performance, market access and competitiveness.

In the past few years, there has been better focus on what small entrepreneurs themselves

consider that they need in order to overcome internal and external barriers, and a broader range of companies now have access to services tailored to their specific needs. There is also focus on building local capacity and markets for business development services.

NORFUND

In 1997 the Storting established the Norwegian

Box 7.4 Evaluation of NORFUND

NORFUND was the object of an independent evaluation in 2002/2003. The conclusions reached in the evaluation were positive as regards the way NORFUND is organized and its activities so far, and it was emphasized that the fund is a highly suitable instrument for the promotion of private sector development in developing countries. NORFUND has established and expanded private companies and promoted transfers of know-how and improved social and environmental standards. The fund has established innovative, new financing mechanisms, and a larger proportion of its activities are carried out in the least developed countries than is the case for similar funds in other donor countries.

The evaluation maintains that NORFUND is not willing to take enough risks in its investment activities. In consultative comments to the evaluation, it is pointed out that risk-taking is a complex issue, and that opinions differ as regards the establishment of a risk profile in relation to the required rate of return. Reference is also made to the fact that investments in the least developed countries are in themselves risky and that in placing around one third of its investments in such countries the fund takes a considerable risk.

The evaluation also points out that NORFUND should expand the scope of its cooperation with Norwegian companies, and develop better indicators for the development effect of the fund's investments. Cooperation with NORAD should be intensified, partly in conjunction with increased cooperation with Norwegian companies, and partly to integrate the fund's activities into the various measures initiated to improve the investment climate in developing countries.

Investment Fund for Developing Countries (NORFUND). The goal of the fund is to create profitable jobs and economic growth in developing countries by providing capital and know-how. The investments are made directly in cooperation with Norwegian and foreign partners or through local investment companies which in turn invest in local companies. NORFUND participates in the projects as an active owner, and provides venture capital and expertise. Since NORFUND sells its share once the company has gained a solid footing and then reinvests the capital in other projects, NORFUND can use “the same money many times” and thereby achieve greater effect in terms of promoting development. In 2004 NORFUND manages capital totalling around NOK 2.4 billion. At the end of 2003, NORFUND had pledged funding for 48 projects, amounting to a total investment of NOK 1.6 billion.

NORFUND is now making a growing number of joint investments with Norwegian companies, for instance in fish farming in countries like the Philippines, Turkey and China. One of the fund’s most recent joint investments with a Norwegian company is in the expansion of Grameen Phone in Bangladesh in cooperation with Telenor. The majority of NORFUND’s investments in Africa are in local investment funds which in turn invest in several local businesses, such as the contracting company CETA in Mozambique, the vegetable producer Goma Estate in Tanzania and the pharmaceuticals manufacturer Shelly in Tanzania.

In 2002 NORFUND and the Norwegian state-owned power company, Statkraft, established Statkraft NORFUND Power Invest AS. The object of the company is to develop, own and operate small, eco-friendly power plants in developing countries. This venture is part of the Government’s follow-up of the Johannesburg summit which emphasized the importance of access to renewable energy. SN Power, an industrial investor with a broad interface with Norwegian business and industry, will be an important Norwegian contribution towards increasing the supply of renewable energy and generally strengthening environmentally sound energy systems in developing countries.

NORFUND is a natural partner for Norwegian companies that are identified through the continued implementation of the Strategy for Norwegian Support for Private Sector Development in Developing Countries. As a follow-up to the evaluation of NORFUND, efforts are now being made to link the fund more closely to other instruments

in the strategy at country level, and to adapt the present arrangements to facilitate their utilization by Norwegian business and industry, in part by coordinating them more closely with NORAD’s grant schemes. NORAD and NORFUND are now also considering cooperating on a new financing mechanism for small entrepreneurs in developing countries. NORFUND’s activities at country level will be closely monitored, with emphasis on the fund’s involvement in small and medium-sized enterprises, its risk profile and the way it is combined with other instruments under the Strategy for Norwegian Support for Private Sector Development in Developing Countries. The goal is to develop better, more strategic cooperation in this field in our partner countries.

NORAD’s grant schemes

NORAD administers a number of small grant schemes that mainly target individual companies or industries. They encourage and facilitate the broad participation of Norwegian and foreign business and industry in efforts to promote pri-

Box 7.5 Local and regional investment funds

Local and regional investment funds increase the supply of venture capital for local companies and build up local financial and commercial expertise. Both multilateral and bilateral aid organizations have therefore chosen to focus on local and regional funds as a key instrument for creating viable companies in developing countries. NORFUND collaborates with its British sister organization, Capital for Development (CDC), in the fund management company, Aureos, which administers local and regional financing institutions (venture funds) in developing countries. In 2003 Aureos launched three new equity capital funds in Africa with capital of NOK 1 billion, most of which, NOK 800 million, was provided by other donors. 29,000 employees currently work in companies in which Aureos Capital has invested through its local funds.

Local and regional investment funds also make a significant contribution towards aid coordination. The joint funds pool inputs from several donors and have greater impact and closer proximity to clients.

vate sector development in developing countries, and are intended to strengthen cooperation on business development and trade between companies in Norway and companies in developing countries. In this connection, interesting lessons have been learned from the Matchmaking Programme for South Africa, India and Sri Lanka, and there are now plans to expand the programme to include other countries. Support is also provided for feasibility studies with a view to establishing companies, joint ventures and trade cooperation in developing countries and training for local staff in connection with the establishment of such operations, in addition to a variety of activities to promote trade. These schemes are financed from the allocation for Business and trade measures (chapter 161, item 70) in the central government budget.

NORAD also administers the mixed credits scheme. Credits have traditionally been tied to the purchase of goods and services in Norway, but have now been untied and are subject to international competitive tenders. The object of mixed credits is to increase developing countries' access to capital and expertise by providing development assistance funds in an amount equivalent to between 35 and 50 per cent of the total of an otherwise commercial investment. Traditionally, mixed credits have largely been provided to improve infrastructure in sectors such as water and sanitation, power supply, electrification and telecommunications.

Guarantee schemes

The guarantee schemes of the Norwegian Guarantee Institute for Export Credits (GIEK) play a major role in increasing the economic involvement of Norwegian companies in developing countries. These schemes cover both investments and exports of goods and services, for instance through NORAD's scheme for untied mixed credits. The budget of the special scheme for guarantees to and investments in developing countries, which is used in connection with commercial ventures in the poorest developing countries, has at times been fully utilized. This has made it more difficult for Norwegian companies to involve themselves in activities in these countries and significantly curtails the possibilities of promoting more extensive activity on the part of Norwegian companies in the poorest developing countries and thus also of developing commercial market opportunities in the long term. The scheme is

now operational, but the Government will continue its efforts to find a robust solution to the special scheme's long-term financing needs.

The Government will:

- continue to develop NORFUND into a robust instrument for investment and private sector development in developing countries.
- follow up the evaluation of NORFUND in close dialogue with its management and executive board, partly with a view to finding a balance between rate of return and risk that maximizes the possibility of making profitable investments in poor developing countries.
- improve coordination of the entire system of policy instruments to promote private sector development in developing countries, with particular focus on Norwegian embassies. This includes further developing NORAD's instruments to promote trade and the establishment of commercial activity in developing countries.
- continue efforts to develop effective, targeted multilateral instruments to support industries and companies in developing countries, with emphasis on poverty orientation, additionality and good coordination between different instruments and organizations.

7.4 Norwegian business and industry as partners in development policy

The central role played by private sector development in Norwegian development policy makes Norwegian business and industry natural partners for the Norwegian development assistance authorities. Norwegian companies and trade organizations possess experience, values and approaches that can be useful to private sector players in developing countries. Cooperation with Norwegian business and industry has also shown that there is considerable motivation to contribute to private sector development in many circles.

Developing countries are a large and growing market for Norwegian business and industry. While growth rates in western countries are between 0 and 3-4 per cent, several developing countries have experienced growth of between 5 and 10 per cent in certain periods. Risk is a factor in any investment decision, but there is much to indicate that there is a growing desire in the Norwegian private sector to invest and create value and jobs in the poor part of the world. The

Government takes a very positive view of this trend, which is largely taking place without the direct financial support of the Norwegian authorities.

At the same time, it is a fact that an extremely small proportion of both Norwegian and foreign investments are made in the poorest countries. This poses a major challenge for development policy. There is therefore continued focus on strengthening cooperation between Norwegian authorities, organizations and business and industry, with a view to developing expertise and favourable frameworks for promoting employment, value creation and economic growth. Companies and organizations like the Confederation of Norwegian Business and Industry and the Norwegian Confederation of Trade Unions take part in several arenas to formulate broader frameworks for Norwegian policy and instruments to promote private sector development in developing countries:

- The cooperation agreement that was recently signed between Innovation Norway and the Norwegian Ministry of Foreign Affairs in connection with the reorganization of policy instruments for Norwegian business and industry, cf. Proposition No. 51 (2002-2003) to the Storting relating to policy instruments for an innovative, creative private sector, reinforces the authorities' commitment to Norwegian business and industry. It is the Government's goal that this agreement shall also help to increase the availability of instruments to promote private sector development in developing countries and to expand the network of contacts between private sector players and persons responsible for development policy. In this connection, foreign service missions will be assigned a more active role as a link and a source of advice and assistance to Norwegian business and industry.
- Through the continued implementation of the Strategy for Norwegian Support for Private Sector Development in Developing Countries, which includes studies of the barriers to and opportunities for private sector development in Norway's partner countries, the Norwegian authorities have developed a broad network of contacts with Norwegian companies that have either established activities or are considering investing in these countries.
- In 2002 the Norwegian authorities and NHO entered into an agreement to establish a special secretariat for development affairs at the

NHO. The secretariat is financed by NORAD and is an important arena for concrete measures in cooperation with trade organizations in developing countries and a catalyst for ideas and possibilities for increased public/private sector cooperation on private sector development.

- NORAD and the Federation of Norwegian Commercial and Service Enterprises (HSH) recently entered into an agreement intended to promote greater contact between exporters in developing countries and importers in Norway.

Common challenges

Both the national and international instruments used to encourage investment in developing countries are currently undergoing changes. The main focus is on reaching the poor, on making development assistance more effective, and on country ownership and the integration of these forms of assistance into national poverty reduction strategies. The OECD's recommendations regarding the untying of assistance for business and industry will help to achieve this goal, and will make it easier for the private sector in developing countries to take advantage of the various support schemes. Norway untied the assistance provided through commercial and industrial financing facilities in 2002, an initiative that has since led to the untying of NORFUND's investment mechanisms.

Norway plays a proactive role in the work of the OECD to create an open, well-functioning development assistance market in which all players compete on equal terms. Norwegian enterprises are still encountering problems in overcoming the barriers posed by the support arrangements of other countries. This is a challenge that the Norwegian authorities take seriously. Norway is particularly active in efforts to harmonise purchasing procedures in connection with purchases in the OECD and developing countries, partly to avoid the "dumping" of environmental and social standards in international tendering processes. Norway also supports action initiated by the OECD and the World Bank to improve and rationalize purchasing systems and routines in developing countries.

The Government works closely with business and industry and trade organizations on projects specifically designed to increase the involvement of the Norwegian private sector in promoting private sector development in developing countries. In this connection, the Government is now estab-

lishing a new tender guarantee scheme that is intended to reduce the barriers, particularly for small Norwegian companies, to participation in international competitive tendering on aid-financed activities. Under this scheme, companies that do not win the contract tendered for will be refunded a portion of the costs incurred in preparing the tender documents. This scheme will be financed by NORFUND and administered by GIEK.

Efforts to create a more equitable, more open international market for aid-financed goods and services will continue to have high priority. NORAD has recently established a database containing information on business opportunities in development cooperation, including activities and programmes that are financed by Norway. The purpose of the database is to ensure that Norwegian companies receive information as early as possible. NORAD will continue to develop this instrument in cooperation with business and industry, and make it as proactive as possible in order to make it easier for Norwegian companies to participate on the international aid market. NORAD will also consider how Norwegian embassies, including Innovation Norway, can contribute information to the database that is not otherwise available to Norwegian players.

The Government will seek to make the full range of instruments more easily accessible to Norwegian companies.

The development assistance authorities, in close contact with business and industry, will carry out a comprehensive review of the way Norwegian instruments to promote private sector development in developing countries function, in the light of current reforms in the international aid market, and to help provide a broader base for efforts to promote private sector development at country level. The review will compare Norwegian support schemes with those of other countries in this field. The goal is to make the schemes as effective and relevant as possible as tools to foster private sector development in the South, and within this perspective, as attractive and accessible as possible for Norwegian companies.

The Government has recently initiated efforts to establish joint working groups between the authorities, business and industry and the research community in fields where the full range of Norwegian expertise (public administration, private sector, research) is of particular value to developing countries. Such fields include energy, fisheries/aquaculture, maritime services and ICT (including telemedicine and distance learning).

This is done with a view to strengthening and honing Norwegian inputs in areas where Norway possesses unique expertise, and at the same time paving the way for increased Norwegian private sector involvement in development cooperation.

The Government will:

- create and develop common arenas in which ministries, official agencies, business and industry, non-governmental organizations and research communities can jointly draw up strategies to increase Norwegian inputs in developing countries in fields in which Norway possesses unique, sought-after expertise.
- establish the tender guarantee scheme to reduce risk, particularly for small Norwegian companies that wish to compete for development assistance contracts internationally.
- maintain and intensify international efforts, for instance in the OECD context and in the World Bank, to promote a more open, efficient aid market that will make it easier for Norwegian companies to compete on tenders.
- carry out an overall review of the full range of policy instruments to promote private sector development, with a view to adapting the instruments as necessary to make them more effective and applicable in the light of international reforms of the aid market, as well as to increase strategic focus and facilitate the coordination of efforts at country level. This review will also include a comparison of similar mechanisms in some of the other OECD countries.

7.5 Freeing up potential in the informal sector

A large majority of the population of developing countries live in and gain their livelihood from what is known as the informal sector. This applies to large parts of the agricultural sector, as well as to slum areas in growing cities. In light of the fact that the proportion of inhabitants in developing countries who live in urban areas is expected to rise sharply in the next 30 years, and that these persons will very largely be slum-dwellers, it will be increasingly important to solve the challenges associated with the informal sector. A person who belongs to the informal sector is usually deprived of his or her fundamental economic rights and unable to make use of legal services or formal



Figure 7.2 A growing number of people earn their livelihoods in the informal sector. A street vendor in South Africa

Source: Corbis

sources of financing. However, in areas where the population has been empowered to do something about its own situation, we have seen that major improvements can take place. This applies to both rural populations and the growing slum populations in urban areas.

In the past few years, two sets of measures in particular have been developed that are directly aimed at freeing up growth potential for private sector development and employment in the informal sector. These measures focus on formalizing use and property rights and providing loans to small manufacturers.

The right to use and to own a dwelling, land and a business

The lack of clearly defined rights to economic assets such as a dwelling, land or a business is a fundamental problem for a large part of the population in the informal sector. A report presented by the UN Commission on the Private Sector and Development¹ in March 2004 pointed out that the

rights of poor people employed in the informal sector to own property and means of production must be better formalized and documented. This will enable them to take up loans, expand their business, increase the growth dynamic in the economy, improve their own life situation and help to create jobs.

The consequences of the lack of financial legal safeguards are numerous, both for individuals and for society as a whole. For individuals, it means that they have little opportunity of obtaining a loan to be able to establish or expand a commercial enterprise. It also means that they lack protection against arbitrary treatment at the hands of the authorities, the police and other bodies, who must often be “dealt with” by bribery. In many ways, corruption becomes the very interface between individual financial players in the informal economy and the public sector.

For society as a whole, the lack of formaliza-

¹ Unleashing Entrepreneurship; Making Business Work for the Poor: <http://www.undp.org/cpsd/>

tion in the economy means that the substantial assets in the informal economy cannot be mobilized for either private or public investment. The domestic savings rate remains chronically low and the taxation base narrow.

“Formalization” of the informal economy is now being given growing priority in Norwegian development policy. This is coinciding with requests from more and more developing countries, including several of Norway’s partner countries, for assistance in this field with a view to establishing cooperation both at country level and in international forums. This applies, for instance, to Tanzania, Sri Lanka, Nigeria and Madagascar. The dialogue will also include such key institutions as the UNDP and the World Bank.

In most illegal settlements and slum areas the population’s risk of being arbitrarily deprived of shelter is great. The uncertainty this causes leaves inhabitants with no incentive to put any effort into improving a dwelling that was unhealthy and degrading in the first place. Since 2000, the UN settlement programme, UN HABITAT, has carried out a global campaign, initiated by Norway, for secure tenure of shelter. Giving slum dwellers this kind of security motivates them to improve their homes, thereby also creating a better foundation for cottage industries. This largely applies to women in slum areas, often single mothers, who take advantage of this opportunity when it is offered.

Naturally, formalizing the right to use and own property offers no magic solution to poverty problems. It is rather a question of addressing an issue that has too often been overlooked in international development cooperation and where many developing countries are now asking for assistance. Furthermore, Norwegian expertise in this field is in demand, since the system of registration based on the Brønnøysund registers is considered to be at the forefront internationally in terms of efficiency and user friendliness. However, merely introducing new registration systems is far from enough. Successfully formalizing the economy will require a comprehensive reform process that has strong political backing and grassroots support. This is directly linked to the efforts to promote better governance and has to do with making the central government a positive force for change that promotes private sector development and value creation rather than preventing it. The legal rights of women must be given priority and better secured. In a great many developing countries, for instance, women do not have the right to

inherit. It is particularly important to reduce barriers that in practice prevent or penalize those who try to formalize an activity, such as expensive, bureaucratic approval processes, which can take years in many countries. Moreover, the level of taxation for “legal” activities is often extremely high. In other words, it is important to adopt a broad-based approach that is adapted to the needs and conditions in individual countries.

Small loans offer big opportunities

Microfinance is another measure that encourages value creation by poor entrepreneurs. Microfinance is the collective term for financial services

Box 7.6 CGAP: International coordination and harmonization of microfinance in a sectoral perspective

Twenty-seven bilateral and multilateral donors who use microfinance as an instrument in the development process have joined forces in a donor forum called the Consultative Group to Assist the Poor – A Microfinance Program. The purpose of this programme is to improve the quality of donor programmes, disseminate lessons learned in the field, promote donor coordination and harmonization and seek to establish better framework conditions for microfinance. Norway has been a member of this donor forum, which is known by the abbreviation GCAP, since it was established in 1995.

The CGAP works to ensure that microfinance institutions reach the poor and cover all costs. It also seeks to promote cofinancing and the coordination and harmonization of donor activity.

The CGAP wishes to develop financial systems that include the poor by establishing partnerships with various private and public players in the field of microfinance. Its strategy comprises four main components: (i) promote institutional diversity (non-governmental organizations, banks, credit cooperatives, etc.); (ii) promote a broad range of financial services tailored to the needs of different customer groups; (iii) improve the availability and quality of information on microfinance organizations; and (iv) establish solid legal and regulatory frameworks for microfinance.

for low-income groups who have traditionally had no access to commercial banks. Such services particularly target individuals, often women, and companies with one to five employees. These are households and companies that do not have access to regular banks because they can offer no security in the form of personal assets, and because the administrative costs associated with small loans are high.

Microfinance is based on poor people's own resources. Expanded access to this type of financial service, including savings, increases poor families' possibilities of generating an income for themselves and obtaining a decent standard of housing. Today, microfinance is considered to be an important part of a country's overall financial sector. A donor consortium called the Consultative Group to Assist the Poorest (CGAP) (see box 7.6) helps to improve this instrument and to harmonize donor activity in this field.

The Government will:

- seek to ensure that formalization of poor people's right to use and own property is given higher priority on the international development agenda.
- secure support, coordinated with other donors, for partner countries that request assistance in implementing the major legal and institutional reforms that are required for formalization of poor people's right to use and own property, and help to engage the foremost expertise and know-how in this field.
- help to further develop risk financing as an instrument for effective poverty reduction.

7.6 Agriculture and private sector development

Agriculture is a major component of the informal sector, and often accounts for a significant share of the formal economy. Agriculture plays a predominant role in many of the poorest countries, measured both as a percentage of the national economy and as a percentage of the total value of exports. The production and sale of goods and services to the agricultural sector and the processing and sale of farm products are often the main source of paid employment and the mainstay of the informal sector. Agriculture is a driving force for development that also benefits urban populations. This sector is therefore crucial for econo-



Figure 7.3 Agriculture plays a predominant role in many poor countries. Illustration from Ethiopia

Source: Corbis

mic development and poverty reduction in poor countries. Although a positive trend can now be seen in many countries, the emphasis on agriculture in the past few decades has been decreasing in many of the poorest developing countries, as has its status as a priority area in development cooperation. This has had negative consequences in a number of fields. While food production has risen by 40 per cent per capita in the world as a whole in the last twenty years, per capita production has dropped five per cent in Africa. The neglect of the agricultural sector has consequences both for employment and food security. Development assistance for the agricultural sector has declined in absolute figures and as a percentage of the total volume of aid: from about 15–20 per cent in the 1970s to 5–6 per cent in the 1990s. Norwegian development assistance for the agricultural sector now accounts for 3.9 per cent of the total volume of aid. The Government aims to significantly increase resources for agricultural development in the coming years.

Norwegian development assistance has traditionally targeted projects aimed at increasing productivity in agriculture. However, boosting productivity alone will not increase revenues significantly unless there are market opportunities. Small, vulnerable producers cannot increase their output if there is no demand. The demand comes from local, regional and international markets. Efforts must therefore be focused on augmenting access to markets at the local, regional and the international level. Facilitating access to a well-functioning domestic market is an important prerequisite for growth in production and processing, but it is not enough.

The level of protection on the markets of industrialized countries that is encountered by products of developing countries generally increases proportionately to the degree to which such products are processed, cf. chapter 3. Market access is easiest for typical tropical products which compete less with products from industrialized countries. However, these markets are extremely volatile and over-specialization in the production and export of products such as coffee, cocoa and tobacco does not have as positive an effect on food security² and development in those countries.

In order to improve the effect of exports in terms of promoting development, it is important to reduce the barriers to trade encountered by products from developing countries in industrialized countries so as to pave the way for more diversified and highly processed exports. The least developed countries now have greater opportunity to take advantage of duty and quota free access to the markets of industrialized countries. Better use must be made of this window of opportunity. However, development assistance is necessary in order to improve capacity and expertise throughout the value chain to increase the local development effect of increased exports.

The Government has recently prepared a plan of action for Norwegian development assistance for agricultural development. The traditional focus on productivity in such assistance has been abandoned in favour of a broad-based approach that emphasizes political reforms, private sector development, product quality, local markets and exports, rights and the environment. The plan of action builds on the development assistance administration's goals of donor cooperation, a pragmatic combination of bilateral and multilateral channels and adaptation of assistance to recipient countries' own strategies. In accordance with the plan, Norway's bilateral efforts are to be concentrated on countries that themselves give priority to agriculture. The Government will identify two or three pilot countries in which assistance for the agricultural sector will be increased. Relevant countries include Zambia, Malawi, Ethiopia, Tanzania, Uganda, Mozambique and Madagascar. The partner countries' own poverty reduction strategies will form the basis for this work, and the actual combination of measures will be deter-

mined in close cooperation with the governments of the partner countries and with other donors, so as to jointly achieve a broad range of measures that as far as possible cover the entire field-to-table chain.

Norway's efforts are intended to:

- support political reforms aimed at improving framework conditions for the agricultural sector.
- be based on a broad approach to improving improve food security.
- strengthen the rights of women in and the basis for women's participation in agricultural development
- promote the development of the agricultural sector as part of a broader effort to promote business development.
- focus on primary production as well as business development related to agricultural production, for instance intermediate goods, advisory services, processing, sales and exports.
- help to ensure the sustainable use of natural resources, including the conservation and use of genetic resources.
- help to secure the right of poor people to use and own land and water.
- focus on relevant education and research that is particularly relevant for producers
- where relevant, efforts must normally also focus on reducing the uncertainty associated with the dryland problem
- help to reduce the adverse effects of the HIV/AIDS epidemic on food production.

Assistance aimed at increasing productivity in the agricultural sector is preferably to be channelled to small and medium-sized farm units, as this will contribute particularly to alleviating poverty in rural areas. There must be greater focus on ensuring that primary production generates broader repercussions in the form of processing and the production of services. The traditional focus in Norwegian development assistance for agriculture on augmenting productivity has been further developed to encompass a broader approach which views the contribution of the agricultural sector and related activities to sustainable growth in conjunction with poverty reduction in the poorest countries.

The Government stresses the close connection between agricultural development and other measures to promote private sector development.

² The 1996 World Food Summit defined food security as "when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life".

In rural areas, small and medium-sized units are the main players in terms of jobs and production for export and the local market. The potential of these units is curtailed by their limited access to expertise on relevant technology, product development, marketing and market development. They are therefore key target groups for Norwegian support for private sector development based on the primary industries in the poorest countries. Another important target group are small local entrepreneurs, particularly women, who can start up a business with a minimum of resources and thereby help meet the needs of their local community and create local jobs. Greater access to financial services and business development services tailored to the needs of the poor advances the development of small local companies. It is especially important to strengthen the legal rights of women, not least their right to own and inherit land, dwellings and business activities.

Impoverished rural populations have better possibilities of protecting their own interests if there are well-functioning institutions that can organize better access to intermediate goods and marketing for their products. Such institutions also play a key role in the effective dissemination of technology and knowledge. Most of Norway's partner countries now pursue a less centralistic, state-dominated agricultural policy that has more elements of a market economy. This reduces the possibility of producer organizations being misused for political purposes, a situation of which there were previously numerous examples. Conditions are therefore now favourable for strengthening this type of local, independent type of organization run in accordance with commercial principles. Such institutions must focus on organizing marketing functions and price-setting in such a way as to ensure that as many of the proceeds as possible are returned to the small manufacturers.

NORFUND regards agricultural projects as having considerable potential, particularly in Africa, and is considering a number of potential projects in this field. NORFUND is also developing new concepts to increase smallholders' possibilities of contract farming related to commercial projects aimed at exporting fruit and vegetables with a high commercial value.

In order for developing countries to be able to benefit from the market access that is offered to them, they also require substantial technical and financial assistance to develop production and products that meet western quality and safety

standards. The commercial approach and networks offered by NORFUND and its investment partners will have a positive effect in this field.

Norway has chosen to focus particularly on quality development and control in efforts to increase exports of agricultural products from developing countries. Support is provided to build up institutions and regulatory frameworks. Norway, Sweden and other countries have launched a joint effort to ascertain the need for technical assistance with regard to veterinary and phytosanitary requirements in African countries.

In addition to the supply-side measures, several projects and programmes are also being implemented to increase demand in Norway for agricultural products from the poorest countries. Quality, price, deliverability and predictability are key factors in this connection. Norway has a guarantee scheme that offers importers protection against major financial losses if the quality of a product proves to be defective or in the event of late delivery.

An active dialogue has been entered into with business and industry and importers on imports from developing countries. A key factor in this connection is the cooperation with the Federation of Norwegian Commercial and Service Enterprises (HSH) on increasing imports from developing countries in general, and from the least developed countries in particular. Quality assurance and advisory services play a central role in the work for which HSH will be responsible. There is emphasis on improving information to consumers to ensure that there is broad awareness of the fact that imports from developing countries are subject to the same quality requirements as imports from other countries.

The Government:

- aims to significantly increase the resources allocated for agricultural development in the coming years. These efforts will be assessed within a three-to-five year period. Assistance is to be coordinated and in the form of cross-sectoral support for agricultural development in partner countries, adapted to recipient countries' own strategies and priorities.
- will attach importance to rights, product development, trade and the sustainable use of natural resources, including the sustainable, legitimate use of genetic resources.
- will promote development of the agricultural

- sector as part of a broader efforts to develop the private sector in partner countries.
- will intensify efforts to improve material infrastructure and fundamental framework conditions and services that facilitate increased productivity and sales, entrepreneurship and innovation, and reduce vulnerability, partly by securing the rights of the poor to use and own property where conditions are favourable for this.
 - will help to build capacity to establish independent producers' organizations that promote the interests of poor smallholders and meet their purchasing and marketing needs. Ensuring that the smallholders themselves, including women, take part in developing and running such producer organizations is an important objective.
 - will give priority to providing equity and loans through NORFUND for commercially viable projects in the agricultural sector, also in cooperation with financial institutions in poor developing countries.
 - will contribute technical and financial assistance to enable developing countries to exploit their export potential by such means as increasing productivity and improving the quality of the products of poor countries.
 - will focus on phytosanitary and zoosanitary measures and other forms of quality assurance to give developing countries a better chance of gaining a foothold on the markets of industrialized countries.
 - will intensify efforts to increase the exports of developing countries, particularly LDCs, to Norway, partly in cooperation with business and industry and non-governmental organizations.

8 Civil society. Non-governmental organizations as partners

8.1 Civil society

Non-governmental organizations (NGOs) in the North and the South play a key role in efforts to achieve the UN Millennium Development Goals. The work of NGOs contributes towards fulfilling fundamental development rights, for example by the right to education and the right to health. NGOs are in themselves a manifestation of an important human right: freedom of association. They are also a significant driving force in political efforts to secure human rights.

Civil society has an impact on social development at local, national and global levels. Civil society actors are important service providers, they are political prime movers in areas such as the environment, health, consumer issues and global distribution, they play a central role in the organization of people's everyday lives, in local communities, the sports sector and as special-interest organizations. Close cooperation between NGOs and business and industry can generate significant effects in terms of promoting development in fields in which the organizations have specialized expertise. In the past few years, NGOs have collaborated more closely with multilateral institutions, both in carrying out assignments and in jointly exerting influence in multilateral forums. More work is now being done through informal partnerships with official authorities and international business and industry. Not least, strategic use of the media and the Internet offers new opportunities to exercise influence and sway opinion on important issues on the global agenda.

“Civil society” is a term that is often used in the debate on development policy, but it can mean different things in different contexts. Most commonly, the term is used to draw a distinction from the central government, but also from the private sector. In the guidelines adopted by the Norwegian Ministry of Foreign Affairs in 2001 for support for NGOs, civil society is defined as “the networks that are active in the sphere between the central government and the family, and that are not a part of the market in the usual commercial sense.” It is in this sense that the term “civil

society” is used in this report. Norwegian support for the development of higher quality media in partner countries has been discussed in Chapter 6 on good governance, while cultural cooperation and the importance of cultural diversity is commented on in section 5.7 (Box 5.16).

Many people perceive civil society primarily as formal special-interest organizations with a clearly defined platform, as in the case of human rights organizations, the feminist movement and trade unions. This perception of the term excludes a great many of the contexts in which poor people organize to seek to improve their living conditions, such as local self-help groups, traditional organizations, local women's groups, religious communities and others. It is this broad definition of civil society, which includes both formal and informal structures and organizations, that forms the basis for Norwegian development policy. It is also the basis for the partnership strategies of Norwegian NGOs.

There is a strong, long-standing tradition of voluntary work in Norway. A vibrant, broad-based organizational sector has laid much of the foundation for democracy and social welfare in Norwegian society. NGOs, special interest organizations and various associations make vital contributions to diversity, quality of life, culture, politics and democratic attitudes. Civil society actors also provide services in key areas, and make significant contributions to welfare, culture and sport in local communities. Researchers estimate that the value of inputs from the voluntary sector in Norway is equivalent to the annual production of services totalling almost NOK 50 billion or around 3 per cent of GNI, in addition to the values that cannot be measured.

Civil society also plays an important role in promoting social development in developing countries. The scope of the organizations and how dynamic they are as forces for change or how much capacity they have to provide services vary significantly from one country and region to another. In many countries, authoritarian regimes have debilitated civil society through the imposition of government controls and the political per-

secution of non-governmental players. In other places, strong players have emerged in civil society, both in countries where the central government carries out key administrative functions and where there is no effective central government. In some countries there is a comprehensive government apparatus combined with a strong, dynamic civil society. The vast majority of partner countries face a common problem: public services are unsatisfactory and far from meet the needs of the population, while the political system often offers limited possibilities for participation and influence. An active, diversified civil society can lay an essential foundation for popular participation and economic and political progress in developing countries.

Norway gives high priority to strengthening civil society in its partner countries. Norway's contributions in this field aim at reinforcing the role of civil society as a driving force to achieve national and international development goals, promote respect for human rights and foster more open, democratic societies. By providing support for specific joint projects which entail cooperation between Norwegian organizations, companies in Norway and local organizations and companies in developing countries, Norway contributes towards the development of sustainable economic activities.

Voluntary efforts to solve common challenges are fundamentally positive. While the focus in the development debate is largely on how we can help to further strengthen civil society's positive contribution to development in certain countries, there is nonetheless reason to be vigilant and selective when choosing our partners.

The fact that there are a large number of organizations is not necessarily tantamount to genuine diversity or a pluralistic, tolerant society. Organizations may have different political or ideological convictions from those Norway considers to be positive impetuses for rights, democracy and development. Local support or relevant basic values is no guarantee. Therefore, avoiding donor control, which might lead to unsustainability, is a major challenge.

The number of organizations tends to increase explosively when large amounts of aid are transferred in response to a crisis. In Afghanistan, for instance, 1200 NGOs have been registered, while there are over 1500 in the Palestinian Area. Most of them are reputable, but in some cases it seems as though establishing an organization with the potential it offers for making money out of

development assistance becomes a goal in itself; there is also a risk of this happening in partner countries that are not in the throes of a conflict. Another challenge in such situations is that aid-financed organizations outbid locally-based institutions, including ministries and other public actors, in the competition for well-qualified local manpower. There are no simple solutions to these dilemmas, but they illustrate the need for good insight into local and national conditions when establishing partnerships.

8.2 The various roles played by NGOs

Civil society actors in developing countries perform a number of different functions. These functions vary from local, practically oriented activities or services that meet the immediate needs of members or target groups to deliberate efforts to influence or change national or international policy. Below is a list of examples of functions carried out by such actors. These are functions that the Norwegian authorities and organizations wish to support and are thus important objectives for Norwegian assistance for civil society and NGOs:

- Make demands of official policy, while helping to promote popular support for and legitimization of sound political decision-making processes.
- Promote the interests of poor and marginalized population groups at the local level and in national political processes, including vulnerable groups such as persons with disabilities, indigenous peoples and other minorities.
- Promote the rights and welfare of children, especially their right to participate.
- Help to promote public health, with particular emphasis on reducing the use of alcohol and other intoxicants.
- Promote respect for and observance of human rights, combat violence and abuse and work to secure social rights such as minimum pay, freedom of association and universal access to public goods, also for minority groups.
- Promote gender equality and help ensure that women participate in social and political processes.
- Promote the conservation and protection of the natural resource base and the quality of the environment locally and nationally.
- Promote good governance and good public administration at local and national levels, particularly through campaigns for greater transpa-

rency as regards government revenues and spending, including efforts to combat corruption in both the public and private spheres of the economy, and thereby function as an important corrective to governmental exercise of power.

- Monitor the results achieved by and quality of official policy, for instance the extent to which resources intended for certain target groups in local communities actually reach them, through specific monitoring programmes as well as through public debate.
- Provide important social services, either where there is a lack of public services to meet the needs in question or in cooperation with public actors.
- Help to disseminate information on and knowledge of social challenges such as HIV/AIDS, the degradation of vital natural resources such as soil and fresh water, and the prevention of alcohol and substance abuse, etc.
- Help to meet immediate subsistence needs, either in acute war situations or emergencies, or in other cases where more regular channels for economic activity and government support functions do not function, and help to promote peace and reconciliation at local and national levels.
- Promote economic development in local communities, for instance through cooperation on training programmes and joint contributions to and organization of water supplies, roads, markets, forestation, etc.
- Help to build identity and cultural diversity, including a safe childhood environment and possibilities for play and sport and other forms of self-expression.¹

Norwegian development assistance for civil society in developing countries covers all these areas. Services provided to supplement public services have been the largest area of development assistance in terms of volume because this often entails running hospitals, schools and social services. In a number of developing countries, non-governmental actors are heavily involved in the health and education sectors, including many partners of Norwegian NGOs. This tendency is reinforced during and after violent conflicts, when the government apparatus has little capacity to meet this type of need. At the same time, it is inte-

resting to note that measures aimed at promoting good governance are becoming an increasingly important part of the work carried out through Norwegian organizations. Twenty per cent of NORAD support for and channelled through Norwegian NGOs in 2003 was for the promotion of good governance. The expectations of the Norwegian authorities as regards the work of NGOs and the degree to which their activities are coordinated with the local authorities' development plans will naturally vary according to the nature of the countries' governance and observance of fundamental human rights.

There is no sharp demarcation between the provision of services on the one hand and the focus on strengthening partners' capacity and efforts to give marginalized groups a voice in social debate on the other. Responsibility for providing such services gives NGOs - both local organizations and their international partners - a foundation and legitimacy in local communities: their aim is to make practical improvements in the daily life of the population at large. This can in turn prompt the development of programmes that require the authorities to ensure good governance and the just distribution of income. The Norwegian authorities clearly state that one of the important objectives of NGOs, also in their role as service providers, must be to improve the organization and capacity of local partners.

A key role for Norwegian NGOs is therefore to contribute expertise and experience in order to strengthen their local partners and make them more capable of assuming responsibility for their own development. Rather than implementing development projects themselves, Norwegian NGOs are now to a far greater extent partners of the organizations in the South that are in charge of implementing projects. Given this division of roles, it is crucial that the Norwegian organization is able to contribute added value. Significant added value is therefore a precondition for the support that is channelled through Norwegian NGOs.

Organizations can be defined on a scale in which at one extreme they merely provide services and at the other they are merely engaged in political work. Many, probably most, Norwegian-funded initiatives lie midway between these extremes. The cooperation between the Norwegian Association of the Blind and Partially Sighted and its sister organization in Nepal ensures better services for the country's blind, and strengthens their common political platform. The Norwegian Red Cross has long helped to reinforce its sister

¹ By the end of 2004, the Government will also present a special strategy for promoting culture and sport through development cooperation. (See section 5.7, Box 5.16).



Figure 8.1 A portable school

The Norwegian Refugee Council's and UNICEF's Teacher Emergency Package

Source: The Norwegian Refugee Council

organization in Mozambique; the result is a stronger organization, more effective delivery of social services and the political mobilization of the local community. The Norwegian Refugee Council's and UNICEF's Teacher Emergency Package trains instructors who have in turn taught teachers about children's rights and HIV/AIDS attitudes during and after the civil war in Angola. This can be regarded as the provision of educational services with a clear, long-term goal of human resource development.

Support for civil society is often focused primarily on target groups and based in local communities. Efforts are especially concentrated on promoting the interests of target groups that are often particularly vulnerable. This applies to support for promoting the rights of and improving living conditions for women, persons with disabilities, children or indigenous peoples. The Norwegian authorities expect NGOs that receive support from Norway to focus on strengthening the rights of groups, either by providing services that help to fulfil their social and economic rights, or by helping to give marginalized groups a voice with which to defend their own interests and rights.

8.3 Non-governmental organizations as partners in development cooperation

Different roles in civil society mean different pos-

sibilities for and expectations of organizations that receive financing from countries like Norway. NGOs that provide services directly must be subject to clear requirements that they - both Norwegian organizations and their partners in developing countries - coordinate their activities with the work of the local or national authorities of the country concerned, and take account of poverty reduction strategies and other management tools that define priorities at the national or local level. The NGOs must also relate actively to other donors and actors within the framework of sector and poverty reduction strategies. In general, when support is provided from regional allocations or when funds are channelled through organizations for the provision of basic services within the framework of general development work, the Norwegian authorities must have a greater degree of control over the way the work is organized and how it fits in with broader development cooperation efforts.

In view of the current strong focus on donor cooperation and sector support, the major NGOs must also be included more effectively in the broader framework of cooperation at country level. At the same time, the autonomy and different roles of the organizations must be respected. This means that while organizations that provide various health services are expected to coordinate these services within the framework of the country's poverty reduction strategy or health sector programme, the role of other organizations may be to give a voice to actors who are critical of the policy of the authorities concerned. Maintaining this fine balance requires a good understanding of roles and politics on the part of all development cooperation stakeholders. In any event, for organizations that provide services the current strong focus on coordination, harmonization and new forms of development assistance should be seen as an important opportunity. The forums for dialogue and coordination that now exist offer the organizations an opportunity to make their voices heard that is also valuable for the authorities and the donor community.

The situation in countries that are in the process of reconstruction after a long period of war demonstrates the need for good dialogue between public and non-governmental actors. NGOs' specialized expertise and flexibility gives them comparative advantages during the reconstruction phase immediately following the conclusion of peace. However, nation-building, which soon becomes a main priority in this type of situation,

often calls for other types of expertise usually found primarily in multilateral organizations or in official ministries and directorates in developed countries. NGOs must therefore be prepared for fluctuations in appropriations over time, depending on the tasks that must be carried out. This will apply particularly to allocations for humanitarian assistance and transitional assistance. At the same time, the Norwegian authorities will strive to maintain an open dialogue on these issues and thus ensure a maximum of predictability for the organizations.

In principle, the same criteria as regards quality and management by objectives apply to the activities of NGOs as to other types of development work. NGOs that are service providers must also demonstrate the ability and willingness to create sustainable solutions that do not collapse if an international partner withdraws. In order to build organizations and promote democracy locally, Norwegian and international donor organizations must both know a great deal about the way organizational life functions in their own country and be able to apply their own experience with respect for and insight into the major differences between Norway and the partner country, such as Mozambique. Support provided for organization-building to NGOs in developing countries that are actively engaged in politics and opposition is contingent on a good understanding of local culture and politics.

Substantial support is provided for Norwegian NGOs to enable them to disseminate information and increase public knowledge of and involvement in development and North-South issues in Norway. A committee has recently reviewed the quality and organization of these information activities. The Government will draw on the work of the committee in its further assessment of the modalities and organization of support for the dissemination of information on development and North-South issues.

Support in Norwegian society

Most of the Norwegian support provided for civil society in developing countries is channelled through Norwegian NGOs. This practice is based on the conviction that these organizations, which are firmly rooted in Norwegian tradition and social life, are well qualified to communicate values fundamental to society-building to civil society in developing countries. The NGOs can make unique contributions towards broadening

and deepening Norway's network of contacts with developing countries, and help to maintain the Norwegian people's strong commitment to addressing the challenges faced by developing countries. Experience and knowledge of the way NGOs work in Norway, and the dynamics between the central government, civil society and the market in Norway, are important elements that the Norwegian authorities wish to communicate to society in individual partner countries. Friendship and cooperation at local government level, as currently organized through Friendship North-South and the Norwegian Association of Local and Regional Authorities, have proved to offer promising potential for this type of exchange of experience and transfer of expertise.

Grass-roots support in Norwegian society has been pivotal to the notion of Norwegian volunteerism. The active involvement of a large number of members or regular contributors, who have the opportunity to participate in or exert influence on the activities of the organization, and the possibility of mobilizing volunteers are a strength, particularly in development policy. However, the degree of popular support in Norwegian society varies significantly from one organization to another, both because the target groups in Norway and abroad are very different, and because there have been major changes in organizational structures in Norway in recent years.

The number of traditional members in Norwegian NGOs has dropped. In many organizations, there is a rapid turnover of members/sympathizers, and involvement at the local level is declining. Activity at the national level has become relatively more important than local activities. This means that as a manifestation of broad-based popular involvement, the NGOs have to some degree given way to organizations that might have strong popular appeal but nevertheless do not have a large, active membership that forms the backbone of the actual work of the organizations.

There is also a trend towards organizations where small groups of committed individuals develop specialized knowledge or activities that do not have the legitimacy afforded by broad popular support. In some contexts, informal networks, campaigns and professional lobbyists can often play a more prominent role than the traditional, membership-based organizations. Although an organization may have little popular support in terms of the number of members, it can have strong support in the community it

represents; several of the organizations that represent persons with disabilities are examples of this.

The strong growth in sponsor-based aid organizations, and the introduction of sponsorship schemes in well-established organizations, also reflect some of the changing patterns of organization and activity. These organizations raise substantial funds from the population, encourage positive involvement in Norway and offer a growing range of activities in developing countries.

Public support for new organizations must be assessed on a continuous basis. In these assessments, account must be taken of how overall allocations can be put to most effective use and of the goal of promoting cooperation and coordination of development activities in line with the principle of national ownership in efforts to reduce poverty (see Chapter 5). In general, the increase in the number of players applying for support means increased competition for available resources.

Professionalization

Another aspect of the current evolution in NGOs that are actively involved in development work is the growing degree of professionalization. The organizations are less voluntary organizations in the sense that few of the operational activities are carried out by volunteers; the NGOs operate increasingly on a professional basis. Since they serve as channels for substantial development assistance funds, this in itself is a desirable and necessary evolution. The question of whether it is more advantageous to use NGOs in their capacity as service providers rather than other means of channelling development assistance, such as multilateral organizations or consultancy firms, must for many purposes be part of the assessment of which channel should be chosen at any given time. This means that NGOs can generally expect more competition for funding and greater demands as regards the visibility of the development effect and the cost-effectiveness of their activities.

However, development policy professionalism has several dimensions. One quality that is very common in NGOs is the ability to build and maintain partnerships and alliances with partners in the South. Building up civil sector capacity in developing countries is a very important goal for the development activities of NGOs. This necessitates a capacity to transfer expertise over time. Many NGOs also have networks that have a great

horizontal as well as a vertical spread. This makes it possible to communicate views and inputs from the population to the national leadership, and to communicate views internationally, thereby contributing towards a shift in stances on important issues. The campaign against land mines, the debt relief movement and anti-corruption efforts are good examples of this. Professionalism also encompasses important strategic qualities such as organization-building, the ability to develop strategies and methods, and learning processes.

An important dimension of the NGOs' role in Norwegian society is that they themselves raise substantial amounts of funding for their development-oriented and humanitarian activities. There are no reliable statistics on the amount of money mobilized in this way, but it is estimated that the organizations raise at least NOK 1 billion every year for development purposes. Here too, however, the percentage of the organizations' activities that are financed by the NGOs themselves varies considerably. Only a few organizations derive all or almost all of their revenues from their own fundraising. A number of NGOs are dependent on public funding for an average of 70-80 per cent of their operations. The activities of several organizations are also of a nature that must be described as pure assignments in the sense that the public sector fully finances programmes or activities that cover a period of several years.

Many countries have stronger philanthropic traditions than Norway, and in such countries a larger share of NGO activity is financed by private funding than in Norway. Competition for funding is fierce; given the fact that NGOs can apply for public funds based on a requirement of 10 per cent own funding, one krone of funds raised can ultimately mean a far larger contribution for an individual organization. It is positive that a number of NGOs look primarily to the general public to obtain financial support for their activities. The fact that channels for expressing a personal commitment to development work are easily accessible in the public arena is without a doubt entirely positive. The competition for funds also helps to disseminate information about and arouse interest in development issues.

However, in this sphere of activity as in others, it is essential that there is easy access to information about the practice followed, and that donors agree to both the content of the contract that is entered into and the costs related to the fundraising methods. Donors must be confident that the fundraising is carried out in a generally satisfac-

tory manner. The Government will examine more closely the possibility of establishing common, quality-assured control methods for NGO fundraising. A primary aim must be to promote greater transparency in the fundraising process and the channelling of funds to the fundraising beneficiaries.

NGOs are required to provide their own funding for some of their activities, but there is no automatic correlation between own funding and grants. Official requirements that the NGOs contribute their own funding for their development work are contingent on the degree to which the organizations can be said to carry out assignments directly for the authorities. When an activity is carried out purely on assignment for the Ministry of Foreign Affairs or NORAD, for instance in humanitarian work, full financing is provided and the NGO itself is not expected to provide any funding. Nevertheless, organizations occasionally wish to contribute a share of the funding in order to ensure their ownership of the project or programme and support for it within their own organization. When the development work does not consist of a specific assignment, but is based on an application, a requirement of 10 per cent own funding usually applies. Thus the amount of funds raised and the organizations' own share of funding should not be a special criterion for allocating funds to NGOs. A number of factors are taken into account when considering the allocation of funds (see section 8.5).

The combination of professionalization and the fact that a very large share of the revenues of several NGOs comes from public allocations poses a challenge to the organizations' support base, perceived role and autonomy. This is a difficult balance to strike and the issue is high on the NGOs' and the Government's agenda. NGOs are expected to critically reflect on the trade-offs they make between popular support and professionalism. It is important to respect the distinctive nature and identity of the organizations. However, when NGOs play a more ordinary role in general development assistance and development work, they must understand and agree that the allocation of funds and NGO activities must be based on the assessments of development assistance experts.

Dependence on government funding from donors in the North can be just as big a problem for NGOs in developing countries. A natural task for Norwegian NGOs and their partners in the South should therefore be to explore the possibili-



Figure 8.2 A children's home in South Africa, where children live with HIV and AIDS

Source: Scanpix

ties of finding local sources of funding for local organizations, and thus in the long term render them less dependent on international development assistance. The possibilities of doing this will vary considerably from one country and region to another, but it is important to address this challenge which in the long term is a key prerequisite for a strong, independent civil society.

Support provided directly to local NGOs

The Norwegian authorities also provide support directly to a number of local civil society actors through Norwegian embassies in various countries. These are often limited, targeted measures to support activities considered by the individual embassies to be strategically important for Norway's foreign policy goals. This support also broadens the network of contacts with the organizational sector in host countries and provides valuable insight into social and political trends. Through

cooperation with other donors, such as through a multi-donor fund, the embassies can also help to promote collaboration and harmonization of donor support for important activities run by key organizations that do not have Norwegian partners.

At the same time, delimitation is difficult. Direct support for local NGOs that provide services must be assessed in terms of the quality of the services provided and the NGOs' role in the overall development work in the country. One reason why the extent of this type of support is limited is that it requires substantial administrative resources from the embassies concerned. While providing support directly, for instance, to human rights organizations under regimes that commit massive breaches of human rights may be an extremely important contribution, it also gives rise to other problems, often of a more political nature.

Donor countries increasingly view this form of support as a means of promoting universal rights that are not respected in the country in question. However, this raises the question of how direct involvement in the internal affairs of another country should be. Direct support from other countries can also have a negative impact on the

general view of an organization's legitimacy and thus also the view of the cause that organization seeks to promote. The danger of becoming dependent on development assistance is as relevant here as in cases where support is channelled through Norwegian NGOs. Norway's focus on promoting good governance and human rights is a key element of the political dialogue with partner countries. The form in which support for the promotion of rights is provided must be considered in the light of the above-mentioned factors and the availability of other channels for exerting influence, as discussed in greater detail in Chapter 6. In principle, however, it is the Government's view that this form of direct support is both necessary and legitimized by the universal validity of human rights.

Norway will continue to provide direct support for NGOs in developing countries on the basis of a strategic analysis of the situation in each country, and the extent of such support will therefore vary from one country to another. Nevertheless, it will usually account for a relatively modest share of development assistance compared with the support that is channelled through Norwegian NGOs.

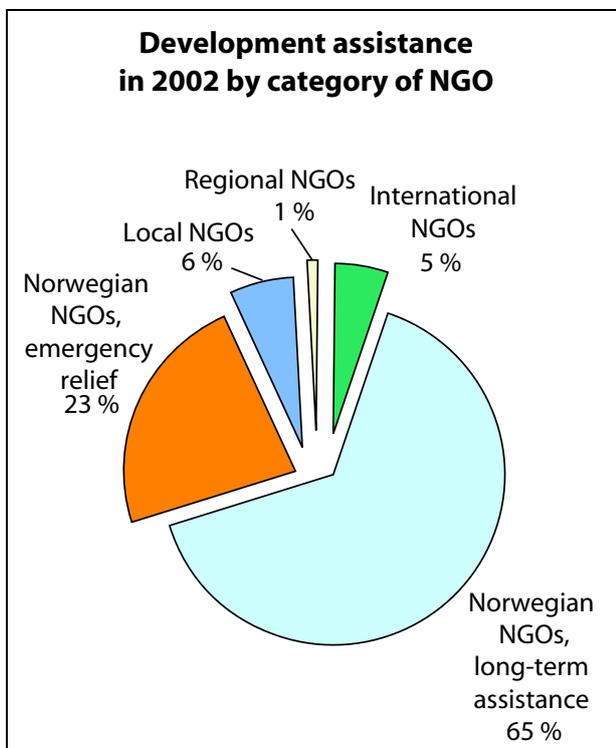


Figure 8.3 Breakdown of development assistance channelled through NGOs, by type of organization

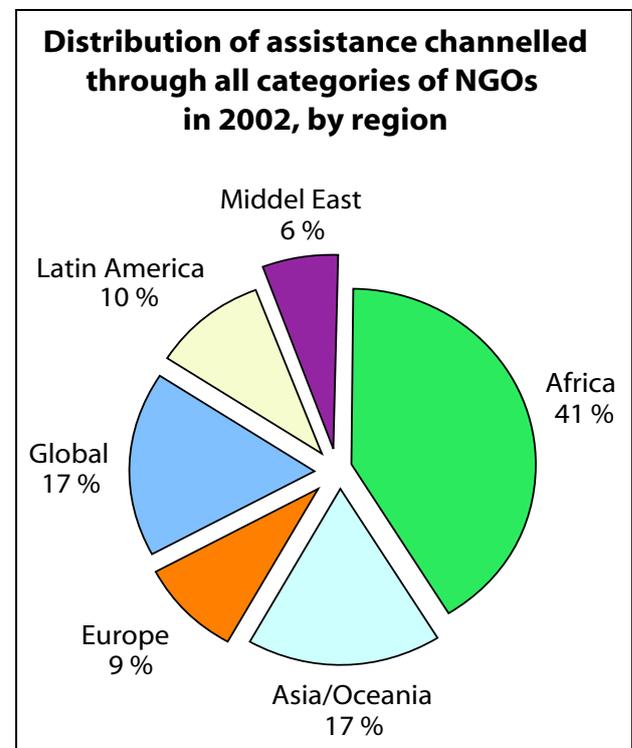


Figure 8.4 Breakdown of development assistance channelled through NGOs, by region

8.4 Extent and modalities of support for non-governmental organizations

Each year Norway provides close to NOK 3 billion to and through non-governmental organizations. Approximately one fourth is provided for purely humanitarian purposes, while the remainder is channelled to Norwegian and international organizations that work with partners in developing countries to provide services and build up civil society and democracy. Over 80 per cent of the total support provided to NGOs is given to Norwegian organizations and their network of partners in developing countries. A growing share of long-term funding, amounting to 40-45 per cent in 2003, is being channelled to projects and programmes in the least developed countries (LDCs). At the same time, the Palestinian Area, Sudan and Afghanistan, all of which are high priority partners in Norwegian development policy, received NOK 100 million each from the various allocations for NGOs in 2003.

Norway is the OECD country that channels the largest percentage of development assistance to NGOs, and works in cooperation with the largest number of organizations. Figure 5.5 in section 5.5 shows that the total volume of development assistance provided by Norway through NGOs is comparable to the volume provided through the two traditional main channels for development assistance: it is larger than the volume of direct, bilateral government-to-government assistance (excluding bilateral development assistance channelled through multilateral channels) and is equivalent to two-thirds of the long-term assistance provided through multilateral organizations (again excluding multi-bilateral assistance). One of the reasons for the high figures is that Norway channels substantial shares of its long-term assistance through Norwegian NGOs. A significant amount is also provided for humanitarian purposes. The corresponding share of allocations to NGOs by countries such as Sweden, Denmark and the UK and the number of their cooperation partners is around one-third or less of the figures for Norway. The diversity of Norwegian organizations may in itself be a strength.

In this context too, however, the Government considers it necessary to carry out a thorough, ongoing assessment of the quality of the work and the distribution of development assistance within geographical areas as well as within sectors. The

effects achieved through this type of development assistance in terms of increasing recipient countries' capacity for and possibility of steering their own development must also be assessed. The basic concern in each context should be the results achieved in the recipient country. This channel of Norwegian development assistance, too, should be critically reviewed in the light of the greater attention the Government wishes to focus on effects and results in development cooperation (Chapter 10). Among other things, this means that the way funds are allocated is not to be determined by the volume of funds raised, but by the results the organizations can demonstrate.

The new Fredskorpset (Partnership for Development) plays an important role in Norway's contribution towards building civil society in developing countries. Fredskorpset is a civil service body with special authority. The overarching goal is to strengthen civil society and efforts to realize the UN Millennium Development Goals. Strategically, Fredskorpset helps to achieve this by facilitating mutual exchanges and cooperation between organizations, public agencies and companies in Norway and developing countries, and between organizations and networks in developing countries. In 2002, 51 cooperation agreements were signed between Norwegian players and partners in the South through Fredskorpset. They encompassed a wide range of stakeholders and sectors in Norwegian social life, in fields such as sport, culture, education, public administration, media and information technology. Fredskorpset also plays a role in promoting private sector development in developing countries by arranging transfers of expertise and collaboration between Norwegian companies and local partners in the South, and through direct involvement in small-scale enterprises. One example is Global Entrepreneurs, a partnership between groups in Colombia, India and Norway that focuses on developing entrepreneurial activities in small companies in developing countries.

Fredskorpset-Youth and Fredskorpset-Senior have recently been established to reach a broader range of interested individuals and groups who wish to participate actively in development work. Fredskorpset-Senior can help to establish closer links with development cooperation work in public administration. Through the Senior programme, it is now also possible for senior staff in Norwegian companies to assist the management of companies in developing countries to facilitate the development process and make strategic choi-

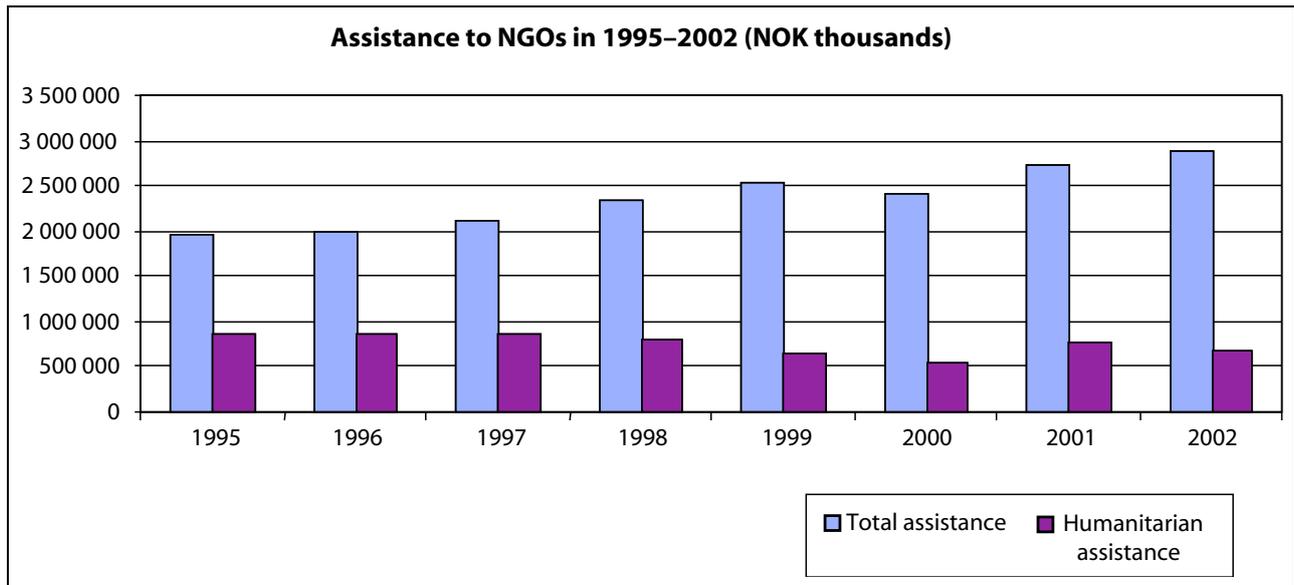


Figure 8.5 Increase in development assistance channelled through non-governmental organizations, 1995-2002

ces. It is now also possible for young professionals working in partner companies and agencies in the South to come to Norway for on-the-job training and development.

Norway also channels funds through international NGOs. In 2002 NOK 150 million was provided for such purposes. In the past few years, organizations like the International Planned Parenthood Federation (IPPF), the International Union against Tuberculosis and Lung Disease (IUATLD), the World Conservation Union (IUCN) and the International Institute for Democracy and Electoral Assistance (IDEA) have been important partners in Norway's efforts to strengthen civil society in developing countries. These and other international partners play a significant role. At the same time, many organizations of this type have over time undergone organizational changes and are now more reminiscent of ordinary multilateral organizations with both normative and operational development-related functions. These organizations should to a greater degree be treated accordingly and put to use in this capacity.

8.5 Principles and criteria for and results of development assistance for civil society

In total, almost 100 organizations receive support from NORAD and the Norwegian Ministry of For-

eign Affairs for activities and partners in developing countries. Close to 30 of them have long-term cooperation agreements with NORAD. The current guidelines for the allocation of funds set specific requirements as regards the organizational and administrative capacity of the organizations that receive support. For the general civil society allocation and support provided through geographically and thematically based allocations, the main rule is that the recipients must provide funding (own funding) to cover at least ten per cent of costs entered in the accounts. Eight per cent of the allocations may be used to cover the administrative costs of individual organizations. The own funding criterion does not apply to humanitarian assistance assignments.

The quotas and criteria for providing funds to and through NGOs have been developed over time in step with the increase in the volume of development assistance and the number of organizations. Up to now, Report No. 19 (1995-96) to the Storting on main elements of Norwegian policy towards developing countries and the Storting's recommendation on the report, and the annual budget propositions to the Storting, have established the guiding political principles for the way development assistance is to be organized and the requirements applicable to organizations that receive funding. In autumn 2001 special guidelines were drawn up for "grant facilities for the humanitarian development assistance and cooperation activities of Norwegian and international

non-governmental organizations". Certain adjustments to these guidelines were formulated in Proposition No. 1 (2002-2003) to the Storting.

NORAD administers two different types of agreement with Norwegian NGOs. Multi-year cooperation agreements have been entered into with over 30 of the larger organizations that have cooperated on a long-term basis with NORAD and Norwegian embassies. In this connection, and in situations where NGOs are involved in work that is financed through regional allocations or in humanitarian efforts, there is particular emphasis on the organizations' development assistance expertise. Their degree of popular support in Norway counts relatively less. Small organizations have individual agreements that are long-term at project level. More importance is attached to the support and involvement of Norwegian civil society where this type of organization is concerned.

The current guidelines clarify general allocation principles, such as general quality requirements and the fact that the activity must essentially target countries that are approved as recipients of official development assistance (ODA countries). It has been a long-standing policy to encourage broad-based North-South cooperation between similar types of stakeholders within the wide range of actors in a pluralistic civil society. This applies to religious communities and trade unions, organizations for the functionally disabled and cooperative organizations. In addition there are a number of organizations that concentrate on promoting various globally recognized rights, by combating female genital mutilation, for instance, or strengthening the rights of indigenous peoples in the field of environmental protection.

This is rights-based development work, based on globally recognized rights, but also on fundamental values that underlie the activities of the various organizations.

NGOs are urged to clearly highlight their distinctive character, their basic values, and the way they define their role and the added value they bring to development cooperation. They are expected to show equally clear respect for the integrity and options of partner organizations. When Norwegian development assistance actors are involved in several fields in developing countries, such as the missionary organizations, the organizations are required to differentiate clearly between government-subsidized development cooperation on the one hand, and other aspects of the organizations' work on the other. Naturally, every form of cooperation focuses on a limited tar-

get group. Nevertheless, the principle that the results of cooperation and its long-term effects must benefit the local population regardless of social background, gender, life philosophy, political opinions and ethnic or cultural affiliation applies.

The criteria of recipient orientation and targeted efforts are a key premise for the allocation of funds. Emphasis is mainly placed on cooperation with civil society partners in the country in which the activity takes place, there must be leeway for flexibility and learning, the activity must be carried out with respect for the governance of national authorities and it must be sustainable.

However, less stringent requirements as regards such factors may be set for humanitarian assistance provided in crisis situations. The guidelines laid down in 2001 attach relatively little importance to the contribution of NGOs as providers of such fundamental services as education and health services – that is one of the elements that has subsequently been highlighted in Proposition No. 1 to the Storting and in consultations between the Government and NGOs. The guidelines provide frameworks for the type of agreements entered into and lay down the main principles for reporting. There is emphasis on the need to coordinate activities with other stakeholders and authorities based on poverty reduction strategies, sector plans and other plans in the respective fields, and on ensuring a rights-based approach in efforts in these fields. Aligning activities in this way will be a criterion of eligibility for financing in the service sector in partner countries.

NGOs also receive funds from budget items other than those that are earmarked for purposes related to civil society. For instance, they receive funding from regional allocations. Such funding will generally be subject to closer management in order to better ensure that it is used to help achieve the Millennium Development Goals, achieve effective, sustainable results, underpin national poverty reduction strategies and strengthen national or local institutions and organizations. Decisive importance will be attached to NGOs' ability to participate in this type of coordinated input of resources with other donors and the authorities of the recipient countries (cf. section 5.5).

A great deal of work is now being done to increase the focus on results and improve reporting in international development cooperation. A process has already been initiated with NGOs to

clearly emphasize the importance that should be attached to obtaining broader results. These efforts will be intensified. The authorities' general management of the allocations in question, based on objectives and results, is described in Chapter 10.

The increase in volume and the complex, difficult nature of the development assistance channelled through NGOs make it necessary to pay as much attention to quality and the principles on which cooperation is based as in the rest of Norwegian development assistance. Recommendation No. 3 (2003-2004) to the Storting calls for a discussion of the criteria and guidelines for development assistance allocations to NGOs. The Government agrees that many factors relating to the inputs of NGOs in development cooperation merit more ample explanation, and some of the more general aspects of this discussion are dealt with in section 8.3.

The goal of development cooperation is to reduce poverty, and the results are measured in our partner countries. Public funding for development purposes must at all times be assessed to determine which channels are most effective in various contexts in achieving this goal in each country.

The Government's basic principle is that it is still desirable for a broad diversity of organizations to be involved in development policy, and that the guidelines for allocating funds must be flexible enough to allow for such breadth. In development cooperation in future, importance must also be attached to seeing how donor cooperation and national ownership, new forms of cooperation and the importance of building capacity in local and national organizations are better reflected in the efforts of NGOs to combat poverty and in assessments of the type of channel that should be chosen in different contexts.

The Government understands the need for a more detailed discussion of key challenges in cooperation between the authorities and NGOs. The Government will therefore initiate action to estab-

lish a special committee to assess the results of development assistance channelled through NGOs. The committee will draw on the extensive expertise and experience possessed by the public administration, NGOs and international cooperation partners and on the growing academic debate on the role of NGOs and civil society in development and democratization processes.

This committee will be requested to consider a number of aspects relating to the use of NGOs as a channel for development inputs and the effect of their efforts to strengthen civil society in developing countries, provide basic services and strengthen human rights and the situation of vulnerable groups. The committee will be asked to examine the work of NGOs to promote donor cooperation and a coherent approach to development cooperation. In considering these issues, it is natural that the committee consider various forms of organization and possible changes.

The Government will use the committee's recommendations in its discussion of the basis for channelling development assistance through NGOs under the auspices of NORAD and the Norwegian Ministry of Foreign Affairs.

The Government will:

- continue to attach great importance to the efforts of NGOs to help achieve international development goals, strengthen efforts to promote democracy and human rights and improve the situation of vulnerable groups, and maintain the grants for these efforts at a continued high level.
- discuss the conclusions reached by a committee appointed to assess NGOs as a channel for development cooperation in order to ensure that Norwegian development assistance is as effective and result-oriented as possible and in line with the UN Millennium Development Goals and other key national and international goals.

9 Peace-building, development and transitional assistance

War and violent conflict create poverty and can in a short time undo many years of development efforts. There is broad agreement that development assistance is an important means of contributing to stability and development in countries emerging from violent conflict, and that it can help to lay the foundations for fresh development, support political processes, and help to enhance security. Furthermore, growing attention is being paid today to the question of how far, and in what ways, development assistance can be used strategically to alleviate conditions that give rise to violent conflict, both before the conflict becomes violent and during the violence, as a stimulus to a peace process and, after a peace settlement has been reached, to reduce the risk of a recurrence of violence.

Norwegian development assistance was for many years regarded as a form of assistance largely separate from wars and crises. It was peace-keeping operations and humanitarian assistance that were regarded as the tools to be used in connection with violent conflict. However, through the efforts in Mozambique, Guatemala and the Middle East early in the 1990s, and the experience gained in the Balkans, Sri Lanka, Afghanistan and more recently in Nepal and Iraq, Norwegian development assistance has acquired a much more political function aimed at consolidating and securing peace processes and stability. Stabilizing and strengthening peace processes and contributing to reconstruction have come to occupy a central place in Norwegian assistance in connection both with peace processes in which Norway has participated and with other international crises.

It is always the authorities and the parties to a conflict who bear the main responsibility for making peace and ensuring that it is lasting and sustainable. National and international actors can provide assistance and contribute to a positive result, provided there is a national will in the first place to make and build peace. Unfortunately experience shows that roughly half of all terminated internal and external wars flare up again. Flexible assistance in transitional situations is often a necessary supplement in promoting lasting and

sustainable peace. Visible, positive consequences of a peace settlement, including those achieved through assistance, can be important in winning support for fragile peace processes in influential circles or among the population as a whole. In addition to everything that needs to be done to secure the transition from a war situation to more peaceful conditions, wheels need to be set in motion to start the country functioning again. This calls for a strengthening of the institutions that are fundamental to development. Efforts may include humanitarian assistance and reconstruction, a functioning central government administration, new democratic institutions, new opportunities for jobs and income, a strengthening of education and health services, not to mention dealing with the return of refugees and the internally displaced, the rehabilitation and reintegration of ex-combatants, the removal of landmines, reforms in the security and justice sector, judicial processes and reconciliation.

While on the one hand assistance can be a decisive factor in stabilizing development after violent conflict, on the other assistance efforts are dependent on positive political processes and adequate security. The will to implement development and lasting peace settlements must come from within. Without internal will, and without the processes that ensure political progress and increased security, assistance alone will have little effect. It is therefore essential to co-ordinate the use of the various measures. The Government will intensify its efforts to facilitate such co-ordination at both the national and the international level.

9.1 Violent conflicts undermine development and poverty reduction

Violent conflict is one of the most serious obstacles to development and poverty reduction. Peace is an important precondition for development. Conversely, development is an important prerequisite for lasting and sustainable peace. Without peace we will fail in our fight against poverty.

Conflicts are costly and resource-consuming. Millions of lives are lost and even more people are injured physically or mentally. Livelihoods are destroyed, the economy is undermined, institutions and democratic processes collapse. Resources invested in development are lost. People's abilities are channelled into destructive activities. Military budgets are often disproportionately large compared with the funds available for social and economic development, which in turn has consequences for employment, education, health care, and so on.

Violent conflicts have harmful consequences which extend far beyond the areas where the actual fighting is taking place. They result in streams of refugees, human smuggling, increased production of and trafficking in narcotics, and illegal exploitation of and illicit trade in valuable natural resources. They also pave the way for corruption. These consequences are an obstacle to development not only in the South: growing crime and tension constitute threats to security and stability which can also have international consequences, including here in Norway.

National authorities are responsible for making development opportunities available to all and for establishing sound institutions that encourage participation and lay the foundations for peaceful solutions to internal conflicts. The state is also responsible for the security of its citizens and for ensuring respect for human rights. In countries with pronounced internal and social tensions, with widespread abuse of power and/or areas of violent conflict, and where armed groups spread lawlessness, individuals also suffer from the absence of fundamental safety and security. There is growing international awareness that the security of individuals may be an international concern, and not just a matter for the particular state. Complex conflict situations can create humanitarian problems on such a scale that the lack of security for individuals affects international peace and security. Banning anti-personnel mines and other prohibited weapons is an international disarmament issue, but also a question of reducing human suffering. The concept of "human security", which is increasingly widely used, reflects the idea that foreign policy is not exclusively concerned with international relations but may also have the security of individuals as its aim. Norway and other like-minded countries have worked actively to develop and promote the acceptance of this idea at the international level.

The international community must intensify and coordinate its efforts

Lasting and sustainable peace requires confidence-building between the parties and reconciliation among the people. Other prerequisites are an adequate level of security, an equitable distribution of goods and burdens, and public participation in political processes. The responsibility lies with the parties involved, but the international community can help by building competence, capacity and institutions and strengthening processes that provide incentives for non-violent conflict resolution and peace. The United Nations, but also major development actors like the World Bank, have important roles to play in conflict prevention and peace-building.

International efforts to prevent violent conflict and secure sustainable peace must be intensified and improved. Numerous institutions and organizations have important parts to play in these efforts. It is important to mobilize sufficient resources for reconstruction. In areas where it is engaged in peace-building activities, Norway sees it as an important task to contribute to national ownership and to a comprehensive, coherent and well co-ordinated effort on the part of the international community.

The importance of peace-building in several of Norway's partner countries

A large number of developing countries, including several of Norway's partner countries, have been severely affected by violent conflicts that are still going on or have only recently ended. In its survey (of November 2003), the World Bank reported that a total of 37 developing countries are severely affected by ongoing or recently ended conflicts. Of our seven main partner countries, both Nepal and Uganda are currently undergoing armed conflict. In a number of other partner countries, there is continuing or only recently terminated fighting, in for example Afghanistan, Angola, the Palestinian Area, Indonesia, Mali, Sri Lanka and East Timor. In 1998 to 2000 there was full-scale war between Ethiopia and Eritrea. Pakistan is seriously affected by the conflict in Afghanistan and its long-lasting dispute with India over Kashmir. Nor is it many years since such countries as Mozambique, Nicaragua and Guatemala found peaceful solutions to their conflicts. In addition, Norway is actively engaged in peace-building and reconstruction in the Balkans.

The extent and scale of violent conflict affects development co-operation in numerous ways. Both Norway and other donors are obliged to consider in what ways development co-operation, whether bilateral or through the multilateral system, can support conflict-reducing and peace-building processes, and how it can be co-ordinated with humanitarian efforts and other measures.

Norway was among the first to set up a special budget chapter designed to help fill any gaps that may arise between humanitarian assistance and long-term development assistance, and to permit the necessary flexibility of support to countries affected by violent conflict.

Humanitarian assistance, democracy, peace and reconciliation

Norway is also a major contributor to emergency relief and humanitarian assistance. Civilian populations, especially children, often suffer most from armed conflict. Emergency relief and humanitarian efforts are intended to provide rapid, efficient and high-quality help to refugees, internally displaced persons and others caught up in emergency situations resulting from war and violent conflict.

The budget devotes a separate chapter to comprehensive peace, reconciliation and democratization measures for the prevention and/or resolution of local or regional conflicts, and to reconstruction in the Balkans and other countries on the OECD/DAC list of ODA recipients.

Funding for humanitarian assistance, peace, reconciliation and democracy building account for a large proportion of the total assistance budget. For 2004, these items amount to around 20 per cent of the total assistance budget. It is Norwegian policy that such appropriations for emergency relief and humanitarian efforts, reconstruction, democracy building and human rights should have a synergistic effect on transitional and long-term assistance.

9.2 Peace-building and development

Preventing the development of violent conflicts, helping to create conditions for a peaceful solution, and then securing a sustainable peace are complex processes involving many activities that lie beyond the scope of development policy. These are not discussed in the present report. But development policy instruments can be used to

support most phases of peace efforts, and form part of what is known today as peace-building. This gives assistance a distinctly political function.

The concept of “peace-building” was launched in the UN report *An Agenda for Peace* in 1992. The UN Secretary-General at the time, Boutros-Boutros Ghali, said he hoped to see greater emphasis placed on peace-building as a critically important supplement to peacemaking and peace-keeping. Peace-building can contribute to the prevention of violent conflict where this threatens to flare up, prepare the conditions for and support peacemaking processes in countries undergoing conflict, and help to rebuild societies following violent conflict.

Thus peace-building does not include negotiation processes, but it can facilitate negotiations and support them. Peace-building does not include peacekeeping operations, but it can be an important part of their mandate. The Development Assistance Committee of the OECD has drawn up a set of guidelines for development-related activities aimed at conflict prevention and peace-building.¹ Together with a number of UN documents and reports from the World Bank, these guidelines are fundamental to the Government’s approach to peace-building.

Peace-building has many features in common with “ordinary” development co-operation, but some of its elements rarely occur in countries which have not suffered violent conflict. This applies particularly to measures relating to security, humanitarian mine clearance, the return of refugees and internally displaced persons, the rehabilitation and reintegration of ex-combatants, and the treatment of child soldiers and abused women. Peace-building covers a broad range of measures that are implemented in situations where violent conflict is or has been going on for the explicit purpose of promoting lasting and sustainable peace. Thus peace-building is defined in terms of its context and its purpose. Many of the elements of peace-building, such as reconstruction of social and physical infrastructure and the promotion of economic and social development, are the same as measures used in development co-operation in peaceful areas. However, since the context and purpose are different they call for an approach that expressly takes account of political and other opposing interests in the

¹ OECD. *Helping Prevent Violent Conflict*, Paris: OECD Development Assistance Committee, 1997, and supplement 2001.

area and of what implications any assistance efforts may have on the conflict situation.

Not all the work done in development co-operation with conflict-affected countries qualifies as peace-building. Many development actors have operated in conflict-affected countries without taking the level or causes of conflict into account. If the geographical or ethnic-related distribution of assistance within the country is perceived to be unjust, if support is given to controversial areas of the authorities' policy, or if the assistance is in other respects perceived as divisive, development assistance can in the worst case lead to the perpetuation or stepping up of the conflict. A minimum condition for development co-operation must be that its contributions do not aggravate the situation. In addition, increasing attention is being paid to the need to tailor development assistance to conflict-affected countries in such a way that it helps to reduce the potential for conflict and deals with the causes of the conflict. The Government attaches great importance to this.

UN reform and the link between development and security

On its own and together with the other Nordic countries, Norway has been a prime mover for reforms within the UN aimed at making the organization even more effective and enhancing performance. This includes improving the way the UN deals with the link between development and global security threats.

In his address to the General Assembly in autumn 2003 Kofi Annan called for more engagement on the part of the member states in strengthening the UN. He pointed out that we are now facing old threats in new and dangerous combinations: new forms of terrorism and the proliferation of weapons of mass destruction. He also pointed out that peace and security can be menaced by "soft threats" in the social and economic fields. His main message was that the UN has no choice; it must confront both new and old, both "hard" and "soft" threats and challenges, since they are all linked in today's globalized world. The UN can only address these concerns by enhancing its capacity for collective action. International peace-building is dependent on a strong and active UN, which is in need of updated tools and the capacity for action.

On the same occasion, the Secretary General announced his decision to establish a High-Level Panel of eminent personalities to examine the cur-

rent threats and challenges to peace and security and consider how they can be addressed by collective action, and recommend ways of strengthening the United Nations through reform of its institutions and processes. Its mandate is a broad one and also includes the soft threats to peace and security. Examples of these threats are the poverty gap, the spread of communicable diseases like HIV/AIDS, climate change and environmental degradation. The Government supports efforts to give these soft threats a prominent place in the UN's efforts to deal with security issues.

9.3 Development policy instruments for peace-building

Peace-building has three principal dimensions: social and economic development, political development, and security. Development policy instruments can play an important part in all three dimensions, in close co-operation with and in support of other instruments of foreign and security policy. This presupposes a strategic use of assistance funding in terms of amounts, focus and organization, and time-scale, and calls for the use to be adapted at the same time to each particular conflict situation and country. The Government will support analyses which can become important tools in efforts to achieve more strategic use of development policy instruments. The Ministry of Foreign Affairs is at present drawing up a framework for Norway's role in international efforts for peace-building and development.

Social and economic development as peace-building

Positive social and economic development is essential to lasting and sustainable peace. Some of the causes underlying or triggering conflict are large and growing socio-economic disparities, inequitable distribution of goods and burdens, the marginalization of vulnerable groups and geographical regions, and a relative decline compared with other groups. Other causes may be competition for limited natural resources, for instance water and agricultural land, which are important for survival. In addition there is the struggle for easily marketable natural resources, like oil, diamonds, metals and tropical timber, which are valuable because they can help to finance long-term conflicts and to enrich individuals or groups. The formalization of rights to land and other resources

can help to diminish the potential for conflict. Most important is the creation of a broader base for social and economic development, and a society where there is transparency with regard to the distribution of assets and resources.

Education and health are major peace-building concerns. Targeted investment in education and health is vital in conflict and post-conflict situations. The Government will promote and support a policy which contributes to more equitable distribution and counteracts social marginalization, which includes previously excluded groups, and which does not discriminate as to gender or ethnic, religious, social or geographical affiliation. Norway will continue to be a major donor through all relevant channels.

In post-conflict situations it is usually necessary to build or to rebuild infrastructure and important public functions. Ensuring basic central government functions is important. The Government supports the reconstruction of infrastructure and important public functions in countries which are emerging from violent conflict. Norwegian institutions, organizations and enterprises which possess relevant competence and comparative advantages can be important actors in these efforts.

An important challenge in post-conflict situations is the repatriation and reintegration of refugees and internally displaced persons. In order to become integrated as productive members of their local communities, they need legal, physical and material support. The Government will continue its efforts to find durable solutions for refugees and internally displaced persons in terms of legal and physical protection and material support, and will promote better co-ordination of multilateral efforts in this area. Norway supports the 4Rs programme (repatriation, reintegration, rehabilitation and reconstruction) for a coherent approach and closer co-operation between UNHCR, UNDP and the World Bank. Substantial funds will continue to be channelled also through UNICEF, the UN Office for the Co-ordination of Humanitarian Affairs (OCHA), the international Red Cross and NGOs.

Peace-building comprises measures to stimulate private sector development, employment, trade and investment. Activities that may be relevant in this connection include judicial and economic reform, institutional co-operation, and technical assistance for instance in natural resource management. These activities are closely linked with important initiatives aimed at revealing the

underlying economic interests in a conflict, at increasing transparency and responsibility with respect to the extractive industries, and at promoting corporate social and environmental responsibility. Norway has for several years supported research projects intended to promote understanding and raise awareness at the international level of the economic causes of and driving forces in violent conflicts. The Government is working at bilateral, regional and multilateral levels to bring about greater transparency and accountability in the extractive industries (the Extractive Industries Transparency Initiative). This is discussed in more detail in Chapter 6. Greater control is also necessary of international financial transfers which conceal money laundering and the financing of criminal groups, illicit arms trafficking, and terrorist activities.

Political reforms and better governance

Support for and reform of political and administrative authorities and structures are necessary in a transition period in order to help peace- and development-oriented governments consolidate their position. The same may also apply to other parties to a conflict, who are often equally in need of reform. Such support may therefore also be extended to liberation, guerrilla or separatist movements that choose to transform themselves into democratic political parties. Peace efforts must also be securely based on the recipient country's own priorities. Recipient responsibility presupposes a political legitimacy and administrative capacity which in many cases have to be restored or rebuilt. Rapid financial and technical support for political and administrative structures will often be among the first steps in a peace-building process, as in Afghanistan.

Peace-building includes reconciliation and the promotion of conflict resolution by non-violent means at all levels of society, among political and religious groups, in the private sector and civil society, at both the leadership and the grass-roots level. The Government supports such measures irrespective of the role Norway is playing in peace-making processes. In this connection, civil society plays a specially important part.

Institutions and processes which promote good governance, democracy and respect for human rights must be strengthened. Examples of measures to this end include support for election processes, constitutional commissions, judicial reform and monitoring of the human rights situation,

which are discussed in more detail in Chapter 6. In keeping with international development goals, there must be a special emphasis on the rights and participation of women and children. The Government will in particular pay increased attention to reforms of the justice sector in post-conflict situations so as to support countries that are seeking to reconstruct a society based on the rule of law and respect for fundamental human rights.

Support for national authorities ought to be complemented by support for peace-oriented organizations in civil society, including the media. NGOs can strengthen civil society among other things by working to make weak or marginalized groups capable of adopting democratic mechanisms for conflict management. The Government supports the development of civil society in the South in order to enhance the capacity of these countries to contribute to lasting and sustainable peace. The Government will continue its co-operation and dialogue with Norwegian NGOs concerning their roles. It will also implement its strategy for more targeted support for the development of free media in the South.

Judicial processes and truth commissions. Dif-

ferent approaches to judicial processes and truth commissions will be necessary for the different countries that have suffered from oppression and violence. Norway supports the International Criminal Court, which was established to deal with the most serious international crimes, and is seeking to ensure that it receives the broadest possible support. At the same time, there is not necessarily a contradiction between judicial processes and reconciliation efforts. The Government will continue to support the further development of the international criminal justice system, truth commissions, and information programmes in conflict areas concerning important international judicial decisions.

Better security and development measures

An efficient and democratic security system is very important for ensuring lasting peace, stability and development. The security system includes the police, judiciary and prison services. The Government is co-operating with other countries in the OECD's Development Assistance Committee (DAC) and in the Utstein network to develop a



Figure 9.1 Building a road in Afghanistan

Source: Corbis

common policy with regard to security system reform. It is especially important to promote the civil authorities' control over the security sector and to support measures aimed at transparency and accountability with regard to military budgets. The Government is in the process of establishing a crisis response pool for technical assistance in the justice sector, including the police and prison services. It will also draw up a plan for the operational implementation of the OECD/DAC's policy and guidelines for security system reform.

Support for /demobilization, rehabilitation and reintegration of ex-combatants

The aim is to help former combatants to become productive members of their local communities. This requires special programmes for women soldiers, soldier brides and child soldiers. The Government is seeking to ensure that the International Finance Institutions, the UN system, and humanitarian organizations intensify and co-ordinate their efforts to disarm, demobilize and reintegrate ex-combatants. The Government will continue its efforts to build competence for the effective implementation of such processes.

Support for humanitarian mine action, including mine clearance, support for mine victims, and information to the civilian population

The Government will continue to work for the implementation of the Anti-personnel Mine Ban Convention of 1997, which will include supporting humanitarian mine clearance, assistance to mine victims and information measures. The Government will continue its close co-operation with NGOs and give substantial support to humanitarian mine action under the auspices of the UN, principally UNDP and UNICEF.

In 1999, as a contribution to better control of the international trade in small arms, Norway took the initiative for UNDP's Small Arms Trust Fund, which has been warmly supported by other countries. Norway will continue to support global, regional and subregional co-operation on stopping illicit trafficking in small arms. The Government is actively supporting the implementation of the UN's Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects of 2001, with a special focus on measures against illicit arms brokering and sales.

A comprehensive approach produces coherent policies

A comprehensive approach to peace-building means that it is a development policy concern as well as a part of security policy. In addition, peace-building impinges on other policy areas such as the environment, justice, refugees, the private sector and trade. Good national co-ordination is an important means of achieving coherence in our efforts with regard to individual countries and regions.

Peace-building and development efforts can help to mitigate the negative consequences of conflict situations, like streams of refugees, transnational crime and other threats to international security, which may also have an impact on Norway. These efforts enhance international co-operation and improve the possibility of arriving at durable solutions to conflicts, with beneficial effects for instance on the repatriation and reintegration of refugees. The UN High Commissioner for Refugees underlines the importance of using development assistance more specifically to solve refugee situations, and as a contribution to achieving the UN's Millennium Development Goal number 8. In this way peace-building and development can also contribute to the achievement of both Norwegian and international refugee policy goals.

The Government will:

- support peace processes and peace-building by making strategic use of development policy instruments in co-ordination with other instruments in the humanitarian, political and security fields.
- work in bilateral and multilateral development-related fora for a comprehensive, coherent and well co-ordinated effort on the part of the international community to prevent conflict and build peace.

9.4 Good donor practice

Every conflict situation is unique. It is naturally not possible to devise a development policy for peace-building that fits every situation. Experience nevertheless shows that some elements are important in good practice.

A common donor platform

The international community's involvement in peace-building in a conflict-affected country should be based on a common platform consisting of conflict analysis, needs assessment, and a strategic framework tailored to the country in question. The alternative is a multiplicity of analyses, action plans and ad hoc activities which have little chance of achieving the desired effects, are not efficient and place an unnecessary strain on our partners' administrative capacities. The countries' own poverty reduction strategies or other planning documents can serve as a basis for strategic frameworks. If there are no such documents, donors should encourage their preparation. Donors – multilateral, bilateral, civil society, the private sector – should co-ordinate their activities, harmonize their procedures, and avoid building up parallel structures which undermine national structures and impede real national ownership.

Norway attaches importance to the special role of the UN system, with the active participation of the multilateral financial institutions, in the co-ordination of international peace-building efforts. That role should be strengthened. All donors and international actors should adapt to the international co-ordinating mechanism that is being established.

Women and children

One important element of good donor practice is to involve the right actors. Women are often keen advocates of peaceful conflict settlement, perhaps precisely because women and children suffer so much in armed conflict. Norway was among the states that actively supported the proposal and adoption of Security Council resolution 1325 (October 2000) on Women, Peace and Security. The resolution spearheaded the efforts to place the role of women in peace and security issues on the international agenda. It focuses on women as active subjects and not just as passive victims. It declares that women have active parts to play in conflict prevention and resolution and in peace-building. It has been Norwegian policy to seek actively to establish this as a regular topic in the work of the UN and the Security Council.

The time factor

The international community is often willing to provide extraordinary assistance in the immediate

aftermath of war and violence. But many countries have subsequently experienced a sharp drop in assistance before more normal development processes have got started. This leaves a development vacuum that is all too often filled by tension and fresh violence. Thus the level of external assistance is often far too low during the most vulnerable period after the violent conflict has ended. Insufficient and perhaps the wrong type of assistance increase the danger of the recurrence of violence and conflict. Analyses show that the first years after the establishment of a peaceful settlement are the most critical, and that at least the first 10 years are vitally important where assistance from the international community is concerned. More strategic use of assistance resources throughout this entire period is therefore essential.

The Government is taking this problem seriously. Norway's involvement in peace-building must remain sharply focused, and aim at long-term and credible partnerships. Clear performance indicators are necessary in the short term, but long-term development assistance is also important for lasting and sustainable peace. Norway must be capable of rapid and flexible action, but have a long-term perspective. This in turn means that assistance efforts must be based on a strategy and should be aligned with the efforts of the rest of the international community.

Resources – transitional assistance

Peace-building demands considerable financial and human resources. In 2002 Norway was the first country in the world to set up a budget chapter for "transitional assistance". Transitional assistance makes it possible to avoid a vacuum or gap between short-term humanitarian assistance and long-term development assistance, primarily in countries emerging from violent conflict. Through transitional assistance and funds for democracy-building, peace and reconciliation, Norway can contribute to prompt and targeted efforts. Norway considers it important to build up the capacity and competence of the international community. Transitional assistance may also be used in low-income countries that have experienced particularly extensive and serious natural disasters. The budget chapter for transitional assistance has attracted considerable international interest and the Government attaches great importance to contributing to international discussions on corresponding bilateral and multi-lateral arrangements.

It is often necessary to continue with humanitarian assistance while at the same time launching development programmes with a more long-term perspective. There is accordingly close political and administrative co-ordination between transitional assistance and the support funding appropriated in the budget chapters for emergency relief, humanitarian assistance and human rights efforts. Norway's contribution in the post-conflict phase in Afghanistan will for instance help the country to develop a stable form of government based on democratic principles, respect for human rights, and the rule of law. For this to succeed, the humanitarian and security challenges must be met together with, and in co-ordination with, the building of peace and democracy and social and economic development.

The role of NGOs

Many NGOs have gained valuable experience from many years of work in various countries. They often provide important lines of communication with civil society in conflict-affected countries. They have established a good contact network and have relevant expertise. The knowledge and trust that have been built up over time are valuable to Norway's overall effort to fight poverty and build peace. Many of their local partners have well-established structures and broad support which makes it possible to mobilize civil society. This is one of the keys to achieving good results. In addition to the horizontal network, the organizations often have a vertical network at the national and international level. This can and should be used to create dialogue and secure influence on policies and practices for combating poverty and promoting peace.

One challenge for NGOs is to adapt their projects and programmes to the international community's joint analyses, needs assessments, and strategic frameworks, and to national and international co-ordination mechanisms. NGOs must take part in the dialogue on the optimal combination of peace-building elements, actors, channels and division of responsibility in a given context. Contributions made through NGOs must be viewed in the context of situations where the reconstruction of public administrative functions is the most urgent task for ensuring stability and a sound framework for reconstruction. (Cf. the discussion of this point in Chapter 8.)

Support for national and local NGOs in a conflict situation may also entail considerable risk,

since such situations, involving as they do strong conflicts of interest and weak democratic structures, can provide a foundation for disputes based on ethnic, religious or other affiliations. This makes it important to have thorough knowledge of the local organizations that work for peace and can use their influence to promote peace-building.

The Government will on this basis continue its co-operation and dialogue with NGOs in Norway on their work for peace-building. Through these organizations Norway is also able to support peace-building in countries outside the circle of partner countries.

The Government will:

- seek at the bilateral, regional and multilateral level to promote good donor practice in peace-building and development efforts. This entails national ownership, co-ordination of the international community's efforts, and the harmonization of procedures.
- seek to ensure that strategic frameworks for the international community's peace-building and development efforts in countries and regions which are undergoing or emerging from violent conflict are based on joint conflict analyses and needs assessments.
- contribute to a better division of responsibility and labour between countries, international organizations and NGOs, which takes account of the need for co-ordination and the special expertise of individual actors.
- seek to integrate a gender equality perspective into all relevant processes in conflict prevention and peace-building.
- seek to contribute to the development and strengthening of a comprehensive international approach headed by the UN system and with the active participation of the International Finance Institutions. The Government gives priority to providing political and financial support to capacity- and competence-building activities in the UN and other multilateral organizations in order to enhance these organizations' ability to promote lasting and sustainable peace.

9.5 Peace-building for development in particular countries and regions

Peace-building is needed in a large number of countries, and Norway cannot be involved in all of

them. We intend to make sizeable contributions but they must be concentrated on a small number of areas, in close co-operation with other actors. Our principal concern must be to focus on main partner and partner countries, and on other countries where Norway is, or has been, involved in peacemaking processes. But it may also be appropriate to become involved in other countries as well.

Norway remains heavily committed to working for peace in the Middle East. In Sri Lanka and Sudan, the Norwegian contribution to conflict resolution through negotiation should be supplemented with peace-building and development efforts. In Afghanistan and East Timor there is a need for long-term peace-building efforts. In Angola, Norwegian efforts must contribute to consolidation of the peace settlement and the building of lasting peace. Other areas in which development efforts should be viewed as part of a peace-building process are the Balkans, Ethiopia, Eritrea, Colombia, Iraq, West Africa and the African Great Lakes region, and to some extent also Kenya. In our main partner countries, too, the fight against poverty is being carried on in a complicated political landscape where peace-building is called for in varying degrees.

Of our main partner countries, the level of conflict is currently especially high in Nepal, where the Maoist uprising has fed on extreme poverty and lack of services in outlying districts, the social exclusion of low-caste and ethnic groups, and corruption. Norwegian measures comprise support for efforts in areas of conflict, contributions to a peace fund, and support for the monitoring of human rights violations on both sides. Norwegian development assistance to Nepal is directed as far as possible towards the causes of the conflict, and at mitigating its effects. Norway is also actively seeking to enhance the role of the UN system in development efforts in Nepal, among other things because the UN is able to work there in areas to which the authorities have little access.

The conflict in Afghanistan has had far-reaching repercussions, and Norway has supported reconstruction through a variety of allocations and channels. After the war, Norwegian assistance was initially concentrated on humanitarian assistance and the repatriation and reintegration of refugees and internally displaced persons. There has since been a gradual transition to longer-term reconstruction and the establishment of a public administration in accordance with Afghan priorities, although security still has to be an

important concern. Norway is promoting closer donor co-ordination, among other things by allocating substantial amounts through multi-donor funds. Efforts need to be co-ordinated in all three dimensions: development, the political process and security.

In Sri Lanka, Norway is directly involved in the negotiating process, and development assistance is targeted at efforts which support the peace process. They include measures to promote good governance and democracy, ethnic reconciliation and reconstruction. Norway also gives priority to private sector development in formerly conflict-affected areas of the country.

In East Timor, too, Norway has sought to promote closer donor co-ordination by channelling a large proportion of its support through multi-donor funds. Considerable progress has been made there in terms of stability and long-term assistance. Norway wishes in particular to help ease the transition from conflict to reconstruction, and is supporting judicial reforms and helping to consolidate the economic foundation of the petroleum and energy sector.

In Ethiopia, Norway has supported extensive rehabilitation of clinics that were destroyed during the war with Eritrea in 1998-2000. In the border areas of both countries, Norway has been the largest contributor to the UN's quick-impact projects, which have rapidly yielded benefits for the local population, with special focus on the rebuilding of schools, clinics and water pumps.

In the event of a peace agreement in Sudan, reconstruction after decades of war will present an enormous challenge. Development assistance at the expected level will require extensive co-ordination, and forms of assistance will have to be planned that allow for the country's limited administrative capacity.

Peace-building and development assistance in highly politicized situations are demanding and very uncertain, for instance as regards the effects of the measures, especially while violence is still taking place. The level of risk is necessarily high, higher than in a more normal development situation. A particular difficulty lies in assessing what kind of assistance, beyond the purely humanitarian, should be given in areas controlled by insurgents or separatists. It can be equally difficult to deal with "awkward" partners and authorities that lack legitimacy, and with failed states. Nevertheless, all assistance, and particularly assistance used strategically, can be crucial in supporting peace processes.

Thus arriving at the best combination of the various forms of assistance calls for considerable insight into and knowledge of the situation in the country concerned. For example, the various political or ethnic groups and authorities must be taken into account. Humanitarian assistance can sometimes be combined with extensive reconstruction, while at other times there is a need to proceed more cautiously and take account of the course of the peace process. Sometimes assistance should be given to the building of new government structures, while at other times this should wait until a final peace settlement has been reached. Assistance can sometimes be used to correct disparities which fuelled the conflict, while at other times it should wait until new attitudes have gained ground and a process of national reform is under way. More strategic use of assistance resources is very important in such situations. Efforts are being made in among other bodies the UN, the World Bank, the OECD's Development Assistance Committee and some Norwegian and international research institutions to increase our knowledge concerning peace-building and to survey and analyse the experience

gained in these efforts. Norway is and will continue to be an active participant in these international efforts.

The Government will:

- intensify the conflict-prevention and peace-building efforts in its main partner and partner countries and ensure that these objectives are mainstreamed into the guidelines for development co-operation between Norway and countries/regions affected by armed conflict.
- seek to ensure that peacemaking processes and peace-building efforts are linked in appropriate ways at national and international levels.
- promote a long-term perspective and predictability in peace-building efforts by the international community, and ensure that conflict areas no longer in the limelight also receive support for peace-building activities.
- enhance competence building in the field of peace-building in Norway and internationally. Research and evaluation will form part of this work.

10 Focus on results and quality assurance in development cooperation

10.1 Results require common efforts

Development assistance must produce results. It is through the concerted efforts of developing countries themselves and various bilateral and multilateral donors that results are achieved. The formulation of national poverty reduction strategies and the consensus on the UN Millennium Development Goals, combined with greater emphasis on donor cooperation and new forms of development assistance, make it easier to obtain an overall view of the various inputs and to assess what kind of inputs are required to achieve the overriding goals. Development assistance is only a small part of the aggregate input of resources, and Norwegian development assistance accounts for only a small share of the total development assistance provided to main partner and other partner countries. For instance, total Norwegian development assistance for Norway's seven current main partner countries averaged 3.1 per cent of the total development assistance provided to these countries in the period 2000-2002. The results achieved at national level in developing countries cannot be directly ascribed to specific projects or programmes that receive support from Norway or other donors. This fact is widely acknowledged in the international community.

Agreement on common overriding goals has also helped to facilitate broad-based cooperation on the assessment of goal achievement and results in developing countries and how such assessment can best be carried out. International evaluations and studies contribute to common learning as to what is required to improve quality.

However, there are major challenges to be faced by both developing countries and donors. In addition to focusing on the extent to which individual development projects and programmes produce the expected results in a targeted, effective way, emphasis is placed on ensuring that projects and programmes are in accordance with national priorities and needs and contribute towards achieving the Millennium Development Goals. The overriding goals for poverty reduction form the

basis for deciding which measures should be initiated, while taking into consideration available capacity, access to financial resources and the possible impact of external factors.

The formulation of clear, realistic goals, verifiable indicators and qualitatively better reporting by cooperation partners in developing countries are fundamental prerequisites for accurate assessments of what countries actually achieve. Similarly, in the dialogue between development cooperation partners emphasis must be placed on achieving results and the parties involved must demonstrate an ability and willingness to learn and change.

As in OECD-countries, the general tradition in developing countries has been to focus on activities and the way funds are utilised rather than on results and impacts on society. International development assistance must therefore contribute towards strengthening the expertise and capacity of developing countries in this field. This type of institutional strengthening takes time. Industrialized countries themselves have no long, strong traditions for results-based management in their own public administration, and consequently donors too still face a challenge in terms of shifting the focus of development policy dialogue.

Through Proposition No. 1 (2003-2004) to the Storting on the fiscal budget, the Norwegian authorities have begun work on the process of achieving a more systematic, coherent presentation of goals and results in development cooperation, with emphasis on national goals and the results to which Norway contributes in its main partner countries and other partner countries. Systematic reports are also to be prepared on the results achieved with the help of Norwegian development assistance. Insofar as it is possible and appropriate, these results are to be linked to the Millennium Development Goals. However, this is a demanding restructuring process that will take several years, also because this is an area that is undergoing changes internationally.

The Government is making active efforts in many fields to improve quality assurance of

development assistance. The reorganization of the administration of development cooperation is one aspect of this process. There is to be stronger focus on quality assurance both in Norway and at Norwegian foreign service missions, and requirements as regards quality assurance and risk assessment are to be tailored to the size and complexity of each project or programme.

Development cooperation takes place within a framework in which results are contingent on many different factors. Norway has deliberately chosen to engage in development cooperation with several of the poorest countries in the world, and the Government's goal of channelling at least 40 per cent of all bilateral development assistance to the least developed countries has already been met. There is also broad political consensus that Norway is to provide substantial assistance to countries that are torn by societal conflict and, not least, countries that have recently emerged from a violent conflict. Generally speaking, carrying out development cooperation activities in the poorest countries and in conflict-torn countries will necessarily involve a high degree of risk, particularly in terms of sustainability and the societal impacts of cooperation.

Thus the time aspect is also important. Many partner countries are hampered by significant institutional inadequacies in some sectors and have weak traditions of good governance, factors which in themselves represent a risk. In many countries, the predictability of the development process is reduced by health risks such as the HIV/AIDS epidemic or natural disasters. Furthermore, these countries are often extremely vulnerable to changes in international framework conditions, such as price fluctuations on global markets or changes in the volume of foreign investment or development assistance. The desire to promote long-term development and poverty reduction in the poorest countries and in conflict-torn countries necessitates a willingness to accept a significant element of uncertainty and risk in connection with goal achievement. Risk can be reduced, but not eliminated. This means that Norway, in collaboration with its cooperation partners and other donors if appropriate, must ensure that relevant risks must be identified and analysed, and that steps must be taken to reduce, if possible, the likelihood of negative incidents or trends and limit any adverse effects to an acceptable level.

Box 10.1 The UN Millennium Development Goals in Nepal

The Millennium Development Goals are incorporated into Nepal's own plan to reduce poverty, but the authorities do not believe that the goal of halving the percentage of people living in extreme poverty and hunger can be achieved until 2020.

Nepal made great progress in certain areas between 1990 and 2000. The percentage of children who start school increased from 64 to 72 per cent, and the rise was greatest among girls. The proportion of children who complete five years of primary school has risen from 38 to 45 per cent. Child mortality has been reduced from 162 to 91 per thousand, and the proportion of the population who lack access to drinking water has been reduced from 54 to 20 per cent. The relatively rapid reduction of poverty achieved by 2000 was a result of Nepal's economic growth. Further reduction will be more difficult because it will entail tackling the more deeply rooted poverty in outlying districts and among discriminated groups.

The Millennium Development Goals are important for Nepal because they address the key causes of the current armed conflict in the country, i.e. poverty, inequality and the lack of social services. The broader UN Millennium Declaration is even more important for Nepal because it points to the links between poverty reduction, peace and democracy, human rights and social exclusion. Nepal's poverty reduction plan therefore provides for two scenarios, one based on the conclusion of peace in the country and the other more pessimistic in the event that the conflict is not resolved.

10.2 The responsibility of developing countries – expertise and capacity must be strengthened

National ownership by the recipient country is a principle on which other donors too are increasingly basing their development cooperation and which entails a division of roles and responsibilities between recipient and donors. Furthermore, there is growing international recognition that

donors must align their development cooperation with the priorities and goals laid down in poverty reduction strategy papers and other national planning documents that are drawn up in recipient countries. In principle, national ownership also means that planning, implementation, follow-up of development projects and programmes and reporting are largely the responsibility of the recipient, regardless of whether cooperation is in the form of government-to-government assistance or assistance channelled through multilateral or non-governmental organizations. However, planning and implementation take place in close dialogue with and under close monitoring by donors. In other words, it is the recipient who has the main responsibility for ensuring that the goals and results that have been set and agreed upon with the donors are actually achieved. It is also the recipient's responsibility, in dialogue with the donors, to devise indicators for goal achievement and performance and to develop systems for reporting on results.

However, the principle of national ownership and implementation does not relieve the Norwegian development cooperation authorities of responsibility for ensuring a result-oriented approach and assuring the quality of Norwegian inputs. This work is largely carried out in cooperation with recipients and other donors.

Developing countries that have formulated national poverty reduction strategies will prepare reports, usually annually, on the progress made in achieving the goals that have been set. These reports are expected to be a central element of the dialogue between donors and country authorities on both documented progress and the quality of reporting. Norway seeks to shift the focus of the donor-recipient dialogue from implementation to results. In order to be able to prepare good reports, many countries are developing new systems for monitoring and evaluation that are aligned with the priorities and goals defined in the poverty reduction strategies of the various countries. Such systems are currently being developed in Tanzania, Mozambique, Uganda, Nepal and Vietnam. In countries where fact-based results reporting is inadequate, the parties can also obtain information on the results achieved by carrying out joint reviews and field visits and similar methods.

Other reports are also prepared that deal with national development trends, including progress reports on efforts to achieve the Millennium Development Goals. The UNDP has played an

important role in this work so far, but the goal is for the authorities in each developing country to assume responsibility for this reporting. The countries themselves are to decide how often they wish to prepare such reports, usually at intervals of three to five years. The aim is for all developing countries to have submitted country reports by the end of 2004.

Expectations are high as regards reporting by developing countries. However, it is unrealistic to expect every developing country to report results satisfactorily at all levels in the immediate future. Changes in administrative practice take time, and both the underlying data and the capacity for analysis must be strengthened in most countries. Donors have an important task in helping to strengthen the institutional capacity of developing countries and their ability to carry out results-oriented reporting.

10.3 Donor cooperation and cooperation with authorities

Considerable attention is now being focused by most development assistance authorities and organizations on the question of how industrialized and developing countries, both individually and collectively, can improve the quality of development cooperation and results-based management.

International efforts to promote results-oriented development cooperation are based on the principles of national ownership, donor harmonization and alignment with the priorities, systems and procedures of recipient countries, as laid down in the follow-up and implementation of the Rome Declaration of 2003 on the harmonization of development assistance (discussed in greater detail in Chapter 5):

- Development assistance organizations should base their efforts on and support partner countries' own priorities, goals and results, i.e. on their national development and poverty reduction strategies, and on the recipients' own budgeting, reporting and monitoring systems when these are of satisfactory quality.
- Donors should therefore help to strengthen partner countries' own institutions, systems and capacity to plan, implement, document and evaluate their own development processes. Parallel, donor-controlled mechanisms and processes should be avoided.

- Donors should coordinate their activities under the management of the developing country and promote cooperation at the practical level whenever possible.

An important process is currently taking place within the OECD's Development Assistance Committee with a view to reaching agreement on more specific principles for results-oriented development cooperation and on common approaches to assessing the achievement of results. This work is taking place in close cooperation with the World Bank, the regional development banks and the UN system.

The dialogue that Norway, often in cooperation with other donors, has with the authorities of the partner country on poverty reduction strategies, governance and sector policies is an integral part of development cooperation. Due to the introduction of national poverty reduction strategies, consensus on the UN Millennium Development Goals and growing use of such forms of develop-

ment assistance as sector programmes and budget support, the dialogue with recipients on goals and results primarily takes place in cooperation with other donors. In certain countries that have a more limited, project-oriented development assistance portfolio, the dialogue is still bilateral.

When development assistance measures are co-financed with other donors, it is an important objective to reduce the administrative burden on the authorities of the recipient country, for instance by providing for the same report to be sent to all the donors involved. These reports are discussed in joint forums. The donors' assessments of the reports received on results or of other aspects of quality assurance may be based on work carried out by one or more of the donors.

For example, decisions on and the monitoring of budget support are usually based on extensive donor cooperation. As a rule, both the International Monetary Fund's and the World Bank's assessments of countries' budgets and poverty reduction strategies will be important elements of the decision-making basis. As a member of the Nordic-Baltic constituency group, Norway participates in the decisions based on the individual countries' key documents, made by the governing bodies of the two organizations. Furthermore, a number of bilateral donors also collaborate on common requirements, assessments, reporting and reviews with the authorities of partner countries.

Box 10.2 Strengthening the supreme audit institution in Zambia – many challenges

Development assistance donors expect partner countries to assume the responsibility inherent in their ownership, and Norway wishes to strengthen Zambia's ability to shoulder that responsibility. Norway has provided support for Zambia's supreme audit institution since 1997, and the Norwegian Office of the Auditor General has played an important role in this collaboration. The goal is a strong, autonomous Zambian supreme audit institution with the expertise and capacity to fulfil key functions. However, achieving this goal is a complex, lengthy process, and the cooperation partners face a number of challenges that commonly arise in long-term institution-building. A Bill on the restructuring of the institution has yet to be adopted, and the statute that is intended to ensure the institution's autonomy is part of the work on the Zambian constitution and thus will not be enacted for some time. Competent staff members move on to better-paying employers as soon as they are trained, which makes it difficult to achieve the goals set with regard to expertise and capacity.

10.4 What is quality?

Quality assurance encompasses all aspects of work on development activities, including the planning and implementation stages and reporting and learning processes. The OECD's Development Assistance Committee recommends that the following criteria be applied when evaluating development projects and programmes. These criteria are also used in prior assessments in technical quality assurance:

- Effectiveness: Whether the project or programme is expected to achieve the targeted results.
- Efficiency/productivity: Whether the activity is cost-efficient and generates results that are commensurate with the resources invested.
- Impact: Whether the activity achieves results as regards its targeted goals and, if relevant, the Millennium Development goals, and

whether there are other positive or negative effects.

- **Relevance:** Whether the activity and its objective are relevant to national priorities and needs.
- **Sustainability:** Whether the activity and its beneficial effects will continue after development assistance has been withdrawn. The activity should be sustainable both institutionally in the sense that national institutions contribute to lasting effects and in the sense that the country has ownership of the activity, as well as financially in the sense that the activity can continue to operate with the resources available to the country. It should also be sustainable socio-culturally and as regards the environment and natural resources.

However, the requirements relating to prior assessment must be adapted to the size and complexity of the development projects or programmes. Not all criteria are equally relevant to all activities. In the case of smaller projects, it is natural to devote fewer resources to planning and prior assessment so that the planning costs are reasonably proportionate to the resources that are to be spent on implementing the measures.

Target groups not a good indicator of result achievement

One important reason why Norway is involved in development cooperation is to help strengthen the ability of partner countries to combat poverty. It is crucial to contribute towards institutional development and the improvement of framework conditions for economic growth if developing countries are to be able to achieve the goals set out in their national poverty reduction strategies and, not least, if they are to become less dependent on aid in the long term. A significant share of Norwegian development cooperation, especially development assistance that is channelled through government-to-government cooperation and multilateral organizations, is thus aimed at strengthening the ability of developing countries to implement a policy that brings results, promotes development and reduces poverty. Consequently, the poverty orientation of these aspects of development cooperation is largely indirect and long-term.

In Norwegian development cooperation individual projects are not required to define a specific target group or have a target group orientation.

Poverty orientation means that the effect of the overall development assistance inputs must contribute towards improving the living conditions of the poor members of the population over time. Assessments of whether these efforts have been successful over time must largely also focus on the results of the partner country's policies, and on whether the donor community has helped to support these policies in a way that has fostered more sustainable development and poverty reduction. At the national level, important indicators of success will be the degree to which the goals and targets defined in the poverty reduction strategies are achieved in areas in which Norway makes a contribution.

Other areas of long-term development cooperation, particularly development assistance channelled through non-governmental organizations, often directly target selected groups to a greater degree such as women, children, indigenous populations, persons with disabilities or poor population groups in a specific region. In such cases, the immediate goal of development cooperation is to promote improvements in the living conditions of the selected groups, in the form of higher incomes or better access to social services or by strengthening rights in other ways. However, insofar as is practically possible, this part of development cooperation is also expected to take place within the framework of national poverty reduction strategies. When a country's authorities do not have a clear policy for improving the living conditions of vulnerable groups, the activities of non-governmental organizations can serve to a greater degree as a corrective.

10.5 The role of Norway's development assistance administration and the quality assurance process

The principle of recipient responsibility gives the recipient the main responsibility for planning, implementation, achievement of results and reporting. Thus the Norwegian development assistance administration has no direct or operational responsibility for ensuring that the recipient achieves development results, but is responsible for assessing whether grants can be provided under the given circumstances and whether Norwegian instruments are used appropriately, and for monitoring the grants provided and following up reports on the use of funds and development results where grants are involved.

As a donor, Norway is responsible for assessing whether the programme and project proposals prepared by recipients are in line with Norwegian development policy, i.e. whether they satisfy basic quality criteria, are realistic and have clear, verifiable objectives. The development assistance administration also participates actively in following up the agreements entered into through the general development assistance dialogue, by participating in work on sector programmes, in regular project and programme reviews, and in dialogue on progress, accounting and auditing reports. As a donor, Norway has a duty to make its views clear to the recipient if the programme or project is not implemented in accordance with agreed plans or does not produce the intended results. This duty also includes being particularly vigilant as regards the risk of corruption.

Assessments of and dialogue with cooperation partners, jointly with other donors if relevant, on the quality and realism of proposals play a key role in quality assurance. In this connection, it is important to assess goals and expected results as well as to clarify reporting requirements. In order for Norway to make a decision to provide development assistance in future, the development project or programme in question must be linked to goals that are defined in the poverty reduction strategy of the individual country, in other national planning documents or in the Millennium Development Goals. There should be clear, verifiable targets for the various measures that are to be carried out. The cooperation partner's institutional capacity and possible need for institutional strengthening as part of the project are important factors in the assessment and dialogue.

Norway plays a proactive role in efforts to ensure that the partner country has genuine responsibility for implementation and reporting and that donors base cooperation activities as far as possible on the systems of the partner country. This gives rise to a number of dilemmas and assessments as to whether Norway should begin or continue to provide support. For instance, situations can and do arise in development cooperation where the results achieved are significantly weaker than expected, even taking into consideration difficult circumstances. Norway must then consider whether, on the basis of an overall assessment of inputs and risks in relation to expected results, it is possible and appropriate to revise the cooperation activity or whether Norway should discontinue its support. Any negative

short-term consequences that might affect the population groups concerned in the recipient country if Norway were to withdraw from a project or programme will be a factor in the assessment.

The level of risk in development cooperation is usually relatively high. The risk may apply generally to the country in which the project is being carried out, it may be related to a specific sector or it may be linked to a single development project or programme. It is important that the recipient and the donor focus on the results that were planned and achieved and assess the limitations and obstacles to achieving the targeted goals and priorities. Ensuring that risk factors are identified, that probable and potential adverse effects are analysed and that measures are planned and implemented to deal with identified risks, to the extent possible, is an important part of management and quality assurance. The extent of the risk must be reasonably proportionate to benefit and costs. The assessment and reporting of risk is often carried out jointly with other donors and the partner country. In this type of cooperation, however, Norway has an independent responsibility for making decisions on the use of Norwegian funds.

Guidelines have been drawn up for budget support that indicate the way risk assessments are to be carried out. Measures to reduce or deal with the impact of such risk factors, for instance by helping to strengthen public financial management and administration by providing technical assistance, will often be part of cooperation on budget support. Such measures are implemented prior to entering into an agreement or as part of ongoing work, usually in cooperation with several donors. When the analysis reveals a particularly high level of risk, donors will also establish special external controls. In the Government's opinion, therefore, the new forms of development assistance do not represent a greater risk of corruption and misuse than ordinary project assistance. In addition, unlike ordinary project support, they can make a positive contribution towards reducing misuse and inefficiency in public financial management and administration.

The guidelines take into consideration the fact that cooperation with countries that are emerging from a conflict or other crisis can also include budget support. In such situations, requirements as regards administrative procedures must be adapted to the situation and the immediate need for urgent action.

Non-governmental organizations

Norwegian non-governmental organizations receive a substantial share of total Norwegian development assistance funding. It is therefore important that they have efficient routines for and a good understanding of quality assurance and result reporting. The routines for this work have been reviewed in the past few years and an improved system was introduced in 2003.

The reporting requirements that must be met by the non-governmental organizations that receive support for long-term development work are generally adapted to the amount of the grant and the modalities of the individual project or programme. The new administrative routines are designed to ensure greater focus on the results of the activity. In the case of large programmes, there is emphasis on reporting on results in relation to key national development goals.

Special focus on corruption

The risk of corruption poses significant challenges for development cooperation. The best approach is to take proactive measures to prevent the recipient from misappropriating development assistance funds. Close, visible monitoring by donors is an effective method. Through the systematic use of field visits, reviews and audits, the development assistance administration shows that it is actively monitoring the way the recipient is using development assistance funds, and that there is a strong probability of any misuse being exposed. It has long been one of Norway's standard requirements that recipients must submit approved audit reports from an independent auditor – either the country's supreme audit institution or a private auditor that meets internationally recognized standards. In the past few years, this requirement has increasingly often been supplemented by special audits that entail more extensive investigations than ordinary financial audits.

Certain types of input and certain institutions are more exposed to the risk of corruption than others. It is therefore important when planning development assistance activities to prepare clear, concrete assessments of the level of risk and strategies for dealing with identified risks. With a view to the risk of corruption, in connection with large projects special analyses are carried out, where relevant, of the quality of management and administration in the institution that is to implement the project, with special focus on financial

management and internal control systems. The conclusions reached in these assessments determine the way the development assistance administration will monitor the project. In joint projects and programmes, such as budget support, these assessments are largely carried out jointly with other donors.

In the case of inputs that are particularly exposed to corruption, such as major infrastructure investments, there may be a need to incorporate special controls in addition to the recipient's own control systems in order to satisfy the donors' need to minimize this risk.

A sharp, unequivocal reaction to the misuse of development assistance funds also has a preventive effect in the longer term. In cases where the development assistance authorities suspect that the recipient is failing to conform to what has been agreed, specific investigations of the situation, such as special audits, are carried out. When a breach is documented, immediate sanctions are imposed such as the discontinuation of the development assistance agreement and possibly a requirement that funds be repaid. Norwegian sanctions will depend on the gravity of the breach concerned and the way the recipient deals with the persons who have committed the breach. Since 2001 stringent clauses prohibiting corruption have been a standard feature of all development assistance agreements. However, Norway does not need to prove that corruption or embezzlement has taken place. If the recipient is unable to report satisfactorily that the assistance has been used as agreed, this is sufficient grounds for Norway to revoke the agreement and, if appropriate, demand that the funds be repaid.

Ensuring greater openness and transparency as regards transfers of development assistance funds in partner countries will be an important focus in efforts to prevent corruption. The Norwegian Ministry of Foreign Affairs is currently in the process of modernizing and rationalizing information activities at all embassies. Norgesportalen (www.norwayinfo.no), a new Internet-based information system that provides information on various aspects of Norway in several different languages, will be introduced in the course of 2004. Development cooperation agreements and inputs will be described and as many relevant documents as possible will be published. This website is intended for all interested parties, and thus for both national decision-makers and other actors in the development cooperation community. The aim is to offer rapid access through the website to an

accurate picture of the volume and channels of Norwegian development assistance in the respective countries.

Norway participates in several international information networks which have put transparency in development assistance on the agenda, for instance in Nordic cooperation, the OECD and the Utstein Group. In the coming months and years, Norway aims to intensify these efforts. The Government will seek to promote openness among donors on a general basis and support joint initiatives to present information on international development assistance in key partner countries.

Evaluations and learning

Regular project and programme reviews and evaluations carried out by independent consultants play a key role in quality assurance, in addition to being important for the learning process. In the case of Norwegian bilateral development assistance inputs that are not part of donor cooperation, evaluations are now to be carried out more frequently. More systematic use will also be made of evaluations of the efforts of non-governmental organizations that are carrying out major programmes.

Reviews and evaluations are now often conducted jointly with other donors and the authorities of partner countries. Norway also participates in the evaluation network under the OECD's Development Assistance Committee (DAC) and collaborates actively with the World Bank's Office for the Evaluation of Development Assistance (OED) and with the evaluation units of like-minded donor countries to further develop the use of evaluations as an important tool for quality assurance and learning. The goal is to develop common international evaluations in order to obtain a better basis for assessing goal achievement and results and thereby influence the future development of policies and learning.

Norway advocates making greater use of evaluations as tools in joint quality assurance efforts that can particularly benefit partner countries and contribute to common learning from examples of good development cooperation practice in various areas. One example of this is Norway's active participation in broad-based, international cooperation on the evaluation of untied budget support for a number of countries, including many of Norway's partner countries, with a view to reaching a common understanding and perhaps also a common set of rules for this type of assistance in future.

Box 10.3 Zambia must satisfy quality requirements to be eligible for bilateral budget support

In 2002 a group of bilateral donors jointly initiated a study to assess the possibilities of providing budget support to Zambia. The conclusion reached by the study in summer 2003 was, however, that the risk was unacceptably high. Zambia's system for public financial management had to be improved before substantial, non-earmarked sums of money could be channelled through the public system. At about the same time, large unforeseen deficits on the national budget confirmed that the authorities did not have sufficient control of budgetary spending. Zambia was thus "off track" in relation to its agreements with the IMF, which spoiled its chances of obtaining full HIPC debt relief in the course of 2003.

Norway therefore decided, in close cooperation with other donors, to focus on the need for public financial management reforms. Work has commenced on a reform programme to this end. In addition, Norway has made it a requirement for budget support that Zambia must reach agreement with the IMF on a new PRGF loan, and that a system to monitor the country's poverty reduction strategy must be established. Norway will only provide budget support where there are several joint donors. These requirements largely correspond to the requirements set by other donors.

As part of the process of learning and change in development assistance administration, there is also focus on encouraging research on development policy issues.

10.6 Norway's access to information and control in multilateral organizations

The multilateral organizations

Most of the Norwegian development assistance funding channelled through multilateral organizations is provided in the form of general contributions. In the past few years, one of the main objectives of a number of bilateral donors has been to

ensure that the UN, the World Bank and the regional development banks focus more strongly on results, and on reporting that is based to a greater degree on the results achieved. Norway participates in these efforts at meetings of the governing bodies and in negotiations with the various organizations as well as through the donor dialogue with developing countries.

The multilateral organizations have their own rules for audits and controls that are based on the organizations' statutes and are in line with international standards. These rules are intended to ensure that the organizations' activities are subject to adequate audits, controls and reporting and to meet the organizations' need for genuine autonomy in relation to the individual countries. The organizations' own external and internal auditors thus have sole responsibility for auditing and controls. Norway will therefore not be able to set formal requirements in agreements as regards a general right to carry out the controls prescribed by section 17 of the Appropriation Rules (see Proposition No. 1 to the Storting (2003-2004)). These principles reflect an importance premise in the legal system of the international organizations.

Channelling development assistance through multilateral organizations and using new forms of cooperation means that the right of individual donors to carry out controls is regulated by the agreed audit and control rules that apply for the organization or cooperative activity. Member countries are assured control of funds through their participation in the organizations' governing bodies, consultative meetings and other measures. In its activities in governing bodies, Norway is concerned to strengthen the internal quality assurance and reporting systems of the main multilateral organizations at country level. In general, the fact that indicators for measuring results that have been developed are not yet good enough poses a challenge. Norway supports the work of the organizations in this field.

The possibility of individual donors carrying out their own monitoring and controls depends on the degree to which assistance is earmarked. In the case of funds channelled through a multilateral organization to individual, Norwegian-financed projects in individual countries, it will be possible to require separate reporting and controls while fully respecting the organizations' exclusive right of audit. However, there is now a trend towards greater emphasis on core contributions and support for multi-donor funds for programme areas that are prioritized in the organizations' ordinary activities.

As part of the process of donor harmonization, it is increasingly common for one or more multilateral organizations to join forces with bilateral donor countries to establish multi-donor funds, called trust funds, for development purposes in individual countries or regions. In such cases, the administrative rules of the organization primarily responsible for the fund are normally applied. The individual donors' possibilities of influencing the control provisions, including the reporting requirements in the agreements concerned, will depend on their relative size as donors and at how early a stage they begin to participate in the agreement negotiations. Their decision to take part in the fund will have to be based on an overall assessment of the measure, including the control aspect.

The global funds and foundations

The independent international funds, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the Global Alliance for Vaccines and Immunization (GAVI), that have been established in recent years, were founded to attract capital to development cooperation from private and other sources. Reporting requirements and a clause concerning responsibility for audits and controls are set out in the agreement between the stakeholders and preclude individual donors from entering into special agreements on their own control measures. GAVI has made particular progress in introducing budget management based on results. The funds' audit and control rules are in line with international standards. However, independent funds entail a risk that parallel administrative mechanisms will be established in partner countries that may prolong the efforts to reduce administrative overload. Norway is concerned to ensure that the activities of the independent funds satisfy the requirements of focus on results and quality assurance and that the activities are incorporated into the harmonization process in partner countries.

The Government will:

- work to ensure stronger focus on results in development cooperation.
- as far as possible adapt the requirements laid down in agreements to and base the reporting of results on the recipient countries' priorities, systems and procedures.
- help to strengthen developing countries' capa-

- city and expertise for planning and implementing development projects and programmes and their ability to report on results.
- emphasise cooperation with other donors in efforts to promote quality assurance and result assessments in individual partner countries, both to avoid overburdening the administrative capacity of recipient countries and to improve actual quality assurance.
 - participate actively in international efforts to promote quality assurance and increase results-based management, particularly through the OECD's Development Assistance Committee, the World Bank and the UN.
 - stress the importance of strengthening focus on results and quality assurance in multilateral development organizations and thematic global funds.
 - intensify efforts to promote quality assurance in the administration of development cooperation. Quality assurance requirements will be adapted to the size and complexity of the individual development project or programme.
 - create greater transparency in development cooperation so that both the Norwegian public and the authorities and population of developing countries have better access to information on development cooperation, by publicizing information on programmes and agreements on cooperation and transfers, and work to promote openness among donors in general and support joint initiatives to disseminate information on international development assistance in key partner countries.
 - help to prevent corruption and other misuse of development assistance funds through the visible, close monitoring of development projects and programmes, including the intensified, systematic use of special audits, field visits and project reviews.
 - react unambiguously to corruption and the misappropriation of Norwegian development assistance funds.
 - place greater emphasis on evaluations as an important element of the quality assurance and learning process, and promote cooperation with partner countries and other donors in this field as well.

The Ministry of Foreign Affairs

h e r e b y r e c o m m e n d s :

That the Ministry of Foreign Affairs' recommendations of 30 April 2004 for fighting poverty together be submitted to the Storting.

Appendix 1**UN Millennium Development Goals**

Table 1.1

<i>Goals and selected targets</i>	<i>Selected indicators for and status of the efforts to achieve the MDGs in developing countries</i>
<i>Goal 1: Eradicate extreme poverty and hunger</i>	
– <i>Target 1:</i> Halve the proportion of people whose income is less than one dollar a day	5. Proportion of population living on less than one dollar a day: 1990: 29 per cent, 1999: 23 per cent
– <i>Target 2:</i> Halve the proportion of people who suffer from hunger	4. Prevalence of malnutrition among children under five years of age: 1990: 32 per cent, 2000: 28 per cent
<i>Goal 2: Achieve universal primary education</i>	
– <i>Target 3:</i> Ensure that children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment rate in primary education: 1990: 78 per cent, 1998: 82 per cent 8. Literacy rate of 15- to 24-year-olds: 1990: 81 per cent, 1998: 84 per cent
<i>Goal 3: Promote gender equality and empower women</i>	
– <i>Target 4:</i> Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all educational levels at the latest by 2015	9. Ratio of girls to boys in primary education: 1990: 83 per cent, 1998: 87 per cent, in secondary education: 1990: 72 per cent, 1998: 82 per cent, in tertiary education: 1990: 66 per cent, 1998: 75 per cent
<i>Goal 4: Reduce child mortality</i>	
– <i>Target 5:</i> Reduce by two thirds the under-five mortality rate	13. Under-five mortality rate (per 1 000 live births): 1990: 103, 2000: 91 14. Infant mortality rate (per 1 000 live births): 1990: 70, 2000: 63 15. Proportion of 1-year-olds immunized against measles: 1990: 73 per cent, 1999: 69 per cent
<i>Goal 5: Improve maternal health</i>	
– <i>Target 6:</i> Reduce by three quarters the maternal mortality rate	16. Maternal mortality rate (per 100 000 live births): 1990: 480, 1995: 440 ¹ 17. Proportion of births attended by skilled health personnel: 1990: 42 per cent, 2000: 53 per cent

Table 1.1

<i>Goals and selected targets</i>	<i>Selected indicators for and status of the efforts to achieve the MDGs in developing countries</i>
<i>Goal 6: Combat HIV/AIDS, malaria and other diseases</i>	
– <i>Target 7: Have halted and begun to reverse the spread of HIV/AIDS</i>	18. HIV prevalence among pregnant women aged 15-24 years: 1990: no data available, 2001: 1.1 per cent - Number of children orphaned due to HIV/AIDS: 1990: 0.9 million, 2001: 13.4 million
– <i>Target 8: Have halted and begun to reverse the incidence of malaria and other major diseases</i>	21. Death rates associated with malaria (per 100 000, 0- to 4-year-olds): 1990: no data available, 2000: 166 23. Tuberculosis prevalence rate (per 100 000): 1990: no data available, 2000: 147 Tuberculosis death rate (per 100 000): 1990: no data available, 2000: 33 24. Proportion of tuberculosis cases detected and cured under the control strategy recommended by WHO: Detected: 1995: 11 per cent, 2000: 27 per cent, Cured: 1995: 77 per cent, 2000: 80 per cent
<i>Goal 7: Ensure environmental sustainability²</i>	
– <i>Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources</i>	25. Proportion of land area covered by forest: 1990: 30.3 per cent, 2000: 29.6 per cent 26. Ratio of area protected to maintain biological diversity to surface area: 1990: 7.5 per cent, 2000: 9.5 per cent 27. Energy use (kg oil equivalent) per USD 1 GDP: 1990: 279, 1999: 228 28. Carbon dioxide emissions per capita: 1990: 3.4 metric tons, 1998: 3.9 metric tons ³ 29. Proportion of population using solid fuels: 1990: 75 per cent, 2000: 75 per cent
– <i>Target 10: Halve the proportion of people without sustainable access to safe drinking water and basic sanitation</i>	30. Proportion of population with sustainable access to an improved water source: 1990: 77 per cent (urban: 94 per cent, rural: 64 per cent), 2000: 82 per cent (urban: 95 per cent, rural: 71 per cent)
– <i>Target 11: Achieve a significant improvement in the lives of at least 100 million slum dwellers by 2020</i>	31. Proportion of population with access to improved sanitation: 1990: 81 per cent, 2000: 85 per cent 32. Proportion of households with access to secure tenure (owned or rented): 1990: no data available, 1993: 62 per cent

Table 1.1

<i>Goals and selected targets</i>	<i>Selected indicators for and status of the efforts to achieve the MDGs in developing countries</i>
<i>Goal 8: Develop a global partnership for development</i>	
– <i>Target 12:</i> Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction, both nationally and internationally	33. Net ODA as percentage of OECD/Development Assistance Committee (DAC) donors' gross national income (GNI): 1990: 0.33 per cent (USD 53.0 billion), 2001: 0.22 per cent (USD 51.3 billion), 2003: 0.25 per cent (USD 68.5 billion) - ODA to LDCs, net, as percentage of OECD/DAC donors' GNI: 1990: 0.09 per cent, 2001: 0.05 per cent
– <i>Target 13:</i> Address the special needs of the least developed countries ⁴	34. Proportion of total bilateral ODA of OECD/DAC donors to basic social services: 1995/96: 8.1 per cent, 1999-2000: 13.8 per cent 35. Proportion of bilateral ODA of OECD/DAC donors that is untied: 1990: 59.4 per cent, 2000: 81.1 per cent 38. Proportion of total developed country imports from developing countries admitted free of duty: 1996: 49 per cent, 2000: 65 per cent, from LDCs: 1996: 77 per cent, 2000: 66 per cent - Average tariffs imposed by developed countries on textiles and clothing from developing countries: textiles: 1996: 6.8 per cent, 2000: 5.8 per cent, clothing: 1996: 10.6 per cent, 2000: 9.8 per cent
– <i>Target 15:</i> Deal comprehensively with the debt problems of developing countries through national and international measures to make debt sustainable	40. Agricultural support estimate for OECD countries as percentage of their GDP: 1990: 1.9 per cent, 2000: 1.3 per cent 42. Total number of countries that have reached their heavily indebted poor countries (HIPC) decision points: 2000: 22, 2002: 26 - Total number of countries that have reached their HIPC completion points (cumulative): 2000: 1, 2002: 5
– <i>Target 17:</i> In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	43. Debt relief committed under HIPC Initiative: 2000: USD 34 billion, 2002: USD 41 billion 44. Debt service as a percentage of exports of goods and services: 1990: 18 per cent, 2000: 18 per cent 46. Proportion of population with access to affordable essential drugs: 1990: 2.4 per cent, 2000: 16.8 per cent

Table 1.1

<i>Goals and selected targets</i>	<i>Selected indicators for and status of the efforts to achieve the MDGs in developing countries</i>
– <i>Target 18:</i> In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies	47. Telephone lines and cellular subscribers per 100 population: 1990: 2.4 per cent, 2001: 16.8 per cent 48. Personal computers in use per 100 population: 1990: 0.3 per cent, 2001: 2.4 per cent Internet users per 100 population: 1990: 0.00, 2001: 2.8 per cent

1 Figures from 1995 and 1990 are not comparable.

2 All indicators under MDG 7 are global except for those concerning the use of solid fuels and the promotion of secure tenure, which apply only to developing countries.

3 Based on figures from the World Bank's World Development Data Base.

4 Includes duty- and quota-free market access for least developed countries' exports; improved programmes of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more ODA to countries committed to poverty reduction.

Appendix 2

Background tables

Table 2.1 The poverty situation (see figures 1.1, 2.2 and 2.3)

	<i>Proportion (%) living under:</i>						<i>Number (million) living under:</i>					
	<i>USD 1.08/day</i>			<i>USD 2.15/day</i>			<i>USD 1.08/day</i>			<i>USD 2.15/day</i>		
	<i>1990</i>	<i>2000</i>	<i>2015</i>	<i>1990</i>	<i>2000</i>	<i>2015</i>	<i>1990</i>	<i>2000</i>	<i>2015</i>	<i>1990</i>	<i>2000</i>	<i>2015</i>
<i>East Asia incl.</i>												
<i>China</i>	29.4	14.5	2.3	68.5	48.3	18.2	470.1	261.4	44	1094.4	872.6	354
<i>China</i>	31.5	16.1	3	69.9	47.3	18.4	360.6	204.4	41	799.6	599.5	256
<i>Eastern Europe and Central Asia</i>	1.4	4.2	1.3	6.8	21.3	10.3	6.3	19.9	6	31.1	101.3	48
<i>Latin America</i>	11	10.8	7.6	27.6	26.3	20.5	48.4	55.6	46	121.1	135.7	124
<i>Middle East and North Africa</i>	2.1	2.8	1.2	21	24.4	10.2	5.1	8.2	4	49.8	71.9	38
<i>South Asia</i>	41.5	31.9	16.4	86.3	77.7	59.2	466.5	432.1	268	970.9	1051.9	968
<i>Sub-Saharan Africa</i>	47.4	49	42.3	76	76.5	70.7	241	322.9	366	386.1	504	612
<i>Total</i>	<i>28.3</i>	<i>21.6</i>	<i>12.5</i>	<i>60.8</i>	<i>53.6</i>	<i>36.4</i>	<i>1237.3</i>	<i>1100.2</i>	<i>734</i>	<i>2653.3</i>	<i>2737.3</i>	<i>2144</i>

Source: World Bank. Global Economic Prospects 2004 (<http://www.worldbank.org/prospects/gep2004/>)

Table 2.2 Net bilateral development assistance (incl. multi-bilateral), by recipient country according to income group (see figure 5.11). Amounts in NOK 1000

<i>Income category¹⁾</i>	<i>1985</i>	<i>%</i>	<i>1990</i>	<i>%</i>	<i>1995</i>	<i>%</i>	<i>2000</i>	<i>%</i>	<i>2002</i>	<i>%</i>
<i>LDC</i>	1.433.768	53.6	2.232.548	49.7	2.354.580	43.2	2.702.740	35.3	3.547.147	41.8
<i>Other low income</i>	640.681	24.1	811.740	18.1	779.298	14.3	753.588	9.8	799.975	9.4
<i>Middle income</i>	336.300	12.7	544.320	12.1	1.360.649	25.0	2.267.803	29.6	2.421.841	28.5
<i>High income</i>		0.0		0.0		0.0	575	0.0	387	0.0
<i>Unspecified</i>	256.827	9.7	901.040	20.1	956.289	17.5	1.926.403	25.2	1.723.775	20.3
<i>Total</i>	<i>2.656.578</i>	<i>100.0</i>	<i>4.489.648</i>	<i>100.0</i>	<i>5.450.816</i>	<i>100.0</i>	<i>7.651.108</i>	<i>100.0</i>	<i>8.493.125</i>	<i>100.0</i>

¹⁾ Income categories are based on the OECD/DAC categories for 2002

LDC = Least Developed Countries

Low income = Countries with per capita GNI of less than USD 760 in 1998

Middle income = Countries with per capita GNI between USD 761 and 9360 in 1998

High income = Countries with per capita GNI of over USD 9360

Table 2.3 Net bilateral development assistance (incl. multi-bilateral assistance) by DAC sector, 2000-2002
(See figure 5.3)

DAC code		2000		2001		2002	
		NOK million	%	NOK million	%	NOK million	%
111	Education	133.5	1.7	140.0	1.8	135.7	1.6
112	Basic education	290.5	3.8	310.7	4.0	390.5	4.6
113	Secondary education	37.3	0.5	63.0	0.8	58.3	0.7
114	Post-secondary education	185.7	2.4	186.6	2.4	207.9	2.4
	<i>Sub-total education</i>	<i>647.0</i>	<i>8.5</i>	<i>700.3</i>	<i>8.9</i>	<i>792.5</i>	<i>9.3</i>
121	Health, general	176.4	2.3	290.1	3.7	254.1	3.0
122	Basic health	191.9	2.5	194.4	2.5	200.7	2.4
130 ¹⁾	Population pol./progr. and reprod. health	81.7	1.1	84.9	1.1	68.0	0.8
130.40	STD control including HIV/AIDS	100.0	1.3	160.7	2.0	180.3	2.1
	<i>Sub-total health, population and HIV/AIDS</i>	<i>550.0</i>	<i>7.2</i>	<i>730.1</i>	<i>9.3</i>	<i>703.1</i>	<i>8.3</i>
140	Water supply and sanitation	214.2	2.8	173.0	2.2	218.1	2.6
161	Employment	150.5	2.0	127.4	1.6	111.8	1.3
162	Housing	70.1	0.9	18.0	0.2	22.4	0.3
163	Other social services	447.6	5.9	495.5	6.3	558.6	6.6
420	Women in development (multi-sector)	70.9	0.9	82.9	1.1	80.5	0.9
430.20	Basic social services (multi-sector)	88.9	1.2	63.4	0.8	107.4	1.3
	<i>Sub-total other social services</i>	<i>1 042.2</i>	<i>13.6</i>	<i>960.2</i>	<i>12.2</i>	<i>1 098.9</i>	<i>12.9</i>
210	Transport and storage	56.8	0.7	65.4	0.8	66.8	0.8
220	Communications	52.0	0.7	46.3	0.6	54.2	0.6
230	Energy generation and supply	394.4	5.2	426.1	5.4	382.3	4.5
	<i>Sub-total energy, transport and communications</i>	<i>503.2</i>	<i>6.6</i>	<i>537.8</i>	<i>6.8</i>	<i>503.3</i>	<i>5.9</i>
240	Banking and financial services	63.4	0.8	57.0	0.7	84.3	1.0
250	Business and other services	131.8	1.7	91.1	1.2	72.1	0.8
311	Agriculture	243.2	3.2	290.7	3.7	331.3	3.9
312	Forestry	69.6	0.9	42.0	0.5	44.5	0.5
313	Fishing	155.0	2.0	130.8	1.7	100.6	1.2
321	Industry	53.8	0.7	60.3	0.8	46.0	0.5
322	Mineral resources and mining	8.4	0.1	14.0	0.2	10.3	0.1
323	Construction	0.0	0.0	1.5	0.0	0.1	0.0
331	Trade	22.8	0.3	25.3	0.3	14.7	0.2
332	Tourism	0.7	0.0	0.9	0.0	1.0	0.0
	<i>Sub-total private sector development, agriculture</i>	<i>748.7</i>	<i>9.8</i>	<i>713.6</i>	<i>9.1</i>	<i>704.8</i>	<i>8.3</i>
150	Government and civil society	1 235.5	16.1	1 407.6	17.9	1 643.4	19.4
530	Other gen. programme and commodity assistance	130.0	1.7	165.5	2.1	237.9	2.8
600	Action relating to debt	81.9	1.1	187.5	2.4	106.9	1.3

Table 2.3 Net bilateral development assistance (incl. multi-bilateral assistance) by DAC sector, 2000-2002 (See figure 5.3)

DAC code		2000		2001		2002	
		NOK million	%	NOK million	%	NOK million	%
	<i>Sub-total government, budget support</i>	<i>1 447.4</i>	<i>18.9</i>	<i>1 760.6</i>	<i>22.4</i>	<i>1 988.2</i>	<i>23.4</i>
410	<i>General environmental protection</i>	<i>331.5</i>	<i>4.3</i>	<i>418.0</i>	<i>5.3</i>	<i>283.1</i>	<i>3.3</i>
430 ²⁾	<i>Other multisector aid</i>	<i>148.9</i>	<i>1.9</i>	<i>196.1</i>	<i>2.5</i>	<i>249.2</i>	<i>2.9</i>
	<i>Developmental food aid/food security assistance</i>						
520		0.0	0.0	3.5	0.0	19.5	0.2
998	<i>Unallocated/unspecified</i>	<i>442.1</i>	<i>5.8</i>	<i>221.9</i>	<i>2.8</i>	<i>136.2</i>	<i>1.6</i>
	<i>Sub-total other and unallocated</i>	<i>591.0</i>	<i>7.7</i>	<i>421.5</i>	<i>5.4</i>	<i>404.9</i>	<i>4.8</i>
710	<i>Emergency food aid</i>	<i>152.8</i>	<i>2.0</i>	<i>130.7</i>	<i>1.7</i>	<i>87.8</i>	<i>1.0</i>
720	<i>Other emergency and distress relief</i>	<i>1 637.4</i>	<i>21.4</i>	<i>1 488.2</i>	<i>18.9</i>	<i>1 926.6</i>	<i>22.7</i>
	<i>Sub-total emergency relief, human assistance.</i>	<i>1 790.2</i>	<i>23.4</i>	<i>1 619.0</i>	<i>20.6</i>	<i>2 014.4</i>	<i>23.7</i>
	Total	7 651.1	100.0	7 861.2	100.0	8 493.1	100.0

¹⁾ Excluding DAC sub-sector 130.40 «STD Control including HIV/Aids», since this is included under «HIV/Aids»

²⁾ Excluding DAC sub-sector 430.20 «Multisector Aid for Basic Social Services», since this is included under «Health, education and other social sector services».

Source: Norwegian Development Assistance in Figures – 2002. NORAD.

Table 2.4 Total Norwegian development assistance, by channel, 2002. (See figures 5.5 and 5.6)

	Total		Through NORAD	
	NOK million	%	NOK million	%
<i>Total develop. assistance (net)</i>	<i>13 544.3</i>		<i>4 671.0</i>	
<i>Administration</i>	<i>651.5</i>		<i>384.0</i>	
<i>Net dev. ass. (excl. admin)</i>	<i>12 892.8</i>	<i>100.0</i>	<i>4 287.0</i>	<i>100.0</i>
<i>Multilateral assistance</i>	<i>4 399.7</i>	<i>34.1</i>	<i>51.0</i>	<i>1.2</i>
<i>Multi-bilateral assistance</i>	<i>2 000.2</i>	<i>15.5</i>	<i>737.0</i>	<i>17.2</i>
<i>Non-governmental organizations</i>	<i>2 885.5</i>	<i>22.4</i>	<i>1 597.5</i>	<i>37.3</i>
<i>Private sector, direct support</i>	<i>341.8</i>	<i>2.7</i>	<i>284.4</i>	<i>6.6</i>
<i>Other (government-to-government)</i>	<i>2 271.5</i>	<i>17.6</i>	<i>1 617.1</i>	<i>37.7</i>
<i>Refugees in Norway</i>	<i>994.1</i>	<i>7.7</i>	<i>0.0</i>	<i>0.0</i>

Source: Norwegian Ministry of Foreign Affairs: Norwegian Development Cooperation 2002, Follow-up of the UN Millennium Development Goals, Annual Report, and NORAD's Annual Report 2002.

Table 2.5 Net bilateral development assistance (incl. multi-bilateral), by groups of countries, 2002. (See figures 5.9, 5.10 and 5.11)

	Total bilateral assistance		Long-term bilateral assistance ¹⁾	
	NOK million	%	NOK million	%
<i>Total bilateral assistance</i>	<i>8 493.1</i>	<i>100.0</i>	<i>4 745.5</i>	<i>100.0</i>
- of which:				
Main partner countries	1 535.5	18.1	1 477.3	31.1
Other partner countries	1 953.6	23.0	1 371.0	28.9
Other countries (incl. unspecified)	5 004.0	58.9	1 897.2	40.0
Least developed countries (LDC)	3 547.1	41.8	2 175.4	45.8
Other low income countries	751.4	8.8	483.6	10.2
Middle income countries	2 127.9	25.1	899.5	19.0
Countries, unspecified	2 066.7	24.3	1 187.0	25.0

¹⁾ Long-term development assistance covers all assistance except emergency relief and humanitarian assistance, peace-building and democratization, refugees in Norway and transitional assistance (i.e. except budget chapters 162-4 and 167)

Source: NORAD's statistical base.

Table 2.6 Development assistance for governance, 2002. (See figure 6.2)

Sub-areas	NOK 1000	%
Financial and development planning	83 658	5
Public financial management	52 630	3
Legal and judicial development	86 522	5
Public administration	106 893	7
Strengthening civil society	473 480	29
Post-conflict peace-building (UN)	143 440	9
Elections	55 881	3
Human rights	409 914	25
Demobilization	9 938	1
Free flow of information	34 922	2
Demining	186 153	11
Total	1 643 432	100

Appendix 3**Acronyms and abbreviations**

ADB	Asian Development Bank	GIEK	Norwegian Guarantee Institute for Export Credits
AfDB	African Development Bank	GMO	Genetically modified organisms
APRM	African Peer Review Mechanism	GNI	Gross National Income
ARTF	Afghanistan Reconstruction Trust Fund	GRECO	<i>Groupe d'Etats contre la Corruption</i>
AU	African Union	GSP	<i>General System of Preferences</i>
BDS	Business Development Services	GWP	Global Water Partnership
CDC	Capital for Development – UK government's instrument for investing in the private sector in developing countries	HIP	Harmonization in practice
CGAP	<i>Consultative Group to Assist the Poor – A Microfinance Program</i>	HIPC	<i>Highly indebted poor countries</i>
CGDM	<i>Consultative Group on Debt Management</i>	HSH	Federation of Norwegian Commercial and Service Enterprises
CPIA	<i>Country Policy and Institutional Assessments</i>	IAMI	International AIDS Vaccine Initiative
CSD	<i>Commission on Sustainable Development</i>	ICA	<i>Investment Climate Assessment</i>
DAC	OECD's Development Assistance Committee	ICC	International Criminal Court
ECOSOC	UN Economic and Social Council	ICT	Information and Communications Technology
EDCTP	<i>European and Developing Countries Clinical Trials Partnership</i>	IDA	International Development Association (part of the World Bank)
EEA	European Economic Area	IDB	Inter-American Development Bank
EITI	<i>Extractive Industries Transparency Initiative</i>	IDEA	Institute for Democracy and Electoral Assistance
ESAF	<i>Extended Structural Adjustment Facility</i>	IF	Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries
EU	European Union	IFAD	International Fund for Agricultural Development
FAO	Food and Agriculture Organization of the UN	IFC	International Finance Corporation (part of the World Bank)
FATF	<i>Financial Action Task Force</i>	IIC	Inter-American Investment Corporation
FDI	<i>Foreign Direct Investments</i>	ILO	International Labour Organization
FN	United Nations	IMF	International Monetary Fund
G8	Comprises eight major economic powers (Canada, France, Germany, Italy, Japan, Russia, UK, USA)	IOM	International Organization for Migration
GAVI	<i>Global Alliance for Vaccines and Immunization</i>	IPM	International Partnership for Microbicides
GEF	<i>Global Environment Facility</i>	IPPF	International Planned Parenthood Federation
GFATM	<i>Global Fund to Fight Aids, Tuberculosis and Malaria</i>	ITC	International Trade Centre
		ITTO	International Tropical Timber Organization

IUATLD	International Union against Tuberculosis and Lung Disease	SADC	<i>Southern African Development Community</i>
IUCN	World Conservation Union	SDRM	Sovereign Debt Restructuring Mechanism (international mechanism for restructuring foreign debt)
IWGIA	<i>International Working Group for Indigenous Affairs</i>	SME	Small and Medium Enterprises
JITAP	Joint Integrated Technical Assistance Programme for African countries (UNCTAD, ITC and WTO)	SPA	Strategic Partnership with Africa (a multi-donor group)
JSA	Joint Staff Assessment (World Bank and IMF)	TAS	<i>Tanzania Assistance Strategy</i>
LDC	Least Developed Countries	TEP	Norwegian Refugee Council's <i>Teacher Emergency Packages</i>
LICUS	Low Income Countries Under Stress (countries that are severely affected by war or crisis)	TI	<i>Transparency International</i>
LO	Norwegian Confederation of Trade Unions	TRIPS	<i>Trade-Related Aspects of Intellectual Property Rights</i>
MCA	USA's Millennium Challenge Account	UNAIDS	UN Programme on HIV/AIDS
MIGA	Multilateral Investment Guarantee Agency (part of the World Bank)	UNCJIN	<i>UN Crime and Justice Information Network</i>
MOPAN	<i>Multilateral Organisations Performance Assessment Network</i>	UNCTAD	UN Conference on Trade and Development
NEPAD	<i>New Economic Partnership for Africa's Development</i>	UNDAF	<i>UN Development Assistance Framework</i>
NFU	Norwegian Association for Persons with Development Disabilities	UNDG	<i>UN Development Group</i>
NHO	Confederation of Norwegian Business and Industry	UNDP	UN Development Programme
NORAD	Norwegian Agency for Development Cooperation	UNEP	UN Environment Programme
NUFU	Norwegian Council for Higher Education's Programme for Development Research and Education	UNESCO	UN Educational, Scientific and Cultural Organization
OAU	Organization of African Unity (now replaced by the African Union)	UNFF	UN Forum on Forests
ODA	<i>Official development assistance</i>	UNFPA	UN Fund for Population Activities
OECD	Organization for Economic Co-operation and Development	UN-HABITAT	UN Human Settlements Programme
OED	<i>Operations Evaluation Department (of the World Bank)</i>	UNHCR	UN High Commissioner for Refugees
PFP	<i>Policy Framework Papers</i>	UNICEF	UN Children's Fund
PRGF	<i>Poverty Reduction and Growth Facility (of the IMF)</i>	UNIDO	UN Industrial Development Organization
PRS(P)	Poverty Reduction Strategy (Paper). The PRSP is the actual strategy document	UNODC	<i>UN Office on Drugs and Crime</i>
PRSC	<i>Poverty Reduction Support Credit (of the World Bank)</i>	UNRWA	UN Relief and Works Agency for Palestine Refugees in the Near East
PSIA	<i>Poverty and Social Impact Analysis</i>	UPOV	International Union for the Protection of New Varieties of Plants
SACU	<i>Southern African Customs Union</i>	USD	US dollar
		Utstein Group	Comprises (2004) six countries: Canada, Germany, Netherlands, Norway, Sweden and UK
		WEHAB	Water, energy, health, agriculture and biodiversity
		WFP	World Food Programme
		WHO	World Health Organization

WIPO	<i>World Intellectual Property Organization</i>	WSSCC	Water Supply and Sanitation Collaborative Council
WSIS	<i>World Summit on the Information Society</i>	WTO	World Trade Organization
