



NORWEGIAN MINISTRY
OF FOREIGN AFFAIRS

Report No. 13 (2008–2009) to the Storting

Climate, Conflict and Capital

Norwegian development policy adapting to change



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*Recommendation from the Ministry of Foreign Affairs of 13 February 2009,
approved in the Council of State on the same date.
(Stoltenberg II Government)*

Summary

Climate change and violent conflicts are making the fight against poverty harder. Capital flows are more difficult to control. The eyes of the world are on these challenges. This creates opportunities for a Norwegian development policy that takes a strategic approach to climate change, conflict and capital, which are key factors affecting development and the fight against poverty. Norway can add value in the global efforts to address these issues.

Although the world's rich and poor are becoming increasingly intertwined in a complex global economy, the goods remain unevenly distributed. Norwegian development policy is designed to challenge the unequal distribution of power within and between countries, as well as the conditions that underpin injustice, oppression and discrimination – at every level. A principal task of Norwegian development policy is to help countries gain control over their own development, and to help individuals gain control over their own lives. Our efforts are based on solidarity. The fight against poverty, our commitment to the UN Millennium Development Goals and the belief in a UN-led world order stand firm. We pursue a rights-based development policy that aims to assist states fulfil their obligations and enable individuals to claim their rights.

Through its development policy, Norway influences factors that promote or impede develop-

ment. Norway has already initiated targeted efforts in key areas such as good governance, human rights, education, health, and gender equality. The results of Norwegian aid are good, but aid is just one of several development policy tools. In order to respond adequately to complex challenges, we have to use a range of other tools as well. We need to make active use of aid and diplomacy in a mutually reinforcing way. In Norway, foreign policy and development policy have already become more closely linked, but there are a number of other policy areas that also have significance for developing countries. Thus, it is necessary to view domestic policy and our development policy more coherently.

National action and global constraints

A national development process cannot be engineered by external actors. This white paper examines national opportunities, as well as the responsibility individual developing countries have for shaping their own future. There are three elements that the Government considers crucial for development: a functioning state, an active civil society, and a viable private sector. Developing countries must make their own choices and set their own priorities regarding the development of social services, democracy and policies for promoting

employment and economic growth. Norway can support these processes by providing funding and expertise.

Every nation state operates within global framework conditions. Our development policy contributes towards ensuring that global organisations and processes have a clear development perspective that can expand room for action at national level where necessary, for example by promoting better terms of trade or better access to loans and capital. At the same time, binding international agreements, such as the international human rights conventions, are designed to strengthen the position of individuals.

The major global challenges cannot be addressed by any one country on its own. They can only be addressed through closer international cooperation and a better global order. This white paper employs the term «global public goods» to describe a number of conditions that are essential for development, such as a stable climate, international peace and security, control over infectious diseases, and a well-functioning global financial system. The global nature of these goods makes it difficult to apportion responsibility and costs for strengthening and securing them.

Norway will promote the development of an international policy for strengthening global public goods that includes strategies for funding and for the redistribution of power. This raises questions about the use of aid for such purposes that need to be clarified. Many measures, such as those employed in the fight against malaria, serve both to strengthen global public goods and to promote national development. Such measures can be funded through the aid budget. Others, such as capital injections to stabilise the international financial market, cannot be considered aid, even though they too are important for poor countries.

In this white paper, the Government advocates the development of an international system for identifying, and maintaining an overview of, the various countries' contributions to the funding of global public goods. This would help to increase political focus on the need for funding.

Climate change

Climate change is making the existing obstacles to eradicating poverty even greater. Without an international effort to assist developing countries in adapting to climate change, global poverty will increase. This is primarily a matter of reducing poor countries' vulnerability to the impacts of climate change. Norway's efforts in the fight against

poverty will also seek to address the problems caused by climate change. In order to be robust, environmental policy – in both rich and poor countries – must be linked to an economic policy that promotes employment and growth in income and production. The establishment of a ministerial post whose portfolio includes both environment and development has made it easier to ensure coherence and coordination across policy areas.

We will gradually see a substantial rise in greenhouse gas emissions from the major emerging economies. Rapid population growth will exacerbate the situation. But it is primarily the rich part of the world that must shoulder responsibility for climate change and address its impacts by demonstrating that climate-friendly economic growth is possible. Recognition of this fact, combined with emission cuts at home and effective support for economic growth in poor countries, will provide the foundation for a global climate policy that includes all the countries of the world.

The scale and speed of climate change make it imperative for the international community to reach early agreement on a common agenda, but with varying forms of action. Poor countries with far lower emissions levels than ours will not be willing to sacrifice their own economic growth for the sake of the global fight against climate change. This is why Norway and other rich countries must implement concrete measures that make it attractive for partner countries to choose climate-friendly development options.

The Government of Norway's International Climate and Forest Initiative

Through its climate and forest initiative, Norway has taken a leading role internationally in protecting tropical forests. This initiative is part of overall efforts to secure global public goods. It is playing an important catalytic role by encouraging multilateral organisations and other countries to take part in urgently needed global action to prevent climate change. The initiative is designed both to facilitate the inclusion of emissions from deforestation and forest degradation in a new global climate regime and to support national development processes. Projects under this initiative must promote sustainable use and conservation of tropical forests. They must improve the living conditions of indigenous peoples and safeguard their rights, protect biodiversity, and reduce global emissions of greenhouse gases. The Government has therefore decided to use funds allocated over the aid budget

for projects under this initiative, in cooperation with the recipient countries.

Conflict

Most of the armed conflicts in the world today take place in poor countries. Poverty in itself is not a cause of conflict, but the majority of armed conflicts are to be found in the poorest parts of the world. Efforts to resolve conflicts and build peace also help to combat poverty and to pave the way for development.

Armed conflicts entail security policy challenges that extend to areas and populations far beyond those that are directly affected. Neighbouring countries and whole regions can be destabilised and, at worst, drawn directly into the conflict. Some conflicts can have global repercussions.

The civilian suffering caused by armed conflict is enormous, and women and children are especially vulnerable to abuse and sexual violence. The objective of humanitarian efforts is to save lives and relieve suffering. The current situation where civilian personnel are increasingly regarded as targets on a par with military personnel is creating new dilemmas. The UN is the international actor that has made most progress in developing an integrated approach to peacebuilding. Peace and reconciliation efforts are based on respect for and promotion of human rights. The Government will continue to give priority to efforts in fragile states.

Capital

As a result of rapid growth in the world economy, the total gross national income of developing countries has doubled over the last five years. This has had positive ripple effects in the form of reduced poverty and higher living standards for millions of people. However, the financial crisis and the global downturn will lead to serious setbacks in the fight against poverty. It is not possible to foresee the full consequences of this.

Developing countries must be given greater access to global capital, better opportunities for value creation, and more control over their own economic resources. The Government will intensify efforts to support such developments, for example by stimulating trade, promoting investment and facilitating remittance transfers from migrants. At the same time, it is important to combat illicit financial flows from developing countries, which are estimated to total as much as NOK 4000 billion a year. The fight against tax havens will be a key element in these efforts.

Aid is an important source of funding for development. Aid is unique in that it is a source of funding that both donors and recipients have control over, and can thus be administered strategically. The Government will use aid tactically as a development policy tool to mobilise other resources, and to influence national and local development processes. Aid is also an important factor in various international contexts, and can be used to influence international framework conditions for development in poor countries.

Migration and development

The Government will highlight the development policy aspects of migration. Migrants send large sums of money back to their countries of origin – amounting to nearly three times as much as total global aid. And migrants who return to their home countries take back valuable work experience and skills. On the other hand, the need for qualified workers in Western countries has led to a loss of vital resources in many developing countries in what is known as the brain drain. Migration is expected to become increasingly significant for development in the future. Norway intends to play a proactive role in efforts to establish an international framework for ethical recruitment of health workers from developing countries. The Government will seek to facilitate better systems for remittance transfers by migrants to their home countries. The Government also intends to involve migrant communities more closely in development cooperation.

Consequences

With a view to taking a more strategic approach to development, Norway will focus on the comparative advantages of the various channels for providing aid and on ways to ensure that our policy produces the best possible results. Pursuing all our development policy goals through all the channels available is neither strategic nor effective.

Norwegian aid constitutes only 4 per cent of total international aid. It is important to see our efforts in the context of contributions made by other donors. In order to increase the overall effectiveness of global aid, it is vital to ensure a good division of labour between the various actors. This will have consequences for Norway's policy, such as:

- In sectors where many donors are already involved, and Norway does not have special expertise that is in demand, Norwegian aid will

primarily be channelled through multilateral organisations. This applies in particular to sectors such as health and education, and to parts of other sectors such as governance, agriculture and general capacity and institution building. The shift towards multilateral channels does not mean that these sectors have lower priority. The total Norwegian aid to these sectors will be maintained at least at the 2008 level.

- Bilateral aid, primarily government-to-government, will be increasingly focused on areas where Norway has recognised expertise. Norwegian support must be requested by, and provide added value for, the partner country. Relevant sectors include climate, the environment, sustainable development, peacebuilding, human rights and humanitarian assistance, oil and clean energy, women and gender equality, good governance and the fight against corruption.
- Norway will move issues of significant political priority higher up on the agenda by providing funding to, and participating actively on the governing boards of, multilateral organisations. This applies in particular to climate policy and Norway's climate and forest initiative, various peace initiatives, gender equality, management of non-renewable resources, and efforts to combat illicit financial flows.
- The gradual shift in focus to countries that are emerging from armed conflict, and to countries that are facing particular challenges relating to climate change, will continue. This applies to all channels for Norwegian aid.
- Environment and climate change is the sector where funding will increase most in the future.

Towards a more coherent, development-friendly Norwegian policy

In 2006, the Government appointed the Norwegian Policy Coherence Commission to examine the practical political opportunities for achieving greater policy coherence in relation to international development. In its report *Coherent for development?* (NOU 2008:14), the Commission examines Norwegian policy in a number of different areas, including trade, investment, financing for development, climate and energy, migration, transfer of knowledge and technology, and peace, security and defence. The report sets out several proposals for bringing Norwegian policy as a whole into line with Norway's development objectives. The committee was divided on many issues. This shows just how challenging the ambition of achieving greater policy coherence is.

The report, together with responses from the round of consultations on this document, forms part of the background material for this white paper. The Government has already initiated and implemented measures in several of the areas covered by the report, and new measures have been proposed for other areas. The very broad approach of the report means that it is relevant not only for this white paper, but also for a number of other ongoing processes. The task of making Norway's overall policy more development-friendly is a difficult and long-term process. The white paper proposes the establishment of a system of annual reporting on the coherence between Norway's domestic and development policy. This would create a framework for further discussion of the proposals put forward by the Policy Coherence Commission and of other important issues that can increase coherence in the years ahead.

1 Introduction

World poverty is no coincidence. It is a result of international power structures. Of poor policies and poor leadership. Of historical trends and conflicts. Of oppression and discrimination. Although the world's rich and poor are becoming increasingly intertwined in a complex global economy, the goods remain unevenly distributed. The disparity between those who have most and those who have least has never been greater.

International human rights form the normative basis for Norway's development policy. This policy aims to assist states in fulfilling their obligations and enable individuals to claim their rights. The white paper *On equal terms: Women's rights and gender equality in development policy* (Report No. 11 (2007–2008) to the Storting) was an important step forward in Norway's systematic efforts to address the need for change in power structures at all levels. The perspectives in that white paper and the subsequent recommendation of the Standing Committee on Foreign Affairs are to be taken into consideration in all aspects of Norwegian development policy.

Norway's efforts to promote international development are based on the principle of solidarity. There is broad support for our development policy and the aid we provide among the Norwegian public and in the Storting. The government budget for 2009 represents a milestone in this respect: we will spend 1 per cent of gross national income (GNI) on development in poor countries. In addition, Norwegian NGOs raise funds totalling several hundred million kroner.

Through its development policy, Norway influences factors that promote or impede development. Aid is one important development policy tool. Norway has already initiated targeted efforts in key areas such as good governance, human rights, education, health, and gender equality. The results of Norwegian aid have been good. However, the Government believes that the results of both its overall development policy and its specific aid efforts could be even better with a more strategic approach.

Addressing climate change, resolving violent conflicts and improving the management of financial flows will be of crucial importance for the

future of developing countries. Here Norway has the opportunity to take responsibility at the international level. We can make a difference. The Government believes that the time is ripe for a stronger policy for addressing climate change, conflict and capital flight in a development policy perspective.

Climate change is already high on the international agenda. Scientific research leaves no doubt about the reality of man-made climate change and the seriousness of the situation. Changes to our living conditions will spin out of control. We will be fighting a losing battle against poverty. At the same time, there is broad popular support across national borders for measures to address climate change. Politicians all over the world are facing demands for action. This raises the hope that new political approaches and technological innovation can alleviate the situation and create new opportunities for growth, especially in developing countries. We must make use of this room for action, and put efforts to stabilise the global climate system at the centre of development policy.

Most of today's violent conflicts are in poor, fragile states. Conflict exacerbates poverty and reverses development. Several of these conflicts have spillover effects far beyond the areas directly involved, and are attracting widespread international attention. Peace needs to be firmly rooted in the population, and negotiations must be followed up with tangible improvements to living conditions. Norway has a long tradition of contributing to peacebuilding. We also have credibility as a development actor. This gives us opportunities to pursue a policy that highlights the links between security and development.

Globalisation brings a number of advantages, but it also creates challenges. For example, it has become far easier to move capital from one country to another. This means that it is relatively simple to transfer large sums of money out of poor countries and into what are known as secrecy jurisdictions or tax havens. Substantial amounts are lost through corruption. Opportunities to make huge profits very fast are resulting in overexploitation of developing countries' natural resources. Globalisation also leads to increased migration. Migrants

send large sums of money to their families in their countries of origin. Other forms of capital are also transferred to developing countries, for example through grants, loans and investments from growing economies such as China and India.

The Government considers it important to ensure that developing countries are given greater access to global capital and better opportunities for value creation. We believe it is important to pursue an active policy that steers financial flows in a more development-friendly direction and stops illegal capital flight out of poor countries. This is particularly important now that the financial crisis is undermining the economic forces for development: trade and investment are falling and less priority is being given to aid.

In order to further strengthen its strategic approach to development, the Government will focus its efforts on areas where Norway has recognised expertise, and where Norwegian efforts are in demand and can give added value for the partner country concerned. It is by combining Norwegian know-how and political will that we have the best prospects of success. In recent years, we have achieved the best results when we have made optimal use of our international engagement and the full breadth of our foreign policy and development policy apparatus to promote bold, innovative political initiatives. The debt relief campaigns and the fight against landmines and cluster munitions are good examples of the contribution Norway can make by combining political courage with the resources and expertise needed to succeed.

Closer links between development policy and foreign policy

This white paper represents a step forward in the process of integrating development policy and foreign policy. Our development policy involves us in processes and funding mechanisms that have a place within a wider political framework. Both giving and receiving reflect political priorities. This means that some of the themes dealt with in this white paper will also be discussed in the forthcoming white paper on our foreign policy priorities. Work on the two white papers has been closely coordinated so that they complement each other while at the same time functioning as independent documents.

The central aim of our *foreign policy* is to safeguard Norwegian interests. In *development policy*, the focus is on poor countries' interests. However, these interests coincide in many areas. Climate policy is one. A stable climate is in everyone's inter-

ests; it is a global public good. Climate change concerns people all over the world. Although rich and poor countries are being affected differently, we have a common interest in gaining control over climate change. Here, our mutual dependence across national borders is clearly apparent. Human rights is another area of common interest that Norway promotes through both foreign and development policy. In the long term, a stable international legal order – which is in Norway's interests – can only be developed by countries that respect fundamental human rights. But there are other policy areas where the interests of poor and rich countries are in direct opposition to each other. Certain issues relating to migration and trade are examples here.

An approach that includes an emphasis on common interests can further enhance understanding of and support for an active foreign and development policy, and can open up opportunities for new forms of cooperation. The Government believes that it is important for development policy to promote global public goods. However, the focus on safeguarding common interests and seeking to strengthen global public goods does not mean that the Government wishes to use development policy to further Norwegian economic interests or any other form of Norwegian self-interest. The objective of Norway's development policy is to reduce poverty and promote human rights.

The road leading to this white paper

It is now about five years since the Storting debated the previous white paper on development policy, *Fighting Poverty Together* (Report No. 35 (2003–2004) to the Storting). The subsequent recommendation of the Standing Committee on Foreign Affairs showed that there is broad agreement on the main lines of our development policy. This white paper raises two key questions: What are the consequences of the developments in international politics over the last few years for our development policy? And how can we further improve our development results?

This white paper uses the term *aid* to refer to the funding of the various measures that donor and recipient have agreed to give priority to. Aid can be given in many ways and through many different channels. In contrast to other factors that govern how a country develops, aid is a tool over which both donor and recipient have a considerable degree of control. *Development policy* encompasses the full range of political approaches and tools that Norway uses actively to influence the various factors that determine the framework for develop-

ment in poor countries. The initiatives we take and the messages we communicate in various international contexts are important development policy tools. So is an awareness of the consequences of our foreign policy for conditions for development in poor countries. Aid is, of course, a key development policy tool, but it is only one of several.

In this white paper, we present our understanding of changes in the framework for development, and how these create opportunities for a strategic and future-oriented development policy. Our objective has been to produce a document that is to the point and provides the Storting with a good basis for discussing strategic development policy measures. This white paper stakes out the course for Norwegian development policy. It takes a general approach. Practical tools for implementation will be developed, as appropriate, at a later stage.

This white paper takes into account dialogue in and with the Storting in connection with the annual budget proposals, foreign policy addresses in 2006 and 2007, and the recommendation of the Standing Committee on Foreign Affairs on certain development policy issues dealt with in the Minister of the Environment and International Development's address to the Storting on 8 June 2007. It also refers to the Government's status report on Norway's efforts in relation to the UN Millennium Development Goals in the 2009 budget proposal.

In 2006, the Government appointed the Norwegian Policy Coherence Commission to examine the practical political opportunities for achieving greater policy coherence in relation to international development. The committee has drawn up an Official Norwegian Report (NOU 2008:14), which examines Norwegian policy in a number of different areas, including trade, investment, financing for development, climate and energy, migration, transfer of knowledge and technology, and peace, security and defence. The report, together with responses from the public hearing on the report, forms part of the background material for this white paper.

During the preparation of this white paper, we have maintained close dialogue with relevant organisations and institutions in Norway. We have received important input from a number of different Norwegian actors, including NGOs and research institutions. Progress on the white paper has been presented in many different contexts both at political level and in the international development community. Information has also been published on the Government's website (www.regjeringen.no), where an electronic mailbox has been available for the public to post their

points of view. This has been widely used. Many of the suggestions have been taken into account in the white paper.

1.1 The backdrop: A changing world

In the 1980s, the more prosperous part of the world was divided into two economic and political blocs. It was a bipolar world, with the US and NATO on one side, and the Soviet Union and the Warsaw Pact on the other. The balance of terror between these blocs was the predominant factor in security policy. The EU had 12 member countries. Germany was divided in two. Saddam Hussein was an important Western ally in the Iran–Iraq conflict. The poorest countries were referred to as the Third World and found themselves caught between the two blocs. At the same time, the balance of terror extended beyond the two blocs and the two superpowers had allies all over the world.

After the fall of the Berlin Wall in 1989, there was a period of just under ten years when the US was the dominant political and economic power. During this period, the world was more or less unipolar. Gradually, however, the US position has been challenged – both politically and economically. Today, the EU has 27 member countries, including several former Warsaw Pact members. Security policy is again at the top of the international political agenda. Twenty years ago, who would have guessed that the most important security policy engagement for NATO and for Norway would be in Afghanistan?

The US economy is now under severe pressure. Nevertheless, the country is expected to retain its position as the most important superpower for the foreseeable future. And the new US administration has announced that it will pursue an active and inclusive foreign policy

Box 1.1 The US – prepared to take the lead

«Finally, we will make it clear to the world that America is ready to lead. To protect our climate and our collective security, we must call together a truly global coalition. I've made it clear that we will act, but so too must the world.»

Source: Remarks by the President on Jobs, Energy Independence, and Climate Change, East Room of the White House, 26 January 2009



Figure 1.1 China is playing an increasingly important role as a development partner in a number of African countries.

Photo: Christopher Herwig/Scapix

The financial crisis and its rapid spin-off effects demonstrate how closely interwoven the international economy has become. In order to maximise profitability, the production of goods and services is being transferred across national borders – particularly to developing countries, where labour is cheap. Transfer of production leads to transfer of capital and knowledge. The internationalisation of business is a major factor for development in many poor countries, although the very poorest countries are only able to attract foreign investment to a limited extent.

The trend towards internationalisation has been underway for several decades, but it has only recently become obvious that we are in the midst of a shift in political and economic power – from west to east. China has experienced extraordinary economic growth. Never have so many people been lifted out of poverty as in China in recent years. However, the financial crisis is making itself strongly felt in the country. At the beginning of 2009, unemployment had already increased by several million. The full extent to which the financial crisis will affect China's development is uncertain. We should bear in mind that it is the country with the largest population in the world, and a growing proportion of its population is completing higher education.

China's economic growth is also evident in its more active engagement in the global arena. China is Africa's third largest trading partner after the US and France. A number of countries are refinancing their loans through loan and trade agreements with China. For the first time in the World Bank's history, African countries have been paying back

their loans ahead of schedule. China is outcompeting the World Bank and the International Monetary Fund (IMF) by offering loans and agreements with few requirements regarding reform, good governance or respect for human rights. China is also investing heavily in several mineral- and oil-producing countries in Africa and the Middle East. Many countries welcome China's engagement, partly as a counterweight to years of American and European domination, but also as an important player at the international level and in connection with its own poverty reduction. China regularly invites African heads of state to conferences, where investment and trade agreements worth huge sums of money are concluded.

Following Beijing's example, India held its first meeting for African leaders in 2008. Strong economic growth has increased the country's self confidence in the international arena. It has been both able and willing to criticise the existing international framework on several occasions, for example during the World Trade Organization (WTO) negotiations. For many years, India has been running its own development programme, and is now the leading actor in the region. It is not possible, for example, to envisage a resolution to the conflict in Sri Lanka without India playing a key role as facilitator, or without at least the approval of New Delhi.

South Africa is playing a crucial role in sub-Saharan Africa. It holds the key to stability in Zimbabwe, and this in turn will be decisive for development in the region. The extent to which South Africa succeeds in this role will be a test of Africa's credibility internationally as a continent that takes the responsibility for its own development. In Latin America, it is Brazil that is the economic engine – the driving force for regional integration in vital areas such as infrastructure, energy supply, economic development and security. And China is in a class of its own. Together with Russia, these countries are known as the BRICS countries, after the first letter of their names. Other countries with growing economies and ambitions are also playing an important part in the international arena.

Although the growing economies are by no means a homogenous group, they do have similar interests in many areas. Their ambition is clear: they want to play a more prominent role in the major political forums. We have moved from a unipolar to a multipolar world.

The traditional major powers are responding to this trend. Several countries are now advocating that the rapidly growing economies should be given a more prominent role in key international organisations. At the G8 meeting in 2008, the need

to include China and India to create a G10 was discussed. The Managing Director of the International Monetary Fund has stated that the Fund will be unable to retain its legitimacy unless rights and obligations are redistributed to reflect the economic balance of power in the world today. The G20, which was established to ensure cooperation on major challenges created for example by the financial crisis and weaker global growth, is the first forum where established and emerging economic major powers meet on an equal footing.

From a development point of view, it is interesting to note that forums that used to focus on economic and security policy issues have become central arenas for discussing the challenges faced by developing countries. This applies to the G8, within NATO and not least in the WTO.

1.2 Development and the fight against poverty

Development is a complex concept. Over the years, there has been a growing emphasis on considering development in a broader perspective, and not in terms of economic growth alone.

A common departure point is to view development within a framework of opportunities, capabilities and liberties. Development gives people the opportunity to live longer and healthier lives, access to knowledge, better standards of living and living conditions, and greater opportunity to participate in society and in decision-making processes that affect them.

It is this understanding of development that forms the basis for the Millennium Declaration, which won unanimous support at the UN General Assembly in 2000. These countries reaffirmed their determination to ensure:

- that basic needs for education, food, health and housing are met
- sustainable economic development that reduces social disparity and poverty
- the rule of law, participation in society, freedom, democratic governance and equality
- opportunities to retain cultural identity
- environmental, economic and social sustainability
- human security in the face of threats such as hunger, unemployment and conflict.

The deadline for achieving the Millennium Development Goals is 2015. They represent the first universally recognised agenda for development. They set clear targets and indicators for the

most urgent development needs. These goals form an important basis for Norway's development policy, and we have taken on a particular responsibility for MDGs 4 and 5 on reducing child mortality and improving maternal health.

Development policy should seek to provide a national and international framework that enables individuals to create a better future for themselves, and enables poor countries to do likewise. A key element is control – at individual, social and state level. It is important to create a situation where people can control their own resources and claim their rights, where they enjoy a minimum of economic and human security, and are thus able to make choices that will improve their future.

Major differences

The approximately 150 countries and territories that are on the list of recipients of official development assistance (ODA) approved by the Organisation for Economic Co-operation and Development (OECD) have very different starting points for development. The OECD's list of ODA recipients includes both the world's poorest countries, such as the Democratic Republic of Congo and Haiti, as well as upper middle-income countries such as Argentina and Croatia. The middle-income country Botswana has a far greater capacity for making use of development aid than its neighbour Zambia, which is defined as a least developed country (LDC). Major emerging economies such as China and India are also included on the list, and are thus defined as developing countries.

The debate on development will lose both nuance and relevance if we make sweeping generalisations about such a broad range of countries. It is vital that we recognise that developing countries make up a large and diverse group. The results achieved in the fight against poverty are very uneven – both within countries and between countries. In Asia, prosperity has increased significantly. Whether or not this trend can be maintained in the years ahead remains to be seen. High food and energy prices combined with poor prospects for growth in the world economy will create considerable difficulties.

Despite the fact that several countries in sub-Saharan Africa are enjoying steady economic growth, the effect on poverty in the region as a whole has so far been limited. One reason for this is that many of these countries had such weak economies at the outset that their capacity for translating economic growth into immediate poverty reduction has been very limited.

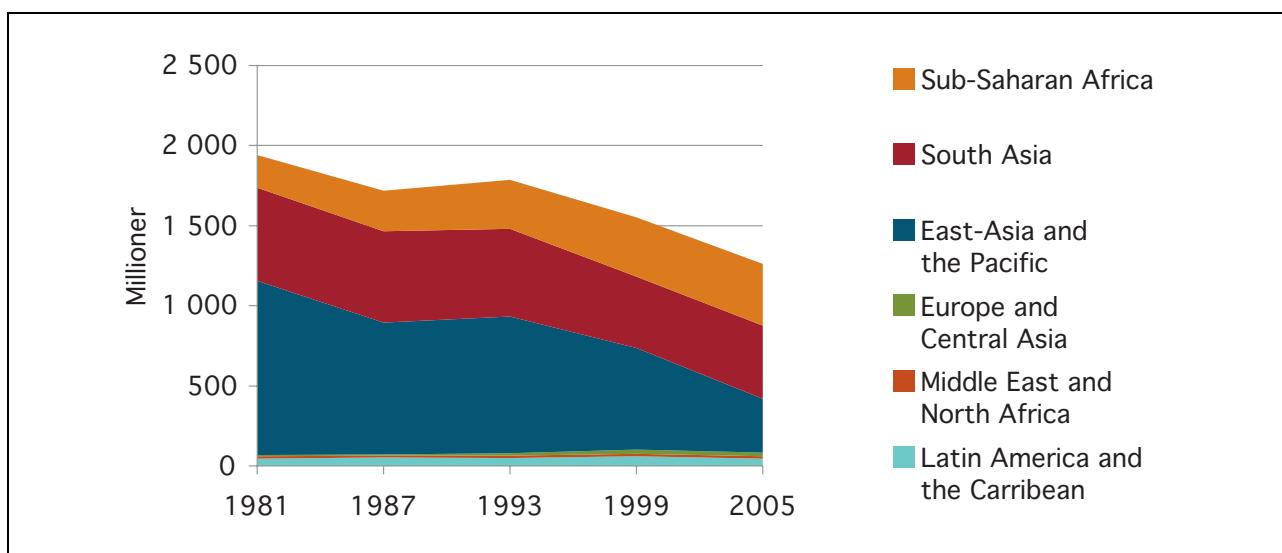


Figure 1.2 Number of people living in extreme poverty 1981–2005.

New figures from the World Bank show that poverty is more widespread than previously thought. The estimated number of people living in extreme poverty in 2005 has been adjusted upwards from 1 billion to 1.4 billion. However, the revised figures have little impact on the positive trend we are seeing in poverty reduction. Globally, poverty has been reduced by 20 per cent over the last 20 years. There are, however, major regional differences.

Source: Chen and Ravallion, Policy Research Working Paper 4703, World Bank, 2008

The impact of the global financial crisis will vary from country to country. The emerging economies are being drawn headlong into the crisis, but are in a stronger position to deal with it than the poorest countries, where it may have far-reaching impacts. In the short term, poverty must be expected to increase.

Poverty affects different social groups differently. Women account for a larger proportion of the world's poorest than men. Single women are hit hardest of all. One woman dies every minute from complications associated with pregnancy or childbirth, adding up to half a million women each year. Some 40 million people have fled from wars and conflicts. More than 30 million people are infected with HIV. Most of these live in sub-Saharan Africa. Children are affected by poverty in different ways to adults, and they are especially vulnerable to hunger and disease.

1.3 Norway's development policy profile

Norway is one of the world's richest countries. Eurostat's figures for 2008 show that Norway's per capita gross national income (GNI) is more than 80 per cent higher than the EU average and some 55 per cent higher than in Sweden and Denmark. This entails obligations.

Norway's development policy is based on values such as solidarity, compassion and human rights, and on a fundamental conviction that all people are entitled to a life of dignity. Many Norwegians are actively engaged in development efforts, for example through religious groups, various interest organisations and the labour movement. We can use our privileged economic situation both to maintain development aid at a level of at least one per cent of GNI, and to take new initiatives in international arenas to address the major challenges the world is facing. This Government intends to follow up its political message with concrete aid efforts.

Norway is a major energy producer. We have rich natural resources. We have 100 years' experience of renewable energy production and 40 years' experience of oil and gas production. We have developed a comprehensive system for sound management of our resources that takes full account of health, safety and environment issues in addition to economic and energy policy interests.

As a producer and net exporter, Norway is helping to meet the world's demand for energy, which is a key factor for economic growth and social development. Norway intends to play an active role in the development of new renewable energy sources that can replace today's fossil energy carriers. We can provide experience of hydropower that will be useful as the world seeks

to shift to cleaner sources of energy. Norway's technical and administrative expertise from the petroleum sector can also play a part in efforts to address climate and energy issues. The Government is actively seeking to ensure coherence between development and foreign policy objectives and environment and energy policy efforts.

The Government will use various approaches to address the problem of climate change. We are giving priority to decarbonisation of fossil fuels, and are intensifying efforts to develop and share clean energy technology and to stop deforestation. A change in pace is needed in these areas at global level if we are to successfully come to grips with climate change. They will become increasingly important areas of Norwegian policy. In this way, we can safeguard Norway's interests and at the same time take a responsible approach in the global efforts to address climate change.

The Nobel Peace Prize and the legacy of Fridtjof Nansen have helped to give Norway a reputation as a pioneer in peace efforts. This image has been reinforced by our participation in a number of peace and reconciliation operations and engagements. Norway has never been a colonial power. This creates opportunities for engagement that are closed to former colonial powers. In certain situations, our position as a modern European country that is not formally connected to the EU bloc can also open up opportunities. In 2008, the Washington-based think tank Center for Global Development ranked Norway in first place among OECD members in the Security component in its Commitment to Development Index. This shows that we have a good starting point for maintaining a high level of engagement in peace and reconciliation efforts.

Norway is one of the largest contributors to the UN and a champion of a UN-led world order. Global governance based on national sovereignty and respect for human rights is of vital importance both for developing countries and for ourselves. Our position in the UN and other multilateral organisations means that we can play an active role in both supporting and advocating reform initiatives.

Norwegian society is based on a model that ensures that the population's basic needs are met. Our welfare model is one of the reasons for Norway's good international reputation. Although the solutions we have devised cannot be transferred directly to other countries where circumstances are different, we have valuable experience to share in our dialogues with the authorities in developing

countries. This includes experience of developing a welfare policy in times of economic hardship.

The five main axes of our development policy are as follows:

Our development policy is designed to strengthen the position of the poor

Norwegian development policy is designed to challenge the unequal distribution of power within and between countries. We must support national development plans and an international framework that will facilitate economic and social development in poor countries.

Norway's development policy is intended to help countries with the process of meeting the basic needs of as many people as possible within a system that safeguards and promotes individuals' rights. We will mainstream women's rights and equality throughout our development policy efforts. It is also vital to ensure economic growth in order to maintain the present trend of global poverty reduction. Our focus on steering international financial flows in a development-friendly direction will help to increase global capacity for funding the fight against poverty. Growth makes it possible for countries to pursue an active distribution policy, for example by providing better social services and a safety net for vulnerable groups.

A rights-based development policy has a strong normative effect. Active use of human rights as a framework for development cooperation will raise awareness among both governments and the general population. The result will be stronger local ownership and greater sustainability. The implementation of the human rights conventions is therefore an objective in itself, as well as being an important tool that should be integrated into all development efforts.

Our development policy is designed to promote sustainable development

Norwegian development policy is designed to promote sustainable development. Our development policy should be part of the solution to the serious environmental problems of climate change and loss of biological diversity, and not part of the problem. At the same time, our contributions to global environmental policy must also play a role in the fight against poverty. This integrated approach to environment and development is an important tool in efforts to achieve the Millennium Development Goals (MDGs), improve the health and living con-

ditions of the poor, and meet global challenges relating to natural resources and the environment.

Our development policy is designed to safeguard global public goods and strengthen global rules

The framework for development is increasingly affected by global conditions. The UN has concluded that we will not be able to achieve the MDGs unless we gain control of climate change. Nor can we expect to see development in countries that are ravaged by conflict or epidemics. Such problems may start in individual countries, but cannot be resolved without a broad international effort. In many areas there is strong interdependence, and it is clear that we have a common destiny. A broader and more holistic approach to development policy makes it necessary to identify the links between national and global problems, and how interests may extend beyond national borders. This is of crucial importance not only in order to improve the situation of the poor, but also to safeguard our own interests, and not least the interests of future generations.

The international norms that safeguard individuals' rights and provide rules governing relations between countries are key global public goods. An operational and effective UN that successfully mobilises the political will and resources needed to solve global challenges is essential if these norms are to be really effective.

Through its development policy, Norway will also promote the implementation of international agreements in developing countries and seek to ensure that their authorities incorporate globally agreed policies into national legislation. All UN Member States have taken on legal obligations to implement one or more international agreements on human rights.

Our development policy and our domestic policies should be seen in relation to each other

Norway's overall impact on the development framework for poor countries is result of our policies in a number of different areas. Unless we take account of the effects of our actions in all policy areas – including the decisions that we help to make in international organisations and forums – we risk undermining our ability to reduce poverty through aid and other means. The Norwegian Policy Coherence Commission's report, *Coherent for Development?* (NOU 2008:14) highlights a number of areas where there is room for a more develop-

ment-friendly balance between national and development policy interests.

Our development policy focuses on areas where Norway has particular expertise

Our efforts will be concentrated to a greater extent on areas where Norwegian expertise is in demand and provides added value for partner countries. The prospects for success are greatest where we also have a strong political engagement. The Government has identified the following sectors where Norway is considered to have particular expertise and where we should focus our efforts: climate change, environment, sustainable development, peacebuilding, human rights, humanitarian assistance, oil and clean energy, women and gender equality, good governance and the fight against corruption.

1.4 Local ownership and the Norwegian agenda – conflicting perspectives?

All countries are responsible for their own development. All countries make choices and set priorities on the basis of their political system, power structure, values and available resources. This is true for Norway, and it is true for poor countries. We should not underestimate the forces, including a country's history and background, that influence choices of policy and direction. Nor should we underestimate how difficult it is for one country to intervene in the processes that guide political choices in another country.

The effects of donor countries' development policies and of international aid depend significantly on the efforts of the political leadership, the public and private sectors and civil society in recipient countries. These efforts help to determine the room for action for Norway's development efforts. And this is how it should be. National ownership of both development processes and individual projects is essential. Without this, development will not be sustainable. National ownership must be understood in a broad sense. It does not only apply to a country's government and parliament, but also to civil society and the full range of institutions that help to ensure a balanced power structure.

Norway attaches importance to implementing the objectives of the 2005 Paris Declaration on Aid Effectiveness at both international and national level. This means that Norway's development

Box 1.2 Lesbian and gay rights in developing countries

All the countries of the world have committed themselves to protecting human rights on a non-discriminatory basis. Neither culture, religion nor tradition can justify violations of human rights. Human rights apply to all individuals regardless of gender, race, religion or sexual identity. We cannot ignore systematic abuse and discrimination of sexual minorities.

Norway will therefore be a fearless champion of equality. This includes fighting against discrimination on grounds of sexual orientation, which affects gay, lesbian, bisexual and transgender people. This will require broad, clearly targeted measures in sensitive areas. We will speak out where others find it easier to remain silent.

Organisations that represent minorities can provide useful guidance for the kinds of measures that are best suited to local conditions.

Norway's credibility as a champion of human rights depends on us being consistent in our efforts to fight discrimination and promote minority rights.



Figure 1.3 In 2006, South Africa's Parliament passed the Civil Union Act, entitling same-sex couples to marry on an equal basis with heterosexuals.

Photo: Dennis Farrell/Scanspix

cooperation work will be guided by the principles of national ownership, alignment with recipient countries' systems, harmonisation among donors, results-based management and mutual accountability. In order to enable recipient countries to take responsibility themselves, the conditions and mechanisms involved must allow a long-term approach and the elbow room needed to be able to make independent decisions. Increased use of budget support on the basis of national development plans together with better financial management make it possible to achieve a clearer division of roles.

Human rights are under pressure in both rich and poor countries. In 2008, the US think tank Freedom House reported the first signs since 1994 that democratic values are on the wane. Authoritarian forms of government are winning ground. Amnesty International has documented serious human rights violations in the majority of the countries in the world. Sadly, there is a wide gap between the obligations undertaken by the major-

ity of countries and the realities on the ground in many of them.

The disparity between our commitment to universal rights and the varying importance other countries attach to these rights is apparent in many development policy areas. The white paper *On equal terms: Women's rights and gender equality in development policy* states clearly that Norway will speak out boldly and clearly, even on the most sensitive issues. However, it also points out that we must accept the fact that promoting gender equality is a long process that frequently challenges powerful cultural and religious forces. Our rights-based approach must always be based on sound knowledge of the global situation and access to expertise on the particular situation in each partner country. We must identify and support relevant agents of change and tailor our approach and efforts to local conditions.

Despite the dilemmas that can arise, our approach towards countries where there are human rights challenges is to seek access and dia-

logue. We will use the opportunities our development policy provides for promoting human rights. Our strategy in this difficult terrain must be to defend and promote principles that are universal. We will use all the channels offered by the open and interdependent world community to exert an influence.

1.5 Administrative and financial consequences

The close links between foreign policy and development policy are already taken into account in the Government's organisation of work in these areas. In 2004, the administrative responsibility for embassies with development responsibility was transferred from Norad (Norwegian Agency for Development Cooperation) to the Ministry of Foreign Affairs. At the same time, responsibility for policy-making, strategy formulation and information activities, as well as country-specific and regional expertise, was integrated into the Ministry. More funding and more authority were delegated to the embassies. Norad was designated as the centre of technical expertise for the whole Norwegian development apparatus, with responsibility for providing advice, for quality assurance, and for channelling long-term aid through NGOs. This reorganisation has made it easier to ensure coherence between long-term development cooperation, humanitarian assistance and bilateral and multilateral aid. Overall, making the Ministry of Foreign Affairs responsible for the administration of all development policy tools has led to closer integration and coordination between foreign and development policy. At a practical level, significant effort has gone into improving the administration of

grants. New guidelines have been drawn up, and a central support function has been established with overall responsibility for ensuring uniform practice in the Ministry.

Many of the measures put forward in this white paper involve a change of policy that will have few budgetary consequences. Other measures are based on priorities set out in budget proposals in recent years, such as increasing support for countries in conflict. A closer focus on fragile states will mean that additional support is channelled to these countries. The Government's efforts to address international financial flows will primarily be of a strategic, political nature and will not require high levels of funding. Provision has already been made in the budget for climate-related measures, primarily under item 166.73 (climate change and deforestation). Right from the start, the intention has been to provide fresh funding for these activities. The Government attaches great importance to women's rights and gender equality. A separate budget item, 168.70 (women and gender equality), was established in 2007.

This white paper proposes more strategic use of the different aid channels, so that bilateral aid is linked more closely to areas where Norway has expertise that is in demand, while funding for sectors such as health and education will primarily be via multilateral channels. Programme category 0310 (bilateral assistance) for 2008 contains an item for each region, but not for individual countries, with the exception of Afghanistan. The measures proposed in this white paper will be implemented within existing budgetary frameworks. This means that the objectives, actions and priorities set out in this white paper will be followed up through the ordinary budget proposals in line with normal practice.

2 National responsibilities

Each country is responsible for its own development. Although much of the framework for development is determined by international factors, at the end of the day it is the nation state that is responsible for ensuring that development moves in the right direction and that the population's rights are respected. The basis for development in any country is created through interaction between the state, civil society and the private sector.

States are expected to provide security and a suitable framework for economic activity, and to respect the freedom and human rights of their citizens. In return, citizens have a duty to pay tax, respect the state's monopoly on the legitimate use of power, and comply with statutory restrictions on personal freedom. Functioning states are crucial if we are to meet global challenges that require broad international cooperation and engagement.

In recent years, Norwegian development policy has focused increasingly on fragile states – countries affected by crisis and war. State-building in these countries involves particularly difficult challenges, not only in relation to the state apparatus, but also in relation to civil society and the private sector.

2.1 A well-functioning state

A state must have a minimum of administrative capacity to be able to perform its functions. Its precise functions and objectives must be formulated at a legitimate level of government. Then there is a need for a reasonably well-functioning bureaucracy to implement political decisions and provide public services, a security system that ensures security for the general public, and a public finance

Box 2.1 More than one million women elected representatives in India

Today, 42 per cent of local village councils in India (panchayats) are made up of women. This means that there are more than one million publicly elected women representatives in India – more than in all other countries combined.

Rules on the reservation of seats on the panchayats for particular groups were introduced in the 1993 amendment to the Constitution. They require one third of the seats to be reserved for women, and seats are also to be reserved for «Scheduled Castes» and «Scheduled Tribes». Around half the elected women representatives in India are illiterate.

Experience has shown that women representatives give higher priority to the development of social services, such as primary schools, health care, water, and a social security net for the poor, than their male colleagues. Studies also show that women help to ensure more effective use of local resources and reduce corruption.

Norway supports training and network-building programmes for women elected to panchayats

through a cooperation project between the Indian NGO Aagaz Foundation and the Norwegian Association of Local and Regional Authorities. The project has a strong focus on mutual learning – what can these two countries learn from one another?



Figure 2.1 The Norwegian Association of Local and Regional Authorities supports training programmes for women representatives in India.

Photo: Norwegian Association of Local and Regional Authorities

system that is able to generate revenues and collect taxes. Sound development plans with budgets, preferably based on poverty reduction strategies, provide a good starting point for national ownership of development and make recipient countries better equipped for dialogue with external donors.

However, state-building is not just a technocratic process of building or strengthening government institutions. Without the ownership of society as a whole, institutions can end up as empty shells or being used to promote individual interests.

Elections and other processes that allow for popular participation in decision-making are a necessary element of the social contract and give the state legitimacy. Important decisions must be made by popularly elected bodies. Both ruling and opposition parties are vital for a vibrant democracy.

A democratic culture must have strong roots at local level. Decentralisation and autonomous local

government often contribute to a more effective use of resources and can form the starting point for popular participation in local and national politics.

Support for democratic governance will not produce results until people experience concrete improvements. Competence-building is often necessary to improve the ability of publicly elected representatives to meet their democratic obligations to voters.

Norway's engagement in democratic development is wide-ranging. Both through direct government-to-government cooperation and through the United Nations Development Programme (UNDP), we are working with national authorities on democratic reform, the holding of elections and training of elected representatives. Norway is well positioned to provide election observers, who can help to ensure fair and effective election processes. Our largest and most important contribution is support for various interest groups in civil society

Box 2.2 Democratic governance and the UN Development Programme

The United Nations Development Programme (UNDP) is the UN's global development network. It spends the equivalent of more than NOK 10 billion a year – almost half its budget – on promoting democratic governance.

On average, UNDP provides support in connection with elections somewhere in the world every other week, throughout the year. For states that have recently emerged from war, the first election is a critical step in the transition from war to peace. In 2005, UNDP helped Liberia hold the election that brought Ellen Johnson-Sirleaf to power as Africa's first elected woman president. UNDP has established cooperation with parliaments in one in three developing countries, which includes support for training newly elected members of parliament. In Rwanda, UNDP has worked together with the United Nations Development Fund for Women (UNIFEM) to increase women's opportunities to take part in political life. This undertaking has been successful: since the parliamentary election in 2008, more than 55 per cent of the representatives are women.

A great deal of UNDP's work on democratic governance is in conflict areas during the early stages of reconstruction. In Darfur, a legal aid network has been established, and the lawyers involved have dealt with more than 2000 cases. They have been able to bring about the release

of people who have been arbitrarily arrested and the conviction of criminals. More than 80 cases of rape have been dealt with by the judiciary, and those convicted have been sentenced to up to 10 years' imprisonment. These efforts show that it is possible for long-term democratic development to create a legal culture, and promote respect for human rights. Moreover, establishing and strengthening democratic institutions will also help to prevent a return to conflict.

In 2007, UNDP came out on top in a study undertaken by the Overseas Development Institute in the UK on recipient countries' perceptions of aid effectiveness and performance.

Norway is one of UNDP's most important partners, and in 2007 was the largest donor to the UNDP core budget, with a contribution of NOK 770 million. Norway's high level of funding is supporting long-term efforts on good governance. In addition, Norway provides substantial funding for individual funds and programmes and efforts in connection with humanitarian crises and natural disasters.

The Oslo Governance Centre was established in 2002. It takes an innovative approach to challenges relating to governance and the links between democratic governance and poverty reduction.

as a means of mobilising the general public. This work generally involves direct collaboration with Norwegian and international NGOs and interest groups.

Taxation is important for strengthening the contract between the individual and the state, which in turn can encourage the state to pay greater attention to the welfare of the population. People are likely to be more alert and quicker to demand good governance and sound financial management if revenues are generated from the population as a whole and local businesses. Development actors must be fully aware of this link, so that aid is used to foster a government's responsibility for its own people, rather than creating a situation where governments are primarily accountable to donors.

Education and health

Education is a key factor for all other development, such as preventing war and reducing conflict, creating economic growth and adapting to climate change. Education is crucial for the continued efforts on health, rights, gender equality, democracy, and – of course – for recruitment to higher education and research. Access to education is a human right. It is the nation state's responsibility to ensure that the whole population, including the most vulnerable groups, have access to education.

The UN's Education for All conference in 2000 culminated in a commitment to the goal of all children having access to primary education by 2015. We are now halfway to this deadline. Good results have been achieved. The increase in the number of children starting school is particularly encouraging. However, much remains to be done. There are still 75 million children of primary school age who are not in school. Girls are significantly over-represented in this group. Helping these children is a key task. Another key task is to ensure that teaching is of a high enough standard, so that pupils leave school with a satisfactory level of knowledge and skills.

Access to education is poorest for children who are refugees or internally displaced or who live in countries in conflict. Most of the world's out-of-school children live in such areas. The Government therefore intends to focus particularly on support for education in fragile states and countries affected by conflict. A large proportion of our funding to multi-donor funds in Afghanistan and the Palestinian Territory is for education. Support for education during humanitarian crises also helps to protect children and prevent them from becoming child soldiers or victims of prostitution.



Figure 2.2 Millennium Development Goal no. 2 is to achieve universal primary education by 2015. In Mozambique, the proportion of children in school has increased from 43 per cent in 1999 to 87 per cent in 2007.

Photo: Ken Opprann

For many years, a substantial proportion of Norway's aid has been earmarked for primary education. With a view to achieving the best possible coordination of international aid, the Government wishes to focus more on multilateral channels in its efforts to promote education. This will also reduce the number of donors recipient countries have to relate to.

In countries that, as a result of long-term assistance, are in a better position to give priority to the education sector, Norway's policy is to integrate funding for education into general budget support. This has been done for example in Tanzania and Zambia.

Norway is already the largest donor to UNICEF's basic education and gender equality programme. We are also a significant contributor to the World Bank's Education for All Fast Track Initiative and to the United Nations Girls' Education Initiative (UNGEI), which is coordinated by UNICEF. This network, which aims to improve access to and quality of education for girls, is currently operative in some 30 countries. By taking an active part in the governing bodies for such initiatives, we can promote Norwegian views in areas to which we give priority without creating any additional administrative burden on recipient countries.

In addition, the Government is actively promoting primary education in a range of international forums. For example, Norway hosted the meeting of the High-Level Group on Education for All in December 2008.

Ensuring that the whole population has access to health services is also a national responsibility. The public authorities must, through their own policies, take the main responsibility for financing and regulating health services. They must facilitate broad cooperation that mobilises forces in local communities and allows different actors to offer services within a common binding framework. Funding for health services needs to be long-term and predictable, whether it comes from aid or from national resources, and must cover necessary investments and operating expenses for infrastructure, technology, medicines and personnel.

Everyone is entitled to the highest attainable standard of health. Good health is also one of the most important conditions for enjoying a meaningful and active life. Improving health helps to reduce poverty, for example by improving children's ability to learn, increasing capacity for work and reducing sickness-related costs. However, better health cannot be achieved by building up the health sector alone; it is also necessary to ensure access to clean water, healthy food, an unpolluted environment, gender equality and, not least, education.

Norway played a prominent role in the establishment of the International Health Partnership (IHP), which is intended to help organisations taking part in the Global Campaign for the Health Millennium Development Goals to work more effectively together. The signing of the IHP Global Compact in September 2007 was an important step towards better coordination. This agreement sets out requirements for both donors and recipients of aid. Recipient governments agree to work together with international partners to determine how the IHP best can be implemented at country level. The first group of recipient countries to take part in this initiative are Ethiopia, Kenya, Zambia, Mozambique, Burundi, Nepal, Cambodia and Mali.

Without a dramatic change in pace, the MDG on reducing child mortality will not be reached until 2045. Malnutrition is an important factor. But there are also positive trends. The number of deaths from measles in sub-Saharan Africa was reduced by 75 per cent between 1999 and 2005, showing that the extensive vaccination initiative spearheaded by Norway is being successful. Today, child mortality is at the lowest level since records began, but it is still far too high.

The MDG on reduced maternal mortality will not be achieved; indeed, the mortality rate for pregnant women will probably increase in certain areas. The high level of maternal mortality is mainly due to complications such as haemorrhages and infections, often as a result of unsafe

Box 2.3 Education in fragile states

Children in fragile states have far poorer access to education than children in other developing countries. In line with the priority that Norway is now giving to fragile states, the Government has significantly stepped up support for targeted efforts to enable children in these countries to realise their right to primary education. Our main partners in this area are UNICEF and various NGOs, particularly Save the Children Norway and the Norwegian Refugee Council. These efforts include rebuilding schools and the education sector as a whole after natural disasters, and providing education services in fragile and conflict-ridden states. Education is also a tool in peace, reconciliation and reconstruction efforts.

UNICEF is a key actor in countries such as Sudan, Nepal, the Democratic Republic of Congo, Liberia and Sierra Leone. There were only 300 000 children in school in Southern Sudan in 2005, when the peace treaty was signed. Now, largely thanks to UNICEF's «Go to School» initiative, more than one million Southern Sudanese children are attending school.

Save the Children's global campaign Rewrite the Future aims to get three million children into school by 2010. It is also seeking to improve the quality of education for another five million children who are already attending school in conflict-affected areas. The programme aims to provide schooling as a means of protecting children. Norway is the largest donor to Save the Children's and UNICEF's educational efforts.

abortions. Today, less than 60 per cent of women in developing countries, and less than 35 per cent in the least developed countries, have access to skilled health personnel during labour.

In 2007, the UN added a new target under the MDG on maternal health: to achieve universal access to reproductive health. This provides a stronger focus on gender equality and links the MDGs more closely to the platform for action from the World Conference on Women in Beijing, for example by highlighting health services for young

Box 2.4 Global Campaign for the Health MDGs

Heads of state and government from a number of countries have joined forces to accelerate progress in reaching the health-related Millennium Development Goals (MDGs) through a global campaign. The Norwegian Government has spearheaded efforts to persuade leaders in both rich and poor countries to join the Network of Global Leaders and give priority to reducing infant and maternal mortality.

This has also led to new focus on investments in health systems combining various tools to achieve the three health MDGs. National authorities, aid organisations and civil society must have a common agenda if we are to achieve real improvements in the health of women, babies and young children. Some 250 organisations have joined forces in a global partnership to promote broad grassroots engagement in reducing child and maternal mortality

people and family planning. These are also important in preventing HIV infection.

Non-communicable and lifestyle-related diseases such as cardiovascular diseases, cancer, chronic respiratory diseases and diabetes have become one of the most serious health challenges in both developing and developed countries. The incidence of such diseases is expected to increase most rapidly in Africa and the Middle East. Unhealthy eating habits and lack of exercise are causing an increase in obesity in developing countries, where malnutrition is also a problem. Tobacco kills up to half the people who use it. Misuse of alcohol is estimated to cause some 2.3 million deaths a year worldwide, and has serious consequences for health and development, including vulnerability to HIV infection. These figures are additional to the large numbers of people affected by communicable diseases, and entail a huge burden on health services.

In order to deal with these health challenges, health services need to include a first-line service for both prevention and treatment, close to users, that is part of an effective continuum of care. In addition, hospital-based services need to be strengthened to be able to deal with complicated deliveries and incomplete miscarriages.

A shortage of skilled and motivated health personnel is a major problem in very many developing countries, particularly in rural areas. Both national authorities and donors must give higher priority to personnel issues, and focus on factors such as education, recruitment, distribution, pay and working conditions, incentives and support.

There is now sound scientific evidence that a health service based on good primary health care is generally best and cheapest. However, influential groups with prestige and economic interests vested in the development of medical technology are channelling resources towards more and more specialised and fragmented health services. Norway will continue to emphasise the importance of well-functioning primary health services in its dialogues with recipient countries.

Financial management and anti-corruption efforts

Corruption and abuse of power prevent effective use of national resources and hamper economic growth. Widespread corruption is a symptom of poor governance as well as an obstacle to democratic development. Corruption is often defined as the abuse of a position of public power to gain personal advantage. It refers to any transaction between public and private actors involving the illegal conversion of public goods into private benefits; it may also involve the private sector and civil society.

Corruption undermines formal processes and political systems. Corruption during elections and in legislative assemblies makes elected bodies less accountable and representative. Corruption in courts makes it possible to sidestep the law, undermines respect for the law and for the courts, and makes it more difficult for people to uphold their rights. Corruption in the public administration reduces transparency, makes it difficult to get things done, and results in very inequitable distribution of goods and services.

Sound financial management is crucial for ensuring that state revenues are used effectively and is a vital tool for preventing corruption. This applies both to a country's own revenues and to aid. New electronic systems for financial management make false accounting more difficult. Actual spending can easily be compared to the figures in the budget.

Transparency in financial management promotes democracy. Discussion of the government budget by parliament strengthens the role of elected representatives and makes them more accountable to the population. However, a number

of other key functions must be in place to ensure accountability and confidence in the public administration. Independent auditing, as carried out by national auditor-generals, makes it possible to identify systematic weaknesses and dishonest public officials. The capacity to investigate economic crime and an independent legal system are also needed to develop general awareness of the fact that corruption is a crime.

Norway is working to prevent, disclose and prosecute cases of corruption. The fight against corruption is integrated into good governance efforts at local, national and global level. Particular priority is given to providing support for public institution-building and financial management, including support for national audit offices, anti-corruption offices and other institutions that exercise public control functions. Countries must be willing to establish transparent and robust financial management systems if we are to enter into cooperation with them on budget support.

Norway is at the forefront of efforts to intensify the anti-corruption work of multilateral organisations. UNDP has taken on a more active role in assisting partner countries with public sector reform and anti-corruption efforts. Norway has been a mainstay in the development of the World Bank's governance and anti-corruption strategy. We are also helping to strengthen the development banks' capacity through the secondment of anti-corruption personnel.

Norway supports an international network of corruption fighters that brings together investigators and public prosecutors from developing countries and their counterparts from Western countries to discuss anti-corruption strategies and cross-border investigation of corruption cases.

The network also provides protection for members whose personal security is at risk.

Greater transparency and easier access to information about our own aid expenditure are important instruments in fighting corruption and making aid more effective. Norway therefore supports the recently established International Aid Transparency Initiative. It is important that all aid received is reflected in the budget of the country concerned.

Making use of Norway's experience

Many developing countries have become interested in the Norwegian and Nordic social model: a mixed economy, a well-developed welfare system, firmly established routines for liaison between the social partners, and emphasis on gender equality.

Strong economic growth in itself is no guarantee for positive social development and poverty reduction. Growth can be concentrated in individual industries or areas, and the poor may well be excluded. Capital-intensive sectors, such as the petroleum and mining industries, can produce huge profits for owners and investors, without any spin-off benefits to the general population or the state. In such cases, the challenge is to find good political tools for sharing wealth more equitably without reducing the rate of growth. Well-developed health and education services are crucial, but other social policy tools can also be very important.

There is a common perception that poor countries cannot afford to establish universal welfare systems. On the other hand, there is a growing conviction that social and welfare policy is a vital tool for both economic and social development in all countries, and that investments in these sectors should not be postponed until a certain level of economic development has been reached. Some people may experience a temporary loss of income after a natural disaster or because of economic fluctuations, as we have seen with the international rise in food prices and the financial crisis. In such situations, welfare schemes can prevent men and women who lose their jobs from being forced into poverty that undermines their ability to take part in value creation in future. Such schemes can help to stimulate local markets and can also provide social benefits by reducing hunger and improving health. There is also a close connection between parents' incomes and child labour, and in a crisis, children will often be taken out of school to contribute to the household economy if no welfare provision is available. Access to food and cash transfers for disad-



Figure 2.3 Strong, independent media play an important role in the fight against corruption.

Photo: Ken Opprann

vantaged groups is a question of rights, and the state has a direct responsibility to ensure that these are met. Pension schemes provide security against extreme poverty in old age and help to give the elderly higher status in the family and in society as a whole.

Norway started to provide various social security benefits at an early stage of its economic development, and found that this gave positive results. A number of developing countries have had similar experiences, and there is increasing interest in this area of international development.

Measures targeted at the more developed part of the economy will, over time, also help to improve the prospects for development for the poor. Growth of the middle class leads to increased expertise and productivity, greater demand for goods and services and the development of local markets. The middle class is an important mouthpiece for change in various areas, speaking out for a free press, respect for human rights, better conditions for the private sector and access to information about the public administration, and condemning corruption. The middle class is often a strong advocate for better infrastructure and public services, such as health and education.

Norway has valuable experience of developing primary industries in a thinly populated country, using cooperatives and strong agricultural organisations as the backbone of the system. We have developed a good model of tripartite cooperation between employers, the trade union movement and the state. We have also made significant progress in promoting equality in general – in addition to gender equality – by ensuring statutory rights for various groups who had previously been subject to systematic discrimination.

Where there is interest, Norway will continue to share its experience with countries that wish to focus on equitable distribution of welfare services and equality in their development. This is particularly relevant in cases where we provide general budget support in the form of government-to-government aid, as this provides an opportunity for a broader dialogue on the development of society as a whole and not just particular sectors.

The Government will:

- ensure that aid provided for capacity development is designed to enhance recipient countries' ownership of the development process
- continue to provide support for direct cooperation between Norwegian political parties and their sister parties in developing countries

- give priority to measures designed to secure the right to education in fragile states
- put more focus on the right to services and on initiatives that are particularly important for children, young people, women and vulnerable groups, including sexual and reproductive health services and initiatives to prevent the spread of HIV infection
- strengthen national health systems with an emphasis on capacity building
- channel more of Norway's aid funding to the health and education sectors through multilateral organisations such as the UN, the World Bank and the global health funds
- direct more attention to the criteria for success in the support we provide for anti-corruption institutions and strategy development
- give particular priority to anti-corruption efforts in countries where we provide support for the petroleum and mining sector, and in countries that are carrying out post-conflict reconstruction activities
- strengthen the anti-corruption efforts of the multilateral organisations
- help to develop greater transparency in recipient countries with regard to international aid flows and how they are used, for example by seeking to ensure that funding provided to the public sector is reflected in the government budget
- share Norwegian experience of social planning, including the development of welfare services, tripartite cooperation between employees, trade unions and the state, our organisation of primary industries in cooperatives and agricultural organisations, and our efforts to promote equality.

2.2 Strong civil society

A diverse and dynamic civil society is an important supplement to elected bodies and is a vital factor for democratic development. But a well-functioning civil society cannot be developed without a broad range of actors with the capacity to become involved in social development, such as academia, the media, the private sector, political parties, the cultural sector, religious communities, traditional institutions and voluntary organisations.

Civil society gives people the right and opportunity to influence social development, improve their own living conditions, and provide support for the poor and underprivileged so that their voices can be heard and their interests brought into focus.



Figure 2.4 Lusaka Playhouse, Zambia.

The difficult questions about relationships and identity raised in Ibsen's play *A Doll's House* are still relevant today. The voices of the main characters, Nora and Helmer, continue to be heard in the public debate all over the world. Cultural development can be both an end and a means in a country's development process.

Photo: Rodney Lobo

Civil society is an arena where individuals come together on a voluntary basis on behalf of themselves or others, working either directly or through voluntary or other organisations.

Free and independent media are an essential part of a viable democracy. A critical press can bring abuse of power and corruption to light. It may provide the only protection against abuse for opposition and other groups. The objective of Norwegian support for free and independent media is to support efforts to strengthen transparency and democracy and improve governance. We provide both legal and technical assistance to strengthen the position of the media, promote media diversity and availability, and help to ensure that the media have access to information in connection with decision-making processes.

Cultural institutions and organisations play a vital role in fostering a vibrant civil society with open arenas for broad debate. Artists, performers and intellectuals play an important role in forming public opinion, and are able to reach a broad section of the population through various forms of cultural expression and other activities. This means that these groups are important agents of change in development processes.

Civil society organisations can provide an important supplement to public services, particularly in the health and education sectors, where public services are – for various reasons – often inadequate. Their activities can show a way forward in countries where the standard of public services has fallen below an acceptable minimum. As independent actors they have an arena to test

Box 2.5 Access to information makes it possible to exert an influence

The World Alliance for Citizen Participation (CIVICUS) is a network of more than 450 organisations in developing countries that has been carrying out assessments of civil society – its structures, environment and values – since 2004. Assessments have now been carried out in more than 50 countries and have gained broad recognition from national authorities, international donors and academic communities.

CIVICUS is helping to foster a common understanding among national civil society actors of their strengths and weaknesses. Through its broad and inclusive work process, it has also boosted confidence in civil society among the general public, the media, the private sector and among donors. In some cases this has given national authorities a more positive view of the role these organisations can play.

Norway has supported the efforts to develop an index that measures the status of civil society in various countries. This index has proved valuable for UNDP in its efforts to promote national, democratic ownership of performance in this area. The index can also be used to strengthen the dialogue on governance in countries where there has traditionally been little collaboration between national authorities and civil society actors.

new ideas and models that can later be tried out on a larger scale and, if appropriate, integrated into the public system.

In recent years, there has been a tendency in several countries to tighten legislation governing civil society organisations and their activities. Norway will make it clear that it is the state's responsibility to facilitate diversity and growth in civil society by providing good legal, economic and political framework conditions for voluntary engagement, including freedom of expression and the right to organise.

The Government will:

- help to foster a dynamic and diverse civil society in developing countries that promotes the interests of the general public and gives a voice

- to their views, through support for local, international and Norwegian organisations
- highlight the importance of the state providing a good framework for civil society organisations' activities
 - seek to safeguard the right of the free media to fulfil their role as watchdogs of democracy.

2.3 A viable private sector

A dynamic private sector is crucial for economic growth and development. The private sector is best developed on the basis of cooperation with the state. The state must take responsibility for providing framework conditions that facilitate well-functioning markets, including energy, transport and telecommunications infrastructure, and financing opportunities. Political and economic stability is vital for stimulating investment.

Sound management of renewable resources

Around 75 per cent of the world's poor live in rural areas and depend to a large extent on fisheries and agriculture for their livelihoods. The high food prices on the world market since 2007 led to renewed hope of an upturn in the agricultural sector, including in poor countries. However very little benefit from the rise in prices has trickled down to small-scale farmers, especially in Africa. This is partly because the national authorities in these countries have given priority to subsidies and import restrictions to keep prices down for their growing urban populations. Other reasons are inadequate infrastructure and market access and low levels of technology and expertise.

Many African countries have significant potential in agriculture, forestry, fish farming and other economic activities based on natural resources in rural areas. The management of water resources is an important factor in this connection.

Access to agricultural inputs for small-scale farmers is another critical factor for increasing productivity. Norway's experience of cooperation with Tanzania and Malawi has shown that strategic collaboration between the public and private sector can improve farmers' access to seed and mineral fertiliser and thus improve food security. The Government has therefore entered into a strategic partnership with Yara International ASA to ensure deliveries of mineral fertiliser to East Africa. This will include various activities in Malawi, Mozambique and Tanzania with the common goal of reducing poverty and improving food security.

Women account for 50 per cent of Africa's agricultural production, and 70 per cent of food production. However, in most African countries, women do not have full rights to own or inherit land. Strengthening women's land rights will not only enhance gender equality but also promote economic growth by stimulating activity and investment in agriculture.

Climate change is altering the conditions for food production in a number of countries. Previously arable land is becoming drier, traditional seed varieties can no longer be cultivated because they are no longer suitable for the climate, and fish and other marine resources are coming under pressure as a result of changes in sea temperature, acidification and damage to coral reefs.

It is important to adapt agriculture to changes in the climate and ensure that agricultural production does not have adverse impacts on the climate, for example by increasing deforestation or by using non-climate-friendly technologies.

The development of the fishing and fish-farming sector is providing opportunities for private sector development and economic growth in many developing countries. Fish is a valuable renewable resource that is a source of nutrition, food security, income and employment. Some 70 per cent of all fishing and 90 per cent of all fish farming takes place in developing countries, including China. Exports of fish and fish products provide these countries with important export revenues, greater in fact than the total net export revenues from cof-

Box 2.6 Fishing regulations in Vietnam

Norway provided support for the development of a new fisheries act in Vietnam, which came into force in 2003. Cooperation is being continued on the development of regulations, capacity-building, and awareness-raising activities. An innovative tool in the development of rules and regulations is the pilot model approach. Regulations are tested in a specific geographical area, and then finalised on the basis of practical experience. Regulations for the allocation and leasing of fish-farming facilities, registration and inspection of fishing vessels, harbour management, local management of shrimp farming and the application of the fisheries act to the production of shrimp larvae are currently being tested. A review concluded that the pilot model approach produces satisfactory results.

fee, bananas, rice and tea. Norway has important expertise in the fisheries sector that is in demand.

Norway's development policy is to foster interest in partner countries in sustainable natural resource management. This can be achieved, for example, through steps to strengthen legislation and its enforcement, and by making clean energy solutions more attractive than conventional, polluting alternatives. We want to provide expertise and funding for countries that have the political will to give priority to sustainability in their development process.

Responsible management of non-renewable resources

It is a paradox that a significant proportion of the world's poor live in countries that are rich in resources, such as oil, gas, copper, diamonds and gold. One-fifth of the world's oil and gas exports are from Africa and as much as 40 per cent of the population in sub-Saharan Africa live in countries that the International Monetary Fund (IMF) considers to be rich in resources. Increased demand for petroleum products and other minerals in recent years has led to a significant increase in prices, and the interest in exploiting these resources has grown. Many developing countries have attracted major foreign investments in this area, and have had a considerable increase in government revenues, for example from taxes, ownership interests and the sale of licences. It is too soon

to judge what the consequences of the dramatic fall in oil and other commodity prices in the autumn of 2008 will be.

Income from the extraction of oil and other mineral resources can lead to significant poverty reduction in many developing countries. But this requires high standards of management. Experience has shown that countries that are rich in natural resources often have lower economic growth than others. In general, their economies are subject to stronger cyclical fluctuations than is the case in other countries. One of the reasons for this is major fluctuations in commodity prices; in the autumn of 2008, for example, oil prices fell from USD 150 to USD 50 during the course of one month.

One of the most serious problems is the tendency for resource-rich countries to be more vulnerable to corruption and misuse of funds. For example, government officials may establish fictitious enterprises for the purpose of siphoning off revenues from the exploitation of natural resources for their own gain. Large revenues combined with weak institutions and legislation have, in certain developing countries, held back democratisation and in the worst cases led to civil war. This is why the term «resource curse» has been coined to describe the situation that many poor countries with major natural resources have ended up in.

Forty years of petroleum production have given Norway valuable experience of managing oil resources in a way that promotes sustainable economic growth and the welfare of the population as a whole. This is experience that Norway can share with others. Many developing countries are interested in our expertise and experience with a view to developing a comprehensive framework that will enable them to avoid the resource curse. The purpose of the Oil for Development initiative, which was launched in the autumn of 2005, is to promote lasting poverty reduction and sustainable economic and social development. It takes a broad approach, including competence-building and institutional collaboration on resource, financial and environmental management. Good governance is a cross-cutting issue. Norway hopes that Oil for Development will also help to bolster petroleum-related business activities through support for building competence in the supplier industry. The initiative has grown rapidly as a result of increasing demand. Today, Oil for Development cooperation has been established in 25 countries.



Figure 2.5 Many poor countries are rich in resources. The challenge is to ensure that these assets benefit the whole population.

Photo: Fredrik Naumann/Felix Features

Box 2.7 The Extractive Industries Transparency Initiative

It is a paradox that in many developing countries with important natural resources, economic growth is low and the risk of violent conflict is high. Income disparities also tend to be higher in these countries. The Extractive Industries Transparency Initiative (EITI) was established to promote transparency concerning revenues from the petroleum and mining industries in producer countries. Transparency encourages sound management of these revenues and can thus be an important factor in poverty reduction. A lack of transparency in these areas has made it possible for elite groups to become very wealthy in some resource-rich countries.

The EITI is working to ensure that transparency in the extractives sector becomes a global norm and that a greater proportion of the revenue from these industries is used to promote fair social and economic development. It is thus a key development policy player. Greater transparency in revenue flows will also promote greater stability in the world's energy regions.

More than 20 countries with rich resources are already implementing the EITI criteria. An additional 20 countries are considering joining the initiative. Altogether, these countries make up more than half the world's most resource-rich countries. Countries that join the EITI can seek assistance from the World Bank, the African Development Bank and the Asian Development Bank. The initiative has also won the political support of the G8 and receives financial support from a number of countries, including the US, Germany, Canada, Italy and Norway.

The EITI does not just work with countries. It also provides a partnership between governments, extractive companies and civil society. For example, it provides civil society with information about revenues from the extractives sector that can be used to hold the governments accountable for how these revenues are used.

In order to strengthen the EITI's credibility, it is important that Western countries also undertake to comply with the initiative's criteria. The Norwegian authorities and our national oil and gas company StatoilHydro have taken part in the initiative since 2003. StatoilHydro's payments to governments in countries where the company is operating are published in its annual reports. Norway held the third EITI international conference in 2006, and is currently hosting its international secretariat.

Norway is the first Western country to have declared that it will fully implement the EITI criteria. Norway already practises transparency concerning the payments from petroleum companies to the government authorities. EITI compliance means that companies must report payments to an independent EITI administrator, and that the government authorities must report receipt of payments to the same body. A multi-stakeholder committee must also be appointed to monitor the implementation of the EITI criteria.

The Government's aim is for the entire validation process – including drawing up regulations, reporting payments and verification of results – to be completed in the course of 2009.

Informal sector

For a large proportion of the population in the least developed countries, the main source of income is from the production of goods and services in the informal sector. This is growing faster than the formal sector, and experience shows that economic growth has to be very high before any major reduction in the informal sector is seen. Generally, the informal sector is characterised by low productivity, low wages, poor working conditions, high risk, a lack of rights and inadequate social goods. A large proportion of those working in the informal sector are women.

The informal sector will be important for a large part of the population in poor countries for the foreseeable future. It is unrealistic to expect the formal sector to be able to create a sufficient number of new jobs in the short term. Efforts to safeguard the rights of those working in the informal sector must therefore be given higher priority. The International Labour Organization has developed a set of rules for this area, including a convention on home work (1996) and a resolution on the informal sector (2002).

The reports of the Commission on Legal Empowerment of the Poor are vital tools in this work. The formalisation agenda seeks to increase

Box 2.8 Oil for Development in East Timor

East Timor is one of the Oil for Development initiative's ten core cooperation countries. These efforts are of a long-term nature. In 2002, it was clear that the country needed to develop institutions and legislation to manage its petroleum resources in the best interests of the general population. In 2003, Norway and East Timor entered into a five-year agreement on petroleum cooperation. Prior to this, Norway had provided expertise for East Timor's negotiations with its neighbouring countries on ownership issues and delimitation of the continental shelf. Over time, this cooperation and sharing of expertise has been expanded to include institutional collaboration between ministries of petroleum, finance and the environment. This is in line with Oil for Development's integrated approach to the three main themes in the initiative: resource management, environmental management and revenue management.

Norwegian experts in East Timor play an important role. Experts from the Norwegian Ministry of Finance and the Norwegian Petroleum Tax Office are linked up to the Ministry of Economy and Development in East Timor, and the Norwegian Petroleum Directorate also has personnel in its sister organisation. In addition, the Oil for Development initiative offers courses, conferences, seminars and training programmes in both East Timor and Norway.

East Timor's petroleum sector – both the activity on the continental shelf and the establishment of an institutional framework – has developed rapidly. In 2005, Norwegian lawyers helped to develop the country's petroleum legislation. In recent years, East Timor has had

important revenues from gas and condensate production on the Bayu-Undan field in the Australia/Indonesia Zone of Cooperation. Norway assisted with the implementation of a successful first licensing round in East Timor waters in 2006. There are plans to drill a number of exploration wells in these areas in 2009.

Despite limited production, the revenues from petroleum activities are already of importance for this small economy. Petroleum revenues were estimated to be equivalent to just over 400 per cent of the non-oil gross national income in 2008. The country's strong dependence on petroleum resources underlines the importance of sound management. Ensuring that it is possible to use petroleum revenues without affecting the general income flow has been an important step. In 2005, East Timor established a petroleum fund, through a specific petroleum fund act, that was modelled on Norway's Government Pension Fund – Global, with assistance from Norwegian experts.

In addition to continuing to provide assistance with resource and revenue management, the Oil for Development initiative will also expand its advisory services in the field of environmental management. Institutionalising environmental responsibility and implementing a planned environmental act are key tasks in this respect.

Transparency in the public administration and good governance are vital aspects of institution building in East Timor. The Norwegian efforts have helped the country in its preparations for full compliance with the Extractive Industries Transparency Initiative (EITI).

political awareness of the fact that legal empowerment of the poor benefits the whole of society, and that the whole economy is strengthened when the market functions for everyone. A society where only a limited part of the population takes part in the formal economy is not sustainable in the long term.

Tourism

The tourist industry is growing. According to the World Tourism Organization (UNWTO), the

number of tourists worldwide will triple over the next ten years. Cultural monuments and sites and natural heritage generally constitute the resource base for the tourist industry. Many developing countries are rich in such resources, and Norway has a long tradition of assisting poor countries in developing an institutional framework and management plans that take into account the local community, sustainable development and protection of cultural and natural heritage.

The aim is to develop a sustainable tourist industry that ensures local ownership, promotes

Box 2.9 Tourism creates opportunities for growth

The conservation of World Heritage site Ilha de Moçambique during the 1999–2008 period has had many positive ripple effects for society as a whole. It has multiplied the number of tourists, and led to a large increase in the number of jobs and the resumption of local lime production. It has also fostered greater historical awareness, generated debate, and led to a stronger sense of identity.

local business and long-term employment, and has positive effects on the environment, social structures and culture.

The Government will:

- promote equal ownership and inheritance rights for women and men
- promote framework conditions for sustainable business development in the agriculture and fishery sectors

- further develop the strategic partnership with the chemical company Yara on providing better access to mineral fertiliser for farmers
- encourage developing countries that are rich in natural resources to use their revenues to ensure sustainable economic development and promote the welfare of the population as a whole
- emphasise how important it is that natural resources are exploited in an environmentally sound manner that allows for co-existence with other users both on land and at sea
- further develop the Oil for Development initiative, with emphasis on resource management, environmental protection and revenue management
- help to build competence in the petroleum-related local business sector to ensure greater ripple effects for the local community from petroleum activities
- implement the Extractive Industries Transparency Initiative (EITI) criteria and strengthen international cooperation on increasing transparency in connection with the extractive industries.

3 The global framework

Globalisation is giving rise to new and stronger links between countries and regions, different peoples, and between rich and poor. While national policy remains decisive for individual countries' development, the opportunity of any individual country to control its own destiny is increasingly influenced by external circumstances. International cooperation will therefore be progressively more important in tackling regional and global challenges that influence development.

Box 3.1 Common destiny

«This is a crucial year in the life of our United Nations. We have just passed the midpoint in the struggle to reach the Millennium Development Goals – our common vision for building a better world in the 21st century. We can see more clearly than ever that the threats of the 21st century spare no one. Climate change, the spread of disease and deadly weapons, and the scourge of terrorism all cross borders. If we want to advance the global common good, we must secure global public goods.»

Source: Excerpt from UN Secretary-General Ban Ki-moon's message on United Nations Day 2008.



Figure 3.1 UN Secretary-General Ban Ki-moon

Photo: UN Photo/Mark Garten

3.1 Global organisation is in everyone's interests

At the start of 2009, the world was the middle of an economic downturn whose consequences we have yet to fully grasp. The developing countries are already hard hit by other crises. The food crisis, unstable prices for oil and other commodities, and unpredictable access to energy have given rise to uncertainty. Climate change will particularly hit the poor. There is a risk that the positive development trend will be reversed and that poverty will again increase dramatically. These serious and difficult issues must not be pushed into the background by the financial crisis. On the contrary, we must use measures to combat the financial crisis to address these major long-term challenges. The crisis has uncovered a great need to review our global mechanisms, and find solutions that will benefit the developing world.

The need for international rules and better global organisation and coordination is greater than ever. The major global challenges cannot be solved by any one country alone, but require a well-functioning international legal order in which relations between states are regulated through common norms and binding conventions. Given its geographical location, economy and resources, Norway is particularly dependent on robust international rules and good global governance mechanisms to safeguard its economy, social development and security. In this context, we clearly have a common interest with developing countries.

The UN is the most important international organisation with a mandate to play a leading role in developing global governance mechanisms. UN efforts in this area are supplemented by those of a number of other global and regional organisations.

Geopolitical changes, with an eastward – and partly southward – shift of the economic and political centre of gravity, mean that many large developing countries now have more power than they used to have. Under the leadership of the BRICS countries (Brazil, Russia, India, China and South Africa), they are demanding greater influence and participation in global governance. Organisations

Box 3.2 The World Bank sets the agenda for private sector regulation

The World Bank's annual *Doing Business* report is intended to provide as objective an assessment as possible of private sector regulation in 178 countries. Within a short period of time, it has become the World Bank's most widely read and quoted publication, and is now used by many national authorities. In many countries, reforms are designed specifically with a view to improving their ranking. Private investors also use the report when considering new investments. Despite the fact that *Doing Business* has a relatively narrow methodology and is not a comprehensive guide to a healthy investment climate, the importance of its content and conclusions is substantial.

In order to obtain a loan from the private sector investment arm of the World Bank, the International Finance Corporation (IFC), enterprises must satisfy the Equator Principles – a bench

mark for managing environmental and social risk. Although complying with these norms is both demanding and costly, many private companies apply to the IFC for loans. Cooperation with the IFC is not just a question of obtaining financing, it also confers an informal but implicit seal of approval on the company concerned. Cooperation with the IFC thus enhances a company's reputation. These strict principles have been adopted by many of the world's largest commercial banks, which are referred to as the Equator Principles Banks. In 2007, they accounted for almost 70 per cent of all project financing in developing countries. The IFC's stringent norms have thus had positive ripple effects far beyond the IFC's own activities and without the IFC having a formal mandate to establish such norms.

such as the UN, the World Trade Organization, the World Bank and the International Monetary Fund are under pressure to adjust their policies as a result of new power constellations. This means new experiences and considerations are brought onto the international agenda, and the international community is being challenged to take part in a broader debate about how international cooperation between countries, organisations and individuals is to be organised.

Increasing the influence of developing countries in the UN, the World Bank and the International Monetary Fund could strengthen the legitimacy and credibility of these organisations in the landscape of international development actors. If these global organisations fail to strengthen their role and increase their relevance, there is a genuine risk that developing countries will not consider them to have any value.

Continued lack of confidence could lead to the emergence of competing institutions. The establishment of an Asian monetary fund has been discussed. Likewise, the need for an international financial institution specialising in middle-income countries has also been considered. The discussion must be seen in the context of the BRICS countries' struggle to strengthen their position in the governing bodies of the World Bank. In Latin America, the Venezuelan–Argentinian initiative Banco del Sur was established for some of the same reasons. This

can only be seen as an expression of deep scepticism towards and dissatisfaction with the Washington-based World Bank and International Monetary Fund. With regard to the UN, this scepticism is most evident when initiatives are launched outside or in parallel with the organisation.

In the wake of the financial crisis, the Group of Twenty (G20) has shown itself to be an important player in the international arena. The group is a substantially expanded version of the G8, and reflects the new global political and economic power balance.

The diversity of norm-building institutions and forums presents new opportunities to exert influence. A small group of countries and players can take the lead in developing a common understanding of the need for new guidelines and norms. This will make it easier to win the support of the rest of the world. Norway, for example, took this approach in the efforts that culminated in the adoption of the Convention on Cluster Munitions. Other examples include the efforts targeting illicit financial flows, in which connection Norway chaired an international working group in 2008, and the Norwegian Climate and Forest Initiative, where one of Norway's goals is to act as a catalyst for stronger international coordination of the work on tropical forest conservation. These are complex and sensitive issues involving strong international counter-forces, where it is necessary to establish a platform

Box 3.3 Decent work

In our globalised world, it is becoming increasingly difficult to ensure more equitable distribution. Decent working conditions and respect for employees' rights are crucial to a just society. Norway is one of the first countries in the world to have established a comprehensive strategy for improving and coordinating efforts to promote workers' rights on a global basis. These efforts are based on the International Labour Organization's (ILO) Decent Work Agenda. Norway has increased its efforts for the period 2008–2009 through a programme agreement worth NOK 100 million. Decent work entails combating poverty through a comprehensive approach to ensure that people obtain decent and productive employment, where fundamental labour standards are respected and workers are paid a living wage.

for developing new norms. However, in order to create robust instruments that command broad support and legitimacy, the results of these efforts must be channelled into formal processes, and be subject to intergovernmental negotiations, for example in the UN.

The stronger position of developing countries in global organisations can make them increasingly important allies for richer countries. For Norway, this could be particularly relevant in organisations that work in the complex interface between marine, resource, environmental and trade issues and on the development and implementation of internationally agreed norms, such as the Convention on International Trade in Endangered Species (CITES), the International Whaling Commission (IWC), the International Maritime Organization (IMO), and the Convention on Biological Diversity (CBD).

The financial crisis has uncovered several weaknesses in the international financial market, but the need for well-functioning international financial institutions has also become clearer. Stronger crisis prevention measures are needed in the financial sector. Both national and international regulation must be strengthened. More people are now advocating a new Bretton Woods conference, and both the World Bank and the IMF have appointed an external high-level commission to look into their roles and structures.

For the Government, it is important that the reform of international financial institutions is sufficiently comprehensive to ensure that we are better able to prevent and deal with financial crises in future.

The special role of the UN

The UN is a unique arena for developing binding international norms and regulations. Conventions and international commitments are adopted through intergovernmental negotiations in the UN.

The UN is the most important player in the field of human rights in terms of monitoring and developing norms. The High Commissioner for Human Rights is responsible for ensuring respect for human rights and compliance with human rights norms. All UN organisations emphasise the rights dimension in their mandates.

The UN is the most important forum for the peaceful resolution of conflicts. Here heads of state and government and national representatives meet. The ideas and ideologies of different states are weighed and discussed. This function is becoming increasingly important the more complex the world becomes.

In the field of security policy, the UN can help to resolve conflicts that threaten international peace. In extreme cases, the UN Security Council can legitimise the use of force by the international community, although, where strong national interests are involved, it will often be difficult to agree on common solutions. Today, the UN has peace-keeping forces numbering more than 100 000 in countries where security efforts are needed to safeguard ongoing peace processes.

The UN's humanitarian efforts are based on universal norms and rules, humanitarian principles and the Geneva conventions, which protect civilians and human dignity. While the challenges are certainly many – such as access for and security of humanitarian personnel, coordination, advocacy efforts and funding – there is also great potential for taking action. Well-coordinated humanitarian efforts can open closed doors for the UN, and can to a certain extent compensate for a lack of room for manoeuvre on other fronts.

The Millennium Development Goals were adopted by heads of state and government at the UN Millennium Summit in 2000. They set the agenda, direction and targets for economic and social development. The progress of the work on the millennium goals is monitored by the UN.

Box 3.4 Convention on the Rights of Persons with Disabilities

The UN's Convention on the Rights of Persons with Disabilities entered into force in May 2008. This means that the 650 million people with disabilities worldwide have protection against discrimination. Eighty per cent of this group live in

developing countries, often in deep poverty and with poor access to health and educational services. The Convention contains separate articles on women's and children's rights since these groups may suffer double discrimination.



Figure 3.2 The disabled are an important target group for Norwegian development policy

Photo: UN Photo/Christopher Herwig

The UN is often criticised for not being efficient enough, particularly in the implementation of its development projects. Norway takes this criticism seriously and has become involved in the efforts to make the UN more effective. In an institution as large as the UN and with the UN's role and ambitions, the reform process must be more or less continuous. We need a UN that is credible and that complies with the high standards set by the organisation itself.

Norway is one of the UN's foremost supporters. We have always supported the principles of the rule of law, the integrity of the nation state, the need for solidarity, the principle that right must prevail over might, and the importance of cooperation and the peaceful resolution of conflicts. And,

not least, we emphasise that globalisation should be socially and economically inclusive. However, the UN needs to reduce the resources used on internal bureaucracy in order to ensure that the effect of its overall efforts is greater than is the case with today's fragmented approach. That is why Norway is involved in developing concrete, realisable and effective measures to improve the UN.

The Government will:

- continue its efforts to ensure a well-functioning international legal order in which relations between states are regulated through common norms and binding conventions

- promote a more democratic governance structure in multilateral organisations that takes greater account of the interests of developing countries and reflects geopolitical changes
- seek to ensure that UN agencies intensify their efforts to achieve the goals adopted by the international community, within their respective mandates
- help to ensure that the UN organisations' operational activities underpin their normative mandate to a greater extent
- intensify and coordinate Norway's efforts to promote workers' rights in developing countries
- intensify efforts to promote a socially just distribution policy.

3.2 Global public goods

The major challenges facing the world cannot be solved by any one country on its own. A stable climate, the conservation of genetic diversity, clean air, peace and security, the absence of infectious, epidemic diseases, the development of new knowledge and technology, international trade, and financial stability are examples of important *global public goods* – goods that are important to all countries and that must be secured through joint global efforts.

Global public goods are important to all countries, but again it is the poorest countries that are most vulnerable. They are least able to deal with new epidemics, are hardest hit by climate change, and are most at risk from conflicts and instability. The fight against poverty depends on the strengthening of certain public goods. This has long been clear, particularly in the areas of health and knowledge generation. The Government wishes to increase focus on the importance of public goods relating to climate and the environment, peace and security, and a stable financial system.

In recent years, we have gained a greater understanding of just how important global public goods are, also in relation to our own future. The challenges cut across national borders, income status and generations. This forms the basis for a new debate on both our own and the international community's willingness to invest in the global community and highlights the fact that we have a common destiny. We must seek to find solutions together, not individually.

Securing financing for global public goods is an important and difficult challenge. Their global nature makes it difficult to distribute the costs, and

Box 3.5 What is a public good?

«Economists describe pure public goods as 'nonrival' and 'nonexcludable'. Nonrival means the supply of the good, such as clean air, to one person (or country) does not lead to there being less of it for another. Nonexcludable means that once the good is provided for one person, it is available for all to benefit from it. Typically, at the margin, the net benefits accruing to private individuals from such goods are less than the net benefits for society as a whole, and hence the public good is undersupplied in private markets. Public goods require collective action to be properly provided and, at the national level, this can often be coordinated by using government powers (including taxation, spending, and regulation).»

«Importantly, public goods also have a spatial dimension. Their geographic reach runs across a continuum from local community boundaries, to national borders, to regions of several countries, to the global sphere. The usual problems in supplying public goods are exacerbated for truly global public goods. That is because there is a divergence between the costs and benefits captured at the national and global levels, and it is particularly difficult to secure collective action across countries.»

Source: The World Bank, Annual Review of Development Effectiveness 2008

many will take the opportunity to free-ride, relying on others to pick up the tab. Others again may be willing to pay, but are unable to do so. This results in the underfinancing of important global tasks.

The world today lacks an international system for financing global public goods. It has long been debated both in Norway and internationally whether it should be possible to use aid funds for this purpose. Many measures that contribute to strengthening global public goods also help to strengthen *national* public goods, particularly in the fields of health and knowledge generation. It is obvious that measures of this kind fall within the definition of aid. A good example is the fight against malaria in Zambia, which helps to reduce the risk of malaria spreading to other countries while at the same time being important to Zambia's own population. Rescue packages for banks that are threatened as a result of the financial crisis also

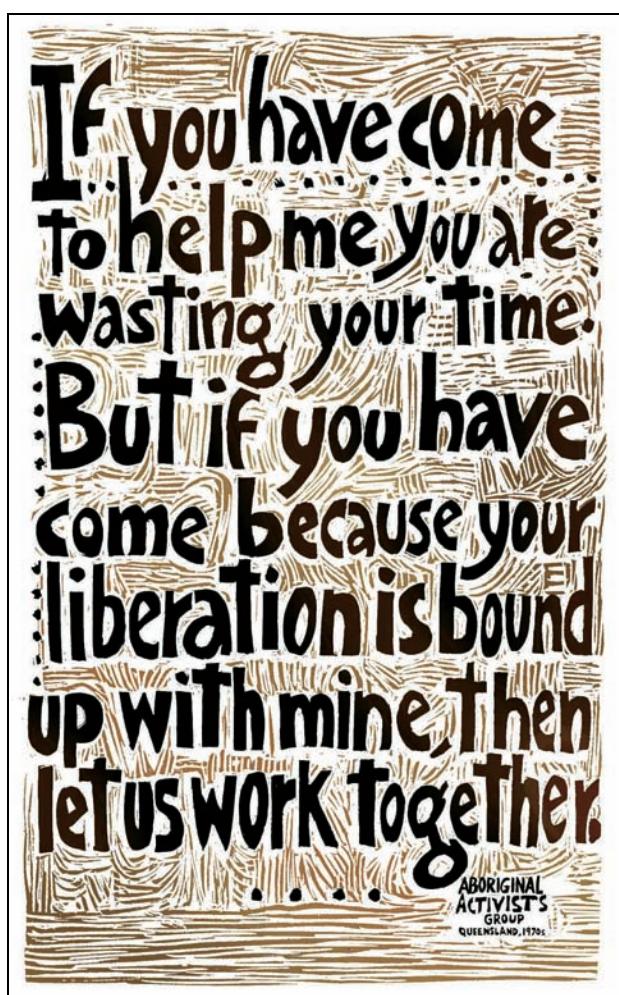


Figure 3.3 Common destiny

Source: Message from a group of Aboriginal activists in Queensland in the 1970s. The quote has often been attributed to Lila Watson, who was a member of the group. Poster by Ricardo Levins Morales/Northland Poster Collective

contribute to securing a global public good – a stable international finance system – but, naturally, such packages should not be financed through aid funds. There are many different measures to promote public goods between these two extremes, some of which can be defined as aid and others not.

For aid to qualify as Official Development Assistance (ODA), it must meet a set of criteria agreed by the donors who make up the OECD Development Assistance Committee (DAC). Only funds approved as ODA are taken into account when assessing whether donors achieve the internationally stipulated target of 0.7 per cent of gross national income or, for Norway's part, whether we achieve our national target of 1 per cent.

The measures planned under Norway's International Climate and Forest Initiative comply with the ODA criteria. Projects that successfully reduce

deforestation and forest degradation will improve the living conditions and rights of local and indigenous peoples, conserve biological diversity and reduce greenhouse gas emissions. The measures are funded via the aid budget in cooperation with the recipient countries. It is an absolute requirement that the ODA criteria are complied with and that the recipient country wants this kind of cooperation.

However, it will not be possible to finance all the public goods via aid budgets. Aid should primarily be used to fund measures of a local or national nature. The international community must find other mechanisms for funding the global public goods.

The Government will therefore look into the possibility of developing a new international instrument that can encourage greater efforts to strengthen the global public goods. The possibility of collaborating with OECD/DAC is being considered, as the Committee has already started a process of this kind on reducing greenhouse gas emissions.

Financing must be raised through collaboration with private investors, and innovative financing mechanisms must be developed. Some measures are already well under way. A British initiative to issue vaccination bonds has already raised funds that could provide half a billion vaccinations in poor countries in the next ten years. In France, an air passenger solidarity tax has been introduced that is providing funding to combat various diseases. The Kyoto Protocol allows for the establishment of new markets for emissions trading and investment in emission-reduction and -removal projects.

By ratifying the 1997 Kyoto Protocol, a majority of developed countries committed themselves to binding and costly obligations to reduce their carbon emissions through various measures and to develop a system for pricing emission allowances. A new climate regime that successfully establishes a global carbon price will in practice ensure payment for a global public good, a stabilised climate.

Health as a global public good

The absence of infectious diseases and major epidemics is a global public good. Good public health and health security depend on collaboration between individuals, local communities and countries. A well-functioning health system with binding cooperation between states makes it possible to prepare for and protect against threats to public health, including infections, biological terrorism,



Figure 3.4 The development of vaccines strengthens global public goods. Vaccines benefit both rich and poor countries.

Photo: Ken Opprann

armed conflicts, natural disasters and climate change. Research and product development aimed at preventing and dealing with epidemics – such as the development of diagnostics, databases, medicines and vaccines – are important in order to secure this global public good.

Increased efforts to improve health in poor countries could result in considerable benefits for rich countries. One direct benefit is a reduced risk of diseases such as bird flu spreading across national borders. Improving public health will also reduce the risk of diseases such as AIDS and tuberculosis becoming resistant to drugs, increase the probability of eradicating certain diseases such as polio, and reduce the global prevalence of malaria and tuberculosis. Indirect economic benefits include increased activity, production and purchasing power, which results in a larger global market.

The international efforts to combat infectious diseases are linked to the efforts to achieve Millennium Development Goal (MDG) number 6, *Combat HIV/AIDS, malaria and other diseases*. Malaria and tuberculosis can be brought under control by 2015 if progress continues and is not impeded by climate change. There has been a marked reduction in the number of children dying of malaria in some countries. A sixfold increase in the funding of HIV programmes has begun to produce results, particularly in the form of access to AIDS medicines and the prevention of mother-to-child transmission. More than three million people are now receiving treatment for AIDS, but unfortunately between two and three new persons become infected for every new person who receives treatment. Some countries are now experiencing a reduction in the number of new cases, while in oth-

ers it is increasing. A broad range of preventive measures is required to address the underlying causes of the spread of infection, such as gender inequality, malnourishment, discrimination and lack of access to education and health services.

The health-related MDGs have spurred new partnerships between multilateral, bilateral, voluntary and, not least, private actors, such as the GAVI Alliance (Alliance for Vaccines and Immunization) and the Global Fund to Fight AIDS, Tuberculosis and Malaria.

Knowledge as a global public good

Knowledge can be a global public good. Without research and innovation, products like antibiotics and mineral fertilisers – which are vital for global health and food security – would never have been developed. New technology can be expected to address some of the climate challenges. Knowledge can foster state-building and economic growth. As a result of information technology, trade and migration, knowledge is now being spread more quickly than ever before. At the same time, the economic importance of knowledge has also increased. Education, research and technology are crucial for social and economic development. Economic growth and poverty reduction in the West in the last century was largely the result of the development of new knowledge and technology.

Today, national and regional authorities compete to spearhead research and innovation in order to ensure future economic growth. Private enterprises account for an increasingly large share of global research efforts. The fact that knowledge has become a strategic economic resource for companies and national authorities has led to increasing privatisation and commercialisation of knowledge, and it cannot therefore be defined as a public good. New knowledge is often first developed as a commercial product that gradually becomes generally available.

The economic progress experienced by some developing countries is partly due to the emphasis placed on research. This is particularly the case in several Asian countries, which have experienced much stronger growth in research than both Europe and the US. In the period 1999–2004, China took over from the US as the country with the world's largest tertiary education system. Figures from UNESCO show that China had 19 million students, compared with 17 million in the US in this period. Asia now has 31.5 per cent of global research resources, compared with 14.5 per cent in

Box 3.6 Health in the foreign policy context

In 2006, Norway took an initiative to include the full breadth of health issues in foreign policy. The background to this initiative was the recognition that foreign policy measures and policy instruments can have major consequences for public health in the countries concerned. Moreover, foreign policy instruments are often needed to address global health challenges. The foreign ministers of Brazil, France, Indonesia, Norway, Senegal, South Africa and Thailand drew up a joint agenda in 2007. Three main issues are given priority:

- ensuring *capacity for global health security* by developing national preparedness, combatting infectious diseases and addressing the global health workforce crisis
- *facing threats to global health security* in connection with conflicts and natural disasters, and related to the HIV/AIDS epidemic and environmental problems
- *making globalisation work for all* through trade policy and efforts to promote good governance.

Several of the countries behind this initiative strongly emphasise the close interconnections between public health and other development goals. In the Oslo Ministerial Declaration from 2007, the foreign ministers advocate:

- using the shared interest in global public health as a rationale for giving health top priority in the national and international cross-sectoral development agenda, and emphasising measures that match domestic goals and reflect the requirements of those in need
- strengthening the efficiency of global health initiatives through improved governance and better coordination of multiple, competitive donors and aid providers
- improving research capacity nationally and regionally and control capacity of public health systems, with particular emphasis on the needs of developing countries
- improving capacity for the production of medicines and medical equipment, and for regulatory and control systems for medicines and delivery systems
- meeting existing financing commitments and developing mechanisms that can produce additional resources for global health investments, such as the international purchasing system for medicines for developing countries (UNITAID)
- working together with the IMF and the World Bank to overcome macroeconomic constraints to effective health investment at country level.

1990. The private sector is becoming more and more knowledge-based and mobile. These are parallel development trends. Economic activity moves to where the expertise is available. Private-sector investment in research is growing significantly and tends in most countries to be far greater than public investment. Scientific and technological knowledge is essential to the development of new and better products, processes and services, and the knowledge content in international trade is growing rapidly.

There is a general tendency towards increased internationalisation of research efforts and of quality assurance of higher education and research. The global educational landscape is characterised by a growing number of students and high and unmet demand. This is creating an increasing need for international frameworks, including systems for quality assurance and recognition of qualifications between countries. Europe is addressing this

through the Bologna process, which has the goal of creating a European Higher Education Area by 2010. This need is also being addressed by UNESCO and the OECD.

Despite the global increase in investments in higher education and research, we note that the poorest developing countries are falling behind in the knowledge race. The knowledge gap between rich and poor countries is huge, and growing. In the least developed countries, there are only 4.5 researchers on average per million inhabitants, compared with 3 300 researchers per million in the developed countries. The least developed countries only account for 0.1 per cent of the world's total investments in research. Africa's share amounts to 0.6 per cent. The developing countries are also clear losers as regards international companies' investments in knowledge-based production. Studies carried out for the UN Conference on Trade and Development (UNCTAD) have shown

Box 3.7 Funding for higher education and research

Norwegian funding for higher education and research is an important contribution to building knowledge in all parts of the world. Through schemes such as Norad's Programme for Master Studies (NOMA), the Norwegian Programme for Development, Research and Education (NUFU), and the quota scheme for students from developing countries, the Western Balkan countries and countries in Eastern Europe and Central Asia, higher education and research institutions in Norway are helping to build capacity in developing countries – not only in the higher education and research sector, but also in the public and private sectors in general. Under NUFU, bonuses are paid to institutions that succeed in increasing the proportion of women completing doctoral degrees to at least 40 per cent.

that half of the least developed countries had poorer innovation capability in 2001 than in 1995.

Research and development is essential for lasting, sustainable growth and for a diversified production structure. It is also vital for building robust democracies. Innovation and private-sector development often take place in collaboration between academics and technical experts. Both are of equal importance. A well-developed system of elementary education, including technical and occupational training, is essential for recruitment to higher education and high-quality research.

The Government will:

- focus on global public goods that are of direct importance to development, particularly in the areas of climate, environment, security, health, knowledge and research
- take the initiative for the development of a new international instrument to stimulate efforts to strengthen global public goods
- focus on effective integration of health services aimed at achieving the health-related Millennium Development Goals
- contribute to the development of global knowledge as a public good
- strengthen higher education and research in key areas of international development

- give priority to Norwegian research cooperation with India and China, particularly in the climate field
- help to ensure that our partners' educational services are designed to promote gender equality.

3.3 Global cooperation for increased food security

Food is not a global public good; on the contrary, food is a rival good, and access may be inhibited. At the same time, food security cannot be increased without a substantial degree of global cooperation and international control, because although food security is a national responsibility, it is significantly affected by a number of different external factors. Terms of trade, the price of oil, international seed and genetic resource policy and climate change are important global framework conditions.

Data from the UN and the World Bank show that the number of people with insufficient access to food increased by more than one hundred million during 2008, from 850 million to around a billion, as a result of higher food prices. Around 25 thousand people die every day from hunger and related diseases. Children and women who are pregnant or breastfeeding are particularly hard hit.

Despite a temporary fall in prices, we must expect a higher price level for food in future. It is estimated that the world's population will increase by three billion in the next forty years. According to the Food and Agriculture Organization of the United Nations (FAO), food production will have to more than double in the same period if the needs are to be met.

Norway has been a driving force in international efforts to establish the right to food as a fundamental human rights principle. We played an active part within the framework of FAO in the development of voluntary guidelines for the right to food. These have been an important tool for increasing focus on this issue.

Water- and food-borne diseases, serious animal diseases and crop pests can dramatically reduce the volume and quality of production, and thereby access to food. Such diseases can often turn into epidemics, and can thus be very costly.

Many countries, Norway included, have emphasised that food aid must not undermine local production and the development of local markets. The problem of dumping of surplus production from the West is much less now than it used to be.

However, less surplus production in the rich part of the world, could, in the worst case, lead to the opposite problem, namely that insufficient food aid is available in a crisis. It is therefore important to prioritise food security.

The input factors in agricultural production are much more expensive when oil prices are high. The price of oil particularly affects the price of mineral fertiliser and transport services. At the same time, a high oil price stimulates alternative agricultural production in the form of biofuel. The strong fluctuations in oil prices in 2008 have substantially reduced predictability for small farmers. This, combined with limited access to credit and poorly developed markets, means that many small farmers are not in a position to take the risk that new investments entail. The risk of increased extreme weather as a result of climate change further reduces willingness to take risk. These factors are beyond the control of individual states and make it more difficult for them to take responsibility for the population's food security. Norway will increase its agricultural aid as part of an international effort to strengthen agriculture in poor countries.

More emphasis needs to be placed on food security internationally in the development of new climate, energy and trade policy measures. Norway will promote the use of existing mechanisms for cooperation and coordination rather than the creation of new structures. The mandate of the Committee on World Food Security, which was established under the auspices of FAO in 1973, is to be a forum for discussion and policy development in the food security context. Norway is seeking to ensure that this committee is given a more central role as a global forum for food security.

Genetic resources are a form of «life insurance» in terms of food security. Traditionally, these resources have served as buffers against threats such as insect attacks and plant diseases. FAO estimates that 75 per cent of the genetic diversity in agricultural crops has been lost in the last century. In recent years, it has become clear that climate change will create the need for a broad supply of genetic resources in agriculture. There are many indications that growing conditions for important food crops will change significantly in the course of relatively few years. Parts of Africa are expected to experience problems as a result of more droughts and more extreme temperatures, but other parts of the world could also experience dramatic changes.

More research is required in the various fields that are relevant for developing more climate- and environmentally-friendly agricultural technology.

The Government therefore supports the Consultative Group on International Agricultural Research (CGIAR). Norway is a significant contributor to the Food and Agricultural Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD). The World Food Programme is also an important channel for Norwegian humanitarian assistance. Norway will continue its engagement with these three Rome-based UN agencies, and will promote closer cooperation and coordination between them, not least in light of the reform efforts in the UN.

Opportunities and challenges relating to biofuel

Together with the EU, the US and other countries, Norway aims to increase the use of biofuel. For Norway, the main goal is to promote biofuel as a means of reducing greenhouse gas emissions. For the US and several other countries energy security is a strong incentive.

National efforts to increase the use of biofuel will lead to substantial imports of such fuel – or its raw materials – from developing countries. Because developing countries have better conditions for biofuel production, increased demand is expected to boost employment and value creation in agriculture. The prospect of increased export revenues is an important factor for developing countries that are considering converting some of their arable land to energy production. For some developing countries, biofuel could become a major export. For others, the various requirements that will be stipulated for biofuel, for instance in the European market, will constitute a serious challenge, and for them biofuel will primarily be a means of improving their own energy security and reducing their present dependence on oil.

But there are many challenges involved in ensuring that the production and use of biofuel results in a net reduction in greenhouse gas emissions. A significant increase in the production of raw materials for biofuel can only be achieved by cultivating areas that are currently fallow, replacing food production or clearing new areas. Clearing areas where carbon sequestration is high will lead to the release of substantial amounts of greenhouse gases from the vegetation and the soil. The climate footprint of the various biofuels produced will vary a great deal depending on the type of biofuel, changes in land use, cultivation methods and processing involved.

The extent to which biofuel production is sustainable will also depend on many factors. Both the authorities and private sector players should give



Figure 3.5 The food crisis has led to increased focus on national food production.

Photo: UN Photo/Fred Noy

careful consideration to the following questions: Is the land actually fallow or are there traditional users who are unable to document their customary rights? Will biofuel production be at the expense of food production and will this weaken local and national food security? Will profits from production be reinvested or sent out of the country? Will there be valuable technology transfers? Could biological diversity be threatened?

The Government believes it is vital to establish effective international sustainability criteria for biofuel. The EU is playing a leading role in the work on developing a system for sustainable biofuel production, and the forthcoming directives on renewable energy and fuel quality include criteria for sustainability and reporting. The Government believes it is important to support the UN's parallel efforts in order to ensure that the criteria established have the maximum global legitimacy and include as much of the global turnover as possible. The EU and Norway intend to focus on the development of second generation biofuel, or synthetic biofuel, which can, for example, be produced from waste and from cellulose from timber. This will again raise questions regarding the effect on the

environment, but these fuels will compete less directly with ordinary food production. There is a great need for generating new knowledge in this area. This is a challenge that must be met. At the same time a balance must be struck between different considerations, if we are to succeed in releasing the potential of biofuel as a climate measure and source of income and energy security.

The Government will:

- increase agricultural aid as part of a broad international effort to strengthen the agricultural sector in developing countries
- support regional and international processes for agricultural development and food security, particularly in Africa, with emphasis on strengthening measures to adapt agriculture to changes in the climate
- help to ensure better coordination and effectiveness in international forums with regard to management of oceans and marine resources
- focus on strengthening women's access to income and employment in the food security context

Box 3.8 The seed vault in Svalbard

The Svalbard Global Seed Vault opened in 2008, attracting major international interest. Samples of seed from the most important food plants in the world will be stored in the vault. These are seeds that are already stored in gene banks in other parts of the world. However, experience has shown that these gene banks may be at risk of damage and deterioration for various reasons. The seed vault in Longyearbyen is intended to serve as an extra safety net for genetic resources that are currently stored in such banks and are of major importance to global food security.

The establishment of the seed vault follows on from substantial Norwegian efforts in the Commission on Genetic Resources for Food and Agriculture (CGRFA) since the early 1990s. The Commission's work is structured in a way that acknowledges differences between crops, livestock and fish in biological and ecological terms, as well as cultural, social and political

variation in the use of these different food resources.

In addition to participating actively in the negotiations on the FAO International Treaty on Plant Genetic Resources and Agriculture, Norway has also supported the participation of developing countries and the arrangement of informal meetings aimed at ensuring progress in the negotiations. Support has also been channelled through FAO and the research centres of the Consultative Group on International Agricultural Research (CGIAR). In other forums, such as the UN Convention on Biological Diversity, the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO), Norway has endeavoured to play a bridge-building role in the policy area that has arisen in the interface between intellectual property rights (patents, etc.) and genetic resources.

- support efforts to clarify small farmers' rights to the land they live on and cultivate, including land reform efforts
- work towards the adoption of international guidelines for biofuel that are based on sustainability criteria and independent scientific evaluations
- increase focus on the connections between climate change, biofuel, agriculture and food security
- support international research into agriculture that is adapted to changes in the climate.

3.4 Migration and development

The links between migration and development are increasingly in focus. Labour migration was discussed on a broad basis during the Storting's consideration of the white paper *Labour Migration* (Report No. 18 (2007–2008) to the Storting) and the recommendation by the Standing Committee on Local Government and Public Administration. Some of this discussion sheds light on the links between migration and a broader development policy, and is included here.

The reasons for migration from poor countries are many and complex. For many people, moving

to another country is seen as an opportunity to improve their own and their families' living conditions, as was the case for the Norwegian migrants to the US in the 19th and 20th centuries. Some are motivated by the desire to obtain qualifications or work, and some are fleeing from war, persecution or disasters. A significant proportion of migration is for the purpose of family reunification. Of the world's 200 million migrants, two-thirds originally come from developing countries, and 22 million of these are from the poorest countries. More than 90 per cent of the world's migration is labour-related.

In an increasingly internationalised labour market, highly qualified workers have greater opportunities than those with poorer qualifications. Some countries, such as the Philippines, have a deliberate policy of training a larger number of health workers than the country needs, in order to export the surplus to countries with higher wages. It is assumed that these migrants will send money home and thereby increase the income of family members who remain behind. The same applies to seafarers. For many years, Norwegian shipowners have employed Filipino seafarers who have been specially trained to serve on Norwegian vessels.

In other words, while lack of development may seem to be the *reason for migration*, migration may also be part of the reason for lack of development,

as valuable competence is lost. At the same time, migration can also be used as an *active policy instrument to promote development*. Since those with the highest qualifications travel most, migration can also be a *consequence of development*.

Migration will continue to increase in step with globalisation. It is therefore something of a paradox that globalisation has enabled money, goods and services to move very freely across national borders, while there are still substantial restrictions on people moving to other countries.

Norway is a member of the steering committee for the Global Forum on Migration and Development (GFMD). The forum focuses on three themes: 1) mainstreaming migrants' human rights throughout the development debate, 2) harnessing the potential benefits of migration, and 3) policy and institutional coherence. In this work, Norway places particular emphasis on the development-promoting effects of international migration and how they can be strengthened, for example in relation to private remittances and investment in development locally. Other important themes are the challenges relating to the brain drain of health workers, HIV/AIDS-related travel restrictions and the fight against human trafficking. Norway places great emphasis on the gender perspective in migration policy.

Norway's policy in relation to migration is closely linked to our collaboration with the EU. Our association agreements on the Schengen and Dublin cooperation mean that we are both directly and indirectly affected by the policy pursued in Europe.

In recent years, we have seen an increasing internationalisation of the EU's migration policy. The EU bases its migration policy on cooperation and partnership with third countries. The EU is in the process of entering into various forms of migration cooperation with countries of origin and transit countries, with a view to formulating mutual interests and challenges, setting limits for cooperation and mobility, and coordinating migration-related aid from the EU countries.

Over time the close links that are developing between migration policy and development policy in the EU will lead to significant changes in the union's policy towards Africa and the countries east of the EU, which are home to a large number of potential migrants to the EU. Norway has been invited to participate in the development of a concrete collaboration between the EU and relevant third countries on migration and development. The goal is to identify cooperation projects with relevant countries of origin and transit countries, that

can help to improve living conditions and employment opportunities, and that can prevent unwanted migration. The Horn of Africa and East Africa have been mentioned as areas where it is desirable for Norway to contribute to the development of a new policy. This is due to our long experience of development assistance in these areas. The Government will consider further cooperation with the EU and relevant third countries on migration and development. Initially, this will involve developing and taking part in pilot projects in one or a few countries, and these efforts may be expanded subsequently on the basis of the experience gained.

Brain drain

Research shows that migration increases in step with the level of education. The better qualified a person is, the more attractive he or she will be on the international labour market. Some professional groups are more in demand than others. Engineers, for example, and people with science and maths qualifications are in short supply in many European countries. This is a favourable situation for those concerned, but it can entail a major loss for a country of origin that has a great need for the same human resources.

The consequences of the brain drain are greatest in the health sector. Worldwide, there is a dramatic shortage of health workers. The World Health Organization has estimated that more than 4.3 million more workers are needed in the health sector than are currently available. More than half of them must be highly qualified, such as doctors, nurses and midwives.

The shortage is most serious in the poorest countries, where the health challenges are greatest. While lifestyle-related diseases such as cancer, diabetes and cardiovascular disease dominate the picture in rich countries, the main health challenges for many countries in Africa are still infectious diseases such as malaria, measles and tuberculosis. However, a steadily increasing group of people in these countries are also contracting diseases that are related to lifestyle factors such as poor diet, inactivity and increased consumption of alcohol and tobacco. On top of this, Africa is also hardest hit by the AIDS epidemic, which is putting health services under a great deal of strain at the same time as health workers are also affected by the disease. Together, these factors constitute a burden on African health services that is difficult for them to deal with themselves. It is therefore unfortunate, and in many people's opinion unethical, for rich countries to pursue an active recruit-

Box 3.9 Children and migration

Children are affected by migration in two ways: some are themselves migrants, and some are left behind in their home country by one or both parents.

Children who cross borders are at particular risk of human trafficking, abuse and exploitation. On arrival in a new country, they can easily become victims of discrimination, social marginalisation and poverty. Many live in fear of being arrested and sent back home. Although we do not have figures for the number of children who migrate, we do know that the number of migrant children moving from one developing country to another is considerably higher than the number of migrant children moving to developed countries.

In countries such as Moldova and the Philippines, up to 30 per cent of minors have been left behind by one or both parents. Studies indicate that it is the oldest children who suffer most. They are also more at risk of drug and alcohol problems, early pregnancy, mental health problems and criminal behaviour.

UNICEF (United Nations Children's Fund) is currently studying the extent to which children are affected by migration, the effects this has on them and what measures can be taken to safeguard their interests. UNICEF also helps national authorities to develop policy in this area.

ment policy among African health workers to meet their domestic needs.

The issue is complex and full of dilemmas. Many health workers wish to travel to a country where their work will be different and income higher. Prohibiting the migration of health workers would be a violation of human rights. At the same time, however, there is a desperate need for their labour in their home countries, which, in many cases, have invested considerable resources in their training. The inhabitants of these countries have an enshrined right to access to health services. The migration of skilled workers, and health professionals in particular, is an example of how conflicts can easily arise between the interests of individuals and the interests of society as a whole.

Norway is playing an active part in the international efforts to address the global challenges relating to health workers. The aim is to ensure ethical international recruitment of health workers and, above all, to find tools to address the situation in countries with the least developed health services and the greatest shortage of health workers. These efforts are primarily being carried out within the World Health Professions Alliance and the World Health Organization, which are working to develop a common frame of reference for ethical recruitment, financing, training and partnerships. The Minister of the Environment and International Development represents Norway in a high-level group in this context. This theme is also one of the items on the agenda of the Global Health and Foreign Policy network of foreign ministers.

Reducing the migration of health workers from the least developed countries and regions will not on its own be sufficient to address the shortage of health professionals in these areas. The OECD estimates that African-born doctors and nurses working in OECD countries correspond to 12 per cent of the total estimated shortage in the region. In South-East Asia, the region with the greatest shortage of health professionals, the proportion is nine per cent. The figures show that the initiative aimed at ensuring ethical recruitment must be complemented by other measures to secure the necessary coverage of health professionals in these countries and regions.

The principle underlying Norway's policy of not actively recruiting from countries that have a shortage of health workers is set out in the 2007 budget proposal and in the white paper *Labour Migration*. In addition, two working groups have been appointed that will submit reports on this issue to the Ministry of Health and Care Services and the Ministry of Foreign Affairs in spring 2009.

The Government will:

- focus on the effects of international migration that promote development and how they can be strengthened
- take part in global, regional and bilateral dialogues on the development of policy on migration and development
- play a proactive role in efforts to establish an international framework for ethical recruitment of health workers from developing countries
- consider cooperation with the EU and relevant third countries on migration and development.

4 Climate change

Global climate change and the loss of biological diversity are two of the greatest threats humanity has faced. Climate change reduces human security as a result of drought, flooding, storms, disease, food and water shortages, and inadequate political capacity to deal with these impacts. The rapid changes we are now seeing could lead to ecosystem collapse.

Climate change may also lead to greater disparity between social groups, between regions and between countries. According to the Intergovernmental Panel on Climate Change (IPCC), it will probably not be possible to limit global warming to no more than 2 °C above the pre-industrial level unless world greenhouse gas emissions are cut by 50–85 per cent from the 1990 level by 2050. It has been calculated that to achieve this, global emis-

sions must begin to decline within the next ten years. However, even global warming of 2 °C will result in major changes, which now seem to be inevitable.

Global climate and environmental problems affect everyone, but it is poor people in countries that are most vulnerable to change who will be hardest hit by climate change. Unless we address climate and environmental problems, the results of many years of development efforts will be under threat.

Norway's development policy will focus on reducing the vulnerability of the poorest countries to climate change, and will encourage countries to draw up forward-looking development strategies that are robust to climate change. The top priorities for most developing countries for many years



Figure 4.1 Climate change increases the frequency of extreme weather events.

Photo: Abdir Abdullah/Scanspix

to come will be economic growth and poverty reduction. In its international cooperation, Norway will seek to assist developing countries to recognise and make use of the potential that lies in following a more environmentally sound path of development than Western countries have done. Environmentally sound, sustainable economic growth and investment will be the most important instruments. The Government will strive to ensure that its climate policy and development policy reinforce one another. This means that climate policy must contribute to the achievement of development policy goals, and that development policy must increase capacity to achieve climate policy goals. The alternative to an integrated policy to combat poverty and climate change is failure on both fronts.

4.1 Ecosystems under pressure

More than 30 years after the first major UN conference on the environment in Stockholm in 1972 warned against continuing to impoverish the world's ecosystems, and 15 years after the adoption of the Convention on Biological Diversity, the 2005 Millennium Ecosystem Assessment docu-

mented that the Earth's ecosystems are in serious danger. Climate change is having serious impacts on top of the great pressure people are already putting on the environment.

Ecosystems do not only supply food, water, seed, fuel, medicines and building materials; they also support human society, culture, identity and community. They also play a part in the regulation of climate and water, air and soil cycles, in resistance to disease, and in protection against extreme weather. All these functions are known as ecosystem services. In principle, the Earth's biodiversity and ecosystem services can provide us with a perpetual supply of renewable resources. They provide a basis for long-term value creation, and are a key to the solution of many problems, both now and in the future. Ecosystems can also provide us with new medicines and new species that are suitable for agriculture. It is estimated that only one-tenth of the Earth's plants have so far been investigated with a view to their potential for medical or agricultural purposes.

However, species are being lost rapidly. A review of the most important causes of biodiversity loss shows that habitats are being destroyed by logging, agriculture and infrastructure development. Fragmented and degraded habitats are less

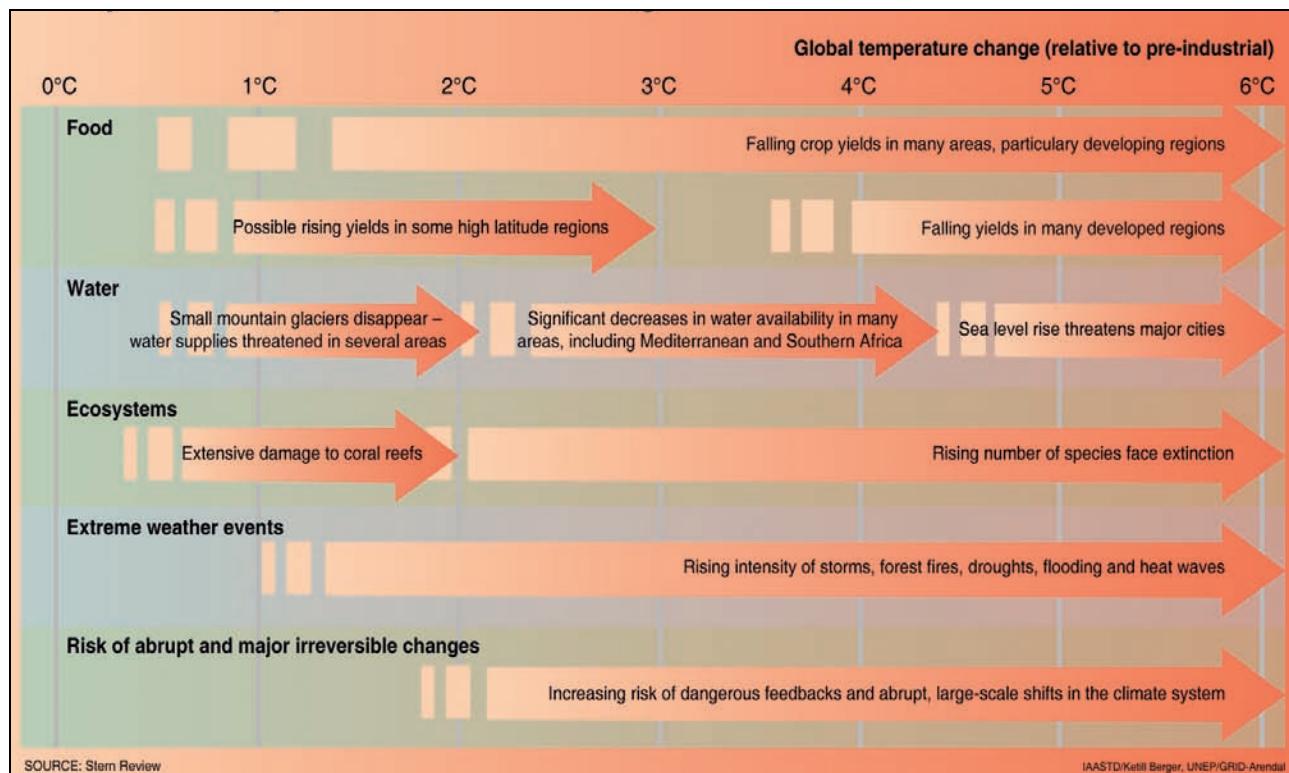


Figure 4.2 Impacts of a warmer climate.

Source: Stern Review

able to withstand natural disasters and climate change than more continuous areas of habitat. Biodiversity is also reduced by overfishing and competition from alien species. Depending on the speed and scale of global warming, climate change may also constitute a threat to biodiversity.

Some hazardous chemicals are a serious threat to biodiversity, food supplies and the health of future generations. These are substances that do not break down readily in the environment and are therefore extremely persistent once they have been released. They can be transported over long distances from the source of pollution by air and ocean currents, and their concentrations build up along food chains. Such substances are a growing environmental problem in developing countries, many of which lack adequate systems for the control and management of chemicals. At the same time, the chemical industry is growing rapidly in developing countries. In China and India, for example, chemical production volumes is expected to grow by 10.5 per cent and 8 per cent respectively in the next ten years. At the same time, there is a tendency for polluting industries to move to developing countries and for developed countries to send large quantities of hazardous waste to developing countries.

Cooperation under the multilateral environmental agreements is a key part of the Government's efforts to safeguard our shared environment and our livelihoods. The *Norwegian Action Plan for Environment in Development Cooperation* provides guidelines for Norway's environment-related development efforts in poor countries. Norway's International Climate and Forest Initiative is a major effort to secure the inclusion of emissions from deforestation and forest degradation in a new global climate regime and to safeguard other environmental assets. The Government is also seeking to strengthen the United Nations Environment Programme (UNEP), and particularly its core functions, which are monitoring the state of the global environment and providing recommendations on the management of natural resources.

Much of the world's genetic diversity is found in developing countries, and the policies these countries pursue will therefore be important in safeguarding ecosystems and genetic resources. Every country has to make difficult decisions about the balance between growth, conservation and use, but most poor countries will perceive the development challenges they are facing as more urgent than management of the natural environment. Moreover, many of these countries have insufficient resources to give priority to specific conservation measures. Negotiations are cur-

rently taking place under the Convention on Biological Diversity on an international regime for access to genetic resources and benefit-sharing, and the outcome will have an important bearing on the ability and willingness of poor countries to protect biodiversity. The international community must also take more responsibility for ensuring the necessary funding for environmental protection. One possibility that the Government is reviewing further is to provide direct compensation for the maintenance of ecosystem services.

The Government will:

- support the conservation and sustainable use of areas and ecosystems of global importance
- seek to ensure transparency in the management of natural resources and that local communities, including indigenous peoples, have access and rights to land and resources
- support the implementation of multilateral agreements on chemicals, natural resources and biodiversity, the marine environment and marine resources
- support the establishment of a UN panel on natural resources, biodiversity and ecosystem services under UNEP
- work towards an international agreement on access to genetic resources and benefit-sharing under the Convention on Biological Diversity
- contribute to the further development of mechanisms for payment for ecosystem services.

4.2 Climate change is making the development process more difficult

Signs of climate change – changes on various scales in all kinds of natural phenomena – are being observed all over the world. However, some of the most serious changes that will have the most immediate impact on large population groups are related to water – either too much or too little water.

Africa will experience more drought and thus more difficult growing conditions. In some countries, yields of crops that are dependent on rain water may be reduced by half. In Central and South Asia, yields may drop by up to 30 per cent between now and 2025. On the other hand, yields may rise for a time in temperate areas as a result of higher temperatures. The Himalayan glaciers are melting, affecting large groups of people. More frequent

Box 4.1 Climate change in the Himalaya region

Ice and snow in the Himalaya-Hindu Kush region, a continuous mountain system covering almost 3.5 million km² and stretching through eight different countries, supplies a fifth of the world's population with water for drinking, household use, irrigation and electricity production. But the ecosystem balance in the area has been disturbed, and this affects both the people who live in the mountains and those who live in the fertile plains below. The IPCC has shown that as a result of global warming, the «water tower» of Asia is shrinking. The main glaciers are retreating, and smaller glaciers are disappearing altogether. Pastureland is turning into desert. In some areas, flooding is becoming more frequent and more severe, while in others, life-giving rivers are gradually drying out. The glaciers that supply more than two-thirds of the water in the Ganges, considered a holy river by the Hindus, is melting three times as fast as it was 100 years ago. Many people fear that in a

few decades, the Ganges will be almost dry outside the rainy season. In addition, the ground-water level is gradually dropping. If these trends continue, the fertile agricultural areas fed by the Ganges, the Yangtze and the Yellow River, which today make India and China the world's leading producers of wheat and rice, will be severely affected. UNEP estimates that accelerated ice loss in the Himalaya-Hindu Kush may affect about 40 per cent of the world's population.

Norway is supporting a regional initiative to provide information on climate change in the region. A five-year agreement has been signed for the period 2008–2013. Through CICERO (the Center for International Climate and Environmental Research) and UNEP/GRID-Arendal, Norway is also supporting a research project on the impacts of climate change in the Himalaya region.

and more severe flooding will be a problem in the major low-lying river deltas.

About half of the world's population lives in coastal areas where rising sea level and extreme weather will have negative impacts on fisheries, tourism, infrastructure, agriculture and access to fresh water. Even a 2 °C rise in temperature will cause a rise in sea level that would make several small island states uninhabitable.

A 2007 study from the Organisation for Economic Cooperation and Development (OECD) shows that Shanghai, Miami, New York, Alexandria and New Orleans will be among the cities where exposure to flooding grows most rapidly with rising sea level. Many other major cities will also be affected unless we can mitigate climate change.

The IPCC predicts that climate change will also affect the health of millions of people. For example, more outbreaks of disease are expected as a result of heatwaves, storms, wildfires and drought, and flooding often provides favourable conditions for communicable diseases. The greatest health risk is considered to be an increase in the distribution of diseases that are transmitted by vectors such as mosquitoes or ticks. According to the World Health Organization (WHO), the incidence of diseases such as malaria and dengue fever will rise with the spread of vector organisms.

The IPCC has predicted a considerable rise in the number of climate refugees in the years ahead, but without putting a figure on the increase. According to the 2006 Stern Review, a conservative estimate is that 150–200 million people will be permanently displaced by 2050 as a result of rising sea level, more frequent storms and more intense drought. Other researchers point out that climate change will primarily result in displacement and conflict at fairly local level, not between countries. The scale and speed of temperature rise – whether it happens slowly and gradually or whether we reach tipping points – will have a decisive effect on the scale of the refugee problem and the conflict potential associated with climate change.

The Government will:

- take part in efforts to identify the direct and indirect impacts of climate change on countries and regions.

4.3 Common but differentiated responsibilities in climate policy

The fight against climate change is a global responsibility. It can only be won if the developed coun-

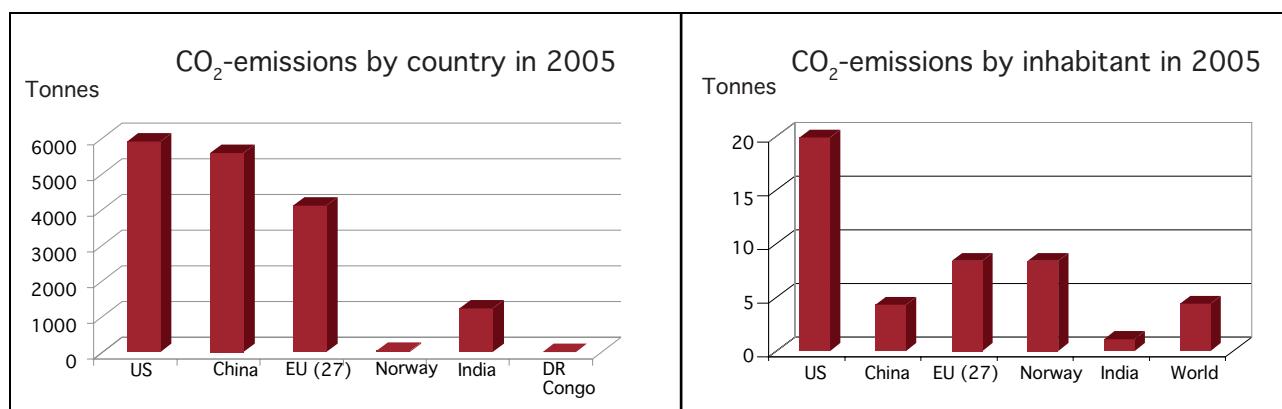


Figure 4.3 CO₂ emissions

Source: The diagrams show that in 2005, China was the second-largest emitter of CO₂ in the world, just behind the US. China's emissions are growing rapidly, and China has probably now overtaken the US as the world's largest CO₂ emitter. However, emissions per inhabitant are still much lower in China and India. Source: World Resources Institute and CICERO

tries take the lead and demonstrate that environmentally sound economic development is possible. So far, these countries are also largely responsible for man-made greenhouse gas emissions. Moreover, the OECD countries have the largest financial and technological resources. This is reflected in the principle of «common but differentiated responsibilities and respective capabilities» set out in the United Nations Framework Convention on Climate Change.

At the moment, countries that have emission commitments under the Kyoto Protocol are responsible for about 30 per cent of global greenhouse gas emissions, but this proportion is dropping. This means that it will not be possible to achieve the necessary cuts in emissions unless developing countries, particularly those where emissions are high or rising rapidly, also pull their weight. Annual energy-related greenhouse gas emissions in middle-income countries are rising rapidly, and are now higher than those from developed countries. However, it is also crucial for the US to be part of the political leadership for global climate policy. Unless the US takes the lead, it will be difficult to persuade major developing countries to take the necessary steps to limit their emissions. The signals from the Obama administration indicate that the US is prepared to take this responsibility.

It is a major challenge to find ways of ensuring that economic and social development can take place in poor countries without too great a rise in their greenhouse gas emissions. The only way forward is to facilitate a path of development based on recent knowledge and technology. This can make it possible to leapfrog some of the phases involving

environmentally harmful technology that the developed countries have been through.

To achieve this, earlier pledges to the developing countries on funding and technological cooperation must be honoured. The international climate change negotiations under the Climate Change Convention and the Kyoto Protocol have so far involved a tug-of-war on the distribution of burdens and rights, including the issue of how much responsibility the rich countries have for funding climate-related measures and transferring technology to developing countries that are themselves experiencing rapid growth.

The basis for the Government's overall climate strategy at home and abroad was set out in the 2007 white paper on Norwegian climate policy (Report No. 34 (2006–2007) to the Storting) and the agreement on Norwegian climate policy reached by most of the political parties in January 2008. Allocations to the Government's development and climate policy initiatives have been increased in the 2008 and 2009 budgets. Norway's main priorities are reducing deforestation and for-

Box 4.2 No more CO₂ than Western countries

«I can promise that India's per capita CO₂ emissions will never be higher than in Western countries.»

Source: Indian Finance Minister Chidambaram speaking to Minister of the Environment and International Development Erik Solheim during the Bali climate summit in 2007

est degradation, clean energy, and the development of technology for carbon capture and storage. The aim is to reduce emissions in order to allow for the necessary increase in energy use in developing countries.

Norway will seek to foster interest in partner countries in sustainable natural resource management, low-carbon energy solutions, halting deforestation, adaptation to climate change and prevention of environmental damage. However, policy development is the responsibility of individual countries themselves. While other countries cannot take over the process of policy development in poor countries, the international community and countries such as Norway are able and willing to provide expertise and funding.

Massive support for climate change measures is also important as a way of increasing developing countries' willingness and ability to take on commitments in a future global climate regime. Norway is working closely with key countries in the international climate negotiations. The African perspective has not yet been given sufficient room in the climate negotiations. Adaptation is the main challenge for Africa, but there are strong indications that Africa too can combine sustainable development for its own people with emissions reductions of importance for the global climate. There is a considerable potential for reducing emissions related to changes in land use and deforestation in several of the least developed countries.

African governments have started an important political process with a view to defining a joint platform for their participation in the international climate dialogue. They have adopted Africa's Climate Roadmap, which initially deals with the dialogue up to the Copenhagen climate summit in December 2009. The Climate Roadmap puts the environment and agro-forestry at the heart of the climate negotiations, and at the same time sets out ways of reducing poverty, promoting energy security and safeguarding African ecosystems, landscapes and livelihoods. Norway wishes to support this African climate process.

The Government will:

- work towards a climate agreement that ensures that global warming is limited to no more than 2 °C
- promote the interests of the poorest and most vulnerable countries in the climate negotiations
- support the implementation of Africa's Climate Roadmap.



Figure 4.4 Solar power will be a key energy source in the future, as here in Afghanistan.

Photo: Norwegian Church Aid

4.4 Clean energy

Rising energy use is both a result of and a key factor in development. The International Energy Agency believes that fossil fuels will remain the dominant global source of energy up to 2030. A sharp rise in consumption of fossil fuels is not compatible with limiting climate change. This means that a low-carbon development path and the use of energy from renewable sources must be given high priority.

Today, some 1.6 billion people do not have access to electricity or other modern energy services. Lack of access to energy is one of the most important obstacles to poverty reduction. Energy is now more essential than ever, because energy is a key factor for participation in the globalised business sector and for access to global knowledge through the Internet and other media, and also for building resilience and the capacity to adapt to climate change.

Despite the fact that world energy production has never been higher, it is struggling to keep pace with economic development in some developing countries and with the general rise in population. According to the World Bank, China is already increasing its energy supplies by more in a fortnight than all the 47 sub-Saharan countries (with the exception of South Africa) do in a year. The type of energy infrastructure chosen will be highly significant for the outcome of the fight against climate change.



Figure 4.5 Hydropower is an important energy source in Nepal. Norwegian expertise is much in demand.

Photo: Ken Opprann

The choice of energy infrastructure will be determined by factors that differ from one country to another. In India, energy use per inhabitant is expected to remain at a relatively low level, and the country will also be able to limit its emissions if its plans for energy efficiency and decentralised renewable energy supplies are successful. India will also be able to make use of environmentally friendly hydropower in the Himalayas, even though ice-melt is creating uncertainty about trends in river levels.

In general, the clean forms of energy are too expensive and access to them is too difficult in comparison with energy from biomass, coal and kerosene. Many poor and middle-income countries find it simpler, quicker and to some extent cheaper to concentrate on oil- and coal-based power supplies rather than on energy efficiency or renewable energy sources such as hydropower or solar and wind power. In many developing countries, biomass is still the dominant energy source. Most people south of the Sahara will continue to use wood and charcoal for cooking in the near future. Unfortunately, these tend to be used inefficiently and in ways that cause local damage to ecosystems.

Africa has considerable undeveloped hydropower resources that could meet a large proportion of the continent's energy needs. Major infrastructure projects – which must also include infrastructure for electricity distribution – will require stronger regional cooperation. Hydropower installations that are built with storage reservoirs can also provide water for irrigation and can be used for flood control and regulation of water flow in connection with adaptation to climate change. However, hydropower production is vulnerable to

changes in precipitation, and can have negative social impacts and impacts on biodiversity. Conditions for solar power production are also very favourable in large parts of Africa. As the costs of solar power production fall, it offers particular potential for electrification in rural areas and in areas that are not on the grid. In addition, conditions for using geothermal energy (heat from within the earth) are favourable in some African countries.

As a region, Africa now has the opportunity to choose a planned, sustainable, robust low-carbon path of development. The International Energy Agency considers promoting renewable energy sources and energy efficiency to be one of the most cost-effective ways of increasing access to energy and at the same time reducing greenhouse gas emissions. The main task for Africa's cooperation partners will be to provide a suitable framework and support for a sustainable and less vulnerable path of development based on clean energy.

Environmentally sound solutions must also be cost-effective. Good, energy-effective technology may require higher investments initially, but such investments will generally be economically sound and commercially profitable in the long term. Developing countries are already paying a relatively high price per energy unit. It will therefore be important to shift energy demand to cheaper,

Box 4.3 Experience gained by SN Power

Through the development of SN Power, which is owned by Norfund and Statkraft, Norway made an early start in investing in energy production in developing countries. The company's portfolio has performed satisfactorily, and it has built up a great deal of experience that will be valuable in promoting greater investment in clean energy. Other power companies and various types of investors are showing an interest in this market.

In January 2009, a subsidiary of SN Power was established to intensify energy-related efforts in poor countries. This is a priority task but one that requires special planning and follow-up. SN Power AfriCA is to focus on energy investments in Africa and Central America. Efforts are being made to widen ownership of this company beyond Norfund and Statkraft, which will require mobilisation of private capital from Norwegian energy companies.

Box 4.4 Global Energy Efficiency and Renewable Energy Fund

The Government has committed NOK 80 million to the new Global Energy Efficiency and Renewable Energy Fund (GEEREF). This is a public-private partnership initiated by the European Commission, and Norway and Germany are the first two public donors to the fund. Altogether, the European Commission, Germany and Norway have undertaken to contribute EUR 100 million to the fund in the next four years. The purpose is to attract commercial capital for investments in climate-related measures and clean energy. Private investors will be given priority when returns on the fund are allocated. Any returns on contributions from public investors will be re-invested in the fund.

renewable or more energy-efficient technologies. We should draw these countries' attention to all the advantages of making use of their own renewable energy resources – in relation to public health, national energy security and reduced economic dependence on international oil prices.

Adaptations of the best technology, products, services and organisation models from developed countries can also promote sustainable development.

Norway's role

As an energy nation, Norway is well placed to assist developing countries in their efforts to address energy-related challenges. This is part of the backdrop to our Clean Energy for Development initiative, which is intended to provide a framework for all Norwegian aid in this field. The initiative includes poverty-reduction projects, for example on electrification in rural areas using solar power, more efficient wood-burning stoves and improved charcoal production, as well as larger-scale projects such as hydropower developments, wind farms and solar farms connected to the electricity grid. The initiative will also involve stepping up Norway's energy efficiency efforts, since this is a way of increasing the energy supply quickly without the side effects associated with all other types of new energy capacity, and will also help to prevent development that is associated with unnecessarily high levels of energy use.

Bilateral energy cooperation is in principle neutral with regard to technology choices. Norway's contributions should be based on demand, and on countries' own plans and priorities. The demand is often related to hydropower, which is the field where Norway has most expertise to offer, and a highly-developed industry that is interested in taking part in projects in developing countries. Norway can be a useful partner for countries that are interested in hydropower as an energy solution. But Norway is also winning recognition as a partner in solar technology, and this is being used actively in development assistance. Norway's efforts in these areas can provide valuable technology and know-how, and projects benefit from the equipment, knowledge and training provided by the business sector. Strategic use of aid funding in combination with industry expertise will provide major benefits.

In multilateral energy cooperation, Norway focuses on making use of the comparative advantages of different organisations, seeking to ensure that projects complement each other, and encouraging the closest possible collaboration. The development banks are an important channel for funding efforts to improve access to energy and energy efficiency measures. The World Bank is in a particularly good position in this respect, because it operates both at country and global level, is engaged in most sectors, and has a variety of tools at its disposal – grants, loans and investments. The bank can encourage the private sector to invest in climate friendly energy and technology, and can lower the threshold for investing in countries where framework conditions are difficult and the level of risk is high.

Conditions for energy investments have improved considerably in a number of poor countries in recent years, and many developing countries can now provide a stable political climate for investors. Profitability has also improved because economic growth is creating a growing demand for energy, and because efforts to promote reform in a range of sectors, strengthen legislation and build up institutions have given results in a number of countries. However, energy projects in developing countries are complex, and the level of risk is still higher than in richer countries. Substantial public funding is needed to encourage private investment. Public funding reduces some of the risk factors for private investors. The financial crisis has resulted in uncertainty about the scale of private investments, particularly in poor countries, and this highlights the need for public funding.

Many of the respondents to the consultation on the report of the Policy Coherence Commission have suggested that a small share of the Government Pension Fund – Global should be earmarked for new investments in environmental technology or in developing countries. This and other proposals related to the fund will be considered in connection with the Government's evaluation and revision of the ethical guidelines for the Government Pension Fund – Global.

The Government will:

- use aid funding strategically to achieve rapid energy-related technological advances in developing countries
- give higher priority to energy efficiency measures and work towards strategic energy planning in development cooperation
- use aid and other public funding catalytically to trigger private investments in clean energy.

4.5 Deforestation

Forests are a resource of enormous value at global, national and local level. Millions of poor people are dependent on forests for their livelihoods. Forests provide services such as water storage, flood control, food and medicines, and are home to much of the world's biological heritage. Forests also store carbon and will therefore be part of the solution to the problem of climate change.

Emissions from deforestation and forest degradation in developing countries account for about 20 per cent of global greenhouse gas emissions today. Conservation of natural forests is a cost-effective way of avoiding CO₂ emissions. Afforestation and reforestation also reduce CO₂ emissions, and are the only types of forest-related projects that are approved for use under the Kyoto Protocol's Clean Development Mechanism. Emissions from deforestation and forest degradation in developing countries are *not* included in the Climate Change Convention or the Kyoto Protocol. Norway is working towards the inclusion of commitments and mechanisms to reduce emissions from deforestation in developing countries in a global climate change regime for the period after 2012. However, the scale of these emissions makes it important to start forest-related projects as soon as possible, before a new agreement is in place.

Drivers of deforestation

Deforestation is not simply due to a lack of incentives to protect forests: the causes are complex and related to various alliances and interests. We will have no guarantee that funds or market mechanisms intended to reduce emissions from deforestation and land-use change will work unless we take into account issues relating to power and capital in individual countries. The political will in forest countries to deal with the underlying causes of deforestation will be of crucial importance.

Globally, the most important driver of deforestation is the need for new agricultural areas. Grants for converting forest to soy and oil palm plantations encourage deforestation. So does the often over-dimensioned pulp and paper industry. In many cases, plantations are unable to provide sufficient timber as raw material, and in Indonesia it is estimated that more than half comes from natural forests and protected areas. Organised crime and corruption play an important role in deforestation. Forest fires are responsible for large greenhouse gas emissions every year. Deliberate burning is the simplest way of clearing forest for other purposes.

In Central African countries, many years of war have kept the deforestation rate low. However, this could change quickly, since many licences have been issued for commercial logging.

In Brazil, there are unresolved tensions between conservation and development interests. It is estimated that at least 60 per cent of all logging in the Amazon basin is illegal – in Indonesia, the figure may be higher than 70 per cent. The World Bank estimates that this costs tropical forest countries USD 15 million per year in lost revenues and economic growth, or more than eight times the aid provided for sustainable forest management. The situation is exacerbated by a lack of transparency in the complicated and often corrupt systems for issuing licences and inadequate monitoring of compliance with licences.

The EU and the World Bank have started processes in relevant regions to reduce illegal logging and trade in tropical timber. These may be of crucial importance in improving enforcement of the legislation and facilitating better governance of the forest sector. However, legal logging is not necessarily sustainable in social, ecological or economic terms. There are several certification systems, but they do not provide adequate guarantees that tropical forest products are sustainable. To achieve sustainable forestry and maintain the capacity of for-

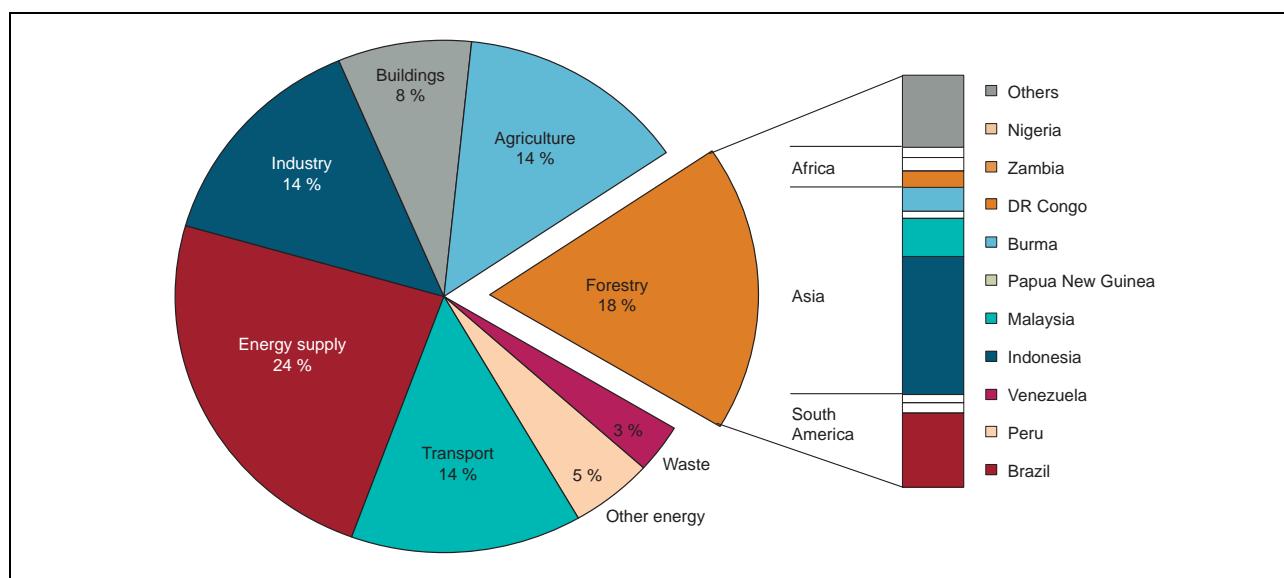


Figure 4.6 Sources of greenhouse gas emissions

Source: IPCC; WRI/CAIT

ests to absorb carbon, they must be based on the principles of sustainable forest management.

Norway's International Climate and Forest Initiative

Norway's Climate and Forest Initiative is a strategic approach to dealing with climate change. It is intended to bring about substantial, verifiable reductions in emissions from deforestation and forest degradation in developing countries. The aim is for these emissions to be regulated in a new international climate regime, and projects will be chosen with a view to gaining experience that can be used in this connection.

In line with the decision made at the climate summit in Bali in 2007, most projects in the preliminary phase of the initiative are demonstration and pilot projects, and focus on capacity building and support for the development of national strategies. If a new and more comprehensive climate regime is put in place for the period after 2012, it may be possible to carry out large-scale projects to reduce emissions from deforestation and forest degradation.

A credible system for monitoring and reporting emissions is essential if measures to reduce deforestation are to be included in a new climate regime. Through the initiative, the Government wishes to play a part in developing international and national capacity for measuring and verifying emissions from deforestation and forest degradation. Emissions must be reported at national level to ensure

that reducing logging in one area does not result in more logging in another and thus cause carbon leakage. It is also important to prevent carbon leakage at international level, between countries and regions.

Efforts to reduce greenhouse gas emissions from deforestation are inextricably linked with poverty reduction and sustainable economic development. This recognition is an important basis for the initiative. In the long term, it will be impossible to achieve permanent global reductions in emissions from deforestation without ensuring sustainable economic development for people who live in and around the forests. Financial mechanisms, compensation for ecosystem services, formalisation of user and property rights and rights to the carbon in forests, and the productivity of surrounding agricultural areas are all factors that will be very important for the long-term results of the initiative and for winning developing countries' support for the inclusion of emissions from deforestation and forest degradation in a new climate regime.

The initiative includes activities in all three of the most important tropical rain forest regions. Examples are direct contributions to the Amazon Fund in Brazil, and cooperation with several other donors, including the UK via the African Development Bank, in the Congo basin. Norway is also providing support through the UN for the preparation of national strategies to reduce emissions from deforestation and forest degradation in Papua New Guinea and Indonesia. In addition, there are activi-



Figure 4.7 Half of the world's remaining tropical rain forest is in the Amazon basin. Brazil is therefore an important climate policy partner.

Photo: Espen Røst

ties in areas of dry tropical forest and savanna, including cooperation with Tanzania on emissions reduction and the restoration of deforested areas.

Norway provides much of its funding through multilateral channels, including the UN and the World Bank. Norway has also been instrumental in bringing about cooperation between the relevant UN organisations on the UN Collaborative Programme on Reduced Emissions from Deforestation and Forest Degradation (UN REDD). In the first phase of the programme, funding is primarily being used for capacity- and competence-building, while in later phases the focus will shift to the implementation of national plans for reducing deforestation and for sustainable forest management.

We will not be able to achieve a new climate agreement if poor countries are left to meet the costs of reducing emissions from deforestation by themselves. Large-scale international transfers of capital will be needed. Compensation for avoiding deforestation must be high enough to compete with the profits that can be made from existing ways of using forests.

The Government will:

- work towards rapid, cost-effective and verifiable reductions in greenhouse gas emissions from forest areas
- promote the conservation of natural forests to ensure carbon storage, protect poor people and indigenous peoples, and conserve biodiversity
- work towards the inclusion of emissions from deforestation in a new international climate regime.

4.6 Adaptation to climate change

Throughout history, people have had to develop strategies to adapt to variations in the climate. However, given the scale, pace and unpredictability of the changes that are now taking place, it seems unlikely that traditional adaptation strategies will be adequate in the future. Rapid climate change will particularly affect public health, industrial structure and settlement patterns. Large-scale

Box 4.5 The role of indigenous peoples in sustainable forest management

One billion people live in or near forests and depend on them for their livelihoods. A very large proportion of the world's roughly 350 million indigenous people have strong links and traditional rights to forests. However, they are often unable to assert or formalise their right to gain a livelihood from forests, or contribute to sustainable forest management. Indigenous peoples do not necessarily protect forests, but under the right circumstances and if they have statutory rights, many indigenous peoples will see that it is in their own interests to play a part in maintaining forests and the biodiversity on which they depend for their livelihoods.

Norway has ratified Convention (No. 169) concerning Indigenous and Tribal Peoples in Independent Countries, which was adopted by the International Labour Organisation in 1989, and also, with certain reservations, endorsed the UN declaration on the rights of indigenous peoples (2007). However, only a few of the most important tropical forest countries have done so. In many of these countries, indigenous peoples have no specific rights at all. In others, their traditional rights to particular areas of

forest are disregarded in connection with infrastructure development, prospecting for minerals, logging or conversion of land for agriculture. Thus, there is a disparity between the rights indigenous peoples have under international law and the role they are allowed to play in practice in managing the forests on which they depend.

Where indigenous peoples' rights are recognised, for example in indigenous peoples' territories in Brazil, we see that they protect forests in conservation areas more effectively than the national authorities. Unless indigenous peoples and local communities are given a greater role to play in forest management, there is a serious risk that more extensive climate-related restrictions on the use of tropical forests in regions such as Central Africa and Southeast Asia will put further restrictions on resource use by these groups. This may also reduce their interest in maintaining forests and force more of them into illegal logging. This in turn would make it less likely that cuts in emissions achieved through an international mechanism would be permanent.

changes in water supplies and rainfall will affect food security and infrastructure. But slower and less obvious changes may also have major impacts on human health and the economy, especially in societies where adaptation capacity is low. The social and political dimensions of climate change are often underestimated.

The severity of the impacts of climate change will depend on society's and individuals' vulnerability and adaptation capacity. Adaptation capacity is determined by access to capital, labour, knowledge, health services, transport and communications, social relations and networks. Factors such as good governance, access to resources and an active civil society are important. Measures to strengthen a society's capacity to take joint action will boost its ability to deal with climate change and natural disasters.

It is also important to make use of women's knowledge of local natural resources, food security and ways of reducing various forms of vulnerability in adaptation efforts.

2007 was the first year when globally, more people lived in urban than in rural areas. According to

the World Bank, 75 per cent of the world's poor still live in rural areas. Nevertheless, 80 per cent of the world's urban population will be living in developing countries by 2030. By then, seven-tenths of the world population will live in Africa and Asia. According to the UN, much of the growth in world population during this century will consist of poor people who will be in a very vulnerable situation as regards access to food and energy, climate change, and other factors. Growing towns and cities urgently need to draw up plans to reduce vulnerability, take steps towards a low-carbon future, and choose climate-friendly alternatives for infrastructure, services and markets.

The impacts of climate change must be considered in the context of other development processes. Adaptation strategies must be based on countries' own development strategies. Climate change must be taken into account in plans and strategies for agriculture, water resource management, forest management, energy, health, and knowledge and education. The integration of climate change considerations into social planning at local and national level will be a key to successful



Figure 4.8 Clean water is in short supply in many developing countries

Photo: Fredrik Schjander

adaptation. Adaptation efforts must also reduce the vulnerability of the urban poor.

Incorporating mitigation and adaptation measures into development policy is an important task internationally. Many development measures also help to reduce vulnerability and increase adaptation capacity. However, more attention must be paid to reducing vulnerability, improving the capacity to cope with disasters, and participation at local level. This was also highlighted by the Standing Committee on Foreign Affairs in its recommendations to the Storting on the white paper *Norwegian Policy on the Prevention of Humanitarian Crises* (Report No. 9 (2007–2008) to the Storting). Particularly at the present stage, when we are negotiating a new global climate regime, it is important to promote a broad approach to adaptation to climate change and disaster prevention. We must invest in the whole range of adaptation measures, from emergency preparedness and crisis

management to reconstruction and long-term development efforts.

The Government will:

- encourage partner countries to include adaptation to climate change in social planning and national development strategies, in order to build resilience to climate change
- promote the integration of adaptation to climate change and the prevention of humanitarian crises into development cooperation
- seek to strengthen women's influence on natural resource management.

4.7 The costs of adaptation and mitigation

The costs involved in dealing with the problem of climate change will be formidable. There are major challenges involved in mobilising the resources that will be needed to stabilise the climate system, which is a global public good. This is not only a matter of willingness and ability. It will also require political and economic creativity and innovation. An important first step is to distinguish between the costs of essential measures to cut greenhouse gas emissions and essential adaptation measures. A suitable framework must be provided to encourage business and industry globally to play a key role in developing and deploying emission abatement technology. Governments must play a more direct role in funding and implementing adaptation measures.

The scale of the challenges involved in adaptation varies greatly from one country to another. Far-reaching measures will be needed in countries that have not contributed significantly to greenhouse gas emissions and that do not have the resources to fund the necessary adaptation measures. How much funding should be provided for adaptation measures and how funds should be managed are key topics in the climate negotiations. A special Adaptation Fund has been established under the Climate Change Convention/Kyoto Protocol, and the Government keeps the need to increase allocations to this and the other climate funds under review. It is important to ensure that the Adaptation Fund starts to invest in specific projects that can make a constructive contribution to international efforts. Norway is one of the largest voluntary contributors to activities organised by the Convention secretariat to build up expertise on climate negotiations and assist poor countries in

Box 4.6 Adaptation to climate change in Bangladesh

Bangladesh is particularly vulnerable to climate change, since it consists largely of a low-lying delta situated between the Bay of Bengal, which is regularly hit by cyclones, and the melting glaciers of the Himalayas. The country is heavily dependent on agriculture and very densely populated. Climate change is already having an impact here. Flooding is becoming more severe, and cyclones are stronger and more unpredictable. The scale of the damage has increased. Large areas of formerly productive rice paddies are being flooded by sea water, making rice production impossible. Erosion along rivers has worsened, and houses are constantly having to be moved to prevent them from being washed away.

The Bangladeshi authorities have been working systematically in recent years to prevent disasters, introduce better early warning systems, build enough cyclone and flood shelters, and adapt to climate change, both now and in the future. The problems are overwhelming, but a great deal has been achieved. New rice varieties have been developed that tolerate higher salinity. In many places, farmers have switched from growing rice to crab farming. Construction

techniques have been changed so that houses are more robust than before, and often built on artificially raised ground to reduce the risk that they will be destroyed by flooding. Steps have been taken to prevent landslides along river banks. Families are keeping ducks instead of chickens. Floating-bed cultivation techniques have been developed – floating platforms are constructed on which many kinds of crops can be grown, including tomatoes and onions. This prevents crops from being lost during floods.

Good progress has also been made in developing early warning and evacuation systems. Early warning systems have been improved and more cyclone and flood shelters are available. In many cases, the shelters also accommodate livestock, which makes it easier for farmers to agree to evacuation.

Bangladesh has taken climate change seriously, and other countries have much to learn from its example. Systematic efforts do give results. Cyclone Sidr in November 2007 was one of the strongest to strike Bangladesh for many years, but caused far fewer deaths than similar storms have done earlier, and fewer than cyclones in the neighbouring country of Burma.

developing and refining their positions in the climate negotiations.

Norway is contributing to capacity building for environment and climate issues through support to the UN Environment Programme (UNEP), the UN Development Programme (UNDP) and the World Bank. These organisations are working together to put African countries in a better position to make use of the funding opportunities offered by the Clean Development Mechanism. The Global Environment Facility (GEF), which is the financial mechanism for the main multilateral environmental agreements, allocates project funds to the most appropriate organisations. The GEF provides support for all aspects of climate-related work, and assesses the results on the basis of the priorities set by the conferences of the parties for each convention.

However, it is obvious that adaptation to climate change will require far greater resources than the various funds can provide. Nor will development aid be sufficient. Norway is cooperating with other

actors, including the EU, to put in place public-private partnerships to mobilise capital. Adaptation requires a long-term perspective and predictable funding on an adequate scale, beyond the contribution made by the existing financial mechanisms. The question of future funding is therefore of key importance in the negotiations on a new climate agreement to be concluded in Copenhagen at the end of 2009.

The framework conditions must be designed to take into account the business sector's natural focus on profitability and new market opportunities, so that this sector can become the main driver of a low-carbon path of development. For this to happen, there must be a price on carbon, and the Government is therefore working towards the establishment of a global carbon price. A high carbon price will also encourage the development of alternative forms of energy. Dealing with the problem of climate change will require broad-based efforts by the public authorities, including strategic use of aid to ensure that renewable technology

is developed and made commercially available in all countries.

At present, the cost of emitting carbon is too low to generate the rapid technological advances needed. Despite the establishment of regional emissions trading markets (for example the EU scheme), and despite the fact that both the Kyoto Protocol and national policy instruments to cut emissions send price signals that encourage change and innovation, there is still great uncertainty about how these systems will develop in the future. The long-term price signals must therefore be strengthened.

The World Bank has established an innovative carbon fund, the Carbon Partnership Facility, as a signal that the carbon market will continue to operate after 2012, even though a new climate agreement has not yet been achieved. The fund provides a guarantee for carbon purchases after 2012 through partnerships between future buyers and sellers. It also provides incentives to plan for the use of clean technology in major infrastructure projects that are being developed today. This will help in the establishment of a long-term carbon market, and is an initiative Norway supports.

Box 4.7 Norwegian proposal for auctioning of emission allowances

Norway is working towards the successful conclusion of an international climate agreement to follow on from the Kyoto Protocol, to be signed at the climate summit in Copenhagen in December 2009. One of the key questions to be resolved is how adaptation measures are to be funded in poor countries. Norway has put forward a proposal for a system that could release large-scale funding for adaptation in poor, vulnerable countries. Briefly, the proposal is that, assuming the new climate agreement is based on a cap-and-trade system, like the Kyoto Protocol, a certain proportion of the total quantity of emission allowances should be auctioned internationally. The revenues should be used among other things to fund adaptation measures in the most vulnerable countries and regions. These revenues would vary depending on the size of the emissions trading market (which is determined by where the emissions ceiling is set) and the proportion of the allowances auctioned. But this model could provide a predictable and adequate flow of income.

The Government's initiative for the development of carbon capture and storage (CCS) technology is relevant in both the climate and the development context. The goal is for such technology to be commercially available throughout the world, so that it results in cuts in greenhouse gas emissions that really make a difference and allows for an increase in energy use, particularly in developing countries. In the current situation, CCS appears to be necessary as a supplement to renewable energy and energy efficiency. The greatest potential for using this technology is in connection with large point sources of emissions and in countries where emissions are rising rapidly. Spreading CCS technology to developing countries is part of the Government's long-term strategy, but for now the main focus is on projects at national and international level with a view to developing the technology itself. It may also be appropriate to provide developing countries with technical assistance and support for project planning and risk reduction in connection with CCS. Certain activities with clear development effects will be eligible for funding over the development budget.

Under the Clean Development Mechanism (CDM), developed countries can fund projects to reduce emissions in developing countries and thus acquire emission credits that can be offset against their emission commitments. Such projects can also contribute to sustainable development in recipient countries. It is up to recipient countries to determine whether this is the case. By the end of 2008, there were just under 1300 approved CDM projects, which are expected to generate emission credits corresponding to almost 1.4 billion tonnes of CO₂.

Norwegian companies can make use of CDM emission credits to meet their commitments under the Norwegian emissions trading scheme. In addition, Norway intends to purchase a substantial number of emission credits as part of its efforts to meet its Kyoto commitment and its voluntary goal of strengthening this commitment. Currently, about NOK 7 billion has been allocated for this purpose. The Government is considering various approaches that could make the Clean Development Mechanism a more important source of funding for investments in Africa as well.

The Government will:

- work towards international mechanisms to mobilise resources for reliable long-term funding of adaptation to climate change in developing countries

- offer private-public partnerships to promote technology cooperation and transfer to developing countries
- further develop an international framework that will make business and industry a driver in the development of a low-carbon society
- take steps to ensure that Norway's purchases of emission units through the Clean Develop-
ment Mechanism are in line with our development policy goals
- support projects to develop and deploy technologies for carbon capture and storage to reduce greenhouse gas emissions and allow for the necessary increase in energy use in developing countries.

5 Conflict

Since the end of the Cold War, the number of armed conflicts has steadily fallen. The number of people killed in wars has been substantially reduced. Nevertheless, war and armed conflict continue to be among the most serious challenges for development policy. Armed conflict impedes development. Poor countries have twice as high a risk of being affected by armed conflict as other countries.

The pattern of conflict today is different to what it was a few decades ago. Today, more than nine out of ten armed conflicts are civil wars between groups struggling for secession and independence or fighting for power and resources. An increasingly large proportion of the world's conflicts today are in countries with petroleum resources.

Instability and war have repercussions far beyond the geographical centres of the conflicts themselves. Conflicts have consequences for the whole region. Insurgents cross national borders to acquire weapons and ammunition, and to win support in neighbouring countries. Diamonds, tropical timber, oil and other commodities, as well as illegal drugs, are sources of income that can fuel continued conflict. These goods find a way out of the war-torn country via neighbouring countries. People forced to flee their homes in civil wars tend to seek refuge in other parts of their country or in neighbouring countries in the region.

Conflict can also have more far-reaching, international consequences. The protection of refugees is an international responsibility, as is set out in the UN Convention Relating to the Status of Refugees. Other visible consequences are increased international crime and terrorism. Conflicts in countries such as Afghanistan, Iraq and Somalia have consequences for Norway.

The recognition of these repercussions has resulted in issues that previously belonged to separate spheres of foreign, security and development policy now being seen as interlinked. Security is a precondition for political, social and economic development, which is in turn a precondition for lasting peace and stability. Efforts are needed at different levels, and it is important to ensure coordination between what is done at national, regional and global level.

Promoting development in countries that are affected by internal armed conflict is one of the hardest development policy tasks. The security perspective is shifting from relations between states, towards a stronger focus on humanitarian aspects and human rights issues. It is also important that greater emphasis is given to gender equality and the inclusion of all social groups in both conflict resolution and the development of a more peaceful society.

The political response to these challenges is to increase our engagement in conflict resolution, provide more effective support for peacebuilding in fragile states, strengthen focus on human security through a rights-based approach, ensure a more coherent approach to peace- and state-building, and strengthen the capacity and role of regional actors.

5.1 Poverty and conflict

Poverty in itself is not a cause of conflict, but the majority of armed conflicts are to be found in the poorest parts of the world. The risk of being affected by armed conflict is minimal in the countries with the highest scores on the UN Human

Box 5.1 Risk of conflict

Statistical analyses have identified factors that particularly increase the risk of conflicts becoming violent:

- dependence on primary commodity exports
- dispersed settlement patterns
- a history of conflict, particularly where there are strong diaspora communities outside the country
- a low level of education and high population growth
- one dominant ethnic majority
- low income and slow economic growth

Source: Paul Collier, The Bottom Billion, 2007

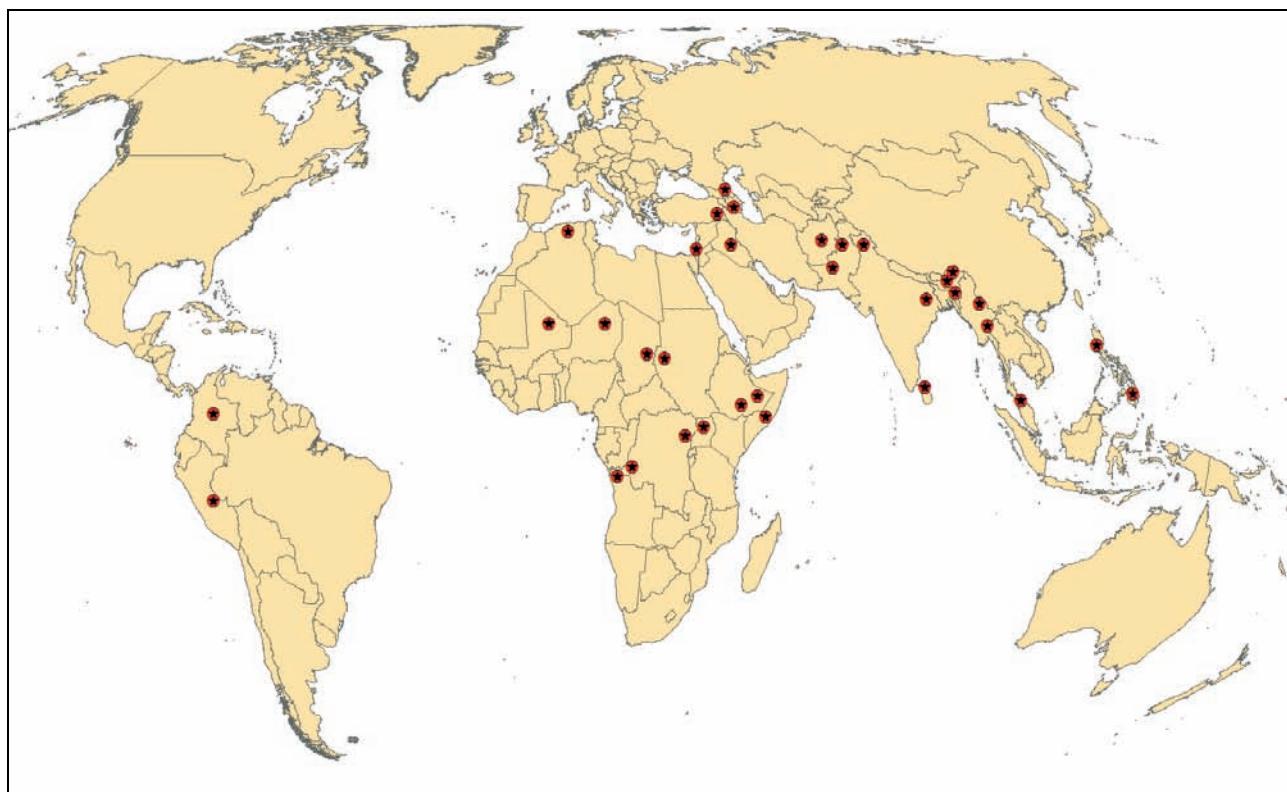


Figure 5.1 Armed conflicts, 2007.

Source: International Peace Research Institute, Oslo (PRIO), 2008

Development Index. Almost all new conflicts arise in the countries with the lowest scores. Great fluctuations in food and energy prices can lead to social and political unrest. Together with the effects of climate change, these factors increase the level of tension and can have a destabilising effect in the country concerned.

War causes humanitarian crises and exacerbates poverty; economic growth and development help to prevent war. Fragile states are particularly

vulnerable and are hardest hit. The economic costs associated with war are huge. Economic development is severely weakened.

Fragile states do not have a power structure that is capable of stopping violence or ensuring respect for the law. In such countries there is often considerable potential for recruitment to armed groups. Young men without jobs or prospects for the future are a vulnerable group. They have little to lose, and little sense of loyalty to a system that has marginalised them. People who experience poverty and powerlessness can be attracted to movements that strike out against the institutions, individuals or groups they hold accountable for inequality and injustice at both local and international level. Without a functioning judicial system, there are no sanctions for committing criminal acts. Violence and reprisals are allowed to escalate without any intervention from higher authorities.

Poor and fragile states do not necessarily become arenas for armed conflict. In many countries, there is intense political strife without anyone resorting to violence. At what point does political strife become violent? And what are the underlying causes and triggers? These questions are subject to significant academic debate and research.

Box 5.2 Conflict minerals and the DR Congo

The extraction of minerals is an important source of income for armed groups in DR Congo. In addition to diamonds and gold, particular attention has been drawn to coltan, which is used in various electronic products such as mobile phones, DVD players and computers. Some of the mining activities are illegal. The Norwegian Ministry of Foreign Affairs has initiated a study on how the extraction of coltan and other minerals is affecting the conflict in eastern Congo.

The Government will:

- seek to resolve armed conflicts through close coordination between political and diplomatic efforts, and allocation of funding to both humanitarian and development measures.

5.2 Fragile states

Countries that are vulnerable to, or already affected by, armed conflict are challenging partners in development cooperation. One of Norway's development policy objectives is to help states to reduce the damage caused by conflict and to create a starting point for building lasting peace. A conservative principle is that aid efforts should not increase the potential for conflict or cause additional damage. It is important that aid does not lead to further marginalisation of groups affected by the fighting, or exacerbate an already inequitable distribution of goods between the majority population and minority groups.

Fragile states tend to be weak, to lack legitimacy in the eyes of the general population, and to have insufficient control over their territory. Inequitable distribution of goods and socio-economic polarisation are also common. Elites in these states often distribute goods in a way that promotes dependency and cronyism. There may be divisions along ethnic lines. Systems for holding political leaders accountable are weak or non-existent.

Intervening in situations such as these with a view to effecting lasting change requires not only insight into the country concerned, but also particular focus on building a functioning state. The state must be able to play a coordinating role in stabilisation and reconstruction. The need to incorporate

Box 5.3 OECD and fragile states

In 2007, the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) adopted the Principles for Good International Engagement in Fragile States and Situations. These principles were endorsed by developing countries and multilateral organisations at the Accra High Level Forum on Aid Effectiveness in 2008. The principles underline the importance of a coherent, closely coordinated donor policy, with focus on political diplomacy, and security and development measures. According to the OECD, the objective of all efforts in fragile states is state-building.

all these elements creates a broad based and challenging development policy agenda.

Experience from countries such as Afghanistan and Sudan shows that it is vital for the international community to improve the coordination of its efforts. The UN Peacebuilding Commission plays an important role in gathering lessons learned and developing integrated peacebuilding strategies. Norway is a key supporter of the Commission, which was established in 2005. The Commission seeks to bring together all the relevant actors – individual countries, regional organisations, NGOs and UN funds and programmes – to work towards a common set of goals with a clear division of labour and roles. The integrated strategies encompass security, humanitarian efforts, human rights and long-term development.

Tabell 5.1 Refugees and internally displaced persons

Countries with the largest numbers of refugees ¹	Countries with the largest number of internally displaced persons ²		
The Palestinian Territory (most under UNRWA protection)	4.9 million	Sudan	6.0 million
Afghanistan	3.1 million	Colombia	2.7 million ³
Iraq	2.3 million	Iraq	2.8 million
Colombia	550 000	DR Congo	1.4 million
Sudan	523 000	Somalia	1.1 million

¹ United Nations High Commissioner for Refugees (UNHCR)

² Internal Displacement Monitoring Centre, Geneva

³ 2.7 million is the Colombian authorities' own estimate, CODHES (a Colombian NGO) estimates that the number is 4.4 million



Figure 5.2 War and conflict force millions to flee their homes

The UN High Commissioner for Refugees (UNHCR) has estimated that the number of refugees worldwide is around 16 million, including 4.6 million Palestinian refugees for whom UNRWA is responsible. A downward trend has now turned, and unfortunately the number of refugees seems to be increasing again. The largest groups are Palestinians, Afghans, Iraqis, Colombians and Sudanese. The number of internally displaced persons is estimated at 26 million, and the largest groups are in Sudan, Colombia, Iraq, DR Congo and Somalia.

Photo: Stephen Morrison/Scandinavpix

While the UN is best placed to coordinate aid efforts *during and immediately after a conflict*, the World Bank has gradually developed significant expertise in managing multi-donor funds for the coordination of *long-term* reconstruction and state-building efforts. Norway channels assistance to several countries, such as Afghanistan, Sudan, Burundi and East Timor, through such funds.

Previously international attention and support tended to fade shortly after a peace agreement had been signed. However, international assistance to fragile states has increased considerably in recent years. The number of peace operations has also increased. UN spending on peacekeeping operations has almost tripled since 2000. Norway has also shifted its aid focus in the same direction. The Government will continue to give priority to humanitarian assistance, peacebuilding and reconstruction in war-affected and fragile states. Norwegian efforts also include democracy building, secu-

rity sector reform and participation in peace operations.

In fragile states, Norway mainly works through and in close cooperation with the UN system, the World Bank and NATO, and with regional organisations such as the African Union (AU) and the Organization for Security and Co-operation in Europe (OSCE). NGOs – both Norwegian and international – are also key partners.

War and conflict affect women and men, and girls and boys, in different ways. Women are generally excluded from decision-making processes in connection with conflict resolution and peace settlements at local, national or international level. In response to UN Security Council resolution 1325, the Norwegian Government launched the *Norwegian Government's Action Plan for the Implementation of UN Security Council Resolution 1325 (2000) on Women, Peace and Security*. This document sets out guiding principles for Norwegian

conflict-prevention and peacebuilding efforts, and states that women's initiatives to create peace and reconciliation must be recognised and followed up.

The experience, knowledge and resources of both sexes are important for creating a good foundation for peace, democracy and development on equal terms. Norway is seeking to promote greater participation of women in peacebuilding processes at both national and international level. An important task in this connection is recruiting more women to UN, NATO, EU and OSCE peace operations. Cooperation with national and international NGOs will be important for achieving this goal.

The Government will:

- contribute to the development of a comprehensive and coordinated donor policy towards fragile states that focuses on state-building in line with agreed international principles
- help to ensure a more long-term perspective in international cooperation with fragile states
- maintain flexibility in our development policy, so that we are able to provide rapid, long-term assistance in connection with peacekeeping and peacebuilding
- strengthen the UN's ability to coordinate active peace efforts through measures that encompass several objectives – security, humanitarian issues and peacebuilding
- follow up Security Council resolution 1325 and ensure that gender and equality perspectives are included in conflict resolution and peacebuilding

Box 5.4 Security Council resolution 1325 on women's participation in peace efforts

Women are often marginalised and excluded from decision-making processes during war and conflict. According to Security Council resolution 1325, women must participate on an equal footing with men at all levels and in all functions in order to promote lasting peace and security. It recognises that the active participation of women is essential for achieving lasting peace, and it deals with all the elements of peace efforts – conflict prevention, crisis management, post-conflict reconstruction and the establishment of rights-based governance and humanitarian norms – from a gender perspective.

- strengthen the World Bank's capacity to manage multi-donor funds with a view to achieving a more long-term approach to reconstruction and state-building.

5.3 Human rights and human security

The term «human security» is used to describe a situation where basic human needs – for food, medicines, shelter and protection against violence – are met. This is a prerequisite for all long-term development.

Our peace and reconciliation efforts are based on respect for and promotion of human rights. The UN Declaration of Human Rights is supported by all states. It thus has legitimacy all over the world. The authorities in almost all countries would prefer to avoid international criticism of their human rights performance. Therefore a situation where the parties to a conflict agree on the importance of respect for human rights, with a focus on human security, is a good starting point for identifying common ground for conflict resolution and state-building.

Post-conflict reconstruction must be based on respect for the law and human rights. Failure to prosecute perpetrators of abuses signals that violence is tolerated, and that armed conflict can break out again. But in order to ensure respect for the law and human rights at national level, we have to continue to strengthen the international legal order.

The term «*transitional justice*» refers to processes and initiatives in a transitional phase from armed conflict to peace, or from dictatorship to democracy, that ensures a system of accountability for those who have committed abuses. Such processes are vital for the new regime to gain legitimacy and win confidence at both local and international level. The end goal is to create a basis for reconciliation and to prevent renewed conflict and violence.

For a number of years, Norway has actively supported global efforts to prevent the perpetrators of genocide, crimes against humanity and war crimes remaining at large. Norway played a key role in the process of establishing the International Criminal Court (ICC). The Court has already made its mark by taking a number of important initiatives in DR Congo, Uganda, Sudan and the Central African Republic.

The increased focus on fragile states places new demands on development actors. They have to take account of the fact that their efforts could



Figure 5.3 Norway has been a key player in the efforts to establish a convention banning the use, production and sale of cluster munitions.

Photo: Mohammad Zaatari/Scanspix

affect the political power balance, which could in turn undermine a fragile peace. In this context, the term «sustainability» needs to be understood in a broader sense, where aid is channelled to areas that have previously been considered to lie outside the purview of development policy, such as security sector reform and the reintegration of former combatants.

Disarmament and development

The topic of disarmament and development is regularly discussed, for example at the UN General Assembly, which adopts an annual resolution on the subject.

There are no immediate or direct links between disarmament and development. Nevertheless, governments in both the North and the South could give priority to disarmament measures with a view to using freed resources for other purposes, such as fighting poverty.

However, not surprisingly disarmament measures tend to be implemented by states that do not perceive such measures as a threat to its national security. For many countries, the situation today is unfortunately the opposite. We are seeing a trend towards conventional rearment as a result of the increase in global tension. In Norway's view, national security can be achieved at a considerably lower level of armament than is the case today. We are therefore promoting both conventional and nuclear disarmament. Norway always votes in support of the annual UN resolution calling for

resources for military rearment to be used for development purposes.

Weapons of mass destruction, particularly nuclear weapons, pose an obvious and fundamental threat to all social and economic development. In this context, the financial costs of such weapons are of lesser importance. It is the possible *use* of these weapons that would cripple all development. Nuclear disarmament and non-proliferation efforts must therefore be considered a vital supplement to our development efforts.

At the end of a war or armed conflict, large quantities of unexploded ordnance, such as cluster munitions and mines, are often left on the ground. Until they are cleared and destroyed, it will not be possible to use agricultural areas, roads, schools and other infrastructure. Moreover, refugees and internally displaced persons will not be able to return home. Clearing mines and cluster munitions is a demanding task and puts strain on already limited resources. The provision of medical assistance and assisting in the reintegration of victims of these weapons is also a major strain on the communities affected.

The Government attaches great importance to non-proliferation efforts. Norway has been an active player in efforts to ban landmines and cluster munitions. We played a leading role in the international effort that culminated in an international convention banning the use, production and sale of cluster munitions. The signing conference in Oslo was attended by 125 countries, 94 of which signed the convention. This is disarmament with a clear humanitarian focus. The same applies to the efforts to control the proliferation of small arms.

The Government will:

- promote a rights-based approach to conflict resolution and peacebuilding, with focus on human security
- support efforts to promote transitional justice and measures that support reconciliation processes
- continue efforts to regulate conventional weapons that cause unacceptable civilian harm, by promoting full implementation of the Mine Ban Convention and rapid entry into force and full implementation of the Convention on Cluster Munitions
- work to improve control of the production of, trade in and proliferation of small arms.

5.4 Protection of civilians

During the last few decades, the nature of war has changed in that civilian personnel can find themselves being targeted along the same lines as military personnel. This creates new dilemmas for all the actors involved – whether military, development or humanitarian. This is clearly reflected in the debate about the *humanitarian space* and the challenges connected to securing such a space in conflict situations. The term «humanitarian space» refers to the extent to which civil organisations can gain safe access to vulnerable population groups in difficult security situations.

If humanitarian organisations are to succeed in their work, they must be perceived as being independent, which has proven difficult in many conflicts. Increasingly, humanitarian organisations are associated with one of the parties to the conflict, or the policies pursued in their host countries. This is particularly a problem in conflicts where religion or ethnicity is a factor.

Regardless of the nature of the conflict, humanitarian organisations need a minimum of physical security in order to operate and to reach civilians in need. Sometimes this can only be provided by military forces, which can pose a dilemma for humanitarian actors. In other situations such help is explicitly requested, for example in DR Congo in the autumn of 2008, humanitarian organisations asked for more UN forces to protect both the civilian population and those who were providing assistance.

In 2005, the UN General Assembly adopted the concept of *responsibility to protect*. The international community – in the form of the UN – can assume this responsibility, and intervene when the civilian population's basic need for security is not being met by the national authorities. The World Summit Outcome uses an expanded security concept that includes well-being. Freedom from fear and freedom from want are prerequisites for ensuring a minimum of security, which in turn is a vital starting point for post-conflict development.

Women and children are particularly severely affected when abuse is systematically used as a weapon of war and armed conflicts. Women and girls are often subjected to brutal violence. Sexual violence as a strategy of war increases the level of conflict and prevents women from taking part in the reconciliation process. The association of masculinity with dominant behaviour and aggression means that boys are easily recruited to armed groups, and can also increase the brutality in the abuse of women and girls. UN Security Council

resolution 1820 recognises the extent and seriousness of the use of rape as a weapon in armed conflicts. The importance of ensuring that girls' and women's needs and interests are met in armed conflicts and humanitarian crises is also underlined in UN Security Council resolution 1325.

Many of the civilian casualties in armed conflicts are children and young people. However, children and young people are not just victims. They can also be agents of peace, social change and conflict prevention. Their role in peacebuilding and the support they can provide in peace and reconciliation processes, needs to be better understood and utilised. Indeed, participation can in fact increase protection. UN Security Council resolution 1612 of 2005 calls for the implementation of a mechanism to monitor serious violations of children's rights. Efforts in this area have also been strengthened through closer coordination between different parts of the UN system.

Despite the increased focus on children, serious violations of children's rights are a major challenge for the international legal order. The contexts of conflicts have changed. Efforts to protect children must take into account new threats. The Government has therefore taken several policy initiatives with a view to improving the situation for children. These include Norway's participation in a UN process to create a platform for intensified international efforts in this area. The Ministry of Foreign Affairs has also funded a study designed to demonstrate why, when and how children and young people should take part in peacebuilding and peace processes. The costs of failing to take children and young people into account will be great.

Very many actors – at both national and international level – are engaged in peacebuilding and development efforts. Different approaches are being taken by different actors – at one and the same time. Coordination is vital but difficult, both in relation to basic situation analyses and in relation to more practical tasks. Failure to coordinate efforts not only reduces their effectiveness, it also undermines the legitimacy of those providing assistance in the eyes of the local population.

The UN is the international actor that has made most progress in developing an integrated approach to peacebuilding, on the basis of its experience with integrated peace operations in many parts of the world. This puts the UN in a particularly good position to play an overall coordinating role vis-à-vis different bilateral actors that become engaged in post-conflict assistance. The establishment of the Peacebuilding Commission has made

it possible to plan and coordinate efforts better than before. The Commission also helps to maintain focus on and mobilise support for war-torn countries during the post-conflict stage.

UN-led operations are designed to ensure that a large number of actors target their efforts towards common goals, and implement measures that are mutually harmonised. A high degree of coordination will naturally lead to a relegation of priorities and interests of individual countries. This could be a challenge in cases where we seek to ensure a specific Norwegian profile for our intervention. In practice, however, this has not been a problem. Improved coordination has been an important issue in Afghanistan. In other situations it can, however, be expedient to take rapid decisions even though this means failing to comply with more extensive coordination processes. Certain countries, including Norway, did just that in the efforts to initiate a peace process in Sudan.

The Government will

- give priority to protecting civilians in humanitarian efforts

- support efforts to promote transitional justice and measures that support reconciliation processes
- promote the participation of women in peace processes and seek to ensure that gender and gender equality perspectives are integrated into conflict resolution and peacekeeping
- seek to ensure effective protection of children in armed conflicts and in connection with peacekeeping operations
- promote broader international understanding of the importance of giving children and young people a more prominent role in conflict prevention and peace and reconciliation processes.

5.5 Different approaches to peace- and state-building

Current complex conflicts require comprehensive, long-term and multi-dimensional efforts. While development efforts can help to reduce and resolve conflicts, they have a particularly important role in helping to bring about lasting peace and stability in the aftermath of an acute conflict.



Figure 5.4 The division of responsibility between civilian and military organisations is put to the test in difficult security situations, as here in Afghanistan.

Photo: Anders Sømme Hammer

There is an increasing focus in the international community on the links between the various policy tools used to deal with security-related, political, humanitarian and development issues, and how they can best be coordinated. The recognition that sustainable growth and development are vital for lasting peace is a cornerstone of Norwegian development policy. Today, the largest recipients of Norwegian aid are fragile states and conflict areas. In conflict situations, Norway and the international community encounter the full range of challenges that need to be addressed through an integrated approach to development and peace- and state-building.

Afghanistan

The UN Security Council has stated that the situation in Afghanistan poses a threat to international peace and security. The goal of Norwegian and international efforts in Afghanistan is stability. This is crucial for further development. A strong, democratic state that has the will and the capacity to fight poverty throughout the country is the best means of ensuring that it does not once again become a haven for terrorists.

The people of Afghanistan have lived with occupation and civil war for more than a generation. This has caused terrible humanitarian suffering and cannot continue. The only viable way forward is a broad process of political reconciliation that includes all the different population groups in the country. Afghan ownership of this process is essential. The Afghans must be in the driving seat, and must themselves decide on all aspects of the country's development and policies.

Although much has been achieved – a new constitution has been adopted, democratic elections have been held, and schools, roads, wells and hospitals have been built – the humanitarian situation is still precarious. Poverty, corruption and illegal drug production are widespread. The situation is extremely unstable. There are many setbacks. There is still a need for military and civilian efforts in Afghanistan to provide the security and stability necessary to enable the country's economic and social development.

Norway has long sought to promote better coordination of international efforts, with the support of the UN, and with Afghan authorities at the helm. At present, the Afghan state is weak, and it is therefore important to ensure close cooperation between the UN and UNAMA. State-building and development efforts are based on the five-year Afghanistan National Development Strategy

Box 5.5 Oil for Development and conflict resolution

Natural resources and the revenues they generate can be seeds of conflict within and between states. Sudan and Afghanistan are both countries where natural resources are already, or could become, the cause of conflict. Cooperation under the Oil for Development initiative has been established in both countries.

Most of the oil fields in Sudan are situated in the border area between the north and south of the country. A dispute over control of the oil reserves was one of the causes of the civil war that broke out in 1983. The current peace agreement gives very detailed guidelines for how the oil revenues are to be divided between the Government in Khartoum and the regional authorities in Southern Sudan.

Oil for Development has been involved in competence-building efforts in the country since 2006. In October 2008, Norway and Sudan signed a framework agreement that paves the way for closer cooperation in the petroleum sector. Through Oil for Development and other initiatives, Norway is assisting Sudan with the implementation of the agreement and helping to ensure that oil revenues are administered in the best possible way. In 2007, when hostilities broke out in the oil-rich Abyei area, Norway was actively involved in the efforts to find a political solution. The parties have agreed on a temporary system for dividing the revenues from the area until the Permanent Court of Arbitration in the Hague settles this border issue.

Oil and gas discoveries in Afghanistan could lead to a new line of conflict in this area. Norway has funded a preliminary study to assess the risk of such conflict. Oil for Development has provided advisory services in connection with the preparation of the petroleum act, which was passed by the Afghan parliament in 2008. The act is designed to ensure sound management and distribution of oil revenues between the oil companies and the Afghan state, so that Afghan society as a whole can benefit from these assets.

(ANDS), which was approved by the Afghan President in 2008, and endorsed by the international donor conference in Paris the same year.

Box 5.6 Peace in the Middle East in the interests of the whole world

«[...], but the President and the Secretary of State have made it clear that danger and difficulty cannot cause the United States to turn away. To the contrary, they recognise and have said that peace and stability in the Middle East are in our national interest, they are of course also in the interest of Israelis and Palestinians, of others in the region and people throughout the world.»

Senator George Mitchell, on his appointment as Special Envoy to the Middle East by President Barack Obama, BBC Newsline, 23 January 2009.

Although many questions regarding Afghanistan's future remain unresolved, it is clear that a long-term development engagement in the country must seek to meet the people's basic needs, create a framework that enables people to live secure and decent lives, and strengthen democracy and the state's ability to provide the services people need. The Afghan people must regain their hope for the future. Meanwhile, the long-term capacity and will of the international community to maintain its efforts will be sorely tested.

The Middle East

The Middle East region faces major challenges relating to peace and reconciliation, poverty, and democratic and economic development. The high level of conflict in the region places particular demands on the donor community and means that all those involved must demonstrate considerable flexibility. The historical and political background to Norway's engagement in the Middle East is our desire to contribute to the establishment of a Palestinian state side-by-side with Israel. Norway is seeking to ensure that the international economic support for the Palestinian Authority continues and increases, with a view to achieving a two-state solution. Our engagement involves diplomatic contact with all the parties to the conflict, and we gave our full support to the political negotiation process between Israel and the Palestinian Authority in the wake of the Annapolis Conference in the autumn of 2007.

The Ad Hoc Liaison Committee for Assistance to the Palestinians (AHLC) plays a key role in the efforts to secure a two-state solution. As Chair of the AHLC, Norway has particular responsibility for coordinating funding to ensure that the assistance provided supports the political process. A well-functioning tripartite cooperation between the Palestinian Authority, Israel and the AHLC is vital in order to build up a sustainable Palestinian economy and establish an institutional foundation for a Palestinian state. This requires close cooperation with the Palestinian Authority with regard to its own development plans and priorities. At the same time, it is necessary to maintain a dialogue with Israel on reducing obstacles to economic growth in the Palestinian Territory. Israeli settlements in the occupied areas are in violation of international law, and constitute a serious obstacle to the development of a Palestinian state. The Quartet, which is made up of the US, Russia, the UN and the EU, is an important partner for Norway in this context, and in the efforts to negotiate a final status agreement. Development measures must be implemented hand-in-hand with diplomatic and political processes.

Norway has long warned of the humanitarian and political consequences of keeping Gaza cut off from the rest of the world. The war in Gaza at the end of 2008 and beginning of 2009 has highlighted the gravity of the situation. There is a major need for humanitarian efforts in Gaza. Norway will play a leading role as AHLC Chair. The situation in Gaza underlines the need for Palestinian reconciliation, for building a Palestinian state and bringing the occupation to an end. Norway supports a two-state solution. This is the only way to ensure lasting peace for both Israelis and Palestinians. This goal can only be achieved through a combination of humanitarian, diplomatic and political measures, in other words, through an integrated approach that ensures human security in the short term and works towards political solutions in a more long-term perspective.

Sudan

Sudan has been ravaged by civil war since it gained independence in 1956. Protracted conflicts during this period have created an ongoing humanitarian disaster. More than two million people have been killed in Southern Sudan, and nearly four million are directly threatened by the war in Darfur. More than five million have had to flee their homes. Norway has had an extensive engagement in Sudan

since 1970. This has included both aid and support for peace and reconciliation efforts.

Norwegian NGOs and academic institutions that have a long-standing engagement in Sudan have helped to provide Norway with a network in the country. Key organisations in this respect are Norwegian Church Aid, Norwegian People's Aid, the Chr. Michelsen Institute and the University of Bergen.

Norway has helped to facilitate three peace agreements in Sudan: 1) the Comprehensive Peace Agreement (CPA) of 2005, which put an end to the war between the north and the south, and forms the basis for all other peace agreements in Sudan; 2) the Darfur Peace Agreement of 2006, which did not succeed in settling the conflict in the region; and 3) the Eastern Sudan Peace Agreement of 2006, which so far has prevented the conflict from spreading into Eastern Sudan. Since the signing of the CPA, Norway has opened an embassy in Khartoum and a consulate general in Juba, and we are also represented in the Joint Donor Office in Juba. In 2007, Norwegian aid to Sudan amounted to NOK 700 million, and was disbursed via a large number of different channels.

Norwegian aid efforts in Sudan face a number of challenges. Sudan is the largest country in Africa in terms of area. There is a great deal of tension between the centre and the periphery. The peace agreement is fragile. Attempts to implement a peace agreement in Darfur floundered because important groups never signed up to it. Subsequent attempts to find a political solution have not succeeded. Fighting and abuses continue in Darfur, and the humanitarian situation is extremely serious. There are 2.5 million internally displaced persons (IDPs) who are still unable to return to their homes. In addition to the IDPs who receive humanitarian assistance, a large proportion of the remaining population in Darfur depend on aid to survive.

In Southern Sudan too, the conflict has had major social consequences. Millions of refugees and IDPs want to return to their homes. Tens of thousands of soldiers have to be demobilised and disarmed. Infrastructure has to be built up. This creates a huge need for capacity- and democracy-building, and anti-corruption efforts. Most of Norway's reconstruction aid is channelled through the World Bank's multi-donor trust fund, which facilitates quality assurance and reduces the risk of corruption. However efforts such as these are associated with considerable bureaucracy, and it may take some time before concrete results are achieved. It is therefore important to channel aid

through NGOs as well, in order to promote development in the vulnerable transition stage following a peace agreement.

So far, the efforts to improve donor coordination through the Joint Donor Office have not produced the desired results. A small, but important part of Norway's efforts are channelled through the Oil for Development initiative. The oil discoveries in Sudan were one of the most important causes of the conflict. By helping to develop a common knowledge base for the north and south, and building capacity in relation to the management of oil revenues in the south, we can help to reduce tension and prepare the ground for long-term, sustainable growth on the basis of the country's own resources. It is also very important to support the development of democracy by providing assistance with the preparations for the 2009 election, and helping to transform the Sudan People's Liberation Movement from a guerrilla army into a political party. The humanitarian needs in Sudan are still enormous. In connection with the follow-up to the donor conferences in Oslo in 2005 and 2008, Norway has stepped up its support for initiatives under the United Nations Development Fund for Women (UNIFEM) to promote Sudanese women's access to paid work and opportunities to take part in political decision-making processes.

The civil war in Sudan has long been a forgotten conflict that has received little international attention. Today, there is stronger international focus on the conflict. Norway is working closely with other countries to bring about peace. Darfur is regularly on the agendas of the UN Security Council and the African Union. Norwegian efforts must therefore be seen in the context of a broad international effort to create peace in Sudan and prevent further conflict in the region.

Sri Lanka

Since 2000, Norway has acted as facilitator in negotiations between the Sri Lankan Government and the Tamil Tigers. In February 2002, the parties signed a mutual ceasefire agreement following a process that Norway was involved in. The ceasefire led to a dramatic reduction in the number of people killed in the conflict. As many as 10 000 lives may have been saved in the first three years following the signing of the agreement. The human rights situation improved. People enjoyed freedom of movement, economic growth and development. The agreement also resulted in massive international support for peacebuilding in Sri Lanka.

Despite a breakdown in negotiations in April 2003, the parties formally upheld the ceasefire until January 2008. However, violations of the agreement increased significantly from 2006. Despite repeated attempts to strengthen the implementation of the ceasefire agreement and revive negotiations, the conflict is now extremely violent.

Norway will honour its commitments, and has a long-term perspective regarding its engagement in Sri Lanka. It is the parties and the people of Sri Lanka themselves who must find the political solution. Norway will support attempts to find political solutions that are acceptable to all ethnic groups and enable them to live together peacefully.

Despite the escalation of hostilities, Norway is in close contact with both parties, in order to maintain open channels for dialogue. Norway is prepared to assist the parties for as long as they request Norwegian assistance and are willing to negotiate. If negotiations between the parties were to be resumed, it is difficult to say exactly what role Norway would have. Norway is cooperating closely with India, the US, the EU and Japan in its engagement in Sri Lanka.

The most important thing for Norway to do in this situation is to use its position to help to ensure that the civilians who are caught up in the conflict receive the international humanitarian assistance they are entitled to.

Nepal

Norway's support for the Nepalese peace process focused on such measures as providing meeting places for the various actors and sharing Norwegian experience and expertise. The approach taken by Norway was guided at all times by Nepalese requests and needs. The Norwegian Embassy in Kathmandu was frequently used as an arena in these efforts, where the themes and approaches changed in pace with the different phases of the peace process. The Embassy was also a meeting place for government representatives and the political parties under the monarchy, and for the political parties and the Maoists prior to the peace agreement of November 2006. The Embassy was also used as an arena for meetings between representatives of the political parties and key international actors. This was a particularly valuable function in the period leading up to the election, when certain Western countries would not otherwise have had the opportunity to meet representatives of the Maoist movement. Norwegian election expertise was made available in connection with the political parties' and other actors' preparations

for the election of the Constituent Assembly in 2008.

Another important initiative in terms of creating a meeting place was the courses held at the National College of Defence in Norway, which were attended by members of both the Nepalese and the Maoist armies.

Political efforts were underpinned by financial support. In order to provide the best possible assistance in the peace process, funding was provided both to meet immediate needs in connection with the implementation of the peace agreement and for medium-term measures under the auspices of the authorities and the UN system. Great emphasis was placed on supporting measures that would give the Nepalese people a peace dividend and thus strengthen popular support for the peace process.

Burundi

The purpose of the Norwegian engagement in Burundi is to support the peace process and ensure that the country does not fall back into con-

Box 5.7 The Nile Basin Initiative

The Nile Basin Initiative is an example of regional cooperation that is contributing to peaceful development. The initiative is seeking to provide a framework that will allow the nine countries in the Nile basin to realise the vision of sustainable socio-economic development through cooperative management of the Nile's water resources. The initiative has both a political and an economic focus. Institution-, competence- and confidence-building between countries and population groups is a key element. Cooperation on addressing and adapting to climate change has been given greater priority in recent years. There is potential for the initiative to play a constructive role in conflict resolution and peace and reconciliation efforts in the region. This would depend on a close dialogue between the parties to ensure that all interests are taken into account, including broad participation of civil society actors. Norway was an important partner for the World Bank in connection with the establishment of the Nile Basin Initiative in 1997 and has provided NOK 169 million through the World Bank Nile Basin Trust Fund.

flict. The ceasefire between the Government and the PALIPEHUTU (National Forces of Liberation) has provided a basis for peace. However there seems to be little progress in negotiations between the parties. Burundi is on the agenda of the UN Peacebuilding Commission, and Norway led the Commission's efforts in the country up to June 2008. Meeting expectations in terms of peacebuilding and ensuring sufficient resources for development are challenging tasks. Experience has shown that Burundi's problems are not just due to a lack of resources but also, and to a considerable extent, to the need for an inclusive, democratic political culture.

A difficult economic situation, with rising food and oil prices, is creating new unrest. Norway provides considerable budget support to Burundi, which is channelled through the World Bank. Budget support, together with other measures, will enable the Government to take action to improve conditions for the poor. Budget support is vital to enable the authorities to implement their poverty reduction strategy. The way this money is used is followed up through an agreed system to monitor performance in relation to the poverty reduction strategy.

The Government will:

- support state-building, democratisation, and the development of civil society and the private sector in weak, fragile states
- seek to ensure that aid helps to reduce the use of violence in conflict situations
- seek to prevent violent conflict from flaring up again in countries that have recently emerged from a conflict situation
- provide support for security sector reform in state-building processes
- support initiatives to improve understanding between faith groups and between religious leaders.

5.6 Regional actors and cooperation on conflict prevention

All conflicts have consequences beyond the geographical areas that are directly affected. Good relations, and cooperation on development issues between countries in the region are important for reducing the risk of violent conflict. The Middle East is the most obvious example of how a conflict can have regional spill-over effects. The conflict in Afghanistan also has far-reaching consequences,

particularly in relation to Pakistan. The many conflicts in Africa confirm the validity of this principle.

The poorest countries are becoming increasingly aware of the links between natural disasters, supply crises and conflict. In Africa, there is growing recognition of the fact that the continent will not be able to achieve peace, stability and development without broad political and economic cooperation. This is also the only way the continent will be able to help to meet the major global environmental challenges.

The Horn of Africa is particularly vulnerable to drought and flooding. The situation is being exacerbated by the conflicts in the region. In some areas, the pattern of conflict is so complex, and the security situation so precarious, that it is difficult for humanitarian actors to gain access to those in need. In recent years, rising food prices and rapid population growth have aggravated an already difficult food supply situation. Norway is following the situation, and is providing support in the form of short-term humanitarian assistance and long-term measures to improve the management of natural resources and increase food security. These efforts are being undertaken in close collaboration with national and local authorities, NGOs and the UN system. It is expected that they will be stepped up in the years ahead. Such efforts help to prevent the outbreak of open, armed conflict and to mitigate existing conflicts.

In 2002, the Organisation of African Unity (OAU) was transformed into the African Union (AU). The AU has a broad and ambitious mandate that includes the right to intervene in the event of war or conflict between or within individual African states. The New Partnership for Africa's Development (NEPAD) was set up at the same time as the AU was established. NEPAD focuses on the development of democracy, the rule of law and good governance as crucial factors for economic development and stability.

Norway has actively supported measures to strengthen cooperation between countries on the African continent. In recent years, the AU has taken on increasing responsibilities in connection with conflict resolution, and Norway has provided support for various forms of capacity-building in this field. However, the AU is still a relatively weak organisation, and depends on international support for the peace operations led by the AU. Efforts are now being made to establish an African Standby Force. Norway is contributing to these efforts, for example by providing training for civilian police officers who are to take part in stabilisation and peace operations.

The Government will:

- take a particular responsibility for building knowledge about integrated approaches to peacekeeping and peacebuilding, and making this knowledge available to the UN and regional actors

- provide assistance in connection with peacekeeping operations under the auspices of regional organisations, including assistance for competence- and capacity-building in these organisations as necessary.

6 Capital

The goal of increasing the developing countries' share of global capital and economic growth is a key element of the fight against poverty. For the world as a whole, average gross domestic product per person (per capita GDP) in 2007 was almost USD 10 000, while in the 50 least developed countries it was less than USD 750.

Sound economic policy at the national level is vital for creating and strengthening processes that can provide a basis for sustainable social and economic development. However, in our globalised world, external factors are increasingly influencing national processes. Such factors may include participation in various international agreements, and other unpredictable factors, that do not fall within the scope of international arrangements. The financial crisis, which in a short period of time has resulted in dramatic changes in the economic outlook for both poor and rich countries, demonstrates just how closely interwoven national and global economic structures have become. There is broad international agreement that the interests of developing countries must be at the centre of

efforts to cope with the financial crisis and the challenges arising from slower global growth.

Multinational enterprises control one quarter of the world's GDP. One third of all world trade takes place internally in such enterprises. Every day, currency to a value of more than USD 3000 billion is bought and sold in foreign exchange markets. This is almost three times the world's total annual defence spending. The forces of global capital are powerful, and have a strong influence on economic development in poor countries.

Foreign investment, trade revenues and remittances from migrants are the most important financial flows into poor countries. Official development assistance from OECD member countries totals about USD 100 billion a year. Payment for imported goods and services is the most important financial outflow from developing countries. Other important financial flows are repayment of foreign debt, accumulation of foreign reserves and repatriation of profit from foreign investments. In addition, there are substantial illicit financial flows between countries and regions. Exact figures for illicit financial flows are hard to come by. However,

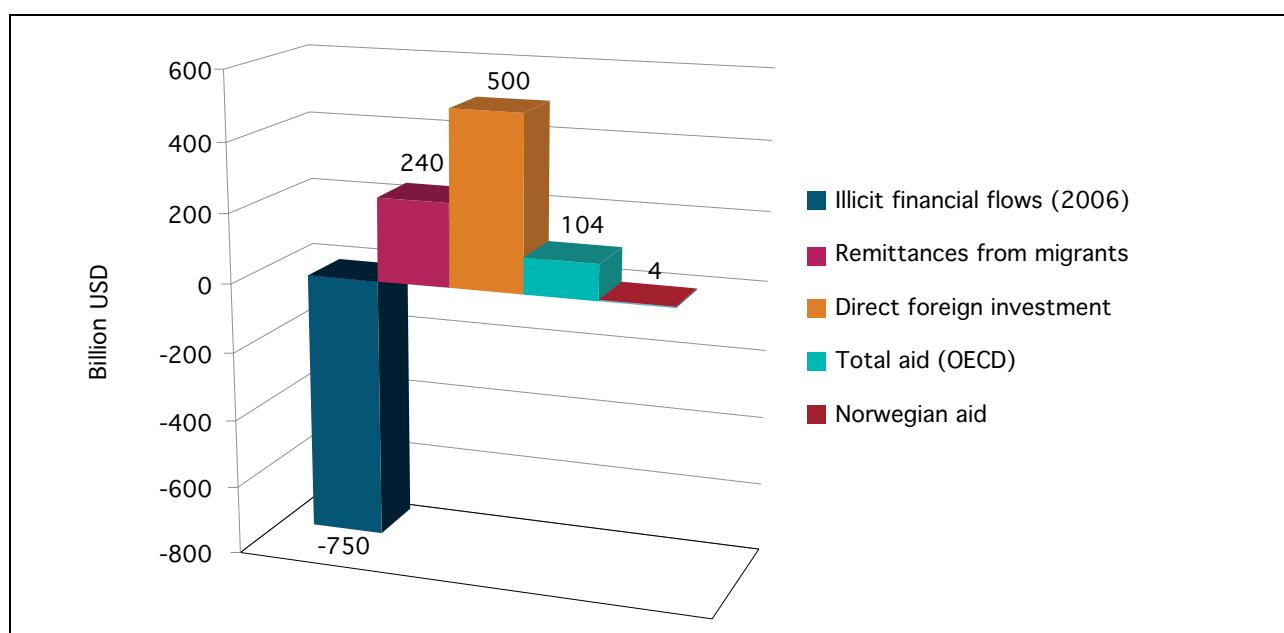


Figure 6.1 Important financial flows to developing countries, 2007.

Source: Global Integrity 2009, World Bank 2008, UNCTAD 2008, OECD 2008

estimates by the US think-tank Global Financial Integrity indicate that in 2006, the volume of illicit financial flows out of developing countries was at least USD 750 billion, and that the problem is growing.

Aid makes up only a small proportion of capital transfers to developing countries. However, aid is unique in that it can be channelled directly to projects that will have a real development effect. There is a pressing need for funding to strengthen areas such as health, education, gender equality and children's rights, and this need cannot be met without the use of aid as part of an active development policy. The Government also intends to make greater strategic use of development policy tools and aid funding to steer large financial flows in a more development-friendly direction.

6.1 Foreign investment

Until recently, a strong world economy has helped to increase capital inflows to many developing countries. Foreign investors have shown great interest in new business initiatives. In Africa, the level of foreign investment more than tripled over a five-year period, and reached an estimated USD 27 billion in 2007. Investments in all developing countries in the same year totalled more than USD 300 billion. The largest investments have been made in middle-income countries and countries with large natural resources. The financial crisis and the downturn in the global economy have checked the growth in investments.

Growth in investment has positive effects on economic growth and employment. Rapid growth

has also given many developing countries a historic opportunity to repay debt and accumulate foreign reserves. This enhances macroeconomic stability and gives more political space for choosing national development measures. However, the financial crisis has resulted in a sharp reduction in risk capital and rising capital costs. Providing a suitable framework for continued growth in investment in poor countries will therefore be an important development policy task in the years ahead. In these efforts, it is important to take into account the fact that developing countries are a heterogeneous group, and that their capacity to attract private investment varies. This is a good reason for giving priority to the least developed countries, with a special focus on Africa.

Countries with a stable political and administrative framework will generally attract more capital than unstable countries. The Norwegian Government is therefore giving priority to state-building as a key element of development policy, and an important tool for ensuring sustainable economic development. In many cases it is also relevant to reduce the political or commercial risk involved in investing in developing countries through support schemes for private sector development, for example through Norfund and GIEK. Aid can also be used to catalyse large-scale private-sector investment through public-private partnerships.

For poor countries, it will be important to find a balance so that regulation, bureaucracy and taxation do not stifle investment appetite and at the same time safeguard the economic gains from such investments. Foreign investment can contribute to new infrastructure, transfers of technology and market access, all of which benefit local business and industry. However, national authorities have an important role to play in opening the way for such positive ripple effects.

Many of the largest investments in developing countries are connected with the extraction of oil, gas and other minerals. The extractive industries are associated with large-scale capital investment, but only provide limited employment opportunities. In addition, they are based on the use of non-renewable resources. The gains from the extraction of such resources should therefore be regarded as wealth rather than ordinary revenues. The capacity of the authorities to regulate and tax such activities will therefore be of crucial importance in ensuring that investments contribute to sustainable economic growth and development in the country concerned. Norway has a great deal of experience to offer in this field. Through initiatives such as Oil for Development, Petrad, and the



Figure 6.2 The financial crisis is affecting people all over the world. The Karachi Stock Exchange is no exception.

Photo: Asif Hassan/Scapix



Figure 6.3 Angola's oil resources have attracted large-scale foreign investment, some of it from Norwegian companies.

Photo: Christopher Olssøn/Littleimagebank

Extractive Industries Transparency Initiative (EITI), the Government will ensure that developing countries are given access to Norwegian experience and expertise.

A growing number of Norwegian firms are investing directly in developing countries. Some of the largest are StatoilHydro, Telenor, Jotun and Statkraft. In 2006, Norwegian direct investment in developing countries totalled about NOK 115 billion. This is enough to make an important contribution to employment, revenues and economic growth. For example, Telenor has helped to create several hundred thousand jobs in Bangladesh. In 2007, the company paid NOK 2.7 billion in taxes to Bangladesh. In Angola, StatoilHydro's activities generated tax revenues in excess of NOK 10 billion in 2007.

Corporate social responsibility

The Government wishes to encourage Norwegian business and industry to invest more in developing countries. However, we know that there is a high level of risk associated with investing in countries where governance is weak, both in financial terms and as regards a company's reputation.

All companies operating abroad are expected to comply with the host country's laws and regulations. However, many developing countries have inadequate legislation, weak governance, widespread poverty and corruption. In countries such as these, the way companies do business and demonstrate responsibility is of particular importance. This does not mean that companies should automatically assume responsibility for matters that are the province of the authorities in the countries con-

cerned. It would be unreasonable to expect this of private companies, and it would not necessarily promote long-term development. The Government's position is therefore that corporate social responsibility (CSR) involves companies integrating social and environmental concerns into their day-to-day operations, as well as in their dealings with stakeholders. CSR means what companies do on a voluntary basis beyond complying with existing legislation and rules in the country in which they are operating. Companies should promote positive social development through value creation and responsible business conduct, and by taking the local community and other stakeholders into consideration.

Most Norwegian companies are interested in promoting high ethical standards in their operations abroad. The costs of a loss of reputation are high. However, we know that it can be a difficult task to maintain the required standards. This is why the Government has presented the white paper *Corporate social responsibility in a global economy* (Report No. 10 (2008–2009) to the Storting). The white paper makes it clear that the Government expects Norwegian companies to play a part in setting high standards for CSR in developing countries. This means that they must respect human rights, uphold core labour standards, take environmental concerns into account, combat corruption, and maximise transparency in their international activities.

Indirect investment

Indirect investment, for example purchases of equities and other securities, has become an important source of capital for developing countries in recent years. In Africa alone, such transfers were worth about NOK 55 billion in 2007. In this context, the growth of large sovereign wealth funds such as the Norwegian Government Pension Fund – Global is an important development. Greater availability of investment capital opens up new opportunities, but also presents new challenges. Norway has given high priority to developing an ethical framework for investments by the Government Pension Fund – Global. However, not all countries consider the ethical dimension to be equally important. There has been concern internationally about the fact that certain funds show little transparency in their operations, and do not have systems for taking ethical considerations into account.

In an international evaluation of the largest sovereign wealth funds in terms of transparency and

Tabell 6.1 Investments by the Government Pension Fund – Global in selected developing countries, 2007

Country	NOK (million)
Brazil	11 193
South Africa	7 205
China	6 959
India	1 881

Source: Ministry of Finance, 2008

accountability, structure, governance and behaviour, the Government Pension Fund – Global was ranked as a world leader. To ensure that Norway can continue to contribute to high standards in the management of public securities investments, the Government has initiated an evaluation of the Ethical Guidelines for the Fund, including a public consultation involving a wide range of actors. This has resulted in a number of recommendations on how to increase the development policy importance of investments by the Government Pension Fund – Global, in much the same vein as the recommendations made in the report *Coherent for development?* (NOU 2008:14). The results of the evaluation and any proposals for changes to the Ethical Guidelines will be presented in the annual white paper on the Government Pension Fund in spring 2009.

At present, the Pension Fund has no assets invested in the least developed countries, but has made investments in a number of middle-income countries that are also recipients of Norwegian development cooperation. The World Bank has recommended that sovereign wealth funds should focus more on the least developed countries. The World Bank is currently developing a platform to facilitate sovereign wealth fund investment in Africa, South America and the Caribbean. Its proposals will be considered in connection with the evaluation of the Ethical Guidelines for the Norwegian Government Pension Fund – Global.

The Government will:

- call on the private sector to increase its investments in developing countries and invite companies to enter into strategic partnerships in order to reduce the risk associated with such investments and improve their development impact

- include cooperation on social responsibility as an important component in partnerships between public and private actors in developing countries
- urge Norwegian companies operating in developing countries to demonstrate social responsibility and bring good business practices from their operations in Norway.

6.2 Illicit financial flows and tax havens

Illicit financial flows are cross-border financial transactions linked to illegal activities. The proceeds of organised crime such as trafficking in drugs, weapons and human beings account for a substantial proportion of illicit financial flows. Large sums of money also disappear through various types of fraud, corruption, bribery, smuggling and money laundering.

However, the largest share of illicit financial flows is related to commercial transactions, often within multinational companies, whose purpose is tax evasion. One method is abuse of transfer pricing, where exports and imports are incorrectly priced within a company, so that the profit can be recorded in secrecy jurisdictions, or tax havens, and not in the country where it should have been taxed. This type of mispricing is possible to detect by painstakingly going through customs and trade figures – provided that there is a recognised normal price for the goods in question, and that the discrepancy is large. It is very difficult to detect fraud of this kind in trade in services.

To prevent tax evasion effectively requires sound legislation, well-functioning institutions and high administrative capacity. Many developing countries are therefore poorly equipped to prevent this kind of crime. Calculations show that illicit financial flows as a proportion of GDP are a greater

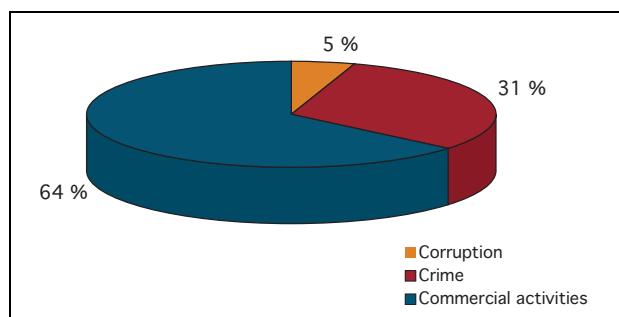


Figure 6.4 Illicit financial flows from developing countries.

Source: Global Financial Integrity, 2007

problem in Africa than in other regions. However, the nominal value of the losses from such transactions is greatest in Asia.

The role of tax havens

Tax havens are a key factor in efforts to limit illicit financial flows. According to the OECD, three factors that characterise a tax haven are: the jurisdiction imposes no or only nominal taxes, it protects investors against tax authorities in other countries, and there is a lack of transparency about the tax structure and the companies that are registered. Tax havens attract both licit and illicit capital.

Every country has the right to determine tax rates for the individuals and companies that choose to reside in or register their businesses there. Problems arise when a state does not have adequate rules and regulations to prevent money laundering or breaches of other countries' legislation. By refusing to ensure transparency and disclosure or assisting in the establishment of shell companies in order to conceal the real ownership of assets, tax havens make it difficult for the tax and police authorities in other countries to investigate this type of crime. The Government's policy here is to strengthen international rules to prevent assets that are illegally appropriated from developing countries from being concealed or laundered in tax havens.

There are many different views on which countries and territories are tax havens. International lists include various types of jurisdictions, from the most secretive to those that are relatively open and cooperative. Some of the best known tax havens are small Caribbean islands. However, their operations often depend on activities in major financial centres such as New York, London, Singapore and Hong Kong. Professional advisers who assist companies to evade national legislation often operate from these.

Access to tax havens simplifies money laundering and makes it possible to deposit and transfer financial assets secretly. This affects all countries, but poor countries are hit much harder than rich ones. Developing countries have a limited tax base and an urgent need for public funding of basic services. Moreover, tax havens reduce disclosure and control of international financial flows. A lack of transparency allows government officials to build up fortunes abroad based on corruption and the theft of public assets. This can undermine confidence in democratic institutions.

The existence of tax havens can also result in an undesirable form of competition between developing countries, based on low tax levels and with the aim of attracting foreign investment. This can be at the expense of a country's ability to benefit from private sector development and economic growth. Helping such countries to increase their capacity to enforce legislation, collect taxes, and

Tabell 6.2 Jurisdictions that do not satisfy the OECD standards of transparency and effective exchange of information in tax matters

<i>Jurisdictions that are cooperating with the OECD on implementation of its standards</i>		<i>Uncooperative tax havens</i>	
Anguilla	Isle of Man	St Kitts & Nevis	Andorra
Antigua and Barbuda	Jersey	St Vincent and the Grenadines	Liechtenstein
Aruba	Liberia	Turks & Caicos Islands	Monaco
Bahamas	Malta	US Virgin Islands	
Bahrain	Marshall Islands		<i>OECD member states that have been urged to change rules on withholding information</i>
Belize	Mauritius		
British Virgin Islands	Montserrat		
Cayman Islands	Nauru		
Cook Islands	Netherlands Antilles		
Cyprus	Niue		
Dominica	Panama		
Gibraltar	San Marino		
Grenada	Seychelles		
Guernsey	St Lucia		

fight corruption and economic crime is given high priority in the Government's development policy.

Global efforts required

However, the fight against illicit financial flows is primarily a global task, and requires global solutions. The Government intends to play a leading role in international efforts to prevent money laundering, tax evasion and other economic crime.

Norway, represented by the Ministry of Justice and the Ministry of Finance, plays an active role in international bodies that are combating money laundering and working towards transparency and compliance with international conventions, such as the Financial Action Task Force, the OECD and Interpol.

Norway has also headed an international task force on the development impact of illicit financial flows. Its recommendations were presented at the Doha Review Conference on Financing for Development organised by the UN. To keep up the momentum of this work, Norway has decided to provide funding for the new Task Force on Financial Integrity and Economic Development, which was launched in January 2009.

The Government appointed the Commission on Capital Flight from Developing Countries to assess Norway's position regarding the use of tax

havens. The Commission is due to report by 1 June 2009. It will make recommendations on how financial flows to and from developing countries via tax havens can be made more transparent, and how illicit financial flows and money laundering can be limited.

International rules aimed at combating corruption are being steadily improved. New instruments include conventions under the OECD and the Council of Europe. An important breakthrough was the conclusion of the UN Convention against Corruption, which entered into force in 2005. Negotiations on the convention were concluded remarkably quickly, and 126 countries have already ratified it. This is the first global instrument against corruption, and reflects the recognition by both developed and developing countries that dealing with corruption requires international solutions.

The existence of a global anti-corruption instrument is an opportunity for Norway to intensify its engagement in this field. The UN Convention provides a joint platform and a global standard that applies equally for all countries. Norway is playing a leading role in the establishment of an implementation mechanism to ensure that the Convention is put into practice.

In addition to fighting corruption, it is important to identify stolen assets from developing countries by means of corruption and ensure their return. In 2008, the UN Office on Drugs and Crime (UNODC) and the World Bank established the Stolen Assets Recovery Initiative to promote international commitments, knowledge and cooperation in this field.

The UN Convention against Transnational Organized Crime entered into force in 2003. Its protocols deal with human trafficking, smuggling of migrants and illicit trade in firearms. Norway is playing a key role in establishing a monitoring mechanism for the convention. The Council of Europe Convention on Action against Trafficking in Human Beings, which entered into force in 2008, is also important for Norway's efforts in this area.

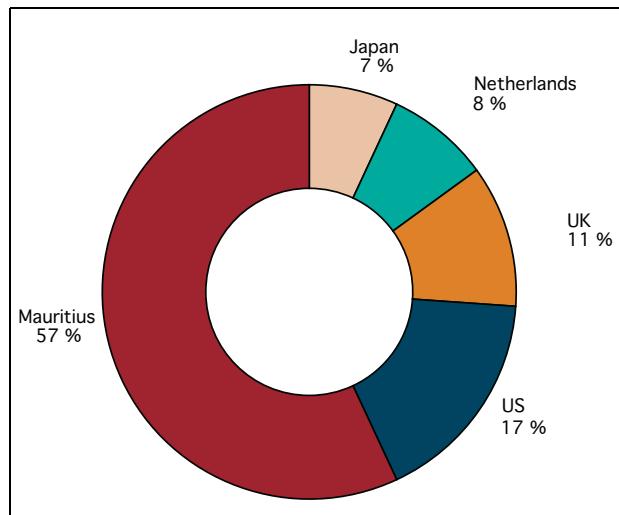


Figure 6.5 Foreign direct investment in India, by country of origin (1991–2007).

The holiday paradise Mauritius has grown into a regional financial centre for India and Africa. As a result of a tax treaty that exempts Mauritian investors from tax in India, almost 60 per cent of all foreign investment in India is channelled through this small island state, which has a population of only 1.3 million.

Source: Reserve Bank of India, reproduced in Foreign Direct Investment in India, Confederation of Indian Industry, 2008

The Government will:

- offer selected developing countries technical and financial support to strengthen their tax legislation, tax collection systems and anti-corruption efforts
- maintain its focus on the need for new international rules to ensure disclosure and transparency in the international financial system and thus prevent illegal activities in tax havens

- support research and analysis that can improve understanding of the scale of illicit financial flows and the methods and actors involved
- cooperate with other countries and multilateral organisations to prevent illicit financial flows, and take steps for the return of assets removed from developing countries through corruption
- promote universal adherence to and effective implementation of the UN Convention against Corruption
- promote universal adherence to and implementation of the UN Convention against Transnational Organized Crime and its protocols on human trafficking, smuggling of migrants and illicit trade in firearms.

6.3 Aid and new sources of financing for development

Aid from the OECD countries almost doubled in the period 2000–2005, greatly helped by rapid global growth. However, after successful debt relief initiatives, there has been a certain decline in aid compared with the record year 2005. This trend is in sharp contrast to pledges made by the international community on a number of occasions.

One result of the international financial crisis and the poorer outlook for growth in OECD member states may be that they give lower priority to aid and higher priority to steps to deal with national problems. So far, however, there has been broad international agreement that aid commitments must be upheld during the economic downturn.

Norway has a high international profile as a prime mover for more aid. The Government will ensure that Norway demonstrates solidarity with poor countries in the way that it deals with the financial crisis, so that we can play a leading role in promoting a similar approach internationally.

Countries that are not OECD members, such as China, India and a number of Arab countries, also provide aid. Although it is difficult to ascertain the exact amounts involved, there is little doubt that these countries are of considerable and growing importance. For example, aid from Saudi Arabia corresponded to around NOK 11 billion in 2007. China has pledged the equivalent of about NOK 100 billion to the African Development Bank, earmarked for trade and infrastructure projects. China has cancelled debt corresponding to more than NOK 7 billion from 21 African countries. Aid from India is estimated to be the equivalent of at least NOK 10 billion a year. So far, Bhutan and Nepal have been the largest recipients, but development cooperation with African countries is becoming increasingly important.

Many countries, including Norway, consider it important to develop new and innovative financing mechanisms to promote development and strengthen global public goods. Through active participation in international cooperation, Norway is taking part in the implementation of the Monterrey Consensus, which was adopted at the International Conference on Financing for Development in 2002. This is a UN-led process focusing on 1) mobilising developing countries' own resources for development, 2) mobilising international resources: foreign direct investment and other pri-

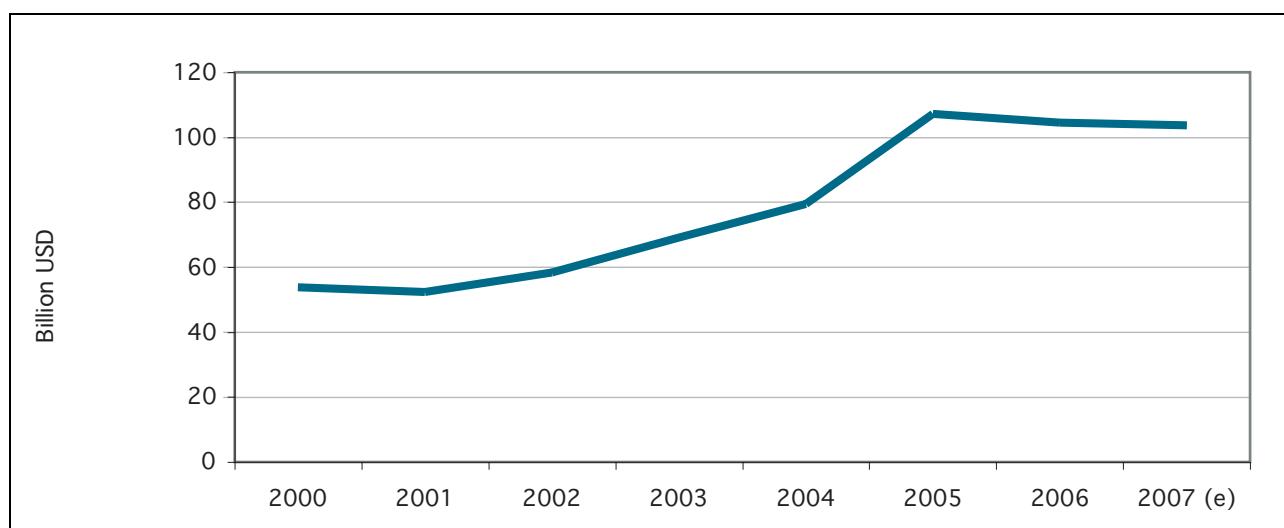


Figure 6.6 Official development assistance (ODA) from OECD countries, 2000–2007.

Source: OECD, 2008

vate flows, 3) international trade as an engine for development, 4) increasing international financial and technical cooperation for development, 5) external debt and 6) reform of the international monetary, financial and trading systems. Progress in each of these areas and adaptation to new global challenges were discussed at the Doha Review Conference on Financing for Development in November–December 2008.

A number of new initiatives have been started as an extension of this cooperation. Long-term, binding commitments on support for the development of new vaccines and immunisation programmes have been converted to bonds, which can be sold on the international market. While aid donors will honour their commitments over a period of 5 to 20 years, revenues from the sale of «vaccine bonds» can be used immediately. Norway is one of the seven countries that have helped to develop this initiative. Norway is also involved in an initiative under which private companies that wish to develop and produce new vaccines for developing countries are given guarantees of future purchases at a fixed price. So far, guarantees worth more than NOK 8 billion have been provided. Certain countries have introduced an air passenger solidarity tax, which has so far provided the equivalent of about NOK 2 billion for purchases of medicines to fight HIV/AIDS, malaria and tuberculosis.

Funding of measures to address global climate and environmental problems is another important priority for Norway. The Clean Development Mechanism under the Kyoto Protocol plays a crucial role here. Norway is working towards further development of the CDM so that the poorest countries have more opportunity to take part.

Funding for women's rights and gender equality

Women's access to and control of financial resources is important for development. Education and paid employment have been an important basis for gender equality for Norwegian women. Financial independence is important both for women themselves and as a way of promoting gender equality within families. At the same time, women's entry into the workforce over the last 30–40 years has been important for Norway's economic growth and prosperity.

Norway has therefore given high priority to promoting women's rights and gender equality as a cross-cutting issue in the negotiations on financ-

Box 6.1 Equal opportunities

«The greatest gains countries can achieve, economically as well as politically, come with empowering women, ensuring equal opportunity and health care, and increasing the ratio of women's active participation in working life.»

Source: Prime Minister Jens Stoltenberg's keynote address at the opening of the High-level Segment of ECO-SOC, 3 July 2006

ing for development. This is not merely a question of aid, although Norway as a donor country does measure and monitor the proportion of aid funding used to promote women's rights and gender equality. What is most important is that the developing countries understand the value of giving priority to women and gender equality in employment policy, trade and industry policy, and when developing services and welfare schemes. The administration of public funding in a way that promotes gender equality is one important approach. Many of Norway's partner countries have already introduced initiatives to ensure that public funds are budgeted in a way that is more likely to promote gender equality. One important reason for the lack of progress towards Millennium Development Goal 5 on improving maternal health is that services to protect women's sexual and reproductive health and rights, such as qualified midwifery services and maternity clinics, are not given sufficient priority. These problems need to be addressed by reorganising priorities and addressing skewed power structures.

The Government will:

- maintain the level of Norwegian aid so that it corresponds to at least one per cent of gross national income
- take part in international cooperation on new and innovative financing mechanisms, focusing particularly on better regulation of international financial flows and measures to address global climate and environmental problems
- work to improve understanding of the links between gender equality and economic growth, and of the need to manage public funding in a way that promotes gender equality.

6.4 Debt relief and responsible lending

During the past 10 years, the international community has cancelled a large proportion of the debts of the poorest and most heavily indebted countries. This is the result of two major international initiatives, the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). However, much remains to be done, particularly for conflict-affected countries and post-conflict countries. One reason for this is that countries must provide guarantees that the funds released by debt relief are used for the benefit of the poorest groups. Debt relief alone is not enough. It must be accompanied by a policy to promote development.

In the wake of international debt operations, it is essential for both lenders and borrowers to behave responsibly. The growth in private and domestic debt and the emergence of new major lenders in Africa is changing the patterns of debt, and new challenges are arising. It is now essential to prevent a new debt crisis. The financial crisis is highlighting the need for guidelines on how development can be responsibly funded through loans.

An important task in the development of such guidelines is to agree on a definition of the concept of illegitimate debt. In the last few years, a number of civil society organisations that are working on debt issues have been calling for the concept to be expanded to include loans given to undemocratic

regimes, debt related to purchases of weapons, and debt that is being repaid at the expense of basic human rights. On the other hand, there are creditors who see no reason to discuss illegitimate debt at all. This illustrates the differing views in the debate. Norway takes an intermediate standpoint. Our view is that earlier lending practice should be carefully considered so that good routines can be developed for the future. This will also provide a basis for evaluating whether old outstanding debt is legitimate. However, it will be necessary to agree on criteria that can be used in practice. The Government is maintaining a satisfactory dialogue and close contact with civil society on debt issues.

Norway has several times been one of the first countries to announce contributions to international debt operations. This has proved to have a positive effect on participation by other countries. One example is our contribution to efforts to prevent «vulture funds» from exploiting poor countries. Vulture funds are companies that buy up old debts at deep discounts and then require payment from the debtor based on the face value of the original debt instruments, plus interest. Vulture funds often target countries that will be eligible for international debt relief and that will afterwards be in a better position to repay old debts. Their put forward their claims through negotiations, litigation and the seizure of assets.

Through cooperation with the World Bank, Norway has contributed to the buy-back of com-

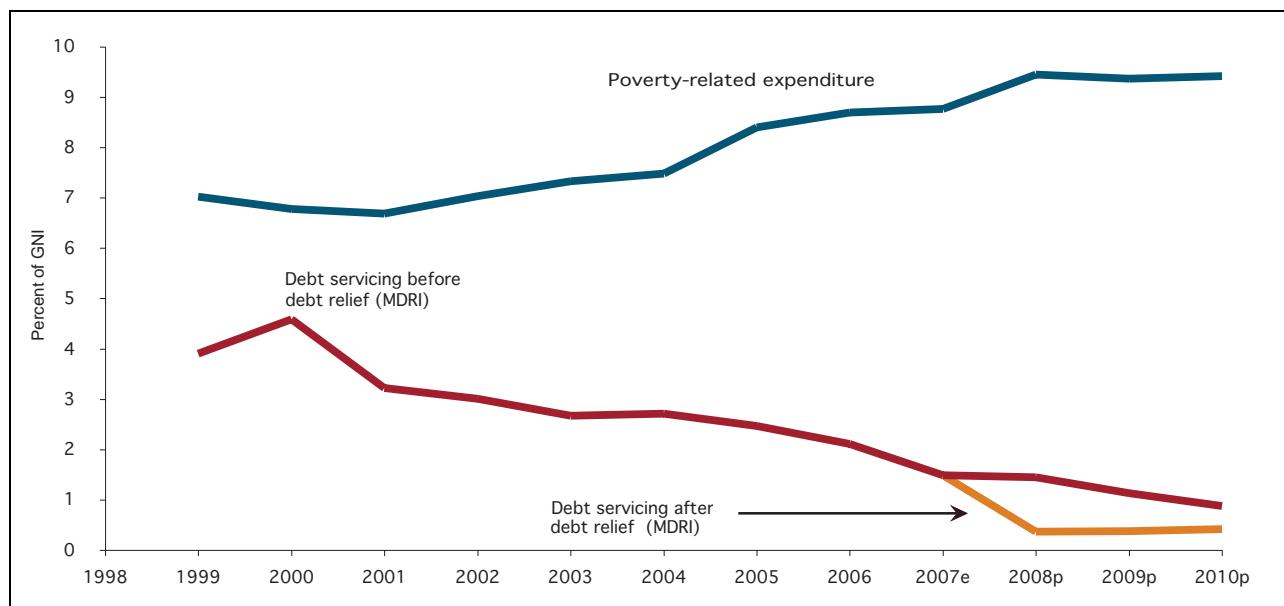


Figure 6.7 Debt servicing and poverty-related expenditure

So far, 33 countries have received debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI), corresponding to a reduction of more than 90 per cent in current value. Lower debt servicing costs have made it possible for these countries to increase poverty-related expenditure.

Source: World Bank, 2008

Box 6.2 Cancellation of debt from the Norwegian Ship Export Campaign (1976–80)

In 2007, the Government cancelled the remaining debts from the Norwegian ship export campaign of 1976–80. This campaign was a development policy failure. As creditor, Norway shares responsibility for the resulting debt. By cancelling the debts, Norway has taken responsibility, and Ecuador, Egypt, Jamaica and Peru do not have to pay back their outstanding debts.

The debts were cancelled unilaterally and unconditionally.

mmercial debt in Nicaragua. The agreement involved purchasing USD 1.3 billion of Nicaragua's private debt for USD 64.4 million, and then cancelling the debt. Norway has also helped Zambia with investigation and legal counselling in connection with a lawsuit brought by the vulture fund Donegal International. The case was heard by the High Court in London. In a ground-breaking judgment, Donegal International's claim for USD 55 million for a debt instrument for which it had paid only USD 3 million was ruled to be unreasonable. However, Zambia was held to be liable for part of the claim.

Norway is the largest donor to the Public Finance and Trade Programme run by the United Nations Institute for Training and Research, UNITAR, and plays a leading role in the international debate on debt management. Norway has also been involved in the preparation of principles and guidelines for sustainable lending by the OECD. China has also been invited to take part in this work, and is showing growing interest in cooperation.

In accordance with Norway's policy, funding for debt cancellation for poor countries is allocated from outside the aid budget. Thus, this funding comes in addition to other aid. Norway is the only creditor country in the OECD that follows this principle, and this has elicited favourable responses from international organisations that are working on debt issues.

The Government will:

- continue to pursue a progressive debt policy and take part in international debt operations

- continue to uphold the principle that funding for debt relief is not to be allocated at the expense of the aid budget
- work towards a new and more comprehensive mechanism for relieving the debt burdens of poor countries
- pursue an active policy vis-à-vis international financial institutions and other creditors to ensure responsible lending.

6.5 International trade and development

The 2002 Conference on Financing for Development and the Doha Review Conference in November–December 2008 highlighted not only the need to increase transfers from rich to poor countries in the form of development assistance and debt relief, but also the need to mobilise private resources and foreign investment, and the importance of revenues from participation in international trade. The conferences also stressed that trade is an important engine for development.

Without revenues from export of its own goods and services, a country will not in the long term be able to import the goods and services needed for economic development and to improve the quality of life for its population. Division of labour and specialisation in the production of goods and services that can be sold at a profit are an important basis for economic growth. Nevertheless, greater participation in international trade and increased export revenues are not sufficient in themselves to ensure sustainable social and economic development. Trade is an important engine of development, but must form part of a broad-based, integrated national development strategy.

In a long-term development perspective, a general increase in production capacity, a more productive agricultural sector and a higher degree of processing, industrialisation, and better provision of services will be of crucial importance for the ability of developing countries to make use of trade as a means of development. This is why international, regional and bilateral trade rules must ensure that developing countries have the market access and policy space they need to develop their production capacity and implement restructuring processes, such as those mentioned above, through an active industrial and employment policy.

For a growth in trade to lead to poverty reduction, the country concerned must also pursue an equitable national employment and distribution policy and take a responsible approach to environ-

mental concerns. Increased exports and participation in international trade are therefore a necessary but by no means sufficient condition for development.

The World Trade Organization

The multilateral trading system in the World Trade Organization (WTO) provides an important framework for developing countries' opportunities to benefit from participation in international trade. In principle, the WTO rules mean that all members are subject to the same rules and have the same rights, and thus give protection against arbitrariness and the abuse of power. However, this does not mean that prevailing power structures do not make themselves felt in the WTO. But power imbalances are counteracted by rules that all countries are bound by and by the fact that countries can strengthen their position through alliances and cooperation with other countries that are in the same situation.

Insufficient competence and capacity is a major problem for many poor developing countries, affecting their ability to take part in negotiations and other work in ordinary WTO bodies, and especially their ability to make full use of the WTO dis-

pute settlement system. Various funds and mechanisms have therefore been established to promote competence and capacity building in developing countries, and the Advisory Centre on WTO Law (ACWL) has been set up to provide legal advice and support for developing countries in dispute settlement proceedings. Norway is one of the largest contributors to the ACWL and other multilateral competence-building mechanisms.

By becoming members of the WTO, countries agree to comply with the multilateral trade regime, which by definition limits national freedom of action. The benefits of participation in the international trading system must therefore be weighed against the freedom of action needed in national policy. On the other hand, the international trading system must take into account the very different situations of the member states.

The WTO rules already provide for a considerable degree of special treatment of developing countries. The scope of commitments in particular areas is different for developed and developing countries, and there are special rules for the least developed countries (LDCs) in a number of areas. However, it is important to continue the development of the multilateral trading system to include opportunities for accommodating developing countries.

Box 6.3 The World Trade Organization

The WTO has three main functions: administering existing agreements, dispute settlement and acting as a forum for negotiations. On 1 January 2009, the WTO had 153 members.

The fundamental principles of all WTO rules are:

- *Most-favoured nation treatment* – in other words, no discrimination, all countries must be treated equally
- *National treatment* – no discrimination between domestic goods and firms and a country's own citizens on the one hand and foreign goods, firms and citizens on the other
- *Binding commitments* – member states cannot withdraw from their commitments other than through negotiations with the other members.

There may be several reasons why a country chooses to join the WTO and bind itself to following trade rules that limit national freedom of action:

- the country's economic policy becomes more stable and predictable, making it less risky for its own people and others to invest there
- it can improve governance and strengthen institution-building in the country and make it more difficult for strong entities, whether multinationals or an elite within the country, to exploit weak institutions and political systems
- it provides better and more predictable access to member countries' markets, based on the principles of most-favoured nation treatment and national treatment
- it ensures the right to take part in negotiations that affect market opportunities and the country's freedom of action
- it means that a country can make use of the WTO's dispute settlement system if it is treated unreasonably by another country.

The special situation and interests of the developing countries are the main focus of the current round of WTO negotiations, which began with the Ministerial Conference in Doha in 2001 and is therefore officially called the Doha Development Agenda. The aim is to help developing countries, including the poorest of them, to benefit from the welfare improvements and increase in prosperity that trade can provide, by enabling them to participate more fully in the multilateral trading system and the global economy. The Doha Ministerial Declaration particularly highlights the importance for developing countries of improved market access, balanced rules that give countries the necessary freedom of action to implement a development policy adapted to their own needs and stage of development, and technical assistance and capacity-building programmes.

The Government will, as a matter of priority, seek to ensure that the WTO negotiations result in a balanced agreement that also safeguards developing countries' interests. Poor countries must not be deprived of the right to govern or the instruments that have been important for the development of our own nation into a welfare state, and the WTO rules must give developing countries sufficient freedom of action to pursue a policy suited to their own level of development and circumstances.

Regional and bilateral trade agreements

It is becoming increasingly common for developed and developing countries to conclude bilateral or regional trade agreements, or for developing countries to do so among themselves. Such agreements can be a supplement to the WTO system and encourage regional integration and boost trade.

However, in negotiations between rich and poor countries, or between countries from different categories of developing countries, the uneven distribution of power and negotiating capacity often represents a challenge. If the stronger party is able and willing to enforce its demands, there may be a greater risk that poor countries will be pressured into accepting agreements and conditions that they do not want.

If developing countries choose to conclude bilateral agreements, due regard should be paid to their level of development and need for political freedom of action.

Aid for trade

However, better market access and adjustments to the international trade regime are not enough. The

Box 6.4 Norwegian imports from developing countries

In addition to a number of special adjustments for developing countries, the WTO rules provide for special treatment to be given to developing countries through lower import tariffs (known as «preferences»). The Norwegian Generalised System of Preferences (GSP) and the arrangements for duty-free and quota-free access for imports of all goods from the least developed countries (LDCs) and from 14 low-income countries are key instruments for increasing imports of goods from developing countries.

The Norwegian market has a great deal of purchasing power. Increasing Norwegian imports from developing countries is one way of encouraging growth and fighting poverty in these countries. Norway's imports from developing countries can be summarised as follows:

- In 2007, imports from developing countries corresponded to about 13 per cent of total imports to Norway, and the total value was NOK 61 billion, a rise of 16 per cent from 2006.
- The sharp growth in imports in recent years is to a large extent explained by a rise in imports from China. In 2007, goods to a total value of about NOK 28 billion were imported from China. This corresponds to about 6 per cent of Norway's total imports.
- Imports from LDCs totalled approximately NOK 1.8 billion in 2007, or 0.38 per cent of Norway's total imports. However, almost the entire volume of imports from LDCs was from only four countries – Bangladesh, Cambodia, Equatorial Guinea and Liberia – and consisted mainly of clothing and textiles from the first two of these and oil and ships from the latter two. Thus, imports from the 46 other LDCs, including all of Norway's partner countries in Africa, totalled about NOK 373 million, corresponding to only 0.07 per cent of Norway's total imports.

poorest countries will often not be able to take advantage of an open, rule-based international trade regime without substantial and effective

development assistance. Norway's own experience shows that granting tariff-free access for imports from the least developed countries (LDCs) does not necessarily lead to a significant increase in imports. There may be various reasons for this, but a lack of production capacity and infrastructure, weak institutions and insufficient competence are serious barriers in many countries. Moreover, many poor countries find it very difficult to meet standards in areas such as food safety.

Aid for trade is therefore an important focus area, and greater priority will be given to implementation of the Norwegian action plan *Aid for Trade*, which was launched in 2007. This focuses on three priority areas: good governance and the fight against corruption, regional trade, and women and trade. By giving higher priority to aid for trade, the Government wishes to help even the poorest countries to take advantage of opportunities to increase their export revenues. In the Government's opinion, this will become increasingly important in the years ahead. Africa and the LDCs will be given priority in Norway's aid related efforts to promote trade.

Trade barriers and the lack of effective infrastructure prevail at both national and regional levels. A special challenge for *Aid for Trade* is to promote regional integration and trade, especially in Africa. Regional cooperation is also necessary to meet the special challenges faced by landlocked countries. Sustainable trade development is conditional upon trade becoming more diversified, and upon breaking the uniform pattern of north-south trade. It is therefore essential to develop trade with neighbouring countries, but it is also important to further develop south-south trade across regional borders.

Trade, environment and development

Another issue being discussed in the WTO negotiations is liberalisation of trade in environmental goods and services. Such goods and services may for example be used to measure, prevent or limit environmental damage to air, water and soil, or may help to increase the production of renewable energy (examples are solar panels and wind turbines). By eliminating barriers to trade in environmental goods and services, it may be possible to speed up the transfer of environmentally friendly products, technology and production systems to developing countries. In addition, a number of developing countries can offer environmentally sound solutions, for example energy solutions, that are well adapted to the needs of many poor coun-

tries. Better access to environmentally sound, renewable forms of energy can be a means of reducing poverty and at the same time reducing impacts on the climate. However, in the WTO negotiations, agreement has not been reached on which goods and services are to be included here, and this is therefore a key topic of the negotiations. Norway is seeking to ensure that the negotiations apply to goods and services that give clear environmental benefits.

The Government considers that as a general rule, the multilateral trading rules and the multilateral environmental agreements should be mutually supportive. Norway is working actively within the WTO to ensure that this principle continues to be applied. It is also the Government's policy to consider bilateral agreements and EFTA agreements in the context of cooperation on environmental issues and goals for sustainable development.

Sustained improvement of welfare requires a management regime for the environment and natural resources that is sound in ecological, social and economic terms. Rising production and a growth in exports can result in over-exploitation of natural resources. This is a particular problem in developing countries where there are weaknesses in governance and the legal system, and insufficient capacity to implement national environmental policy. Support for establishing and strengthening institutions and good governance is therefore also an important means of promoting sustainable social and economic development. Support for national implementation of the multilateral environmental agreements is an important contribution to the development of sound environmental and natural resource management. For example, the Cartagena Protocol on Biosafety sets out a framework for biotechnology and the use of genetic resources, something that many developing countries need.

Trade and intellectual property rights

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) is largely based on existing international conventions administered by the World Intellectual Property Organization (WIPO), a specialised agency of the UN. The TRIPS Agreement protects things such as patents, trademarks, and copyright against use or copying without permission. Patents are particularly important for products that are expensive to develop but easy to copy, such as pharmaceuticals.

The economic and social effects of patents have long been debated. In the absence of alternative products, the monopoly provided by the patent will generally result in higher prices for consumers. At the same time, the development of new products and production processes will benefit society. A fine balance is required to design rules that will protect immaterial property rights and at the same time not be an obstacle to research and development, and to ensure that incentives to develop knowledge do not result in a monopoly on knowledge. There has therefore been considerable debate on the TRIPS Agreement and its development impact in the broad sense, and particularly on its effects as regards public health, medicine, biodiversity and climate.

Negotiations are in progress within the framework of the Doha Development Agenda on amendments to the TRIPS Agreement. A large group of developing countries is calling for the agreement to be amended to harmonise more closely with the Convention on Biological Diversity and thus enable these countries to enjoy more of the benefits from the utilisation of their genetic resources. Norway has supported this initiative, and has proposed that it should be obligatory to disclose the origin of genetic resources that are used in a biotechnological invention. Norway is the first OECD country to support amendment of the TRIPS Agreement on this point, and the proposal was very well received by a number of developing countries in the Council for TRIPS. Norway has been a strong supporter of safeguarding opportunities to maintain local seed supplies by not setting too rigid requirements for plant variety protection, as well as of providing better and cheaper access to essential medicines.

The Government is also of the opinion that developing countries should not be pressured to accept provisions in bilateral or regional trade agreements under EFTA that restrict their freedom of action as regards patent protection, the protection of confidential test data and plant breeders' rights.

The Government will:

- contribute to a balanced new WTO agreement that gives developing countries better market access and freedom of action to pursue a national policy adapted to their level of development and circumstances
- take developing countries' level of development and need for political freedom of action into account in Norway's trade agreements

with developing countries, both bilaterally and through EFTA

- assist developing countries to increase their exports by giving greater priority to the implementation of the *Aid for Trade* action plan
- contribute to competence and capacity building that will improve the ability of developing countries to play an effective part in the WTO, among other things by making better use of its dispute settlement system
- seek to ensure that the WTO negotiations on environmental goods and services result in both developmental and environmental benefits
- seek to ensure that environment is included as a separate topic in negotiations with countries that play an important role in economic and environmental terms
- seek to ensure that the principle that the multilateral trading rules and the multilateral environmental agreements should be mutually supportive is upheld in the WTO negotiations
- work towards amendments to the TRIPS Agreement requiring disclosure of origin in patent applications, and flexible implementation of the provisions on plant breeders' rights.

6.6 Private remittances from migrants

Figures from the World Bank show that legal flows of remittances sent by migrants from developing countries to their countries of origin total USD 200–300 billion per year. This is more than twice the total allocations of aid from OECD countries. Remittances to the very poorest countries total around USD 15 billion. There are wide variations between countries. In certain countries, remittances are extremely important, whereas in others remittance flows are very low. Remittance flows are also affected by developments in the world economy. Weaker global growth, which is now resulting in rising unemployment in many countries, may therefore have a major impact on remittance flows.

Remittances from migrants to poor countries can have positive effects at both micro- and macro-economic level. Foreign currency can fund capital investments and other imports that promote development. At household level, remittances are an important source of income and lead to a rise in the standard of living. They can have a considerable poverty-reducing effect. Calculations show that access to this kind of extra income has reduced poverty in Uganda by 11 per cent. And it is esti-

mated that on average, every Bangladeshi working abroad sends home remittances that lift one and a half more people above the poverty line – thus helping a total of seven million people.

Research also shows that remittances have other positive ripple effects, such as better access to services and more resources for education for members of the family. Girls in particular receive more schooling. On average, girls in families that receive remittances go to school for two years longer than other girls. This in turn reduces the scale of child labour. Remittances have more effect when male family members send the funds and the women of the family manage their use. Improving migrants' opportunities to transfer money to their home countries is therefore an important development policy measure.

However, it is important to distinguish between aid, which is used to fund specific development goals, and private transfers, which do not necessarily benefit the most vulnerable groups in a country. Moreover, there are no international systems to ensure that the poor countries, where underemployment is most prevalent, are given first priority when it comes to access to the international labour market. The distributional effects of remittances are thus highly variable both within and between countries, particularly in comparison with aid.

Members of the immigrant community in Norway already send large sums of money to families in their countries of origin. Transaction costs are relatively high in Norway. A report drawn up by the International Peace Research Institute in 2007 shows that large sums, up to 20 per cent, are absorbed by middlemen.

Facilitating cheaper, more efficient and more transparent transfer mechanisms is important in both humanitarian and development terms. The Ministry of Foreign Affairs has therefore initiated a dialogue with relevant authorities and the financial sector to find good ways of doing this. The Ministry is supporting a pilot project for improving the website Finansportalen.no. This is intended to promote competition between actors involved in transfers of money to developing countries.

Cheaper and more effective transfers through legal channels are a means of reducing the scale of informal and illegal forms of money transfers. In areas where infrastructure is poorly developed, such as Somalia and the Kurdish areas in northern

Iraq, it is almost impossible to transfer money through official channels. People are therefore dependent on informal channels. The Government will continue the dialogue on money transfers with the financial sector in developing countries, with immigrant groups in Norway, and with the authorities in their countries of origin. The aim is to simplify and lower the cost of such transfers, while at the same time maintaining the necessary controls, as discussed in the white paper on labour immigration (Report No. 18 (2007–2008) to the Storting) and the subsequent recommendation of the Standing Committee on Local Government and Public Administration.

So far, there have been no applications for licences under the current rules to broker cross-border payments using informal channels such as the Hawala system. Licensing requirements, inspection and enforcement systems, and measures to combat money laundering for legal cross-border payment services are intended to ensure confidence in such systems and to prevent tax evasion and possible financing of terrorism. Adjustments to these rules to increase the proportion of cross-border money transfers that are made through formal, legal mechanisms to countries where financial services are poorly developed are currently being considered. Any changes will be considered in the context of implementation of the EU Payment Services Directive, which will enter into force on 1 November 2009. The directive sets out minimum requirements for cross-border payment service providers and provides for less strict requirements for smaller enterprises. The Government will consider whether it would be appropriate to make use of these provisions to facilitate the establishment of legitimate services targeted specially towards migrants in Norway.

The Government will:

- continue its dialogue with relevant actors in Norway and in countries that are major recipients of remittances, in order to facilitate more transparent and effective systems for money transfers
- upgrade the website Finansportalen.no to make it easier to make cross-border money transfers, focusing particularly on developing countries.

7 Actors and arenas

The composition and organisation of the various aid and development actors, which is often referred to as *aid architecture*, is undergoing rapid development and change. Previously, it largely consisted of various UN organisations, the World Bank and the regional development banks, and bilateral donors from the OECD countries, in addition to a wide range of national and international NGOs.

Now, new private actors are entering the arena and making large cash donations to aid-related activities. The largest and best known of these is the Bill and Melinda Gates Foundation, which received USD 26 billion from its founders during the period 1994 to 2006. The foundation also receives funds from other donors, the best known being the billionaire Warren Buffet, who has promised to transfer a major shareholding to the foundation. The transfer will take place over many years. When the donation was announced in June 2006,

its value was estimated at USD 31 billion, more than ten times the Norwegian aid budget for the same year.

A number of new funds, initiatives and organisations have been established to work on development issues, many of which are very specialised with a narrow thematic focus. Several of them were started by rich philanthropists such as Gates and Buffet. Others stem from the involvement of former politicians, such as the Clinton Foundation.

At the same time, the expanding economies are establishing development and aid activities outside their own countries. This is particularly the case with the BRICS countries (Brazil, Russia, India, China and South Africa), but other countries are also becoming involved.

Institutions and forums that previously focused on economic and security policy issues are also becoming important arenas for discussing issues relevant to development policy. This is the case, for

Box 7.1 Arab aid

Arab aid has made an important contribution to international development efforts since the early 1970s. During periods with high oil prices, the aid from these countries has been extensive.

Arab donors are not part of the Organisation for Economic Co-operation and Development (OECD) and are therefore not obliged to keep statistics for their aid contributions. However, official statistics from Saudi Arabia, Kuwait and the United Arab Emirates show that the largest contributions are given in connection with bilateral cooperation, largely in the form of development loans. Studies show that substantial unreported funds are also channelled via the authorities and prominent private individuals, such as members of the Saudi royal family. Around 80 per cent of official Arab aid comes from Saudi Arabia, which had an aid budget of USD 2.1 billion in 2007.

Arab aid primarily goes to countries that are members of the Organisation of the Islamic Conference. In addition to other Arab countries,

the main recipients include Egypt, Morocco, Sudan and the Palestinian Territory. A study carried out by Chr. Michelsen Institute shows that Arab aid is largely linked to strategic interests relating to trade, business, religious causes and foreign policy. Aid is also used to promote solidarity between Arab countries. Although many of the poorest countries in the world are on the list of recipients, there is little to indicate that they are given larger amounts than less poor developing countries.

Saudi Arabia's contribution to the Palestinian Territory is of the same magnitude as the Norwegian contribution. Saudi Arabia has also made a mark as an important donor to earthquake victims in Pakistan, and is actively involved in the reconstruction of Afghanistan, Iraq and Lebanon. A contribution of USD 500 million to the World Food Programme that was announced in connection with the High-Level Meeting on Food Security in 2008 attracted extensive international attention.

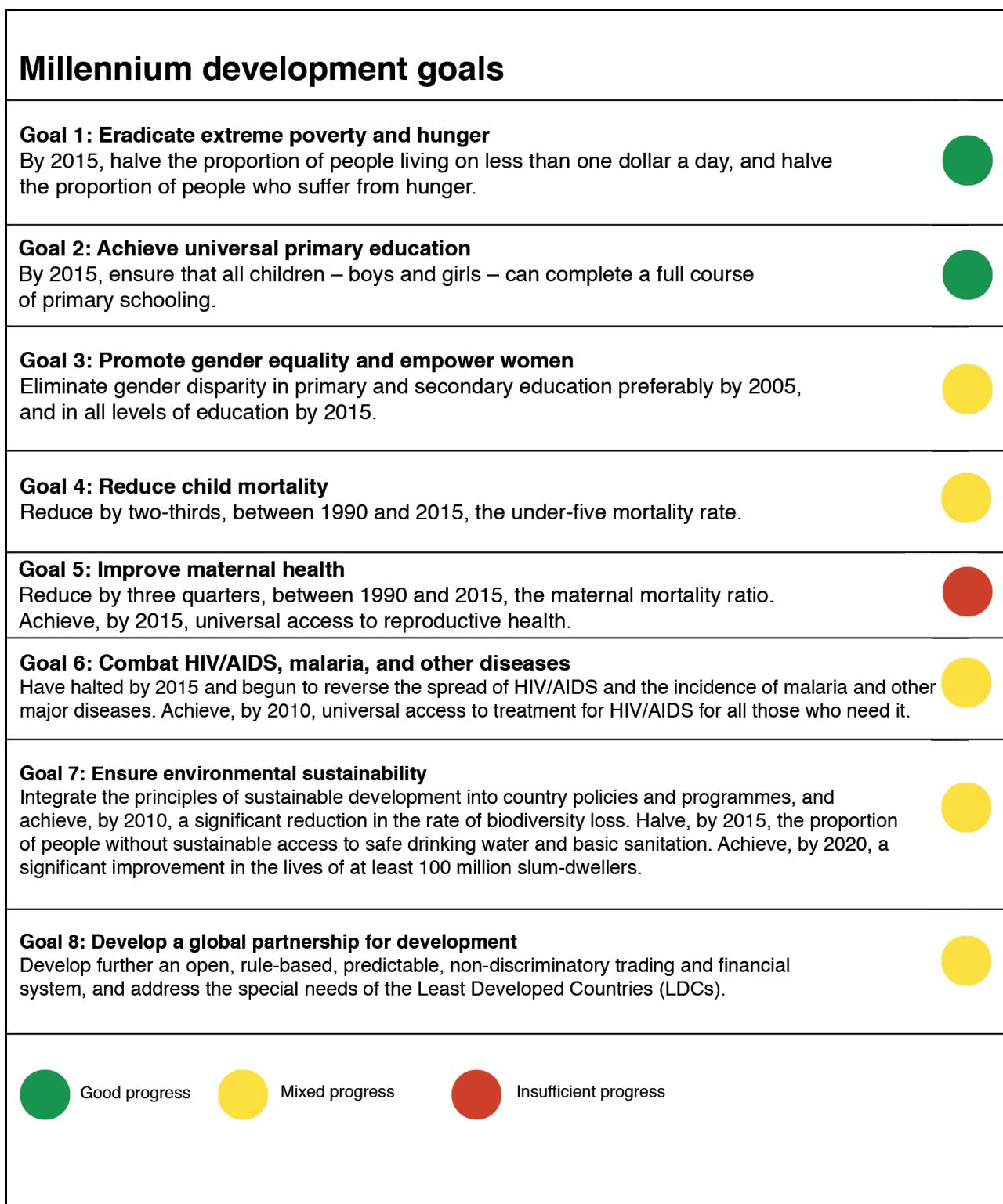


Figure 7.1 Status of the Millennium Development Goals

The Millennium Development Goals were adopted by heads of state and government at the UN Millennium Assembly in 2000. The Millennium Campaign has set the international agenda for development.

Source: UN, The Millennium Development Report 2008

example, at the G8 meetings, the Davos meeting and in various forums in the EU, NATO and the WTO (World Trade Organization).

New arenas for development policy dialogue have also been established. The last three years, the EU has arranged European Development Days. Since its inception in 2005, the annual meeting of the Clinton Global Initiative, which is held in New York before the UN General Assembly, has become an increasingly important forum for politicians with international ambitions.

The large increase in the number of arenas and actors in the field of development policy reflect both the *diversity* and *fragmentation* of the aid architecture. Diversity can lead to better funding for unsolved tasks and provide greater freedom of choice for recipient countries in relation to policy and partners. On the other hand, extensive fragmentation can lead to double work and extra administrative costs for both recipients and donors. For example, it is not unusual for the health sector in a given country to receive support from various funds and UN organisations, the World Bank and various NGOs, as well as government-to-government aid from a number of donors. In some countries, there may be more than 20 donors in one sector, which represents a substantial administrative burden. In addition, one donor country may channel funds through all these different channels to the same sector in the recipient country. Critics argue that this makes overall planning in recipient countries more difficult.

In any case, the changes in the aid architecture necessitate a more strategic approach to our international cooperation. Norad's Result Report for 2008 points out that Norway does not make sufficient use of the strategic advantages of the various channels. The Government intends to address this issue.

Pursuing all development policy goals through all channels and arenas is neither strategic nor effective. The Government will therefore focus on the comparative advantages of the various channels and arenas.

7.1 Multilateral actors

The main role of multilateral aid is to co-finance tasks that the world community has agreed should be addressed in a joint effort. This either involves donors making core contributions – i.e. contributions that are not earmarked for specific purposes – to the organisation in question, or co-financing

larger interventions, such as UNICEF's programme to secure education for girls in Africa.

The Government believes that multilateral organisations are particularly well suited to play a leading role in situations where they have particular expertise, where the task is part of their mandate and where their approach has broad donor support. Relevant areas include health, education, infrastructure, aspects of the fight against HIV/AIDS, agriculture and good governance.

However, the multilateral organisations are also important arenas for exerting an influence regarding issues with which Norway is particularly concerned. We pursue the Norwegian political agenda through active participation on committees and boards. This enables us not only to influence the organisations themselves, but also to influence other member countries. Strengthening women's rights and empowerment is one area where Norway works systematically in various multilateral forums.

We also use our engagement in multilateral organisations to strengthen efforts in areas in which Norway has a particular political interest, but where Norway's own expertise or capacity is limited. Efforts to prevent deforestation are an obvious example, as are environmental efforts in general. The situation for important target groups such as children, the disabled and indigenous peoples can also be improved through targeted multilateral funding. For example, the United Nations Development Fund for Women (UNIFEM) is an important tool for strengthening the rights and job opportunities of women and their families.

In some cases, Norway can make the greatest contribution to multilateral efforts by influencing the way the much greater funding provided by the other donors is used through our work on various boards. In other cases, it is important to ensure that other countries are able to exert a greater influence, even where the issue concerned is not so important for Norway. This applies in particular to our cooperation with the World Bank, as well as with various UN organisations and global funds and foundations.

Norwegian contributions can also act as a catalyst in terms of bringing new money into development efforts. Or we may earmark multilateral aid for areas that are of particular importance to us. Multilateral aid that is reserved for specific countries is called multi-bilateral aid. In some countries in Latin America, for example, Norway has wished to show solidarity and support new governments. In such cases, it has been an advantage to channel

funds through UN organisations as the UN is already established in the countries in question.

The multilateral organisations are important for meeting humanitarian needs following man-made or natural disasters, which often requires extensive international coordination. They also have an important role to play in the prevention of humanitarian disasters and in reconstruction. In addition, multilateral aid has a special function in what are known as aid orphans – countries that receive limited government-to-government support and would otherwise be at risk of losing out in the aid context.

The multilateral organisations have a key role in the work of implementing the Millennium Development Goals agenda. If they are to succeed in meeting this challenge, it is important that their quality and effectiveness are continuously improved.

The United Nations

The UN has a broad presence and is represented in a large number of countries. When a crisis arises, the UN will be one of the first international organisations to provide help. The UN maintains close contact with the authorities in the countries concerned, and often raises controversial issues with them.

Through the various UN organisations, Norway can channel aid to groups and initiatives in a way that reduces the administrative burden both on ourselves and on the recipients.

The effectiveness of the UN's aid efforts can be hampered by the fact that its capacity and expertise is spread over a large number of entities that work in a fragmented fashion and without adequately coordinated strategies and goals. The gap between the tasks the member states impose on the UN and the resources made available to it comes in addition. The fact that the various UN organisations are constantly having struggle to secure funding – often in competition with each other – also reduces the UN's effectiveness and ability to achieve goals. This demands time and energy that should be concentrated on solving the tasks at hand.

In 2006, the then UN Secretary-General, Kofi Annan, asked Prime Minister Jens Stoltenberg to co-chair a high-level panel on UN reform, with particular focus on its performance as a development actor. The panel's report, which was presented in November the same year, recommends the establishment of *One UN* at country level, with *one leader*, supported by a country team consisting of



Figure 7.2 Norway is working for a UN-led world order.

Photo: UN Photo/John Isaac

all the UN organisations present in the country in question. Clear priorities for the UN's efforts in the country are to be clarified through the adoption of *one programme*, which is to be funded via *one budget*.

The high-level panel's report has acted as a catalyst for an extensive and concrete reform process. The panel's recommendations have been tested in eight pilot countries (Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Vietnam and Uruguay) since the beginning of 2007. The feedback from the authorities in these countries is that they now find the UN's activities more straightforward and relevant, and better able to address the countries' needs and priorities. The increased visibility and clarification of the UN's role also appears to have improved funding of the UN's programme in the pilot countries.

The high-level panel pointed out that the member states should look more closely at their funding of the UN. Unpredictability and widespread and detailed earmarking of contributions makes it difficult for the UN organisations to plan and allocate resources in accordance with the priorities imposed on them. The panel therefore emphasised the importance of giving as much funding as possible in the form of core contributions that are as predictable as possible. Earmarking should be reduced to a minimum.

The Government will therefore continue to attach importance to maintaining a high proportion of core contributions and will continue the practice of making indicative multi-year commitments to the key UN organisations. As regards other contributions, emphasis will be placed on linking earmarking to the main priorities adopted by the organisations' governing bodies. The Gov-

ernment will combine increased financial predictability with clear requirements and expectations of the UN organisations concerned. If these expectations are not met, funds may be reallocated to other UN organisations or other actors.

Norway maintains a critical but constructive dialogue with the UN and its various organisations on the need for reform and improvement. A great deal remains to be done before the UN can fully deliver the results we, as member states, want and expect. However, the substantial progress made during the last two years gives grounds to hope that the UN will succeed in making the adaptations necessary to ensure that it remains a key development actor, also at country level.

The World Bank

The World Bank has an office in every partner country and its aid delivery is regarded as effective. The bank's employees are generally very highly qualified, and they can seem domineering in their dealings with national public administrations, which are often weak. It is important for the bank's credibility that it broadens its expertise base, with greater diversity in terms of qualifications and country of origin. There is currently a great preponderance of economists.

The World Bank has been criticised for acting as a proponent of a free market economy and promoting conditionality in economic policy. In many Latin American countries, the World Bank has been perceived as an agent of the US, particularly following the debt crisis in the 1980s. Norway's view is that it is wrong to impose economic models and solutions on countries. However, the emphasis on national ownership and the fact that many countries have undemocratic regimes may constitute a dilemma. Countries should decide themselves which policies and measures they wish to implement, but in certain areas it is also legitimate and necessary for donors to attach conditions to grants and loans, for example to ensure that these are used as agreed. Aid without conditions is aid without policy and without proper control. We should rather ask *what* conditions are legitimate to set in connection with debt relief and lending.

Norway has, for several years, promoted a reduction in the number of conditions the World Bank and the International Monetary Fund attach to their loans in general. Several studies, including a review initiated by Norway in 2006, show that conditionality has been reduced. There is now broad agreement about the need to reduce the number and scope of conditions. The Government

still wishes the World Bank to set conditions that ensure that funds are spent on reducing poverty and do not go astray, but an independent country should be able to decide itself which tasks are to be a public sector responsibility and what should be left to the private sector. This principle should also apply to borrowing countries.

In connection with the Conference on Conditionality that was held in Oslo in 2006, four country studies were carried out on privatisation and liberalisation requirements in connection with loans from the international financial institutions (IFIs). The conclusions from Mozambique were particularly interesting. It turned out that the World Bank had originally insisted on privatisation of the energy sector, but, on the basis of an analysis from the Scandinavian countries, the bank agreed to the adoption of a different model. This shows that it can be important to develop alternative analyses and models. It is difficult for a poor country that is not in a position to carry out analyses and studies itself to know what the alternatives are to the advice given by the IFIs. It must be possible for other partners to provide alternative assessments and to strengthen and utilise local expertise before a final decision is reached. Experience shows that it is in countries where ownership of reforms and development strategies is strong that the greatest progress is made.

The International Monetary Fund

The International Monetary Fund (IMF) works within three main areas: macroeconomic surveillance, the provision of short-term loans to countries experiencing balance of payment difficulties, and technical assistance. The IMF is not a development institution like the World Bank, and it has no special expertise in relation to combating poverty.

Efforts to promote sound economic policies take place in all of these areas. The IMF furnishes loans to countries with balance of payment problems. Low-income countries can receive loans at a very low or concessional interest rate through various facilities, including the Exogenous Shocks Facility, which helps countries to deal with economic shocks as a result of external factors. The IMF provides technical assistance in a number of areas in the finance sector. The surveillance of member countries' economic development is also important. The economy of low-income countries with an IMF programme is monitored very closely, and development reviewed regularly. Many donors of government-to-government aid want assurance that recipients are pursuing an economic policy

that ensures that the money is well spent. While there is no formal connection between the IMF's evaluations and financial flows, the IMF can influence the provision of aid and private capital through its assessments.

However, there are aspects of the IMF's activities that are problematic and that have been the subject of criticism. Although the fund has a remit to furnish short-term balance of payment loans, several of its loans to developing countries have been more long-term in nature as the balance of payments deficit in many countries has been more long-term. The IMF has thus acquired a development role that it was not intended to have.

In addition, the IMF has not given countries sufficient room for manoeuvre when loan programmes have been drawn up. A report from its Independent Evaluation Office shows that the guidelines have not been followed up. Requirements are stipulated for structural changes that are too extensive and detailed and that concern areas in which the organisation does not have sufficient expertise.

The IMF has recently undertaken an extensive quota and voice reform to ensure better representation for low-income countries and emerging economies. This is an important step towards making the IMF more democratic.

The Government believes that the IMF should continue to have an important role in promoting economic growth and reducing poverty, but that there is also room for improvement. The IMF should concentrate on its core tasks and not make liberalisation or privatisation a condition for loans.

The Government would like to see reforms that strengthen the IMF's legitimacy and effectiveness. A key goal in this context is to ensure constructive cooperation and dialogue between the IMF and international development institutions in order to ensure effective poverty reduction.

Global funds

The global funds involve a wide range of partners and are characterised by a particular focus on results. Norway has contributed to the establishment of several of the global health funds. Today, we have a central role in two of them: GAVI (the Global Alliance for Vaccines and Immunization) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM). Global funds are managed along the lines of multilateral organisations. In a few years, they have achieved a prominent role in their respective fields, in terms of both size and results. In 2007, the Global Fund to Fight AIDS,

Box 7.2 Global funds have large target groups

During the five years since its inception, the Global Fund to Fight AIDS, Tuberculosis and Malaria has funded AIDS treatment for 1.4 million people and tuberculosis treatment for 3.3 million. Forty-four million people have received treatment for malaria. In 2007, the fund provided 46 million mosquito nets, an increase of 155 per cent compared with 2006. The increase in the proportion of people who received treatment for AIDS was 88 per cent and 65 per cent for tuberculosis. Since it was established in 2002, the fund has provided more than USD 10 billion for more than 550 programmes in a total of 136 different countries.

Figures from the World Health Organization (WHO) show that, at the end of 2008, GAVI had helped to vaccinate 213 million children and had saved 3.4 million lives.

Tuberculosis and Malaria funded around 20 per cent of the international effort to combat AIDS, two-thirds of the fight against tuberculosis and three-quarters of the fight against malaria.

The funds have been established to boost efforts in specific areas that can produce rapid results without undermining other efforts. The establishment of global schemes and funds reflects the need to find new ways of achieving results faster and more effectively. At the same time, these efforts must be based on the UN's normative mandate. The multilateral health organisations are therefore part-owners of the global funds on a par with donors from the private, public and voluntary sectors. The funds are intended to co-exist alongside the traditional health organisations, and to supplement them, not replace them.

The global funds and various recently established foundations have been criticised for increasing the fragmentation of aid efforts. It has been claimed that they undermine the UN system by taking over tasks that should really be the job of the UN. On the other hand, it has been pointed out that the traditional institutions are benefiting from this competition and effectiveness is being improved.

The Government believes that these funds and the UN system supplement each other well and have a mutually stimulating effect. The global

Box 7.3 The EU Commission

In 2006, aid channelled through the EU Commission by EU member states amounted to EUR 7.5 billion, more than three times as much as Norway's aid budget for the same year. In all, the EU countries account for around 60 per cent of aid worldwide. The EU's strength as a regional actor and catalyst for European development is probably best manifested in the regional dialogues the EU conducts, for example with the Asian-Pacific region and the African Union.

As a result of the EU's enlargement eastwards, there are now new European donor states. These donors are an important resource for the EU's development policy in that they have different international contacts and domestic experience. Poland, the Czech Republic and Slovakia appear to have progressed furthest in terms of developing an independent development policy. Ireland has also gone from being a recipient of aid to becoming an important donor. The EU's goal is for the new member states to achieve an aid volume of 0.33 per cent of gross national income, while the old member states are expected to achieve the target set by the Organisation for Economic Co-operation and Development of allocating 0.7 per cent of gross national income to aid by 2015.

The fact that the EU countries channel funds through the EU Commission and that the EU Commission is becoming a multilateral actor entails a diversion of funds that these countries would otherwise have allocated to bilateral efforts or measures funded via the UN or the World Bank. This may lead to increased fragmentation, but the coordination of aid efforts could also improve. It is likely that most importance will be attached to the latter.

funds have produced good results in the space of just a few years. In part, this has been made possible by the UN system, while the UN's own results are in part due to the work of the funds.

It has also been claimed that the funds' focus on specific areas weakens national structures and sustainable systems. This may be a particular problem in weak states where capacity is already low. In its work on various boards, Norway has strongly

advocated that funds should focus more on working within the framework of national systems, while at the same time focusing on and increasing the added value they generate, including mobilising broad groups of actors.

Norway was one of several key partners that worked towards the adoption of a more efficient governance structure for GAVI in 2007. It has also been emphasised that the funds must continue to be based on the UN's normative mandate for the field of health, even though they are now too large to be administered by WHO and UNICEF. Norway is also at the forefront of efforts to ensure that global funds coordinate their procedures and processes more closely with other multilateral actors, without reducing the added value they generate and their focus on results.

Multilateral aid, including multi-bilateral aid, accounted for 50 per cent of Norwegian aid in 2007.

The Government will:

- continue to contribute to strengthening the international system, through both funding and active work on boards
- continue to pursue its strong commitment to UN reform and follow up good results with indicative commitments over several years
- continue its efforts to ensure that the World Bank does not press for privatisation
- strengthen developing countries' own capacity to develop and assess political alternatives
- be a driving force in the efforts to ensure that the global health funds strengthen the whole health system in a country and not just individual bodies
- continue its efforts to foster new, non-traditional ways of mobilising funds for development
- channel more funding to sectors in which Norway wishes to support agreed international efforts through multilateral actors
- continue to exert pressure on the multilateral organisations to work systematically and purposefully for women's rights and gender equality.

7.2 Government-to-government cooperation

Government-to-government cooperation is based on political dialogue and aid that is provided directly by the Norwegian authorities to the authorities in the recipient country. The dialogue is

conducted both at top level and in connection with the actual use of Norwegian funds. These funds are included in the country's ordinary budget systems and are specified in the national budget. Aid may be given in the form of sector support or directly to concrete projects. Some is given in the form of general budget support, i.e. to be allocated according to the priorities set by democratic structures and with the approval of the parliament in

Box 7.4 International cooperation for increased aid effectiveness

The Paris Declaration, which was adopted in 2005, is the most important international framework for increasing the effectiveness of development aid. Its three main principles are: mutual agreement to use the recipient countries' national development strategies (ownership), the use and thereby strengthening of the recipient countries' systems (alignment) and collaboration and division of labour between donors (harmonisation). The goal is to strengthen the position of recipients in their cooperation with donors, and not least to make them more accountable to their own citizens.

The *Evaluation of the Paris Declaration – Synthesis Report* that was produced ahead of the High-Level Forum on Aid Effectiveness in Accra in September 2008 showed that progress is being made, but that improvements are less extensive than hoped. There are, however, variations between developing countries, between donors and also between the different commitments in the declaration. The report shows that donors' use of the recipient country systems has not increased in step with improvements in these systems. In many countries, a great deal of aid to the public sector is still not reflected in the countries' national budgets. This is serious because the use of the aid funds received is thereby excluded from the democratic decision-making process, at the same time as access to information and control is difficult.

In the international context, Norway has advocated working on the aid effectiveness agenda from a broader development perspective. The Paris Declaration allows for this, and the issue received considerable attention at the Accra meeting. The Government attaches great importance to this issue.

connection with its consideration of the national budget. Budget support both provides funding for important sectors and strengthens democratic budget processes in the countries concerned.

The recipient country's own poverty reduction strategy forms the basis for long-term development cooperation. The Government will use targeted budget support in order to underpin the partner country's own efforts and help it to develop a well-functioning state, strengthen democratic processes and improve public welfare services. In its dialogue with recipient countries, Norway will continue to emphasise good governance and good framework conditions for economic development.

As countries establish better systems for budgeting and financial management, the aim is that an increasing proportion of government-to-government aid will be given as general budget support or as programme support to priority sectors.

Government-to-government cooperation is a useful instrument for strengthening direct cooperation between Norway and recipient countries. It gives Norway a quite different role than we have through other aid channels. It provides a good arena for discussions about values and policy development and for the exchange of experience. It gives us an opportunity to bring to the fore issues that are particularly important to us, such as human rights, good financial management with a view to preventing corruption, and the rights of particularly vulnerable groups such as children and young people, sexual minorities, indigenous peoples and the disabled. We can share Norway's experience in important areas such as women's rights and empowerment, our distribution policy and the development of our welfare state. And, not least, it also provides a good platform for direct discussions about how the country's development plans can incorporate measures to address climate and environmental challenges.

Government-to-government cooperation also provides a good basis on which to build alliances that can be useful in other arenas. For example, the extensive political capital we have accumulated over many years of bilateral cooperation was an important factor in connection with the Convention on Cluster Munitions that was signed in Oslo in December 2008.

Government-to-government cooperation means that recipients have a broad range of donors and can choose between these donors' different approaches to the various sectors. On the other hand, a large number of donors also leads to fragmentation of the overall aid effort. The administra-

Box 7.5 Strategic development cooperation generates huge gains in Zambia

Zambia earned very little from its copper mines for many years despite huge price increases and large profits in the industry in general. Its mining agreements were unfavourable with a tax rate of between three and five per cent of the value of the country's copper exports. This was very low compared with other countries. Calculations showed that Zambia was missing out on the equivalent of the total international development aid to the country every year.

Using Norway's experience of managing natural and mineral resources as a basis, the Norwegian Embassy worked together with the UK Department for International Development to provide technical and financial support to the Zambian authorities. The goal was to prepare and implement changes in the conditions for international mining operations. Reasonable consideration of the international mining companies' needs for profitability, investment and technology transfer had to be weighed against the need to ensure that Zambia had a reasonable share of the profits.

The main principle underlying the cooperation was to increase access to broad independent analyses, experience and information so that the

Zambian authorities could make independent political decisions concerning the overall strategy and reforms. The Zambian authorities were in charge of the process of procuring and selecting consultants and companies, and they established direct relations with them.

In 2008, the Zambian authorities introduced a new tax regime that increased the average effective tax rate in the mining sector from 31 per cent to 47 per cent. This corresponds to the level in other major mining countries. Zambia thus increased its revenues in the first quarter of 2008 by 300 per cent compared with the previous year. If global copper prices stabilise at a high level, it is estimated that, in the space of a few years, Zambia's annual tax revenues will correspond to its annual development aid. The next challenge will be to ensure that this money is spent in a sustainable manner.

With the help of some NOK 5 million provided by Norway and good use of Norwegian expertise, Zambia increased its tax revenues by more than NOK 1 billion in 2008 alone. This is an outstanding example of the strategic use of aid and expertise to influence large financial flows.

tive burden on the recipient country may become very high.

Through the Paris Declaration on Aid Effectiveness, substantial efforts have been made to reduce this burden, but there is still a long way to go. The Accra Agenda for Action of 2008 emphasises that it is vital to further improve the division of labour between donors in order to reduce the administrative burden on recipients.

In the Government's view, therefore, it is important for Norway to continue to concentrate aid on fewer sectors. We should primarily limit our bilateral cooperation to areas in which Norway has particular expertise and where this expertise is in demand. Our bilateral cooperation may also be linked to areas where Norway's political weight can increase recipient countries' attention to key issues on the Norwegian agenda, such as climate change and the rights of vulnerable groups. The areas in which Norway becomes involved must be determined through dialogue with the authorities in the country concerned.

Government-to-government aid accounted for 18 per cent of Norwegian aid in 2007.

The Government will:

- concentrate government-to-government cooperation on sectors where Norway has expertise that is in demand
- reduce the number of sectors for government-to-government cooperation at the country level administered by individual embassies
- use the political dialogue with recipient countries to promote women's rights and gender equality.

7.3 Civil society and NGOs

Non-governmental organisations (NGOs) have traditionally been based on broad popular participation and have been a channel for privately raised funds. Over time, however, public funding has

come to account for an increasingly large share of their budgets. NGOs have become a major channel for Norway's development aid. In 2007, funding via international and local NGOs amounted to NOK 4.3 billion, or roughly a fifth of the total aid budget.

The Government believes that NGOs have a particular role to play in building up their sister organisations and interest groups in developing countries and in strengthening the role of local spokespersons in areas such as environmental issues, human rights, freedom of the media and anti-corruption. One of their advantages in aid delivery is their ability to reach areas and population groups whose needs the state is unable to meet. NGOs also have a high degree of flexibility in critical situations where a swift response is required. They can often be in place very soon after both man-made and natural disasters.

NGOs are important service providers that help to ensure that the fundamental rights to life, health, education and participation in society are attainable for an increasingly larger proportion of the population. Sami organisations and institutions have long had extensive contact with other indigenous peoples elsewhere in the world, and they have built up substantial expertise. This expertise

can prove valuable in connection with efforts in areas with indigenous populations. In addition to providing services, NGOs are expected to realise the opportunities for achieving ripple effects in the form of capacity building and changes in attitude.

A series of evaluations since 2006 have documented that Norwegian NGOs have become highly professional actors. However, it is more difficult to ascertain whether they have made a significant contribution to strengthening civil society in poor countries through partnerships with local actors. Local partners often state that they are unable to distinguish between Norwegian NGOs' roles as donors and partners, and as actors with their own agendas. It is also claimed that foreign NGOs, Norwegian ones included, have a tendency to dominate civil society organisations and their agendas in the partner countries concerned. This also applies to cooperation at the global level.

In this complex situation, it is important that Norwegian NGOs assess the effectiveness of their efforts and their role in relation to the overall development agenda in the countries in which they operate. It is also necessary to increase focus on cooperating with legitimate and representative local partners who cover a broad spectrum of inter-



Figure 7.3 NGOs play an important role in crises

Photo: Yasuyoshi Chiba/Scanspix

ests and agendas, with which various groups are concerned in developing countries. Work will continue on exploring and implementing alternative forms of support for civil society in poor countries, such as direct support for funding mechanisms and national umbrella organisations that channel funds to the organisations in the recipient countries. The aim is to boost local ownership.

In the space of a few years, globalisation and new communications technology have opened up new opportunities for international awareness-raising efforts. NGOs have successfully grasped opportunities to mobilise international public opinion on fundamental issues relating to development. They have become actors to reckon with in all international contexts.

It is an important task for the Government to support the international efforts of civil society organisations in areas such as environment and climate change, deforestation and forest degradation, gender equality, anti-corruption, conflict resolution and peace-building. It is crucial that representatives of civil society in poor countries have the opportunity to participate fully in this work. Norwegian NGOs have a particular responsibility for helping their partners to gain the access and expertise they need to make use of information, communication channels and forums.

By extension, it is also important to implement information and awareness-raising measures in Norway regarding environmental and development issues in a global perspective, and this should be an integrated part of Norway's international development cooperation efforts. Civil society has an important role as a driving force and watchdog – in both rich and poor countries.

Migrant communities – diasporas

A *diaspora* is a group of immigrants and their descendants who have an attachment to a specific country of origin. Large groups from Pakistan and Somalia live in Norway, but there are also groups from Iraq, Vietnam, Iran and Sri Lanka, as well as the US, Russia, Turkey and a number of European countries.

These minority groups have resources that have been utilised too little in the Norwegian development policy context. They possess valuable knowledge about culture, language, society, history, religion and politics. Both individuals and organisations have good contact with key milieus in their own or their parents' country of origin.

They can provide important information and improve our understanding of ongoing political processes.

In 2008, the Ministry of Foreign Affairs launched Pilot Project Pakistan with a view to increasing the local development effect of remittances. Under this scheme, Norwegian-Pakistani organisations can apply for funding corresponding to the amount they themselves are sending. The project will increase awareness about development efforts in the groups concerned, thus facilitating cooperation with development aid organisations. The pilot project will also strengthen the position of diaspora and immigrant organisations in the competition for aid funds. The pilot project is for projects in Pakistan. The experience gained will be an important factor for assessing whether the model can be expanded to include other countries.

It is also important for other bodies in Norway to realise what a resource communities and groups with links to relevant developing countries can represent. NGOs, research communities and, not least, the development aid administration have a great deal to gain from closer collaboration with these groups. This is a good basis for forming strategic alliances in the time ahead.

Recruiting people from multicultural backgrounds will be an important contribution towards ensuring that the foreign service reflects developments in Norwegian society, and will also help to ensure that the particular competence that these groups possess is used.

Support channelled via Norwegian, international and local NGOs accounted for 21 per cent of Norwegian aid in 2007.

The Government will:

- continue its close cooperation with Norwegian NGOs, with regard to both their development aid work and their information and lobbying activities in Norway
- continue to support NGOs' global efforts in key areas
- emphasise closer cooperation with migrant communities in Norway and organisations that work on development issues
- carry out a pilot project in Pakistan based on co-financing by the Pakistani diaspora and the public sector. Consider the possibility of corresponding initiatives in other countries
- ensure the recruitment of persons from multicultural backgrounds to the foreign service.

7.4 Business and industry and the private sector

The Government is encouraging Norwegian enterprises to become more strongly involved in the private sector in developing countries. In addition to providing valuable capital, which provides a basis for economic growth, such involvement can help to promote important values and principles in the development of the country's own private sector.

There are therefore a number of publicly-funded support schemes aimed at promoting such partnerships and reducing the risk for Norwegian companies of participating in developing these markets. Norad (the Norwegian Agency for Devel-

Box 7.6 Norfund

Norfund is a state-owned investment fund that seeks to strengthen the private sector and hence the development of poor countries through profitable investments. The aim is to increase these countries' ability to create value, generate economic growth and develop a sustainable economy. In addition to its commercial goal, Norfund must conduct its activities in accordance with fundamental principles for Norwegian development policy and contribute to a better working environment and working conditions in the countries concerned.

Norfund invests in private enterprises, thus helping to boost employment, facilitate the transfer of technology and expertise, and increase tax revenues. It has an equity of NOK 4.5 billion. It is Norway's largest investor in microfinance and hydroelectric power in Africa, Asia and Latin America. Norfund's investment capital comes from annual allocations from the development aid budget.

In step with the higher priority given to private sector development in development policy, Norfund has been assigned more wide-ranging tasks relating to renewable energy and microfinance, and to cooperation between public and private actors on financing. The fund's strategy is based on a sector-by-sector focus within geographically limited areas in which the fund itself has expertise and capital to offer partners. Norfund also facilitates investment projects in the poorest countries, with a view to becoming more active in these.

opment Cooperation) and Norfund (the Norwegian Investment Fund for Developing Countries) have cooperated on the establishment of an advisory office for enterprises that wish to make use of these schemes.

Embassies can also provide country-specific knowledge and open doors in the countries concerned.

The objective of Norfund is to contribute to economic development in poor countries through profitable investments. In recent years, Norfund has received almost NOK 500 million annually in new investment capital. The fund has also been assigned new tasks through strategic escalation of collaboration between public and private actors.

There is a substantial flow of direct Norwegian investments to developing countries. The largest flows relate to investments made by the largest companies in Norway, primarily in countries with oil and gas or other natural resources. An important task for Norwegian development policy is to increase the private sector's willingness to make direct investments in developing countries in other areas as well.

An important factor in this context is the Norwegian Microfinance Initiative, in which the Nor-

Box 7.7 The Norwegian Microfinance Initiative

Many poor people are unable to obtain bank loans because they do not have a regular income or are unable to provide security. This is particularly true for women, because in many countries their rights to inherit and own land, housing and other property are weak. Microfinance provides financial services for poor people. In addition to providing loans, emphasis is also placed on facilitating saving, insurance schemes, money transfers and such like.

The Norwegian Microfinance Initiative was established in September 2008 as a public-private partnership between the Norwegian authorities and the private sector actors Ferd, DnB Nor, KLP and Storebrand. The fund has a total equity capital of NOK 600 million, which is used to invest in microfinance institutions. The goal of the Norwegian Microfinance Initiative is to strengthen the position of the poor in developing countries by helping to create jobs and welfare on a sustainable basis.

wegian state and private investors have each contributed 50 per cent to a fund that will invest in microcredit activities in developing countries.

It is also possible to develop corresponding collaborations in areas such as renewable energy and in strategic cooperation agreements between the state and major investors. The Government's strategic partnerships with Yara and SNPower are examples of the latter.

Support for private sector engagement in developing countries accounted for eight per cent of development aid in 2007.

The Government will:

- help the Norwegian business community to increase its involvement in developing countries through various support schemes and active facilitation on the part of embassies in relevant countries
- help to develop public-private partnerships between the Norwegian authorities and private sector actors with a view to mobilising private capital for viable investments in the private sector in developing countries.

7.5 Choice of partner countries

Traditionally, Norway has used the terms «partner countries» and «main partner countries» to describe the main groups of recipients of government-to-government aid. These countries have received support for long-term development efforts under regional allocations (category 03.10 in the budget proposal). The arrangement meant a high degree of predictability for recipient countries, but in practice there was little connection between how the countries were categorised and how much aid they received. Sudan and Afghanistan were among Norway's largest recipient countries, but because funding came from budget categories other than 03.10, they were not referred to as partner countries. Since category 03.10 only accounts for 16–18 per cent of the aid budget, these designations were not very informative. Administration of this budget category was transferred from Norad to the Ministry of Foreign Affairs in 2004 as part of a process to improve coordination of the aid system. The discontinuation of these designations was a natural consequence of this step.

The fact that only category 03.10 could be used in countries designated as «partner countries» also restricted Norway's ability to respond rapidly in specific situations. One example is the change that

took place in Burundi when the humanitarian crisis became less acute, and the international community needed to focus on stabilisation and state-building efforts. When Liberia finally succeeded in holding free elections and Ellen Johnson Sirleaf became Africa's first female president, there was also a need for swift political and practical support from the international community.

The Government clearly stated in its 2008 budget proposal that it was no longer expedient to continue with the distinction between main partner countries and other partner countries. A majority in the Storting supported this in its subsequent budget recommendation, and requested a discussion about these concepts and the classification and selection of countries, and that possible alterations should be presented to the Storting. This was followed up in the 2009 budget proposal, which also does away with the classification «partner countries for long-term bilateral development cooperation», and instead describes how different types of cooperation is combined in different types of countries.

In addition to category 03.10, partner countries also receive aid from a number of other chapter items. Roughly 40 countries receive funds from allocations managed and allocated to individual countries by the Ministry. In 2009, the largest recipients of Norwegian aid will be Afghanistan, the Palestinian Territory, Sudan, Tanzania and Mozambique.

There are several reasons why we should be flexible in relation to our choice of partner countries. The Government wishes to use development aid more strategically. In some countries, cooperation will be very extensive, while in others it will be more narrowly targeted. In some cases, short-term humanitarian aid may be needed, or a rapid response to a changing conflict situation, while in others extensive long-term efforts are required. The nature of the cooperation will also change over time in step with the development and needs of the partner country in question. In countries such as Angola and Vietnam, our efforts have changed from extensive cooperation in a wide range of areas to focus on private sector development and technical cooperation.

Norway is engaged in broad long-term cooperation with a number of countries. Some of these are relatively stable states such as Tanzania, Mozambique, Zambia, Malawi and Nicaragua, where Norway's efforts are primarily aimed at supporting these countries' fight against poverty.

In other countries such as Afghanistan, Sudan, Nepal and the Palestinian Territory, the goal of poverty reduction can only be achieved through

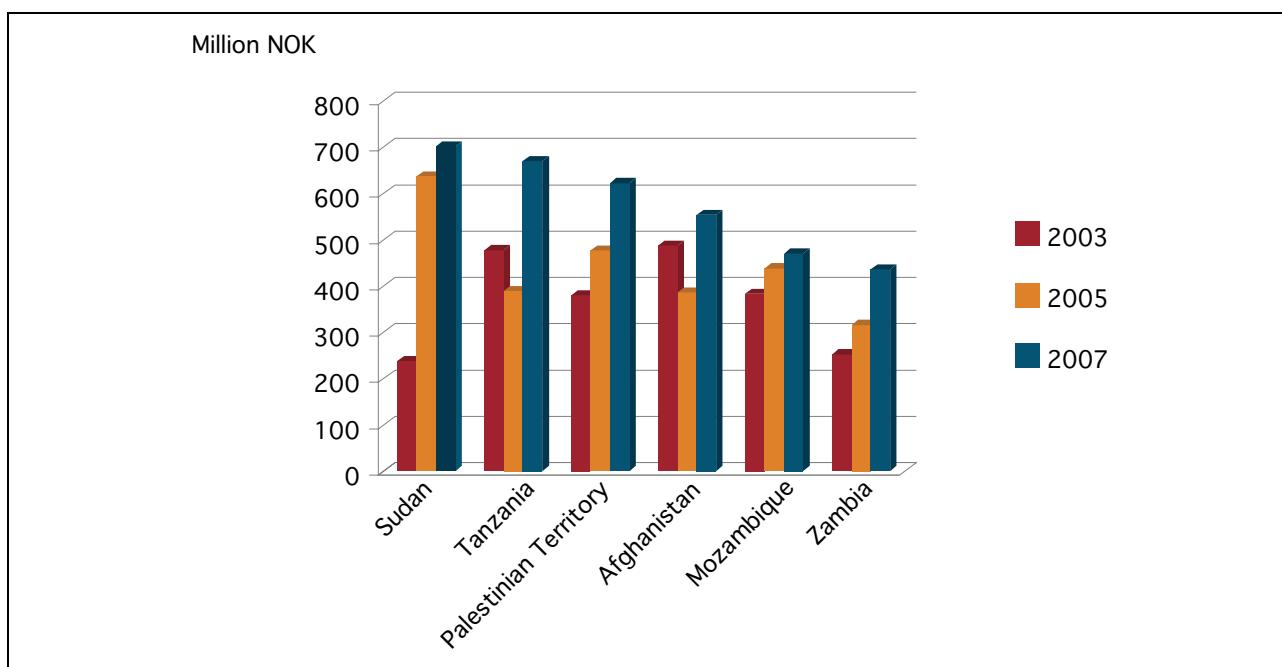


Figure 7.4 Largest recipients of Norwegian development aid.

Source: Norad

focusing much of our efforts on stabilisation, reconciliation and state-building, because these countries are in a highly vulnerable situation. Cooperation with these countries requires quite different insight and political sensitivity.

In relation to all of these recipients, Norway has a broad engagement based on the country's own poverty reduction strategy, with a substantial volume of assistance and an extensive local presence. The funding is provided via several budget chapters. Both our efforts in, and funding to fragile states have increased in recent years. The Government wishes to continue its extensive engagement in these countries.

In countries such as the Philippines, Haiti, Columbia and the Balkan countries, cooperation is linked to peace and reconciliation processes. The amount of support varies, and this is a demanding form of political engagement, requiring a long-term approach. A common feature for these efforts is that they involve major political risk. In some cases, Norway itself is a facilitator in peace processes, but in most cases, Norway's role is to support the efforts of the UN or other organisations to promote peace and reconciliation.

In a significant number of countries, our efforts have a more thematic or strategic character. Bilateral efforts to combat child and maternal mortality, for example, are limited to Nigeria, India, Tanzania and Pakistan. So far, Norway's International Cli-

mate and Forest Initiative entails bilateral cooperation with two countries, Brazil and Tanzania. Substantial funding is also being provided for projects in the Congo basin through the African Development Bank, and to a number of other countries through UN and World Bank forest programmes. The Oil for Development initiative cooperates with Angola, Mozambique, Ghana, Madagascar and Afghanistan. Norway is also engaged in private sector and technical cooperation with a number of countries, including China, India, Angola and Vietnam.

Humanitarian aid is provided through multilateral funds or concentrated on countries and areas with major unmet humanitarian needs, where Norway is particularly well qualified to contribute, and where the efforts can support peace and reconciliation processes. The volume of humanitarian assistance provided to different regions and countries depends on shifting needs. In countries with ongoing crises, the level of humanitarian assistance may be maintained for some time. Children, minorities and indigenous peoples are priority groups. Empowerment and protection of women are also priorities. These priorities are reflected in our involvement in countries such as Somalia, Burma, the Democratic Republic of Congo, Colombia, North Korea and Iraq.

The Government will continue to focus on providing aid to fragile states. This will include human-

itarian aid, support for peace and reconciliation processes and long-term development aid. Norway is also strongly engaged in conflict resolution and peace efforts in a number of fragile states. The increased emphasis on fragile states is creating closer links between foreign policy and development policy. It makes Norway an important actor at both country level and in international forums.

Norway's policy towards fragile states is in line with the international community's focus on building stable states where the authorities can attend to the population's needs and take responsibility for addressing international problems such as terrorism and climate change. The closer links between foreign policy and development policy tools highlight the need to respond rapidly to acute needs in fragile states. The Government therefore sees it as inexpedient to classify countries according to the budget category through which they receive support. The Government wishes to encourage discussion about the aid budget as a whole, with emphasis on the objective of the support given to individual countries.

The Government will:

- be more flexible in the selection of countries that receive aid
- continue to emphasise fragile states in our development policy

7.6 Key arenas

There is a difference between arenas in which binding resolutions with normative guidelines are passed and funds allocated, and discussion forums where ideas are exchanged and developed.

Binding agreements shift power. They assign responsibility, obligations and rights that have a bearing on national policy. Such agreements acquire great legitimacy and normative power. At the same time, however, less binding processes have a key role to play in the work of developing new ideas and approaches. Many important international processes have originated in arenas of this type. In many cases there is massive pressure from grassroots organisations. With the help of modern information technology, NGOs, networks and lobby groups are able to launch effective, targeted campaigns and can thus set the agenda. Success stories, such as the political decisions on debt relief, the prohibition of cluster munitions and protection of rainforests are all examples of how grassroots initiatives can influence global politics.

The G8 is a forum that has succeeded in putting important development policy issues high up on the international agenda. This became clear at the Gleneagles Summit in 2005, at which the member countries agreed to double their aid by 2010, USD 25 billion of which was to be earmarked for Africa. That was a strong signal, but follow-up has been weak. However, the G8 has also addressed other important global challenges with a bearing on development policy, such as climate issues, the food crisis and corruption. As the financial crisis developed, it became clear that the G8 would have to expand its membership in order to play the role it wished to play. The expansion resulted in the G20, which includes the world's 20 most important economies. Norway has frequently had bilateral discussions with the individual member countries of the G8 on its work. We are not part of the G20, and we need to find good forms of cooperation, both with the group as a whole and with the individual member countries.

The World Economic Forum (WEF), which meets every year in Davos, increasingly includes development-related issues on its agenda. Innovative financing mechanisms are a recurring topic. For several years, the Davos meetings have been a key forum for Norway to discuss the vaccination campaign that Prime Minister Jens Stoltenberg has spearheaded together with Gordon Brown and Tony Blair. In the time ahead, the Government will also focus on its policy relating to illicit financial flows and tax havens at these meetings.

Decisions made in NATO are binding on its member states. In recent years, NATO has become more involved in issues relating to development policy. Experience from Afghanistan in particular has shown how important security is for development, and, conversely, how important development is for security. This creates grey areas where, in practice, the dividing line between military and humanitarian assignments is unclear.

Norway has emphasised the established principle for civil-military cooperation, that international humanitarian efforts should primarily be carried out by civilians and coordinated by the UN in as close consultation as possible with local authorities. In exceptional cases, the need for rapid and effective aid may necessitate drawing on military resources, particularly in relation to logistics and transport. NATO should also be able to contribute to aid efforts in connection with major natural disasters. However, it must be a precondition that it does so at the direct request of the UN or the countries that are directly affected. As a rule, assistance from NATO should be limited to the initial phase of



Figure 7.5 The financial crisis requires broad international cooperation. It cannot be solved by Western countries alone. The first meeting of the G20 group in November 2008 was an important milestone in relations between new and established major economies.

Photo: Stephen Jaffe/Scanspix

emergency efforts, during which rapid distribution is a crucial consideration. After that, civilian actors should take over. NATO's assistance must give added value and must not outcompete other actors. This necessitates close and regular coordination with the UN. A dialogue on disaster relief should be included in the broader cooperation between the UN and NATO.

The EU has long shown interest in Norway as a development actor, and it wishes to have a closer dialogue with us on issues such as the connection between climate change and development, financial flows, tax havens and oil for development. The EU, on its part, conducts a development policy dialogue with actors with which Norway would like to have closer contact. The tripartite dialogue between the EU, Africa and China is of particular interest.

Norway has participated in informal meetings with EU at ministerial and senior official level. Norway also takes part in the European Development Days. This is to our mutual benefit. The EU is an important alliance partner in development policy. The Government wishes to strengthen its development policy cooperation with the EU in the time ahead.

The Government will:

- use international arenas more strategically to promote Norwegian development policy positions
- initiate closer cooperation with the EU in the field of development policy.

7.7 A future without aid?

The purpose of aid is twofold: to finance important initiatives and to give donors an opportunity to take part in discussions about development in individual countries. Both these dimensions – the political and financial – are crucial for combating poverty and building democratic societies. There has been increasing emphasis on the political dimension, particularly the efforts to promote human rights and combat corruption, during the 50 years that the rich countries have been involved in organised aid efforts.

There will probably be a great need for aid in many countries for many years to come. For some countries, however, other sources of development financing could gradually become more attractive to recipients because they are less tied to issues

Box 7.8 Attractive investments

«We like Chinese investment because we have one meeting, we discuss what they want to do, and then they just do it. There are no benchmarks and preconditions, no environmental impact assessment. If a G8 country had offered to rebuild the stadium, we'd still be having meetings about it.»

Source: Sahr Johnny, Sierra Leone's Ambassador to the People's Republic of China, who was showing Chinese investors around potential development sites, New Statesman 4 July 2005.

relating to governance and rights. Remittances, investments, tax revenues and loans and support from countries outside the OECD already account for larger financial flows than aid. Seen in isolation, this is obviously positive; aid should never be a goal in itself, merely a means to an end. However, it could also weaken the general political dialogue with countries facing major challenges in relation to human rights, corruption and governance, in addition to extensive poverty problems. Having pursued an active development policy for 50 years, Norway is regarded a credible and desirable partner for many countries, and for numerous organisations and centres of expertise. A large number of these have expressed a strong desire to continue close cooperation with Norway in future, regardless of the framework this entails.

The Government therefore feels that it would be wise, even now while aid is still very much in demand, to actively strengthen strategic alliances with recipient countries with a view to continued cooperation in the future when aid may not be the cornerstone of our relations. Research communities and academia, the business community, NGOs, media, and political and cultural cooperation could be the pillars on which such a collaboration could be built.

The Government will:

- prepare an action plan for strengthening strategic alliances that can form the basis for partner relations in countries in which aid gradually ceases to be the key element.

7.8 Results, quality assurance and potential for improvement

Aid works – but not well enough was the main message of Norad's Results Report for 2007, which emphasised that aid produces important results, but that aid alone cannot promote development in the country concerned or reach the ambitious goals set by the international community.

Aid has helped to increase life expectancy and improve health and education. These are important results, particularly in light of the strong growth in the world's population in recent years. Calculations also show that aid has led to annual economic growth in African countries in the region of one per cent. This may seem modest, but it means that without aid Africa would have been 25 per cent poorer.

Evaluations of Norwegian-financed aid programmes show that many good results are achieved. This is confirmed by findings from several hundred reviews of projects that receive Norwegian funding. The long-term social consequences are difficult to quantify, however. Norway is just one of many donors in a country, and there are many factors unrelated to aid that influence development. It is therefore difficult to trace results at the national level directly to specific projects or programmes supported by Norway – or by other donors for that matter.

The Results Report for 2008, *Development assistance – no shortcuts to good results*, shows that good results are achieved via all channels; Norwegian aid reaches the target groups. However, the report also points out that the various advantages of the different channels are not utilised systematically enough.

The results are substantial seen in relation to the amount of Norwegian aid. There are two ways in particular that Norwegian efforts have influenced international development cooperation over the years: the early emphasis on recipients' responsibility for their own development; and the recognition that no society can be developed from the outside. Moreover, the Norwegian focus on the opportunities available to and rights of women, indigenous peoples and other vulnerable groups has also been important and valuable.

Cooperation based on both technical and political dialogue produces good results. Likewise, more goals are achieved when efforts focus on areas that are high priority and in demand in the country concerned. Budget and sector support have become important instruments in this context, and the results are good.

It is easier to measure the results of efforts in a delimited thematic area, such as the global health initiatives, than long-term sector initiatives. This makes thematic initiatives well-suited to mobilising political will for joint efforts that will make a difference at the global level.

There are many indications that long-term cooperation may be needed to achieve lasting results. It is necessary to think 20 to 30 years ahead in the least developed countries. Another important lesson is that good technical assistance and exchanges do not automatically result in capacity- and institution-building. Competence-building is often valuable for the individuals concerned, while the results at the institutional level may be limited. This means that we have yet to find the best form of technical cooperation and training.

Following up results

Although it is difficult to measure the effect of aid on development in a particular country, it is still necessary to verify and document results. Good information about results is important to maintain confidence in aid both in Norway and in partner countries. We know from our own experience that it is difficult to measure the results of allocations of

public funds. It is no easier in countries with weak institutions and limited capacity.

The public, private and civil sectors all deliver services that are important to people's welfare and to nation- and state-building. Well-functioning institutions are essential for a well-functioning state. It is necessary, therefore, to strengthen partner countries' institutional competence and capacity with regard to result-oriented planning and management, and their ability to report on and learn from results and experience.

Norway increasingly participates in joint evaluations and reviews, in international work to develop methodology for evaluating and following up results, and in international forums aimed at increasing aid effectiveness.

The Norwegian aid administration has established extensive procedures for following up results at project, sector, country and agency level. Plans, results, budgets and expenditure are documented through three-year rolling strategic plans for Norwegian aid to more than 30 partner countries. Adjusted plans and strategies are then drawn up on the basis of the results achieved and experience gained and both Norway's and the recipient country's political priorities. A corresponding system is used in connection with Norad's cooperation with NGOs.

Box 7.9 Budget support

The term «budget support» refers to funds that are paid into the recipient country's treasury, where they are pooled with the country's own revenues. How the money is spent is decided by the parliament through normal budgetary processes. The donors stipulate joint conditions relating to improving public financial management systems, strengthening the poverty profile in the national budget and implementing anti-corruption measures.

In 2006, a multi-donor report on the results of budget support was produced. It covered the period from 1994 to 2004 and included seven countries: Malawi, Mozambique, Nicaragua, Uganda, Vietnam, Burkina Faso and Rwanda.

The report concluded that budget support has had positive effects on public financial management. It has increased the authorities' ownership and accountability and led to more systematic links between strategic planning and results.

The report also concluded that budget support can be an effective, expedient and sustainable method for supporting poverty reduction strategies. Budget support has clearly played a positive role in five of the seven countries studied (Burkina Faso, Mozambique, Rwanda, Uganda and Vietnam). In Nicaragua, budget support efforts have not come far enough for reliable conclusions to be drawn. In Malawi, budget support was deemed to be unsuccessful and it was stopped. It has subsequently been resumed following adjustments to the programme. The Malawian authorities have substantially improved financial management.

The report shows that budget support is no more vulnerable to corruption than other forms of aid. Budget support has contributed to the prioritisation of efforts that are important to the poorest, and that expenditure on health and education increased during the period studied.

Quality assurance

Few sectors are subjected to such frequent and extensive control as the «aid industry». In addition to the regular reviews of the Norwegian aid administration carried out by the Office of the Auditor General, a number of control and quality assurance measures have been initiated by the Ministry of Foreign Affairs and Norad with a view to uncovering and remedying any weaknesses in the system.

New guidelines have been drawn up, and a central support function has been established with overall responsibility in the Ministry for ensuring uniform administration of Norwegian grants.

In order to ensure that rules and procedures are complied with, frequent performance reviews are carried out at embassies, in the Ministry and in Norad. Good systems have been developed for following up findings and recommendations.

Mandatory procedures have been developed for assessing the risk of corruption and following up suspected irregularities in all projects. Everyone who works in the foreign service receives anti-corruption training. Norway promotes greater transparency with respect to the use of aid funds. We support the Publish What You Pay campaign. The Ministry of Foreign Affairs and Norad have established whistle-blowing systems for reporting suspected cases of corruption.

Despite good systems for control, cases are regularly uncovered in which funds have been misappropriated and planned outcomes have failed to materialise. There are several reasons for this, and it serves to demonstrate how challenging aid efforts are. The Ministry of Foreign Affairs and Norad deal with these challenges by continuously updating and revising their control and quality assurance systems. Targeted efforts to increase our partners' capacity and competence to develop and apply their own systems are equally important. Thorough and comprehensive evaluations of all partners are carried out in advance. Particular emphasis is placed on their capacity and competence to manage Norwegian funds and to achieve planned outcomes.

A special toolbox has been developed for quality assurance in the form of a series of handbooks and guides. They are based on a broad range of international experience. Everyone who administers aid funds can also request sector or administrative advice. Continuous legal quality assurance of agreements, contracts and procurements also helps to reduce risk and increase the possibility of achieving the planned results. All foreign service staff with administrative responsibility undergo

mandatory administrative training. Much of this training is open to partners in Norway and abroad.

Developing knowledge

The development of new knowledge largely involves research, but it can also entail other factors. These include studies or comparisons of available research results by expert committees such as the Norwegian Policy Coherence Commission and the Commission on Capital Flight from Developing Countries, as well as the systemisation of lessons learned and experience gained from work in the field.

In this connection, it is also necessary to include the perspectives of developing countries to ensure that the knowledge gained is less biased by a Western perspective. In this connection, there are two tasks that need to be fulfilled at the same time: increasing the quality and relevance of research; and strengthening research institutions in developing countries. The active recruitment of Norwegian researchers from multicultural backgrounds will give added value to Norwegian research institutions.

There is a great deal of research on and evaluations of aid programmes and the effect they have. The Government wishes this to continue, but with more emphasis on how aid can best be used strategically in connection with important development processes. Aid is often evaluated in a vacuum, rather than as one of many factors that contribute to development.

More systematic use of current knowledge

There is already a great deal of relevant knowledge about development, but it is a challenge for the administration to utilise it.

Norad is the centre of technical expertise for the Ministry of Foreign Affairs and the embassies. It has solid, broad-based expertise in a number of fields within the aid sector. It also cooperates with a number of external expert groups, including research institutions, ministries and directorates, and other expert bodies.

Efforts are being made to ensure that the Ministry of Foreign Affairs and Norad become even better at using available knowledge more systematically in their day-to-day work. In 2007, Norad entered into agreements with the Research Council of Norway and the Centre for Development and Environment on various communication activities to improve knowledge in the government administration. All aid programmes are also required to

include communication plans and to organise expert conferences to which the public administration is invited. Norad and the Ministry of Foreign Affairs also invite researchers from abroad to come and present results in relevant fields. During the current parliamentary period, the Ministry of Foreign Affairs established the project «Refleks – globalisation and national interests» (the Refleks project) under the auspices of the Minister of Foreign Affairs, as well as the Minister of International Development's policy analysis unit. Both of these are responsible for following up international and national knowledge development.

It has been found that commissioned research and studies are the most used forms of research. These are delivered quickly and often have a form that is well suited to respond to particular needs. However, a dilemma may arise, since the assignment is defined by the client and is not subject to an academic quality assurance process. Normally research programmes are subject to competition, both in advance, in the selection process, and subsequently, through peer reviews prior to publication. This quality control is not as systematic in commissioned research and studies.

The Research Council of Norway and research institutions need to discuss more closely the devel-

opment of good systems for supporting long-term research and, at the same time, ensuring that the knowledge produced through research programmes, including basic research, is made available to users in a suitable form and time frame. One way forward is to use research programmes to build up stronger long-term centres of expertise specialising in priority areas in Norwegian development and foreign policy, and to further strengthen existing centres of expertise.

The Government will:

- strengthen focus on results and aid effectiveness
- ensure transparency and access to information with regard to the Norwegian aid administration
- seek to make relevant knowledge about development more readily accessible to the aid administration
- promote research in Norway into priority areas for development policy and into the complex factors that promote or impede development.

8 Coherence between domestic and development policy

Most policy areas in Norway are, as in all other countries, designed to serve national interests and objectives. At the same time, these policy areas affect, to varying degrees, the situation in poor countries. Some policies support the development objectives we have committed ourselves to, others do not. The Government's aim is to ensure that the overall effect of Norwegian policy in a range of areas promotes economic growth and poverty reduction in developing countries. This requires coherence in policy development.

According to the Organization for Economic Cooperation and Development (OECD), policy coherence for development means working to ensure that the objectives and results of a Government's development policies are not undermined by other policies of that Government that impact on developing countries, and that these other policies support development objectives. The OECD is the organisation that has worked the longest with policy coherence for development. Responsibility for this field has been placed directly under the Secretary General, which reflects the fact that policy coherence spans all the areas dealt with by the organisation. In 2001, the OECD published the *DAC Guidelines on Poverty Reduction*, which included a checklist for policy coherence for use in developing new policy.

Policy coherence for development is not just the responsibility of rich countries. All countries' policies have an effect on each other. The policies of major economies obviously have a greater effect than those of more minor ones. The emerging economies in Asia and Latin America should therefore be expected to exercise the same caution towards poor countries as the OECD countries.

Putting policy coherence for development into practice is difficult, particularly in areas such as trade and migration, but also in areas such as patent rights, climate change and investment. Conflicts can easily arise when national interests have to be weighed against the interests of developing countries.

In its annual *Commitment to Development Index*, the think tank Center for Global Development in Washington ranks 22 OECD countries according to how development-friendly their over-

all policies are. In the 2008 index, Norway shares second place with Sweden. The Netherlands is in first place. Japan and South Korea come last, mainly due to their weak contribution to development through their aid, migration and trade policies. Norway's high score is due to our particularly development-friendly aid, climate and security policies. We are among the top 30 per cent in most areas, apart from trade, where we rank 20th due to our high tariffs on agricultural products.

Coherence and other countries

In several of its reviews of Norwegian development policy, the OECD has pointed out that Norway has good intentions, and has implemented measures to achieve broad policy coherence with its development objectives. However it also notes that Norway is not working systematically enough in this field. In this respect Norway differs from, for example, Sweden, which in 2003 was the first country in the world to enact legislation providing for an overall policy for global development with a common objective for all policy areas. Each ministry is responsible for this work within its own policy areas. The Swedish Ministry for Foreign Affairs submits an annual report to the Riksdag on Sweden's policy for global development. The OECD has proposed that Norway should introduce a similar system.

The UK has two statutes governing development issues. One sets out the principles for what aid funds can be used for, and how this spending is to be reported to Parliament. The other, the *International Development (Reporting and Transparency) Act 2006*, sets out that the Secretary of State for International Development is to report to Parliament on progress towards the UN target of spending 0.7 per cent of gross national income on aid, aid effectiveness and UN Millennium Development Goal (MDG) 1 (eradication of extreme poverty and hunger), MDG 7 (environmental sustainability), MDG 8 (global partnership for development), and policy coherence. The UK Department for International Development (DFID) has an annual dialogue with other relevant ministries and departments. All this is reported on in a separate chapter of DFID's Annual Report.

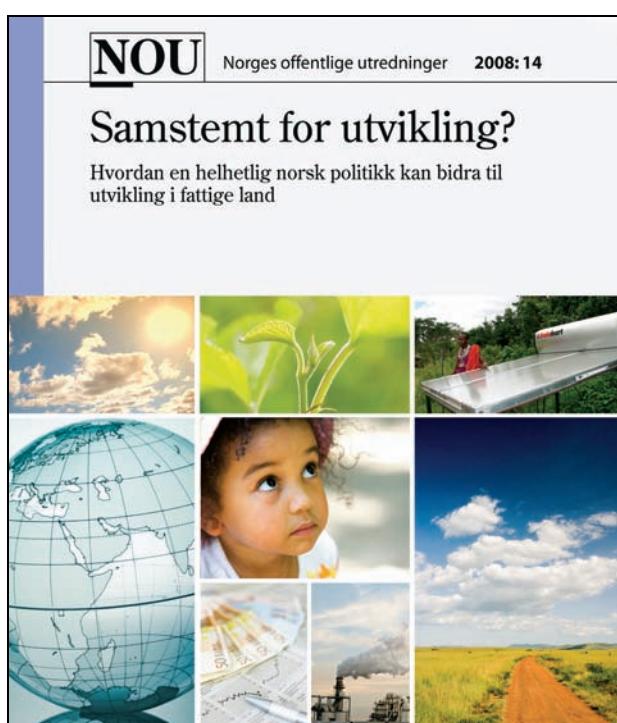


Figure 8.1 Coherent for development? (NOU 2008:14) was submitted in September 2008.

The Netherlands has established a unit in the Ministry of Foreign Affairs that examines proposals from the European Commission to identify any negative effects for developing countries. In 2005, the EU adopted a communication on policy coherence in efforts to achieve the MDGs. Twelve policy areas have been identified as particularly important. These include aid, trade, migration, transfer of technology, investment, security and the environment. The European Commission produces an annual report on progress in this area on the basis of reports from individual countries.

Norway's work in this area

The white paper *Fighting Poverty Together* (Report No. 35 (2003–2004) to the Storting), which was presented by the Bondevik II Government, discussed the importance of policy coherence for development. The present Government (Stoltenberg II) wanted to continue and concretise this work, and therefore appointed the broadly based Norwegian Policy Coherence Commission in 2006 to study this area further. The Commission's report *Coherent for development?* (NOU 2008:14) was submitted in September 2008. It examines

Norwegian policy on trade, investment, financing for development, climate change and energy, migration, transfer of knowledge and technology, and peace, security and defence. The report describes and analyses Norwegian policy in all these areas and recommends a considerable number of measures to increase policy coherence with Norway's development goals.

In this white paper, the Government has presented a policy for following up many of the areas covered by the *Coherent for development?* report.

The broad approach of the report means that it is relevant not only for this white paper, but also for a number of other ongoing processes. The task of making Norway's overall policy more development-friendly is a difficult and long-term process.

The Government intends to follow up the Policy Coherence Commission's and the OECD's recommendations and work more systematically on policy coherence for development. In this connection, the Storting is requested to consider establishing a system whereby the Government reports annually on what is being done to ensure that policies in various areas promote development in poor countries. These reports could, for example, describe both the actual or expected effects of Norwegian policy on developing countries and Norway's actions in this area, for example with regard to legislation, strategies and the positions taken in international negotiations. These reports should also deal with the framework conditions for the Norwegian business sector.

The Government will:

- seek to make all Norwegian policy more development friendly
- request the Storting to consider establishing a system whereby the Government reports annually on the coherence of Norwegian policy in relevant areas with its development objectives.

The Ministry of Foreign Affairs

hereby recommends:

that the recommendation from the Ministry of Foreign Affairs concerning climate, conflict and capital – adapting to change, dated 13 February 2009, should be submitted to the Storting.

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