

Peer Review 2008

Memorandum

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Ministry of Foreign Affairs
Oslo, Norway

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Exchange rates (USD to NOK) for the period:

2003	2004	2005	2006
7.0791	6.7393	6.4414	6.4148

Abbreviations

AfDB	African Development Bank	JFA	Joint Financing Arrangements
AIDB	Inter-American Development Bank**	LDCs	Least Developed Countries
ALNAP	Active Learning Network for Accountability and Performance	MCDA	Military and Civil Defence Assets
AsDB	Asian Development Bank	MDBs	Multilateral Development Banks
CCM	Country Coordinating Mechanism (GTAFM)	MDGs	Millennium Development Goals
CDM	Clean Development Mechanism	MFA	Ministry of Foreign Affairs
CDI	Commitment to Development Index	MOPAN	Multilateral Organisations'***
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women	MoU	Performance Assessment Network
CERT	Central Emergency Response Fund	NGO	Memorandum of Understanding
CIMCOORD	Civil-Military Coordination	NIBR	Non-governmental organisation**
CPIA	Country Policy and Institutional Assessment	Norad	Norwegian Institute for Urban and Regional Research
CSO	Civil Society Organisation	OCHA	Norwegian Agency for Development Cooperation
DFID	Department for International Development (UK)	ODA	Office for the Coordination of Humanitarian Affairs
EITI	Extractive Industries Transparency Initiative	OECD/DAC	Official Development Assistance
EU	European Union		Organisation for Economic Cooperation and Development/Development Assistance Committee
FSI	Foreign Service Institute	PBA	Performance-Based Assistance
FTI	Fast Track Initiative	PCD	Policy Coherence for Development
FTS	Financial Tracking Service	PEFA	Public Expenditure and Financial Accountability
GAVI	Global Alliance Vaccine Initiative	PFM	Public Finance Management
GBS	General Budget Support	PRSP	Poverty Reduction Strategy Papers
GJLOS	Governance, Justice, Law and Order Sector	PRS	Poverty Reduction Strategy
GNI	Gross National Income	PRT	Provisional Reconstruction Team
GNP	Gross National Product	PSD	Private Sector Development
GOVNET	OECD/DAC's Governance Network	SWAP	Sector Wide Approach
GSP	General System of Preferences	UN	United Nations
GFATM	Global Fund to Fight Aids, Tuberculosis and Malaria	UNCAC	UN Convention against Corruption
IBRD	International Bank for Reconstruction and Development	UNCTAD	UN Conference on Trade and Development
ICRC	International Committee of the Red Cross	UNHCR	UN High Commissioner for Refugees
IDRC	International Development Research Centre	UNICEF	UN Children's Fund
IFC	International Finance Corporation	UNITAID	International drug purchase facility
IHL	International Humanitarian Law	UNOCD	UN Office on Drugs and Crime
IMF	International Monetary Fund	UNSR	UN Security Council Resolution
ISDR	International Strategy for Disaster Reduction	WB	World Bank
JAS	Joint Assistance Strategy	WFP	World Food Programme
		WP-EFF	Working Party on Aid Effectiveness and Donor Practices
		WTO	World Trade Organisation

Chapter One

Strategic Orientation

General Guidelines

Following the general election in 2005, three political parties (Labour, Socialist Left and Centre) formed a new coalition government. After a government reshuffle in November 2007, the Minister of International Development was also given responsibility for the environment, becoming Minister of the Environment and International Development.

The Government's efforts to fight poverty are based on its policy platform, its inaugural address to the Storting (the Norwegian Parliament) and the development policy addresses to the Storting of May 2006 and June 2007. They are also guided by the Storting's deliberations on the White Paper (Report No. 35 (2003–2004) to the Storting, *Fighting Poverty Together. A Comprehensive Development Policy*.

The Government is working to ensure success in the fight against poverty. However, development assistance alone cannot lift large groups of people out of poverty. Global and regional frameworks are decisive factors in relation to peace and stability, economic development, investment, trade, migration, and dealing with environmental problems, climate change and health challenges. The three most important national factors affecting development and the level of poverty in a country are i) a well-functioning state that safeguards peace, security and human rights and delivers basic services to the population; ii) functional framework conditions for healthy economic activity and trade coupled with an active business sector; and iii) a vibrant civil society, with free media and active pressure groups. Norwegian development policy is intended to influence all of these factors, and development assistance is one important tool in this respect.

The Government's policy platform states that allocations to development cooperation are to be increased to one per cent of gross national income (GNI), and thereafter increased further during the rest of the current parliamentary period (2005–2009). In the 2008 Government budget, the development assistance allocation has been increased by NOK 1.5 billion (USD 295 million) since the previous year. This brings the total aid budget for 2008 to NOK 22.3 billion (USD 4.33 billion), or 0.98% of estimated GNP.

The international community has committed itself to increasing development assistance to Africa, and the G8 countries have agreed to double development assistance to Africa in the period 2005–2010. Norway intends to increase its allocations to Africa by a similar factor during this period.

It is important to ensure that development assistance is effective and that money reaches its intended destination. Norway is participating in national and international efforts to improve knowledge about the impacts of development and to ensure that public funds are managed for results. This is a particular challenge in the least developed countries, where domestic needs often exceed national capacity to plan, implement, monitor and report on performance. Furthermore, it is a particularly challenging task to measure the results of development assistance in countries affected by conflict and corruption, with weak formal structures.

The Government is focusing on ensuring a coherent Norwegian policy for development. In December 2006 it therefore established a commission to explore opportunities for making Norwegian policy even more effective at fighting poverty. The commission's report will be submitted to the Minister of the Environment and International Development by the autumn of 2008.

The Government wants Norway to take a lead in the international fight against corruption, money laundering and capital flight facilitated by tax havens. The fight against corruption is a task for strong international actors such as the World Bank and the UN. Norway will work in international forums to strengthen the implementation of the UN Convention against Corruption (2003), particularly in relation to the return of flight capital and opportunities to conceal financial crime.

Norway will maintain its strong commitment to assisting vulnerable, fragile states emerging from conflict, and will provide extensive humanitarian assistance to alleviate suffering, provide protection and give vulnerable groups prospects for a better and safer future. In most countries affected by war and conflict, development is not a linear process from humanitarian disaster via reconstruction to long-term development. In practice, it has often been necessary to provide assistance tailored to all of these situations in a given country simultaneously. Therefore, countries like Afghanistan, Sudan and the Palestinian Territory are receiving humanitarian assistance, assistance aimed at peace and reconciliation, transitional assistance and long-term development assistance concurrently. The Government believes it is important to consider the different activities in context, and is focusing on coordination and effective division of labour as means of maximising the effect of the assistance.

The Government wants Norway to continue to advocate UN reform. This involves strengthening the role of the UN as a promoter of peace and development by supporting the UN Peacebuilding Commission and the UN Peacebuilding Fund, strengthening the UN's gender equality efforts, supporting the implementation of pilot projects to establish "One UN" at country level, promoting efforts to improve the integration of humanitarian aspects and development considerations into UN peacekeeping operations, and supporting the continuation of reforms already begun in the humanitarian field.

Norway is strongly committed to the UN Millennium Development Goals in general and to MDGs 4, 5 and 6 in particular. The Government has allocated substantial resources to both global and bilateral programs in order to work towards these goals. The UN's status report shows that significant progress has been made in a number of areas. Despite this, achieving noticeable improvement in the poorest countries, as well as in countries in conflict or in a post-conflict stage, remains a key challenge. A concerted international effort is therefore called for.

Classification of countries as either main partner countries or partner countries was introduced in 2002 for countries with which Norway has long-term development cooperation. The term "main partner country" was to be used for countries with which Norway wants long-term, predictable and robust development cooperation. The term "partner country" was to be used for other countries with which Norway wants long-term cooperation, but for which it has lower ambitions as regards participation in the development cooperation dialogue. However, in practice the distinction between main partner countries and partner countries is no longer valid. While cooperation with some main partner countries has been limited by political developments in those countries, dialogue and development cooperation with certain other

countries have increased. This particularly applies to countries in which Norwegian and international development cooperation constitute an important contribution to stability and lasting peace, as in Afghanistan and Sudan. The Government therefore no longer considers it appropriate to maintain the distinction between main partner countries and other partner countries.

Norway is committed to implementing the principles in the 2005 Paris Declaration on Aid Effectiveness at both international and national levels. This means that Norway's development 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. An important aspect of these efforts is offering multi-year commitments to selected partner countries and UN organisations.

The Government's priority areas

The Government wants to promote a better division of labour between donors, and focus more strongly on areas in which Norway has particular advantages and expertise. The five areas in which Norway can contribute most are i) climate change, the environment and sustainable development; ii) peace building, human rights and humanitarian assistance; iii) oil and clean energy; iv) women and gender equality; and v) good governance and the fight against corruption.

Climate change, the environment and sustainable development

Climate change is the greatest threat facing the world today. To reduce harmful emissions and help poor countries adapt to the effects of climate change, the Government is launching a wide range of measures totalling some NOK 400 million (USD 77.7 million). Moreover, these funds are meant to strengthen developing countries' determination to combat emissions and increase their ability to join a future emissions reduction scheme after 2012, when the first Kyoto period ends. In addition, environmental development cooperation will be intensified in order to implement the Action Plan for Environment in Development Cooperation.

Norwegian support for climate change measures will focus on three main areas: i) increased bilateral cooperation on clean energy in Africa, Central America, the Amazon Basin, and Asia (China, India and Indonesia); ii) climate-related research, technical cooperation and the private sector, including CDM and carbon capture and storage in developing countries; and iii) support for new multilateral climate change and clean energy initiatives through the UN system and the development banks. In addition, support for climate change measures is also essential for increasing developing countries' preparedness and ability to join a future emissions reduction scheme after 2012.

Peacebuilding, human rights and humanitarian assistance

The Government wants to profile Norway as a nation of peace. Norway's efforts to prevent, reduce and resolve conflicts must be seen in connection with its significant humanitarian commitments, the assistance it provides for making the transition from war to peace, its commitment to long-term development cooperation and its promotion of human rights. Norway's strengths include i) its flexibility, which enables it to respond rapidly to challenges in volatile situations, and ii) the close link between its foreign and development policies.

The Government continues to provide support for the UN's peacebuilding efforts. Support for the UN Peacebuilding Commission, in which Norway has a seat on the Organisational Committee, will be given high priority. Furthermore, Norway will place particular emphasis

on implementing UN Security Council resolution 1325 on women, peace and security, and resolution 1612 on children and armed conflict.

It is crucial that the populations in countries that are transitioning out** of conflict experience real improvements in their living conditions as a result of the transition from war to peace. Funds have therefore been allocated to help prevent the reversal of the positive developments that have taken place in a number of countries. The Government will continue cooperating with NGOs, research institutions and others to secure an integrated approach to security, humanitarian aid and development aid. A White Paper dealing specifically with the prevention of humanitarian disasters, also in the context of environmental and climate change, was presented in 2007.

Women and gender equality

A new Action Plan for Women's Rights and Gender Equality in Development Cooperation was launched in 2007. It has the following main thematic priority areas: women's political and economic empowerment; sexual and reproductive health and rights; and violence against women.

The Government considers it important that support for the promotion of women's rights must not only encompass activities specifically directed at women, but must also be integrated with other aspects of development cooperation. Norway therefore intends to be a bold champion of women's rights and gender equality. On the basis of national experience, Norway will advocate the decriminalisation of abortion, take a leading role in the fight against genital mutilation, combat all discrimination and stigmatisation on the basis of sexual orientation, and seek to increase understanding for the fact that investing in women's rights and economic participation contributes to economic growth. A White Paper entitled *On Equal Terms* was submitted by the Ministry to the Storting in January 2008.

Oil and clean energy

The Oil for Development programme, launched in the autumn of 2005, has attracted great international attention. The programme is led by the Ministry of Foreign Affairs, in collaboration with the Ministry of Petroleum and Energy, the Ministry of Finance and the Ministry of the Environment.

The core themes of the programme are governance, petroleum management, environmental issues and financial management. The objective is to transfer Norwegian expertise so as to enable developing countries to manage their petroleum resources in a way that contributes to a lasting reduction of poverty while taking into account environmental concerns. Long-term cooperation has been established with 10 countries, and limited assistance is being provided to around 20 more. Long-term assistance requires extensive planning, coordination and quality assurance. The present challenge is therefore to establish priorities for the limited pool of technical expertise available.

Global warming and climate change issues have highlighted the need to assist developing countries in establishing a clean and sustainable energy resource base. The Clean Energy for Development initiative was launched as part of the process of intensifying Norway's efforts in the field of clean energy. Its purpose is to ensure full use of Norway's considerable expertise in the fields of management of energy resources, construction and operation of hydropower plants, development and use of other clean energy sources, and energy-related research and

higher education. The initiative will focus on populous countries in Africa and Asia with significant potential for reducing emissions.

Good governance and the fight against corruption

Long-term support is offered for state building in selected vulnerable, weak countries that are actively seeking a peaceful way out of conflict. The emphasis will be on measures that have the potential to consolidate peace and reconciliation processes and support the development of democratic governance.

Support will also be provided for the growth of strong, democratic states that have both the ability and the will to fight poverty and respect human rights. The Government will increase budget support to partner countries to strengthen their ability to develop well-functioning states with the capacity to deliver public welfare services. Efforts to promote a constructive budget support dialogue between development partners and recipient countries will be sustained. In addition, there will be continued support for actors who seek to make authorities and governments accountable.

Corruption drains many developing countries of amounts that exceed what they receive in development assistance. The Government is deeply committed to the international fight against corruption, money laundering and capital flight facilitated by tax havens. Strong international actors such as the World Bank and the UN must lead the fight against corruption. Norway will work in international forums to strengthen the implementation of the UN Convention against Corruption (2003), particularly in relation to the return of flight capital and opportunities to conceal financial crime.

Supporting the health-related Millennium Development Goals

In addition to the five main priority areas in which Norway has particular expertise, the Government has chosen to take particular responsibility for ensuring that the international community achieves the health-related Millennium Development Goals (MDGs). Norway's leadership role relates particularly to MDG 4 on reducing child mortality and MDG 5 on improving maternal health. In addition, Norway is a dedicated supporter of MDG 6 on combating HIV/Aids, malaria and other diseases.

Norway's efforts to combat child mortality will continue to include support for vaccination through the GAVI Alliance and support for vaccine research in which Norwegian institutions are participating. Furthermore, the amount of support given to the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) will be increased.

Other important priority areas

The increase in the development assistance budget will primarily be allocated to the main priority areas. The Government will, however, maintain a high level of support to other areas that have traditionally been important in Norwegian development cooperation, for instance by:

- Supporting public welfare services, particularly in the health and education sectors, directly through multilateral and bilateral channels and budget support to selected countries;
- Implementing its development strategy for children and young people, by continuing to focus on a few selected global and country initiatives related to children's rights and protection, and on synergies with other global initiatives and main priorities;

- Working to combat human trafficking – with the emphasis on measures to prevent the recruitment of new victims in their countries of origin;
- Efforts to combat HIV and aids; these will be continued at a high level;
- Efforts to ensure universal access to medicines by 2010, and support to vulnerable groups that experience double discrimination and stigmatisation, particularly men who have sex with men, sex workers and intravenous drug abusers;
- Using funds from the development assistance budget and commercial/private actors and foundations in public-private partnerships for development to promote a CRS approach in the private sector;
- Increasing access to capital and providing expert advice to microfinance operators;
- Strengthening trade-related development cooperation through multilateral and bilateral channels, and viewing this in connection with international efforts in this area, including those of the World Trade Organisation (WTO);
- Developing new and innovative financing mechanisms for development purposes;
- Cancelling the debts of the poorest countries, by actively cancelling debts on a bilateral basis, by being a strong supporter of multilateral debt cancellation schemes, and by promoting innovative thinking in relation to debt policy¹; Continuing to seek a solution to the problem of “illegitimate debt” as defined by the World Bank and UN studies;
- Continuing to support the work of the Global Forum on Migration and Development. A separate project has been set up to monitor and tailor Norwegian support.

Initiative to reduce CO₂ emissions through forest preservation

At the Bali Summit in December 2007, Prime Minister Stoltenberg announced that Norway is prepared to increase its annual support to prevent deforestation of rainforests in developing countries to about USD 500 million. The main purpose of the Norwegian initiative is to stimulate programmes that will result in real and significant reductions in CO₂ emissions before a new global agreement can be implemented. At the same time, Norway wants to ensure that the initiative contributes to the overriding goal of ensuring sustainable economic and social development in developing countries. This means that we must also address factors such as weak governance, poor law enforcement, illegal logging and inadequate land tenure regulations, as well as the perfectly legitimate demand for economic development, all of which lie behind the conversion of forests into agricultural land. Finally, this initiative is meant to reduce emissions from deforestation in developing countries as part of a global climate change regime for the period after 2012. The initiative has a strong multilateral emphasis. Norway will work towards achieving agreement on such a regime in Copenhagen in 2009.

The project will be based at the Ministry of the Environment and will work closely with other stakeholders, including the Ministry of Foreign Affairs. One of its first tasks will be to establish criteria for how this allocation will be used. The lion's share of the resources will be disbursed through the multilateral financial institutions and partners within the UN system.

New White Paper

The Government has decided to prepare a new White Paper on international development cooperation. *Fighting Poverty Together* primarily describes emerging

¹ Norway has cancelled the remaining debts of Egypt, Ecuador, Peru and Jamaica dating back to the Norwegian ship export campaign of 1976–1980 by means of unilateral declarations and without imposing any conditions.

development cooperation and aid modalities within the framework of the MDGs. This new White Paper will place additional emphasis on the political framework and the relationship between the development-, security- and foreign policy of the Government.

The new White Paper will continue to emphasise the core values of *Fighting Poverty Together* as far as aid modalities and the MDGs are concerned, but will put significantly more emphasis on discussing the link between development and foreign policy, and will question whether compartmentalising the two is worthwhile, or even possible. In the same vein, the new White Paper will attempt to deal more thoroughly with issues related to globalisation, 9/11, climate changes and an altered geopolitical situation.

Furthermore, the new report will focus on policy coherence for development and global interdependence - and discuss how development and aid can be mutually beneficial to developed and developing countries – without viewing the situation as a zero-sum game. Moreover, the White Paper discusses how aid can be used to complement and further other drivers of development. Finally, it will reflect the Government's increased focus on comparative advantage. The paper will be submitted to the Storting during the spring of 2009.

Chapter 2

Policy Coherence

There is broad understanding in the Norwegian political arena that promoting development in any country or region depends on a much wider range of factors than those that can be addressed by aid and development assistance alone.

Both previous OECD/DAC Peer Reviews² and the Centre for Global Development's annual Commitment to Development Index (CDI) have repeatedly reported that a number of Norwegian development policies are characterised by a high degree of coherence for development. In 2007 the CDI ranked Norway first among the 21 DAC countries in the areas of both environment and the security. Both institutions also pointed out, however, that there is room for considerable improvement in some policy areas, trade in particular.

In 2002 and 2003, discussions were held between the Ministry of Foreign Affairs (MFA) and other key ministries regarding aspects of their policies likely to have adverse effects on poor developing countries. The ministries also reported to the MFA how they work with regard to these issues. In this context, a simple checklist based on the OECD's illustrative checklist from the *DAC Guidelines on Poverty Reduction* was also presented to most of the ministries; the purpose being to prevent or alleviate adverse Policy Coherence for Development (PCD) issues in policy planning and management.

The talks between the ministries generated an informal network of officials dealing with PCD-issues. This network later proved to be useful in work relevant to PCD for instance work such as preparing core policy documents such as *Fighting Poverty Together*, as well as the Norwegian MDG8-report, also published in 2004. A new report will be considered following the Report from the Policy Coherence for Development Commission.

The Norwegian Government has not yet deemed it necessary to establish a separate unit for monitoring PCD like some other countries have done. The Section for International Development Policy in the MFA manages the activities in this field.

Norway has made clear commitments to promote PCD on a number of occasions:

- *Fighting Poverty Together* (2004–2005) supports the promotion of PCD as a basic and crosscutting theme. The Storting recently reiterated its commitment to the development policies laid out in this Report.
- The National Health Plan 2007–2010 states that Norway will not contribute to draining poor countries of scarce health personnel resources.
- The White Paper on labour migration, which is currently being prepared by the Ministry of Labour and Social Inclusion, discusses the consequences of Norwegian migration policies for developing countries. The White Paper is expected to propose changes in these policies that should benefit developing countries.
- The new White Paper on development, referred to in the previous chapter, is expected to demonstrate an even stronger political commitment to PCD, as well as to indicate areas where there is room for improvement in Norwegian policies.

Norway has one overarching and efficient mechanism at ministerial level to secure PCD. Prior to Government meetings, Ministers issue discussion notes on important issues. If a note includes proposals relevant to another Minister's area of responsibility, it is circulated to the

² OECD/DAC Peer Review of Norway in 2004

relevant ministries to clarify and harmonise any differences in views. In this process, the MFA will assess whether the proposals are likely to affect the situation of developing countries in general and poverty reduction in particular. If adverse consequences can be anticipated, an amendment is submitted to the issuing ministry. Such comments will either be included in the discussion note, or during deliberations in the Government.

Other mechanisms at work

- The Committee of State Secretaries³ is a powerful instrument for ensuring coherence in Norwegian policies. When policies being discussed are of significance to poverty reduction or development, the MFA is represented in order to make certain that policy coherence issues are addressed.
- In the *Oil for Development Programme* there is extensive collaboration between different ministries through a steering committee, led by the Ministry of Foreign Affairs.⁴
- Three Norwegian ministries are involved in Afghanistan.⁵ The ministries cooperate at both head quarter and at field levels. Naturally, Norway also cooperates with other development partners and the host country authorities.

Norway does not, however, have any permanent mechanism for coordinating Norwegian policies to ensure that they promote PCD. Furthermore, Norway lacks a dedicated mechanisms for the explicit purpose of *monitoring and analysing* upcoming policy proposals to make sure that they promote PCD.

However, some reports address this apparent void:

- In 2004, Norway prepared one of the first MDG8 reports to the UNDP. The purpose of the report was to show how the PCD issues from Monterrey, Johannesburg and the MDGs were followed up in Norwegian policies in general. A new report to update the information from 2004 onwards is currently being prepared, although the process has been delayed due to capacity constraints in the MFA.
- As part of the National Budget, the Ministry of Finance prepares an annual report on sustainable development. This report regularly includes explicit references to the consequences of Norwegian policies for the environment and poverty reduction.

The Norwegian Government has decided to examine policies that are seen or believed to affect poverty reduction in developing countries more closely and systematically. In 2006, the Government therefore set up a commission to investigate the PCD status of various Norwegian policies. The commission will look for possibly contentious policies in several areas, present its findings in a public report, and engage the general public and political parties in a debate about what can be done to adjust such policies. The commission's report will be submitted to the Minister of the Environment and International Development by the autumn of 2008.

In recognition of the importance of the *development perspective of migration*, the Ministry of Foreign Affairs formed a special project team in 2006. The project is exploring ways to facilitate more productive use of migrants' remittances. The project is presently setting up a

³ The Committee of State Secretaries is convened on an *ad hoc* basis. Its purpose is to coordinate important interdepartmental initiatives. Each task has a sunset clause.

⁴ Ref. p. 30 - Other steering committee members are the Ministry of Finance, Ministry of the Environment and Ministry of Petroleum and Energy.

⁵ Ministry of Defence, Ministry of Justice and Ministry of Foreign Affairs.

pilot in Pakistan to find ways of involving Diasporas more actively in development assistance work. Measures to combat brain drain and to increase flexibility in migration patterns (circular migration) are also being investigated. Trafficking is part of the project's portfolio. Discussions are also under way to see if closer cooperation can be developed with the EU to improve the situation of would-be migrants in selected African countries. The project is also playing a role in the follow-up of the UN High Level Dialogue on Migration, as well as in relation to the Global Forum on Migration and Development.

The MFA is actively contributing to the Ministry of Labour and Social Inclusion's forthcoming White Paper on Work Immigration and is also participating in interdepartmental working groups on immigration.

The Norwegian *General System of Preferences* (GSP) system was recently evaluated and the Government has now approved revised and new regulations. The most notable changes are that the system has been simplified and extended to include 15 Low Income Countries in addition to the 50 Least Developed Countries. Under the system, the LDCs enjoy tariff-free and quota-free exports to Norway, while the 15 other countries, as well as Botswana and Namibia, are granted substantial preferences on tariffs and quotas. However, the GSP security mechanism that allows the curtailment of imports of particularly sensitive agricultural products, which could in certain situations threaten Norway's production of such products, has been retained.

The need for concrete knowledge

Conducting a dialogue between ministries on PCD issues requires concrete knowledge about the impact of different policies in poor countries. It is therefore vital to have links to institutions that are undertaking such research. The OECD's Development Centre is one such institution, along with its PCD Coordinator, who is responsible for the horizontal PCD programme, as well as the OECD PCD network. The Washington DC-based Centre for Global Development, which compiles the Commitment to Development Index, is another key institution. Norway also follows with great interest and supports the DFID-commissioned work that is currently being undertaken by the Overseas Development Institute and UNDP to explore how third country policies are filtered through policies and institutions and concretely affect the poverty situation in poor countries.

OECD's role in promoting PCD

Norway is positive to the OECD taking a leading role in the PCD field by, among other things, setting up a members' network to discuss issues and priorities. Norway is a member of the steering group and is supportive of the Development Centre's newly-established research programme, which has already produced an interesting and high-quality report on migration. Norway still holds the view that there are few institutions that are as suited as the OECD is to producing information on member states' performance with regard to policy coherence, and we would welcome a cross-member study on this topic.

Chapter 3

Official Development Assistance - Volume, Channels and Appropriations

Overall aid volume

Norway's official development assistance (ODA) has experienced a substantial growth, mostly due to a sharp rise in the GNI for Norway over the past years. For 2008, ODA equals NOK 22.3 billion, which is estimated to 0.98% of Norway's GNI for 2008. The budget appropriation to ODA has increased from 0.94% of the GNI in 2004. In 2006, Norway disbursed ODA totalling NOK 18.950 billion, up 1.004 billion (5.6%) from 2005. Since the growth in Norway's GNI has been greater than expected, the actual ODA/GNI ratio has been lower than the ratio given in the budget. The actual ODA/GNI ratio was 0.87% in 2004, 0.94% in 2005 and 0.89% in 2006.

Table 1: Total ODA by type of assistance 2003-2006 (NOK 1000):

	2003	%	2004	%	2005	%	2006	%
Multilateral assistance	4 107	28.4	4 463	30.1	5 144	28.7	5 268	27.8
Multi-bilateral assistance	2 440	16.9	2 629	17.7	4 067	22.7	4 141	21.9
Bilateral assistance	7 205	49.8	6 932	46.8	7 850	43.7	8 488	44.8
Administration	704	4.9	793	5.4	885	4.9	1 053	5.6
Total	14 456		14 817		17 946		18 950	
Multilateral and Multi-bilateral compared to total (including administration)		45		48		51		50

Norwegian development resources are generally distributed equally through multilateral and bilateral channels. The multilateral has been stable over a number of years. Support in the form of multi-bilateral assistance has grown; while DAC registered bilateral assistance has faced a slight scaling down over the past four years.

Bilateral, including multi-bilateral assistance

Table 2: Assistance by regions (NOK 1000):

	2003	%	2004	%	2005	%	2006	%
Africa	4 098	42.5	4 227	44.2	4 607	38.7	4 983	39.5
Asia and Oceania	1 771	18.4	1 872	19.6	3 251	27.3	2 211	17.5
Europe	1 009	10.5	863	9.0	818	6.9	804	6.4
Middle East	940	9.7	639	6.7	749	6.3	952	7.5
Latin America	478	5.0	610	6.4	581	4.9	606	4.8
Global unspecified	1 350	14.0	1 351	14.1	1 910	16.0	3 072	24.3
Total	9 646		9 562		11 917		12 629	

The year 2005 was exceptional in terms of the geographical distribution of resources. This was mostly due to large extraordinary disbursements to countries in Asia following the tsunami and the earthquake in Pakistan. Apart from this, the table displays a steady increase in the assistance provided to Asia and Africa in monetary terms, whereas the amount of assistance provided to other regions remains relatively unchanged over time. Africa's share of Norwegian ODA has declined between 2003 and 2006. Global programmes, which have been granted high priority, have experienced the largest growth in ODA. However, a significant share of the measures registered as 'global' are carried out in Africa.

Table 3: Norwegian assistance divided on country categories (NOK 1000):

	2003	%	2004	%	2005	%	2006	%
Least dev. countries	4 088	42.4	4 160	43.5	4 591	38.5	5 073	40.2
Low inc. countries	733	7.6	747	7.8	1 131	9.5	789	6.2
Low middle inc. countries	2 261	23.4	1 841	19.30	2 507	21.0	2 088	16.5
Upper middle inc. countries	200	2.1	243	2.5	308	2.6	404	3.2
Unspecified	2 362	24.5	2 568	26.9	3 377	28.3	4 273	33.8
Total	9 646		9 562		11 917		12 629	

Table 4: Norwegian assistance – split by channels (NOK 1000):

Channels	2003	2004	2005	2006
Government to government, etc ⁶	3 569	3 186	3 280	3 503
Private sector ⁷	370	434	650	769
Multi-bi assistance	2 440	2 629	4 067	4 141
Norwegian NGOs	2 460	2 482	2 975	3 098
Local, regional, internat. NGOs	572	593	693	778
Nordic research institutions	235	237	252	337
Total	9 646	9 562	11 917	12 629

This overview shows that approximately one third of the Norwegian bilateral assistance was channelled through multilateral organisations in 2006; one third through the government and private sectors, and nearly one third through the NGO envelope. The share channelled through NGOs, including Norwegian NGOs (about 25%) has relatively stable over time, whereas the share channelled through the government has decreased (from 37% to 27% of bilateral assistance). The share channelled through multilateral organisations has, on the other hand, increased.

Bilateral channels

Partner countries

As mentioned in other chapters in this memo, Norway no longer differentiates between main partner countries and partner countries. At present, Norway has 28 partner countries. In Africa these are Angola, Burundi, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mali,

⁶ Includes government to government cooperation, consultants, etc

⁷ For specifications of the two major actors, see table 10

Mozambique, Nigeria, South Africa, Sudan, Tanzania, Uganda and Zambia. In Asia these are Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, Sri Lanka, Vietnam, East Timor and the Palestinian Territory. In Latin America Norway's partner countries are Guatemala and Nicaragua.

Table 5: The ten largest recipients of Norwegian bilateral assistance (NOK 1000):

Country	2004	Rank	2005	Rank	2006	Rank
Sudan	385	4	635	1	686	1
Palestinian Territory	362	5	476	3	563	2
Tanzania	402	3	388	6	483	3
Afghanistan	456	1	386	7	447	4
Zambia	252	7	315	9	425	5
Mozambique	411	2	438	4	412	6
Uganda	281	6	293	10	323	7
Malawi	183	12	316	8	322	8
Ethiopia	229	9	245	12	268	9
Sri Lanka	204	11	424	5	204	10

Table 6: The six largest recipients of Norwegian bilateral assistance in 2006, divided by type of assistance (NOK 1000):

Country	Long-term bilat. ass. ⁸	Transitional ass. ⁹	Emerg. Relief, Hum. ¹⁰	Peace and recons- iliation ¹¹	Others incl. civil society	Total
Sudan	9	320	237	64	56	686
Palestinian Territory	136	100	195	85	46	563
Tanzania	414	0	1	0	46	483
Afghanistan	150	103	102	41	51	447
Zambia	369	0	0	0	56	425
Mozambique	366	0	0	0	46	412

From Table 6 it is possible to deduct that among the six main recipients, three countries (Tanzania, Mozambique and Zambia) receive assistance under the appropriation for long-term bilateral assistance. In addition, the countries receive some assistance under the global appropriations for civil society support. Norway has been engaged in bilateral programmes in these countries for several decades.

Assistance to Norwegian NGOs

Table 7: The five largest recipients of Norwegian assistance (NOK 1000)

Partner	2003	2004	2005	2006
Norwegian Church Aid	361	342	392	467
Norwegian Refugee Council	296	300	344	434
Norwegian People's Aid	266	311	357	419
Norwegian Red Cross	350	353	337	417

⁸ Budget chapters 150, 151, 152, 153

⁹ Budget item 162.70

¹⁰ Budget chapter 163

¹¹ Budget chapter 164

Save the Children Norway	181	162	187	167
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In 2006, four Norwegian NGOs received more than NOK 400 million each for their operations. A large portion of these funds was provided as part of the global appropriation, and from the humanitarian action envelope. These four organisations received about 56% of the total development assistance funds channelled through Norwegian NGOs. Table 8 shows the distribution of funds between Norwegian NGOs and other NGOs and institutions.

Table 8: Norwegian bilateral assistance through NGOs (NOK 1000):

Category of agreement partner	2006	% through NGOs	% of total bilat. dev'l aid
NGO Norwegian	3 098	73.5	24.5
NGO International	369	8.8	2.9
NGO Local	344	8.2	2.7
NGO Regional	66	1.6	0.05
Nordic research institutions	338	8.0	2.7

Assistance to sectors

Table 9: Norwegian bilateral assistance divided between the five largest sectors 2003-2006 (NOK 1000)

Sectors	2003	%	2004	%	2005	%	2006	%
Education	932	9.7	1 018	10.6	1 227	10.3	1 276	10.1
Health, HIV/aids	952	9.9	775	8.1	990	8.3	1 119	8.9
Governance, HR	1 310	13.6	1 571	16.4	1 763	14.8	1 764	14.0
Peacebuilding, emergency relief	2 990	31.0	2 002	23.0	3 137	26.3	3 481	27.6
Economic development, trade	977	10.1	1 217	12.7	1 156	9.7	1 392	11.0

The percentages are calculated in relation to total bilateral assistance, which obviously includes more sectors than displayed above. Multilateral assistance that is not earmarked for a specific sector comes in addition to these funds. The largest sector in Norwegian bilateral assistance is peacebuilding and emergency relief. Governance and human rights come second. As the table shows, the divides between the various sectors have been relatively stable over the past years. In monetary terms, the greatest increase has been in the allocation for peacebuilding and emergency relief.

Table 9.a: Specific figures for Environment and Gender (NOK 1000)¹²

DAC sector	2003	2004	2005	2006
General Environment Protection	263	449	423	542
Women in Development	104	100	125	129

Table 10: Specific figures for Private Development Sector (NOK 1000)¹³

Partner	2003	2004	2005	2006
Norad ¹⁴	237	95	164	172

¹² Specification of the environment and gender allocations, included in sector allocations in table 9.

¹³ Private Sector Development allocations included in Table 4 – here shown separately

Norfund ¹⁵	133	339	486	597
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Multilateral channels

Table 11: The five largest recipients of Norwegian multilateral assistance 2003-2006 (NOK 1000):

Partner	2003	2004	2005	2006
The World Bank ¹⁶	1 046	1 067	1 523	1 526
UNDP	1 129	1 106	1 350	1 293
UNICEF ¹⁷	584	890	1 328	1 152
Global Funds ¹⁸	343	505	721	970
The World Food Programme	334	315	607	539

Table 11 clearly shows that during the 2003–2006 period Norwegian support to the five largest multilateral organisations has increased. The biggest increase has been to the global funds, particularly those related to health. In 2006, the largest recipients of global funds were GAVI (NOK 499 million), GFATM (NOK 271 million) and FTI (NOK 200 million). The global funds channel their resources through multilateral organisations such as the World Bank, UNICEF and WHO. The Boards of the funds, however, manage this funding, and decisions on disbursements are therefore not governed by these organisations.

Assistance channelled through the multilateral organisations is provided in one of two ways, either as core support or as earmarked support for specific programmes and projects (multi-bilateral assistance). Norway favours a strong link between bilateral and multilateral funding. Consequently, multi-bilateral assistance has been scaled up over the past few years.

Norway supports the quest for an increased *focus on results* in its multilateral cooperation. There is a general consensus on the purpose and strategies for a better result-based management approach. Nevertheless, one of the major challenges is to move reporting away from input and activity levels to targeting actual results and the potential impact of support. It is a priority for Norway to ensure that progress in this area is sustained. In this perspective, cooperation between the institutions that can be extended to the multi-bi collaboration is vital.

*Multilateral Development Banks (MDBs)*¹⁹

Norway cooperates with the Nordic and Baltic countries in the *World Bank (WB)*. Norway currently holds the Chair in the constituency and sits on the Board on behalf of the Nordic-Baltic countries (2006-2008). The Chair provides Norway with unique opportunities for insight and opportunities to influence the decisions taken by the Board. In the regional development banks Norway is represented together with the Nordic countries on all three

¹⁴ Particular priority is given to areas where development aid can be used to mobilize private capital within fields where Norway has particular competence e.g. clean energy (hydropower) and petroleum, environment, micro finance, fisheries or through so-called Public Private Partnerships with Norwegian companies.

¹⁵ For further reference on Norfund, see page 22

¹⁶ Includes support to IBRD, IDA and IFC. Debt relief, assistance channelled through FTI and the GFATM have been deducted

¹⁷ Assistance channelled through GAVI has been deducted

¹⁸ Includes GFATM, GAVI, Education for All/FTI

¹⁹ The MDBs in this context refer to the World Bank, Asian Development Bank, African Development Bank and Inter American Development Bank.

Boards (though the constituencies also include other countries). The active collaboration of the Nordic countries gives Norway a better opportunity to be heard and to pursue its positions. Through co-financing involvement in the MDBs Norway seeks to strengthen the institutions in areas deemed important, such as environment, gender, social issues, good governance and most recently climate change. Water, anti-corruption and results-based management are other areas that are addressed. For the AfDB in particular, fragile states will continue to be an important issue in the future cooperation through thematic multi-donor trust.

Norway has, along with the UK, been particularly active in following up and monitoring the Bretton Woods institutions' conditionality review. Reports indicate that progress with regard to the World Bank's *Good Practice Principles for the Application of Conditionality* is mixed, but steady. Norway has therefore strongly encourage the two institutions to follow the *Good Practice Principles*. National policies need to be nationally owned, and there must be sufficient "policy space" for the recipient/borrower to develop and implement their own priorities.

The regional MDBs differ substantially from each other and face quite dissimilar challenges. Norway is a relatively small donor to the three regional development banks, but plays an active role in the replenishment negotiations of their respective Development Funds. However, through making contributions to the AfDB that are almost 10 times greater than those made to the two other funds, Norway signals that it prioritises the AfDB. Nevertheless, Norway wishes to continue to participate in both the AsDB and the IDB, since these institutions will continue to play an important role in their particular regions.

Norway is actively promoting greater harmonisation between the regional MDBs and the World Bank. Another central issue has been how to deal with the growing gap between the poorest and the richest countries within the regions. While the middle-income countries have quite different needs from the poorest and are well served through the non-concessional windows of the regional MDBs, there is constant discussion of how best to serve the poorest members. Norway continues to give priority to poverty reduction in the poorest member countries. The replenishment discussions for the development funds have provided an arena for these discussions, in addition to the regular trust fund discussions.

As major providers of ODA, the MDBs have developed a fairly complex system for determining the level of assistance each borrower/recipient should be entitled to each year: the Performance-Based Appropriations (PBA) system. From a Norwegian point of view, there are at least two dilemmas inherent in the PBA. First, there is a strong linkage to performance. This association has the potential to discriminate against "turn-around" countries with a short history of good performance and strong governance. Fragile states coming out of conflict stand out as obvious examples. Second, PEA gives disproportionate weight to the Country Policy and Institutional Assessment (CPIA). This is potentially problematic, as the CPIA does not measure results but rather political intentions and plans. A new and necessary debate is therefore emerging: both donors and recipient/borrowing countries will need to discuss how these instruments are being used in the policy dialogue, their potential for producing policy recommendations and finally the link between performance and appropriation.

Support to the UN system

The Comprehensive Development Policy *Fighting Poverty Together* sets out the strategy for Norwegian development assistance, including support to multilateral organisations.

Consistent with the Soria Moria declaration²⁰, Norway attaches great importance to reinforcing the role of the UN system in development policy and would like to see UN agencies that are efficient and competent organisations capable of realising their constitutional mandate. Norway is the seventh largest donor to the UN system.

Norway supports continued reform of the UN system. Importance will be attached to assessing the effectiveness of the various organisations, but also to the degree to which the organisations actively contribute to a more coherent UN and promote harmonisation and rationalisation. If the UN system is to carry out its global functions, sufficient financing must be secured. Norway therefore supports establishing a joint board with UN funds and programmes that can increase coordination and help to assure more stable and predictable contributions.

Norway decided in 2005 to make multi-year indicative pledges to key United Nations funds and programmes²¹. Multi-year financing has been offered on the condition that the agencies remain committed to making progress on issues on which there is broad international consensus, such as the MDGs, individual and collective commitment to UN reform²², human rights, gender, and performance-based/results-based management. The multi-year pledges are subject to the annual approval of the Storting. Furthermore, they are contingent on the organisations' ability to make progress in the priority areas, and on the organisations implementing their strategic plans.

In addition to the multi-year pledges, Norway offers other types of funding modalities to the UN system. Norway's core funding is untied. Core funding constitutes a comparatively major part of the funding given to individual agencies. In addition, soft earmarked funding and thematic contributions are granted to specific programmes and projects under the helm of the UN. The additional resources to agencies, funds and programmes are normally granted on the basis of Norwegian priorities for development cooperation and the agencies' strategic plans, as well as an assessment of the added value of the organisation at country level. Norway also bases its assessment of progress on annual reports and other reporting issued by the agencies; on the dialogue that takes place through regular consultations and board meetings at headquarter level; on joint consultations and policy dialogue; on the MOPAN process; and on reports from Norwegian missions abroad.

The UN agencies draw their finances from the same bilateral coffers as other multilateral actors. Simultaneously, the UN system is labouring hard to adapt to the new forms of development assistance. Norway would like to see a UN which pursues a programmatic approach, with more emphasis on national ownership. To this end, committed participation in the JAS processes (where such exist) offers new opportunities for the UN system. By adhering to its normative role and by contributing technical advice, the UN could assume a more active role in sector programming at country level. Taking on a role that is more coordinated with other development partners under the helm of the Paris Declaration will also promote increased aid effectiveness.

²⁰ The Soria Moria declaration is the name of the political platform for the current Government of Norway

²¹ The multi year pledges are extended to UNDP, UNICEF and UNFPA.

²² Norway has granted USD 24 mil for the internal UN reforms. There are currently eight pilot countries for testing out the "One UN" reform model – funded under this appropriation.

Chapter 4

Organisation and Management

Organisation

Ministry of Foreign Affairs (MFA)

The Memorandum of the 2004 Peer Review describes the rationale behind the reorganisation of Norwegian international development assistance, decided in September 2003. The reorganisation, which involved the MFA, the embassies and Norad, was part of a larger modernisation project under the helm of the Ministry of Government Administration and Reform, involving a number of other ministries and agencies. The main purposes of the initiative were to make Norwegian public administration more effective and to facilitate greater policy coherence between Government institutions. For the MFA in particular, the project led to a full integration between development policy and foreign policy of Norway. Following the initial conclusion of the process in April 2004, both MFA and Norad entered into a period of organisational adjustments.

In the MFA, the number of departments was reduced from ten to eight. Later, a separate unit for policy analysis²³ was established. Two Communication Units deal with press and media issues for the two Ministers. The MFA Secretary General and Deputy Secretary General, together with Heads of Department and the Communication Units, constitute the Ministry's Strategic Management Team. The Deputy Secretary General is mainly responsible for management issues related to international development cooperation. The Foreign Service Institute, in previous Memorandums referred to as the Unit of Knowledge Management located in Norad, has been relocated to the MFA.

Although most of the MFA's departments are to some extent involved in development cooperation matters, the main departments for development policy and operations are the Department for Regional Affairs and Development and the Department for UN, Peace and Humanitarian Affairs. The current organisational chart is attached to this Memorandum (see annex E).

Currently, the MFA is in the process of launching a central control unit for handling cases, which may involve fraud, misuse and/or misappropriation of funds. Separate guidelines have been developed for the embassies in their handling of such cases, involving Norwegian development funds.

In order to tailor the organisational structure to the tasks at hand, the MFA has adopted a flexible approach. For example, country cooperation with Afghanistan and Sudan is organised using a team approach. Special initiatives are organised as projects, of which some also are inter-ministerial, depending on the nature of the task. When necessary, the departments or sections in MFA will establish steering committees with the task of guiding the projects. Relevant examples of the latter are projects such as Oil for Development, Global campaign

²³ The unit is attached directly to the office of the Minister. Its full name is the *Minister of the Environment and International Development's Policy Analysis Unit*

for Health Millennium Goals, Migration, Development and Trade for Aid, Gender, Environment/climate, and so forth.

All sections and departments within the MFA that deal with development assistance funding can request technical assistance and advice from the various departments in Norad. Following the reorganisation, Norad facilitates advisory services, either through its technical staff or through framework agreements with institutions and consultancy firms. Furthermore, the MFA is currently taking steps to increase its staffing flexibility, by enabling the short-term recruitment (for periods of two to three years) of personnel with qualifications that are in short supply at the Ministry. The MFA also has a small number of roaming staff, who serve as back-up when particular circumstances occur. This facility is mainly related to administrative positions.

Norad

The Minister of the Environment and International Development is constitutionally responsible for Norad. According to the statutes adopted by the Government on 26 March 2004, the MFA is authorised to alter them. The statutes define Norad as a technical directorate under the MFA, with the following new responsibilities: evaluation, quality assurance, knowledge management, and the administration of grants to civil society and private sector. According to the statutes, Norad must submit annual reports to the MFA. If any additional reports are required, this is stated in the appropriation letter. The Minister issues an annual appropriation letter to Norad in which the use of funds is authorised, on the basis of Norad's reports and plans, as well as prevailing political priorities. Norad's accounts are subject to audit by the Auditor General.

The Minister has delegated the daily management of Norad to the MFA's Department for Regional Affairs and Development. Three management meetings are held between the MFA and Norad annually. These meetings, chaired by the Director General of the Department for Regional Affairs and Development, address administrative, technical and political issues. The MFA is the appeal body for administrative decisions made by Norad. A new Director General of Norad was appointed in September 2005. Under its new administration, Norad entered into a period of reorientation and reorganisation. The current organisational chart is attached to this Memorandum (see Annex D).

In May 2006, Norad launched a new strategy, *Norad towards 2010* (see Annex E). According to this strategy, Norad aims to be the centre of expertise for the evaluation, quality assurance and dissemination of the results of Norwegian development cooperation. In addition, Norad will ensure that the goals of Norway's development policy are achieved by providing advice and support to the Ministry of Foreign Affairs and Norwegian Foreign Service missions²⁴. Finally, Norad will administer its grant schemes, so that development assistance provided through Norwegian and international partners contribute effectively to poverty reduction.

During the course of 2007, Norad recruited a new team of department leaders. In order to bring in new perspectives and expertise, most of the new staff was recruited from external organisations. The staff count as of 2007 was 236. This is a significant increase in staff compared to the staffing plan included in the reorganisation model of 2004, which estimated that Norad could fulfil its new responsibilities with a staff of 190. Recruitment to strengthen

²⁴ A mid-term review of the organisational set-up of Norad is underway. It is expected that this review will also examine Norad's strategy (see Annex D). A preliminary report is expected in June 2008.

Norad has mainly focused on areas such as good governance, natural resource management, environmental issues and anti-corruption. Norad has established country teams in order to maintain and extend its country-specific and sector-specific knowledge and capacity.

Some observations regarding the reorganisation /modernisation

There were multiple reasons for the decision to integrate the planning, execution and administration of Norwegian development cooperation into the MFA, and delegate decision-making to country level (embassies). First, the project was part of a larger modernisation initiative covering ministries and public institutions in Norway. Second, there was wide recognition of the fact that the link between policy, strategy and implementation could be improved through reorganisation of this kind. Third, it was essential to clarify the division of labour between the MFA, Norad and the embassies. Finally, it was felt that a more holistic approach to poverty reduction and development was needed in order to be better tuned to current trends in new aid modalities.

Although a review of the modernisation project has not been carried out, some observations can be made. On the one hand, experiences from the reorganisation in terms of efficiency and effectiveness of operations suggest that a better link has been established between policy, strategy (MFA-level) and implementation (embassy-level). Furthermore, the change has led to a clearer division of responsibilities between the MFA and Norad. There has also been greater emphasis placed on results in the development assistance. Finally, the modernisation project has opened for a more consistent integration between humanitarian, transitional and development assistance

On the other hand, the direct involvement of the MFA in aid management at a micro level has increased. As a result, there is a constant need for prioritising between tasks related to the MFA's role as policymaker and those related to ensuring sound aid management. There is a tendency to develop parallel structures of technical competence. Work is currently underway to address these challenges. The ambition is to reduce individual requests for development assistance, while handling those that are actually submitted more effectively. An important task in this connection is to streamline dialogue and cooperation with the major NGOs.

Fredskorpset (Norwegian Volunteer Service)

The Norwegian Peace Corps, established in 1963, was reorganised and reestablished in 2000. Its main purpose is to work for sustainable improvements in the economic, social and political conditions globally. Its main vehicle is a mutual exchange program, including a successful South-south exchange program.

The Minister of the Environment and International Development is constitutionally responsible for Fredskorpset. In the statutes adopted by the Government on 3 December 2004, it is stated that the MFA is authorised to alter them. According to the current statutes, Fredskorpset has a Board of seven members, which appoints the organisation's Director. The Minister of the Environment and International Development issues annual appropriation letters to Fredskorpset, and meets the Board annually. In addition, two management meetings are held annually between the MFA and Fredskorpset, headed by the Director General of the Department for Regional Affairs and Development. The Chair of the Board and the Director and/or Assistant Director of Fredskorpset attend these management meetings. Fredskorpset submits annual reports to the MFA. The MFA is the appeal body for administrative decisions made by Fredskorpset.

Norfund (The Norwegian Investment Fund for Developing Countries)

Norfund was established in 1997 in order to provide risk capital for private companies in developing countries. Norfund provides investment capital, loans and guarantees for the development of profitable and sustainable business enterprises in countries lacking access to commercial financing due to the high level of risk. The fund is to conduct its operations in accordance with the fundamental principles of Norwegian development aid policy. Norfund acquires its capital through annual allocations from the national budget.

Norfund is 100 % state owned and the ownership is conducted through the MFA. The company was instituted by a separate Act of May 9th 1997 and guidelines for the company were given by the MFA July 24th 2000. According to the Act, Norfund has a board of five members that appoints the CEO. The Minister issues annual appropriation letters to Norfund. Two management meetings are held annually between the MFA and Norfund, headed by the Director General of the Department for Regional Affairs and Development. Norfund issues annual reports to the MFA.

Management

In most partner countries to Norway, development programmes are based on national development strategies (PRSPs or equivalent). The Norwegian contributions to these plans are primarily directed at competence areas where Norway has a comparative advantage, such as gender equality, clean energy, natural resources management, and peacebuilding.

The MFA is currently conducting a project, which examines management procedures for all development cooperation grants in the Ministry and at the embassies. The purpose of the project is to secure harmonisation as well as to simplify procedures for administration of development assistance. An updated version of the electronic grant management system that is used in Norad and at the embassies (PTA) will be introduced throughout the system during 2009.

A selection of practical guidelines and handbooks has been developed to ensure sound management of development programmes. This “tool kit” includes the *Development Cooperation Manual* (May 2005); the *Nordic Plus Practical Guide to Delegated Cooperation* (October 2006); the *Agreement Manual* (December 2006); *Working with Sector Development Programmes* (May 2007) and *Assessment of Sustainability Elements/Key Risk Factors* (May 2007). In 2007, Norway published specific guidelines for the provision of budget support. These guidelines have incorporated the Paris Principles on international development cooperation at country level, including harmonised funding arrangements. In addition, Norad has, on behalf of the Ministry, published a revised *Agreement Manual* with templates for different types of agreements and contracts. A practical guide entitled *Managing for development results* will be published and distributed during the first quarter of 2008.

In order to ensure that the departments in MFA and Norad and the embassies are adhering to the appropriate rules and guidelines, performance reviews of development cooperation management are carried out every two to three years. The reviews serve the dual purpose of control and training, and are also conducted at headquarter level. Consequently, seven to nine embassies, as well as one to three departments at HQ level, are reviewed annually. The reviews reveal areas where improvement is needed, but also provide advice on how the embassy/department concerned can organise its portfolio management so as to increase efficiency, while at the same time adhering to the rules and regulations.

In April every year, all embassies with a development cooperation mandate draw up a three-year strategic plan. The two main purposes of these plans are to depict how to strategically deploy the delegated development funds, and to harmonise the planning and the budget cycle. The focus is on how the portfolio can be fine-tuned to reflect national priorities in host countries, as well as how Norwegian political priorities can be pursued within the development cooperation programme. In June each year, following a first round of discussions in the MFA and Norad, the embassies' strategic plans are preliminarily approved. In October, the embassies receive a formal approval of their strategic plans, along with a tentative appropriation of the delegated development funds for the following year. At the same time, the embassies are requested to develop a plan of operation, covering all their activities.

Of the total development cooperation budget of NOK 22.3 billion, 18.6% is allocated to embassies through yearly appropriation letters. In December, all embassies receive their letters of appropriation, which include instructions for the development cooperation funds as well as the administrative budget for the coming year. The letter of appropriation also approves the plan of operation, which is derived from the strategic plans submitted earlier. Through the appropriation letters the individual ambassador is given both the authority and responsibility to manage the allocated funds. The subsequent decisions must be in accordance with the *Development Cooperation Manual*. Entering into agreements for budget support requires the approval of the Ministry. Other politically sensitive matters must also be referred to the Ministry.

Norway supports the development of Joint Assistance Strategies (JAS) in partner countries where Norway is a significant contributor. JAS are considered an important tool for promoting the Paris Principles at country level, including ownership, predictability of aid, greater donor harmonisation, use of national systems and procedures, and division of labour. In countries with a JAS, Norway can sign a MoU providing multi-year commitments. Currently, Mozambique and Tanzania are covered by a cooperation regime of this kind. Zambia and Malawi are about to finalise a similar process. Proposals for new MoUs on development cooperation and entering into binding obligations in a JAS are subject to prior approval by the MFA.

The fight against corruption is central to Norwegian development assistance. In this year's appropriation letter, the MFA particularly calls on the missions abroad to strengthen their focus and efforts to combat corruption. Should the embassies discover, hear about, or have reasonable grounds to suspect serious breaches of the conditions upon which Norway has provided funding, the MFA must be informed without delay. This general rule also applies to circumstances in which the missions have reason to believe that corruption and the misappropriation of funds are taking place. Guidelines have been developed for how to handle situations of this kind. Furthermore, the embassies are expected to inform the Ministry immediately of any matter that may negatively influence development cooperation, or situations or events that may have political implications for bilateral relations between Norway and the cooperating partner country.

Qualified local staff is increasingly being recruited to the embassies, both as programme officers as well as for support functions. By decision of the Ministry of Finance, locally hired programme officers may be responsible for disbursements and reporting for funds allocated to their portfolios.

Training

Training within the MFA/Norad addresses the challenges and opportunities facing Norwegian development cooperation. The Foreign Service Institute (FSI) offers formal training. Spring term courses are tailored for staff assigned to missions abroad, while autumn term training is designed for Foreign Service staff returning home after end of term. In addition, the FSI offers a number of regional training opportunities in Asia, Africa and Latin America.

Two introductory training modules focusing on foreign policy and humanitarian issues and development administration provide the fundamentals for all staff assigned to missions abroad with a development cooperation mandate. These training modules are complemented by a number of other courses, based on the political agenda, training needs and evolving international trends. Examples of these courses are Climate Change, Human Rights, Multilateral Cooperation, SR 1325, Gender, the Paris Declaration, and General Budget Support. Recently, the FSI also has introduced training in development policy and cooperation for locally employed (national) staff from the various embassies.

The MFA participates in the Train4Dev joint donor training programme, where a number of like-minded donor countries pool resources and staff to offer training at both country level and at regional hubs on themes such as PRS, SWAP, and harmonisation.

On-the-job training, for instance in the form of short terms assignments given to embassies by the MFA and Norad, is both an efficient and effective way to build capacity in the existing workforce. Furthermore, the MFA has initiated a trainee programme, where newly trained professionals with a Masters degree can apply for a six-month internship at the embassies. The MFA also offers stipends and grants for its staff to continue formal education at college and university levels.

Evaluation

One outcome of the reorganisation of Norway's aid administration in 2004 was the establishment of an Evaluation Department in Norad. The Department is mandated to evaluate Norwegian development cooperation in its entirety. In June 2006, the Ministry approved a new mandate for evaluation of Norwegian development aid administration. This mandate emphasises adherence to the *DAC Guidelines on Evaluation* as well as compliance with the principles of neutrality and independence from those responsible for planning and executing activities. This means that external consultants must carry out evaluations. Under the new system, the department must evaluate effectiveness and results in relation to plans adopted; evaluate whether resource use is reasonably commensurate with results achieved; systematise experience so as to assure quality and improve the quality of future activities through good learning processes; and finally, provide information to aid policymakers and the general public.

For the 2006–2010 period, the following priorities have been set for the Evaluation Department's work: ensuring quality assurance of all development cooperation; placing greater focus on the results of Norwegian aid; adapting evaluation work to new aid modalities; improving communication of evaluation results and improving learning; strengthening evaluation as the basis for policy development; and improving the quality and reliability of evaluation results. However, the mandate of the Evaluation Department does not mean that other departments, the embassies and organisations are exempt from their independent responsibility to assure the quality of Norwegian development aid. These entities

are responsible for monitoring, control and evaluation, as well as for ensuring that management of their respective portfolios leads to institutional and individual learning.

Each evaluation project sums up its methodology, findings, analysis and recommendations in a final report. Based on this report, the Evaluation Department issues a summary note with suggestions for follow up. This note is forwarded to the Director General (DG) of the MFA, via the Director General of Norad. The final decision regarding issues to be followed up, time frames for this follow-up work and who will be responsible for it (department, directorate, or embassy), rests with the DG of the MFA. Evaluation reports are routinely shared with the Office of the Auditor General.

The Evaluation Department advises the Ministry and Norad on technical evaluation matters. Furthermore, it represents Norway in international evaluation forums and projects. The Department has a staff of 10 and a budget of approximately NOK 22 million. Annual reports are issued and all evaluation reports are made available on the web. The work of the Department is clearly evident in the budget proposition to the Storting.

Chapter 5

Aid Effectiveness

Norwegian Policy

The five pillars and most of the commitments of the *Paris Declaration on Aid Effectiveness* (2005) are not new to Norwegian development policy. In fact, the spirit of the Paris Declaration – that enduring results are best achieved if partner countries exercise ownership in their development efforts and the development partners accept their leadership – has been a cornerstone in Norwegian development policy since the early 1990s. Hence, for years it has been an explicit objective to align with partner country priorities, systems and procedures, and to promote harmonisation among partners.

Fighting Poverty Together brings these threads together in one comprehensive development policy paper by emphasising ownership, alignment, use of country systems, joint financing modalities, other harmonisation measures, and results. The Storting (Standing Committee's Recommendation No. 93 (2004-2005)) confirmed this approach and underlined the responsibility of donors to align with national development strategies and to ensure that donor coordination serves to strengthen the ownership of the recipient. The Storting also stated that in countries with good governance and improved public financial management systems, a greater portion of the development assistance should be provided in the form of budget support. Norway's active involvement in the preparation of the Paris Declaration through the Working Party on Aid Effectiveness (WP-EFF), as well as information on the adoption of the Declaration, has been communicated to the Storting through the annual Development Budget.

Norwegian aid has been untied to a far greater extent than is required according to the OECD Untying Recommendation (2002). The Norwegian untying decision, anchored in the Storting through the Development Budget (2002), is applicable to all developing countries, not only the LDCs. Free-standing technical cooperation is also to a large extent untied. Tied food aid was phased out completely from 2007.

Survey

The 2006 *Survey on Monitoring the Paris Declaration* showed that Norway performed relatively well on most indicators. Norway's profile is presented in Annex B. Since Norwegian support to recipient governments mainly took place in a relatively narrow range of countries (conflict-ridden and post-conflict countries and other LDCs), Norway commissioned a study²⁵ based on the country-level data from the survey in order to gain a better foundation for assessing our performance. The study showed that in most countries Norway performed better than many donors, on most indicators. However, it remains a challenge to ensure that Norwegian sector support in our partner countries is reflected in domestic budgets. The reason why this indicator is highlighted on the Norwegian side is because inclusion of aid in the budget is deemed to be an important prerequisite for democratic insight and decision-making. On-budget aid is thus not only a matter of enhanced government ownership, but also a matter of contributing to increased transparency and domestic accountability. The two other major challenges Norway faces as a bilateral donor relate to the indicators for programme-based approaches and predictability.

²⁵ David Booth, Overseas Development Institute: Norway's performance in implementing the Paris Declaration. Insights from the 2006 Survey. June 2006. Internal report.

Multilateral support

Norway is a major funder and supporter of multilateral organisations and institutions, as well as of global funds. Consequently, the aid effectiveness agenda forms an important platform for dialogue with these partners. The results of the 2006 *Survey on Monitoring the Paris Declaration* provide an opportunity for a more well-informed dialogue on these issues, as does the follow-up of the Multilateral Organisation Performance Assessment Network²⁶ (MOPAN) reports. Furthermore, in the replenishment negotiations and in the Boards of the Multilateral Finance Institutions, Norway has advocated that the banks should contribute more to enhanced national ownership. The main avenues for achieving this are enhanced use of national systems, abandoning the practice of parallel implementation units, and participating more in joint exercises, e.g. Joint Assistance Strategies, Public Expenditure and Financial Accountability (PEFA) and other forms of joint analysis and joint missions. In addition, the dialogue has underlined the value of continuing the processes of decentralisation to the local country office. Moreover, Norway and the UK have worked with the Bretton Woods Institutions to reduce the number of conditions applied to multilateral development assistance; so as to give developing countries increased policy space.

The GFATM and the Paris Declaration

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) has taken the lead in applying many of the Paris Principles, including performance-based funding and country ownership. The strength of the Global Fund is its provision of untied, largely predictable funding, its use of national reporting systems for financial and programmatic reporting, its programme approach avoiding parallel implementation units, and its alignment with country cycles (although improvements are required). Areas for further development are identified as better coordination of missions, use of national auditing procedures, use of national procurement systems and country coordinating mechanisms (CCMs) leading to parallel institutions.

Norway has been a strong supporter of the Global Fund from its inception. Important areas where Norway has played an active role include policies for result-based financing; planning for the upcoming evaluation; clarification, cooperation and partnership between the Fund and the UN system and UNITAID; working for a more coordinated response to health and AIDS; strengthening health systems and putting gender on the agenda; and arguing for the need to better harmonise the resource envelope (health architecture).

Guidelines

Based on the donor commitment to develop national action plans expressed in the Rome Declaration on Harmonisation and Alignment (2003), the Nordic+ countries²⁷ developed a Joint Action Plan (JAP) on Harmonisation and Alignment. Following the adoption of the Paris Declaration, the JAP was adjusted accordingly (under the title *Nordic+ Joint Action Plan on Aid Effectiveness*). The JAP implies collaboration on a wide range of issues. The agreed paper on *Complementarity Principles* (2005) contains guiding principles for enhancing division of labour at country level. It later formed the basis for developing the *EU Code of*

²⁶ The MOPAN collaboration consists of the following countries: Austria, Canada, Denmark, Finland, France, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

²⁷ The Nordic+ group is made up of Ireland, the Netherlands, the United Kingdom (DFID) and the Nordic countries. For some work streams other countries are also involved, especially Canada (on procurement and in civil society) and Germany (on procurement).

Conduct on Complementarity and Division of Labour in Development Policy. The *Practical Guide to Delegated Cooperation* (2006) confirms in principle that the Nordic+ countries have accepted each other as potential partners for delegated cooperation arrangements. *The guide and template for Joint Financing Arrangements* (JFA) facilitates common procedures for larger co-financed programmes, including budget support and SWAPs. The World Bank's recent Legal Harmonisation Initiative is drawing on the Nordic+ JFA experience. *The Nordic+ Procurement Policy and Guide* (2004/2005) resulted in Nordic+ collaboration within the Joint Venture on Procurement, a sub-group of the Working Party on Aid Effectiveness, and stimulated dialogue with the World Bank on its procurement policy.

In addition to these Nordic+ guides, the Norwegian quality assurance tool kit has been updated and further developed after the adoption of the Paris Declaration. When working with the tool kit, use has also been made of reference documents in the DAC Guidelines and Reference Series.

Non-state actors

Recognition of the fact that the aid effectiveness agenda has to be broadened to include non-state actors resulted in a recent Nordic+ agreement on principles for direct support to civil society at country level. This arrangement addresses issues such as increased core support/programme support, more joint support and the provision of support through intermediaries, according to contextual issues at country level, etc. The agreement will be followed up by active implementation of the agreed principles in two or three pilot countries.

Norway recognises CSOs as development actors in their own rights. They make distinct and legitimate contributions to aid effectiveness, both in terms of making their own aid more effective as well as their roles as lobbyists, advocates for marginalised groups and as 'watchdogs' holding governments' to account for their development efforts. Focus on civil society and aid effectiveness is accompanied by Norwegian involvement in the Advisory Group on Civil Society and Aid Effectiveness, established under the Working Party on Aid Effectiveness in preparations for the High Level Forum on Aid Effectiveness in Accra.

On the domestic scene, Norad is pursuing an active dialogue with civil society on aid effectiveness by incorporating the theme in formats for application for funds and reporting. There have also been discussions on aid effectiveness issues with the Norwegian Development Network for CSOs.

Follow up

The Nordic+ group has recently also agreed to prepare a joint letter to country offices with suggestions on how to incorporate gender issues in the efforts for increased aid effectiveness at country level.

Following its adoption, the Ministry of Foreign Affairs distributed the Paris Declaration to relevant departments, agencies and embassies with a letter emphasising the importance of employing the Declaration Principles on Norwegian development cooperation. Furthermore, aid effectiveness is included in the introductory courses organised by the Foreign Service Institute. Courses on managing for development results are also offered at embassies during performance reviews, conducted every second year.

During 2007, Norad produced the report *Norwegian aid works – but not well enough*. The report posed a fundamental question: does development cooperation produce results? The

main theme of the report was related to health issues. The report gained broad and generally positive recognition and fuelled the public debate on results in development cooperation. Interestingly, politicians from all parties quoted the report during the debate in the Storting on the 2008 budget. The intention is to produce an annual thematic report on development results.

Consistent with the Paris Declaration, Norway provides general budget support (GBS) to a number of countries, either directly to partner countries, or through the World Bank (Burundi) and multi-donor trust funds (the Afghanistan Reconstruction Trust Fund, the Transition Support Programme in Timor-Leste and the World Bank Public Management Reform Fund in the Palestinian Territory). Funds channelled through GBS have increased from NOK 535 million in 2005 to NOK 824 million in 2007. This increase (65%) can also be attributed to the inclusion of sector support in GBS, which is the case, for instance, with primary education in Tanzania. In Mozambique and Zambia, preparations are going on to include sector support to health and education in GBS.

Experiences

Implementation of the Paris Declaration at country level varies a great deal, depending on where the cooperating country is in its development process. In some of the partner countries, the Paris Declaration plays a less visible role, while in others measurable progress can be observed. Norway plays an active role in promoting the Paris Principles in partner countries. In several of these, the Declaration has been translated into domestic PRSs. The Joint Assistance Strategy is an offspring of the PRS, with direct links to the Declaration. The main rationale has been to establish an accountability framework for development partners and the host country, in order to instil greater transparency and predictability into development cooperation.

However, while the Paris Principles are widely supported and considered to be a common good for international development, placing equal weight on the five principles has a tendency to tilt the centre of gravity at country level towards working groups and meetings - with an inadequate focus on result. The level of bureaucratisation and technification of the Declaration therefore represents a major challenge to its relevance. Furthermore, experiences at country level suggest that the added value of harmonisation cannot always be asserted. Likewise, the realisation of division of labour between development partners is still in its infancy. Norway therefore calls for a reiteration of *ownership* as the fundamental principle - to which the other four must be hinged. Furthermore, the marginalisation of civil society and cross cutting issues such as gender, the environment and human rights serve to limit the relevance of the Declaration at country level.

Fragile and Post Conflict States

Norway has contributed actively to the formulation and adoption of the *DAC Principles for Good International Engagement in Fragile States and Situations*. During the spring of 2008, three international thematic meetings were organised on various aspects of this policy. The first meeting that took place in Oslo on 11–12 February focused on the links between political diplomacy, aid efforts and the multilateral processes for integrated planning of peacebuilding and reconstruction efforts. Norway hosted the meeting in cooperation with the OECD DAC, the UN (UN Development Group) and the World Bank.

In crisis-prone countries (e.g. Nepal, Uganda and Zimbabwe) where Norway has a history of previous involvement, Norway consults actively with likeminded development partners at country level when seeking a constructive response to the crisis.

The approach taken is usually somewhat different in countries with a recent peace settlement and limited previous Norwegian involvement. In these cases, Norway relies on joint assessments, strategies and funding mechanisms, often in collaboration with the UN agencies and the World Bank. In Afghanistan, inter-ministerial coordination at political and administrative levels has been institutionalised in line with DAC's *Whole of Government* guidelines. The Norwegian UN Ambassador chairs the UN Peacebuilding Commission's work in Burundi. In Sudan, Norway has joined other bilateral donors (Canada, Denmark, the Netherlands and the United Kingdom) in establishing a Joint Donor Office in Juba, South Sudan. Norway is also supporting a joint approach to settlement and reconstruction in Somalia.

Oil and Trade

Consistent with the Paris Declaration²⁸, Norwegian development assistance is increasingly tailored so as to enhance the revenue base in partner countries. The following initiatives have been instigated to augment national ownership and lessen dependence on aid:

The *Oil for Development Programme* aims at "assisting development countries in a way that generates economic growth, promotes welfare among the population in general and which is environmentally sustainable." Revenue management, along with resource and environmental management are pivotal elements of the programme. The programme draws heavily on Norway's experience and expertise as an oil-producing country.

Likewise, the Foreign Ministry's action plan *Aid for Trade* from 2007 aims beyond aid. The plan emphasises that Aid for Trade support must be based on national development strategies and that donors must coordinate their efforts and help build up the capacity of the trade authorities. The action plan also presents the Paris Declaration Principles. Aid effectiveness principles are cornerstones of the Integrated Framework (IF) for Trade-Related Technical Assistance to the LDCs. Norway has been one of the major bilateral contributors to the IF.

The case of Zambia

The mining industry in Zambia was privatised in the 1990s on very favourable terms. In 2006 the copper industry accounted for 35-40% of nominal GDP. The estimated surplus in the copper industry was around USD 2 billion, whereas the total value transferred to the Zambian Treasury was only USD 185 million (5% of the copper export value). The level of revenue from this industry has become a matter of serious concern for the Zambian authorities.

Norway is, together with DFID, the EC and the WB funding a project that will allow for re-negotiation of the current mining contracts as well as strengthening the fiscal framework and tax administration in the mining sector. Zambian affiliation to the EITI is part of the project. Following an international bidding round, two Norwegian companies and an American consultancy firm have assisted the Zambian government in making the necessary preparations. A law proposal to reform the mining tax regime will soon be tabled in the Zambian Parliament. If approved, the annual additional tax revenue from the mining sector would rise to 50% of total foreign aid given to Zambia.

²⁸ Paris Declaration, paragraph 25.

Gender equality in development

The newly launched Report No 11 (2007/2008) to the Storting *On equal terms: Women's rights and gender equality in development policy*, includes a subchapter on cooperation modalities. This subchapter establishes the link between the Paris Declaration and ownership - with gender as a fundamental crosscutting issue. It holds that the aid effectiveness agenda brings new opportunities for support to partner countries' own efforts to promote gender mainstreaming in policy and budgetary processes. It states that ownership must be interpreted as wide and inclusive: The development processes must, in addition to being formally linked to Ministry of Finance, also be well anchored in national line- and gender ministries, or other national mechanisms for the advancement of women and gender equality.

The *Action Plan for Women's Rights and Gender Equality* (2007-2009) explicitly deals with this question of ownership when it reads: "the promotion of gender equality must be linked to the partner countries' own development targets and international commitments, and tailored to local challenges and opportunities for change.... Norway interprets ownership of the development process in broad terms, encompassing both women and men, and the prioritisation of national targets and strategies for promoting women's rights and gender equality."²⁹ In operational terms, this approach encourages the provision of support for local actors' efforts to improve women's rights and gender equality through the media, information and educational activities, lobbying, and services provided at grassroots level. Furthermore, it suggests taking initiatives in and contributing to broad arenas of cooperation and contact between the authorities, donors and civil society from different parts of the country.

A new budget line for women and gender equality was established as of 2007 to support the implementation of the action plan (USD 49 million). The objective is to promote competence and generate knowledge in partner countries on gender equality and women's empowerment. It also aims to provide support for partner countries' own strategies and action plans for the advancement of women and gender equality, including national reports and NGOs' shadow reports to the UN CEDAW committee. In accordance with the strong focus on ownership, Norwegian NGOs are not afforded grants from this budget line. They can, however, qualify as partners if partner countries' NGOs are the project leaders. An OECD DAC-initiated project on aid effectiveness and gender is funded by the same grant. The *evidence gathering project* and its subsequent workshop aim at documenting the relevance of gender and other cross-cutting issues to the implementation of the Paris Declaration, as well as providing input to the Accra High-Level Meeting.

²⁹ Excerpts from chapter 4.2., in the Action Plan

Chapter 6

Special issues

Capacity development

The emphasis on capacity development (CD) is clearly evident in the *Development Cooperation Manual*, a planning tool for long-term development cooperation. The manual is based on the principles and cooperation modalities inherent in the Paris Declaration. Its understanding of the normative and instrumental role of CD is therefore consistent with OECD DAC's definition of CD.

Norway cooperates with partners, international networks and organisations with the aim of strengthening CD in partner countries. The OECD DAC network on governance, GOVNET, and a number of other networks under DAC represent important arenas for the CD discourse. Furthermore, Norway is a major partner of UNDP, whose overall mandate is to support national capacity building in the partner countries. Support provided through GAVI emphasises the need to strengthen national health systems. Norway is also an important financer of several regional institutions that support national CD through training, higher education and research capacity, such as the African Capacity Building Foundation and the African Economic Research Consortium.

The basic principles of the Paris Declaration are well anchored in Norwegian development cooperation. These principles are generally well integrated into working procedures at the embassies initiating and implementing CD as a crosscutting issue at country level. However, when it comes to the actual formation and delivery of CD, two major challenges commonly surface.

First, Norwegian bilateral development cooperation is increasingly channelled through multi-partner programmes (budget support, sector programmes, SWAPs). Although a common perception of CD may exist among the partners, they frequently tend to favour individual strategies and approaches when it comes to technical assistance (TA) in general and CD in particular. Increased policy coherence among the development partners and greater alignment to the systems and preferences of the partner country are key issues in efforts to streamline multi-partner engagement in CD.

Second, it is vital to understand the context and the political economy of capacity challenges. While the *Development Cooperation Manual* recommends a capacity needs assessment of the cooperating institution prior to entering into the cooperation, such an assessment seldom captures the underlying structural issues related to CD. To remedy this situation, there is a need to develop analytical tools that are better able to pick up on the fundamental causes of capacity deficiencies. Although there is growing understanding of this view, also in Norwegian development cooperation, more needs to be done to deepen the CD analysis.

Institutional cooperation programmes have been an important vehicle for CD. The most recent evaluation of institutional cooperation in Norwegian development cooperation was made in 1998. Obviously, there is an apparent need for conducting a new evaluation in light of new modalities for development cooperation and the experiences made over the last ten years.

Consequently, the Ministry of Foreign Affairs has commissioned the Evaluation Department in Norad to carry out an evaluation of this kind.

All embassies with a development cooperation budget have a local consultancy fund at their disposal. The purpose of this appropriation is to hire locally as opposed to bringing in consultants from Norway or any other OECD country. Inherent in this appropriation is an ambition to build local capacity among trained professionals. Teams combining Norwegian experts and national consultants often provide useful mutual learning opportunities that can lead to sustainable CD. However, the question of how to add CD to successful development programming still remains, largely because of the lack of consistent use of tools and systems for measuring CD progress. In the late 1990s, Norad published two handbooks and a practical guide on risk mitigation for institutional cooperation programming. The insights presented in these publications need to be recalled and updated in light of the policy development taking place internationally.

For the past 40 years, Norway has offered fully financed scholarships at universities in Norway (at Diploma and Masters level) to students from developing countries. Approximately 6000 students have benefited from this programme. Nevertheless, a recent evaluation questioned the ability of this programme to build sustained national capacity at country level. Based on the findings, the scholarship programme has been reorganised with a focus on South–South–North cooperation, through the development of regional Masters programmes.

The Government extends support to more than 120 non-governmental organisations. About 20% of the total development cooperation budget is allocated to NGOs and civil society organisations, both national and international. The NGO grant is in principle guided by the same policies as the bilateral channel. However, there are reasons to assume that the capacity and commitment to CD vary greatly between the different NGOs, depending on the individual NGO's prioritisation and the resources allocated to CD. There is an urgent need for fresh empirical data in order to better understand how resources allocated through this channel support CD.

Norway provides substantive resources to *research and higher education*, including core support to a number of universities. The aim is to build sustainable institutions through human resource development. Increased capacity in higher education intends to boost access to qualified personnel at all levels of the educational system. Augmented capacity in research development means financing programmes for Masters degrees, PhDs, research cooperation and networks. The main purposes of Norwegian support are to strengthen the developing countries' own ability to undertake and conduct these activities based on their own needs, and to strengthen their capacity to utilise research results in policy development.

On an operational level, Norway provides support for capacity building in research at tertiary education institutions in developing countries, for instance through collaborative schemes, Norwegian development research, and regional research organisations in the South. Support is provided through bilateral programmes, sector programmes and budget support.

Better integration of research and higher education and the Government's prioritised areas remain a programmatic challenge, as does enhanced coordination of the resources spent. Lastly, it is an objective to get researchers from the south more involved in Norwegian development research programmes.

Special theme selected by Norway:
Governance, accountability and anti-corruption

The Norwegian policy for good governance and anti-corruption is laid down in *Fighting Poverty Together*. Here, anti-corruption efforts are seen within a broader context of governance reform, democracy and efficient administration. The national budget for 2008 also states that Norway should put emphasis on governance as one of five priority areas, and that it should be at the forefront in the international fight against corruption, money laundering and capital flight facilitated by the so-called “tax havens”. It reiterates that Norway will work to ensure enforcement of the UN Convention against Corruption (UNCAC) and that Norway will increase its support to fighting corruption both at the global and country levels, including support to public finance management and oversights.

Norway has participated actively in the work of OECD and UNOCD to develop international standards on anti-bribery and anti-corruption. Norway ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 1998 and is taking active part in the OECD Working Group on Bribery, including its effective monitoring mechanism for the implementation of the Convention. After having actively promoted its elaboration, Norway ratified the UN Convention against Corruption (UNCAC) in 2006. Norway is giving political support to the establishment of an effective monitoring mechanism through the work in the Open-ended Intergovernmental Working Group on Review of the Implementation of the United Nations Convention against Corruption as well as through workshops to discuss technical assistance needs related to the UNCAC.

Furthermore, Norway is participating in the 16-country voluntary pilot project that is currently testing methods for reviews of implementation and formats for compliance reports. The lessons learned from this pilot will be fed into the debate on the shaping of the UNCAC monitoring mechanism. Norway will take an active part in the discussions to determine the terms of reference for a fully-fledged review mechanism, as mandated by the 2nd Conference of States Parties to the UNCAC, with the aim of adopting mechanisms of this kind at the 3rd Conference in 2009. Norway is also actively engaged in the follow-up activities for the effective implementation of the UNCAC provisions on asset recovery and on the criminalisation of bribery of officials from public international organisations.

In December 2006 the Ministry of Foreign Affairs (MFA) launched an anti-corruption project to make further recommendations on how to strengthen this work within foreign policy and aid administration. The project delivered its final report in June 2007, and recommended a number of initiatives of normative, political and technical character. The MFA and Norad are now implementing the recommendations. An informal network has been established to coordinate this work.

International Anti-corruption initiatives

EITI - the Extractive Industries Transparency Initiative

Norway has supported the Extractive Industry Transparency Initiative (EITI) politically and financially since its inception, and is the only western developed country who has also signed up to the implementation of the EITI transparency Principles. Norwegian authorities and

Statoil Hydro³⁰ has been involved in EITI since 2003. As of September 2007, the EITI International Secretariat is located in Oslo.

The purpose of the EITI is to encourage companies in the oil, gas and mining industries to publish what they pay to the authorities in host countries, and to encourage host countries to publish what they receive.³¹ The publication of revenue streams in a public report limits opportunities for corruption, and makes it possible to hold the authorities accountable for the use of revenues from national resources. Norway supports implementation at country level through an EITI Multi-Donor Trust Fund in the World Bank, as well as through its own Oil for Development Programme. This programme is dedicated to assisting oil-rich development countries in resource and revenue management.

International Task Force on the Development Impact of Illicit Financial Flows

There is a growing awareness of the need for a more robust approach to governance and anti-corruption measures globally. Estimates on the illicit flow of funds, often acquired through corrupt practices, speak to the significance of the challenge: the educated guess by the World Bank and UNODC is that between 1 and 1,6 trillion USD are diverted through illicit channels annually. About 50% of this amount is estimated to originate in developing countries. This leakage of funds undermines the mobilisation of domestic resources, reduces funding for development, facilitates corruption and other criminal activities, weakens accountability and increases inequality.

Norway is currently chairing an international task force under the Leading Group on Solidarity Levies to Fund Development. The objective is to raise awareness of the impact of the illicit financial flows on developing countries, and to identify possible policy tools to prevent and combat the negative impact of illicit financial flows. The task force looks specifically at the role of so-called “tax havens” in facilitating illicit financial flows and in hiding proceeds from criminal activities, including corruption. A number of government representatives, NGOs, and international think tanks, as well as multilateral institutions such as the UN, World Bank and the OECD participate in this task force. The group aims to provide input to the Financing for Development (Monterrey + 6) meeting in Doha in December 2008.

The Stolen Asset Recovery Initiative (The StAR initiative)

Norway is supporting the joint UNODC/World Bank initiative to assist poor countries in repatriating public assets stolen by corrupt leaders. Nigeria and Peru are examples of countries who have managed to recover stolen assets. Norway supports this work politically as a member of the Friends of StAR group, and financially through UNODC. Norway is considering providing further support through the World Bank.

The Corruption Hunter Network

Norway has initiated a Corruption Hunter Network, for which Norad acts as the secretariat. The network is established to create a meeting place for procurators, judges and heads of anti-corruption entities in the South who have been involved in work to uncover and prosecute high-level or “grand” corruption. The aim is to facilitate cooperation and the exchange of

³⁰ The two companies Statoil and Hydro merged in 2007 to form a new company named StatoilHydro.

³¹ According to African Development Bank, Report of March 17th 2008, total value of oil exports from countries in Africa exceeded 218 billion USD in 2007.

experience. Eva Joly, who gained widespread recognition for uncovering grand corruption in France, represents Norad in this network.

The case of Madagascar

Norway supports national anti-corruption agencies in seven countries. One of them is Madagascar where, over the past few years, Norway has been one of the country's main partners in the fight to eliminate corruption. Norway's long-term perspective has been very well received. The partnership has played an important role in ensuring that the Malagasy anti-corruption agency, BIANCO, is widely perceived as a robust and credible organisation. During the initial phase, Norway financed the refurbishment of office premises, purchase of IT equipment, organisational development and training for investigators. The agency dealt with more than 7 000 corruption complaints in 2006, of which 189 cases were referred for prosecution. In addition, the agency carries out information campaigns. In 2006 Norway helped to fund courses for around 2 500 public employees.

Multilateral organisations

Norway is working through the General Assembly Fifth Committee to strengthen the internal control system of the UN, and is also supporting the anti-corruption efforts directly in specialised agencies. One of the issues of importance to Norway is to harmonise the accountability frameworks of different specialised agencies. Furthermore, Norway supports bilateral or multi-donor trust funds for good governance and anti-corruption in the MDBs (WB, AfDB, AsDB, and IDB). Secondment of staff is currently considered to WB and AfDB. Norway is also financing measures against money laundering and financing of terrorism through “the Technical Assistance Sub account to support Macroeconomic and Financial Policy Formulation and Management” – an IMF initiative.

In 2006 Norway contributed a total of NOK 690 million to the UNDP. The same year, an additional NOK 61 million was granted to the UNDP's Multi-Donor Fund for Good Governance, which is used to finance innovative activities in over 90 countries. A review for the period 2004–2006 confirms that support for decentralisation, management reforms (including anti-corruption measures) and support for democratisation (including elections) are in greatest demand.

The Private sector

Norway is co-funding the Danish “[Business Anti-Corruption Portal](#)”, which currently publishes information for small and medium-sized enterprises. About 50 developing countries are registered in the data bank. The Ministry of Foreign Affairs has recently published an information brochure, *It pays to say no to corruption*, which targets Norwegian businesses. In the same vein, Norway supports further development of the rule-based multilateral trade framework within the WTO, in order to establish a fair system of trade rules. Sound regulations will reduce the scope for arbitrary treatment and corruption. A revision of the plurilateral Government Procurement Agreement (GPA) is considered necessary to allow more developing countries to join. The Norwegian Action Plan on Aid for Trade, which was launched in November 2007, has good governance and the fight against corruption as one of its main pillars. The main focus of the Action Plan will be Africa and the least developed countries. The funds will mainly be allocated through multilateral channels. Norway is also funding programmes through UNCTAD and the WTO to establish more transparent systems for customs clearance, reducing the scope for corruption.

Internal control and whistle blowing

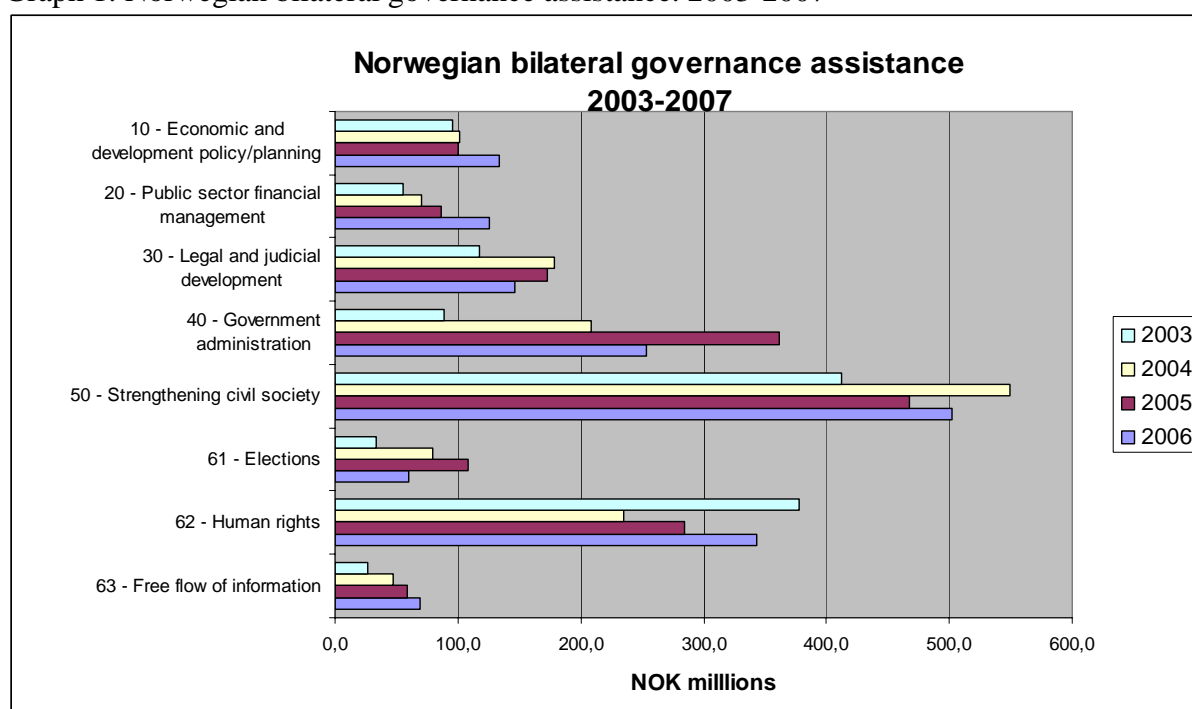
Norway has a policy of zero tolerance for corruption. The Ministry of Foreign Affairs is currently undertaking a number of measures to strengthen the administration of Norwegian development funds, including introducing better systems for dealing with the suspected misuse of funds. New guidelines for dealing with cases of suspected misuse of funds were adopted in January 2008. A new internal control unit is being established to ensure that systems and routines for financial management are adequate and are followed. A new external whistle blowing channel was also established on 1 January 2008 in partnership with the law firm G-Partner, one of Norway's leading financial investigation firms.

Standard anti-corruption clauses are inserted in most of the bilateral and multilateral agreements regarding development cooperation. This would normally include an obligation to undertake rapid legal action to initiate investigations of, and prosecution against, any person suspected of corruption or misuse of resources related to the project, in accordance with applicable law.

Bilateral support

Good governance, accountability and the fight against corruption have for more than a decade been defined as priority areas for Norwegian development cooperation. Since 2002, the volume of bilateral governance assistance has more than doubled; in 2006 it totalled about NOK 1.6 billion. The largest growth in assistance has been for programmes in the areas of public sector financial management (including anti-corruption institutions) and government administration, while high levels of assistance have been maintained in the areas of legal/judicial reforms, strengthening of democracy, free media, human rights and civil society.

Graph 1: Norwegian bilateral governance assistance. 2003-2007



General Budget Support (GBS)

GBS is an integral part in Norwegian development policy. Its main purposes are to promote a policy dialogue anchored in national budget guidelines and to provide non-earmarked funding for national priorities. In recent years, Norway has provided general budget support to nine countries: Malawi, Mozambique, Nicaragua, Tanzania, Uganda, Zambia, Afghanistan, the

Palestinian Territory and Timor-Leste. This support amounted to NOK 780 million in 2006. Since 2007 Norway has also provided budget support for Burundi through the World Bank. Good governance is an important aspect of general budget support. Four countries receiving Norwegian budget support were included in the OECD DAC multi-donor evaluation in 2004–2005. The study concluded that there are definite positive results, particularly in terms of improved capacity for public finance management.

Table 1: Support to selected countries (2007)

	Anti-corruption bureaus/ commissions	National Audit	Public financial management	Legal system	Parliament/ elections	Civil society	Media
Zambia	x	x	x	x	x	x	x
Tanzania	x		x	x	x	x	x
Uganda			x	x	x	x	x
Malawi	x	x	x		x	x	x
Nepal			x	x	x	x	x
Nicaragua	x		x		x	x	x
Ethiopia				x	x	x	x
Kenya				x	x	x	x
Viet Nam	x	x	x	x			
Zimbabwe				x	x	x	x

The table above indicates the level of comprehensiveness and complementarity in the governance assistance provided to selected partner countries. In most of these countries the Norwegian governance assistance is complimentary to, or pooled with similar assistance from several other “like-minded” development partners.

Alignment with national strategies and plans

Norway is part of an international trend towards aligning assistance to national plans to a greater extent. However, the effectiveness of governance assistance may be undermined by poor coherence between the different national governance programmes. In many countries, various governance challenges are addressed through different national reform programmes existing side by side, and with immature mechanisms in place to ensure necessary coordination. Norway supports such programmes through its bilateral programme.

In some countries governance assistance has been hampered by ambiguity with regard to the government’s stance on important challenges such as corruption (for instance in Kenya). Capacity building and technical assistance for anti-corruption institutions may have some positive effects with regard to the level of administrative corruption and general awareness. Nevertheless, in many of the countries that receive significant Norwegian governance assistance, grand corruption appears to continue more or less unabated. This confirms the relevance of the GOVNET agenda, with its focus on local coalitions for reform.

Strengthening of key state institutions

In recent years, Norway has provided support to capacity building within public financial management in ten countries: Angola, Malawi, Mozambique, Nepal, Nicaragua, Tanzania, Timor-Leste, Uganda, Vietnam and Zambia. The general picture reveals that legislative action and audit procedures are often inadequate. At the same time, experience confirms that positive change is possible: in Zambia, Mozambique and Tanzania the respective offices of the Auditor General have attained a significant boost in both their autonomy and capacity to carry

out audits, through systematic capacity-building coupled with political will to bring about change. Similarly, Norwegian support to statistical offices in selected partner countries provides an increasingly relevant decision-making environment for policymakers.

Calling governments to account

In order to support efforts to strengthen democracy and citizen's voice, Norway provides assistance for elections and voter education, parliaments and political parties in Africa, Latin America, Asia and the Balkans. This has been organised directly as bilateral assistance, but the multilateral assistance provided through UNDP is also important. Extensive assistance is also given to civil society organisations. In 2006, about one third (approximately NOK 500 million) of Norwegian NGO assistance had governance-related objectives, particularly aimed at increasing people's opportunities to organise and giving them a voice in public debate. The amount of assistance provided to media projects has increased substantially in recent years, and in 2007 this contributed to popular participation and open debate in nearly 20 countries. In Nicaragua, for example, such assistance has included training in investigative journalism, with a focus on corruption.

Improved governance is also a cornerstone of assistance provided for decentralisation and local participation in public decision-making. In the case of Pakistan, Norway provides assistance for the authorities' decentralisation process through a multi-donor fund administered by the UNDP. There are now over 30,000 well functioning Citizens' Community Boards in Pakistan. Citing the case of Tanzania, the Legal Human Rights Centre has successfully lobbied for the adoption of an Act prohibiting the distribution of gifts to voters in connection with election campaigns, partly with the help of Norwegian funding.

The case of Kenya

Human rights and good governance are key elements of development cooperation with the authorities and civil society in Kenya. Norway supports, inter alia, the Kenya Human Rights Commission which monitors the authorities' fulfilment of international commitments such as the International Covenant on Economic, Social and Cultural Rights and the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). Norway also supports the Federation of Women Lawyers, which actively invokes CEDAW in its dealings with the authorities, and the justice sector through the official Governance, Justice, Law and Order Reform Sector Programme (GJLOS). One of the programme's main goals is to improve access to the judicial system, particularly for the poor, marginalised and the most vulnerable.

Harmonised approaches

In line with the Paris Declaration, extensive harmonisation and coordination efforts are taking place among the development partners in multiple areas of cooperation, good governance included. However, cooperation at this level varies, both in terms of quality and quantity, and it does not represent a homogenous approach to promoting good governance. Norwegian embassies participate in coordination mechanisms on at least one of the following three levels: i) comprehensive cross-sectoral initiatives with the participation of most donors; ii) permanent donor governance forums; and/or iii) more task-oriented coordination mechanisms. A collective assessment of the impact of such engagements has so far not been carried out.

However, assistance towards democratisation and good governance appears to be especially well suited for joint funding arrangements. In several countries (e.g. Pakistan), Norway has supported democratic elections through joint donor programmes, and a similar model has

been used as the main channel for Norwegian anti-corruption assistance in Nicaragua. Such coordination mechanisms have often been led by the UNDP. While this has been an efficient approach in some countries (e.g. electoral support in Madagascar), it has worked less smoothly when the UNDP has been responsible for larger umbrella programmes for governance, for instance as in Tanzania and Vietnam.

Assessments of governance have mainly been based on available information from reliable secondary sources such as the World Bank's *Institutional and Governance Review*, Transparency International, and the Afrobarometer. Improved donor coordination also implies more effective sharing of information, and in several countries Norway has benefited from the *Drivers of Change* analysis undertaken by DFID. Norway and DFID have also jointly funded analysis of this kind in Malawi. Additionally, PEFA analyses are carried out in all countries where Norway provides budget support and support to PFM capacity building. In the revised guidelines for budget support, it is stated that PFM assessments in relation to budget support should be based on the PEFA analysis.

Humanitarian Assistance

The text below is an extract from the document DIR (2004)¹¹. The DAC has agreed that the framework will be used until further notice. The framework groups the GHD principles into four sections: i) Humanitarian Policies; ii) Principles on Funding Humanitarian Action; iii) Promoting Standards and Enhancing Implementation; and iv) Learning and Accountability.

Section One - Humanitarian Policies³²

a) *How and by what instance are the objectives of humanitarian action defined by the government under review? What type of actions can be covered by the definition?*

Norway is committed to providing humanitarian assistance to meet people's need for protection and essential supplies in countries marked by war, conflict, natural disasters or combinations of these factors. Norway's humanitarian action is based on international humanitarian principles, IHL as well as the Good Humanitarian Donorship Principles. Humanitarian action, defined by goals, measures and activities, is presented annually to the Storting in a document that also indicates the main partners and implementing institutions and describes what action is to be taken. The proposal is in line with the Government's joint policy paper, the Government's inaugural address to the Storting and the development policy presented to the Storting in 2006 and 2007, as well as the deliberations on *Fighting poverty together*. Furthermore, these documents state that Norway will maintain its strong commitment to humanitarian assistance to fragile states emerging from conflict. Norway's strengths include its flexibility and ability to respond rapidly, and the close links forged between foreign and development policies. Humanitarian action is considered to be a foreign policy instrument.

In most countries affected by war and conflict, development is not a linear process from humanitarian disaster via reconstruction to long-term development. In practice, it has often been necessary to provide assistance tailored to all of these situations in a given country simultaneously. In line with this, countries like Afghanistan, Sudan and the Palestinian Territory are concurrently receiving humanitarian assistance, assistance aimed at peace and reconciliation, transitional assistance and long-term development assistance, funded through different budget lines in the yearly budget proposal. Norway is continuing its peacebuilding efforts in several of these countries, and seeking to help bolster and secure a fragile peace. The efforts aiming at making peacebuilding operations more integrated, i.e. to improve interaction between their security, humanitarian and development elements will be important. Funds will be set aside to help prevent reversal of the positive developments that have taken place in a number of countries.

The Ministry of Foreign Affairs is responsible for the policy formulation, management and administration of humanitarian action. The Department for UN, Humanitarian Affairs, Peace and Reconciliation responds to armed conflicts and natural disasters with humanitarian action. The Department for Regional Affairs and Development handles transitional assistance.

³² . "The Principles and Good Practice of Humanitarian Donorship", Paragraphs 1-10

The MFA is continuously aiming at improving the efficiency and results of Norwegian humanitarian assistance. This is primarily done by continuously refining the conditions for partnerships and grants, as well as the administration of these partnerships. The Ministry is currently working on a new Norwegian humanitarian policy, to be translated into a humanitarian strategy by the end of September 2008.

The strategy will build on the following pillars: flexibility, volume, quick access to funds, closeness to political decision-making level, involvement of multilateral bodies (the UN and the ICRC) as well as the Norwegian NGOs whenever relevant. The fact that the budget for humanitarian assistance has increased substantially over the last 10 years, to USD 600 million in 2007, underscores the fact that humanitarian action is an essential tool in the Norwegian political “toolbox”. Norway’s humanitarian contribution in terms of volume is significant, and it underlines the importance, commitment to and legitimacy of humanitarian action in the Norwegian public and political spheres.

Core issues in the strategy are policies and principles; the multilateral context including humanitarian reform and the cluster-approach; a strong and effective OCHA and** Central Emergency Response Fund (CERF); gender (UNSR 1325); civil-military action (“Oslo guidelines”, MCDA); the impact of climate change, climate-related conflicts³³; complex crises and fragmented parties to conflicts as well as urbanised violence and failed states; long-term humanitarian emergencies and “forgotten crises”; future protection needs; international response and the UN’s future role vs. that of NGOs and donor coordination.

b) *To what extent do the policy/policies reflect a commitment to respect the following:*

- i. *Legal commitments under International Humanitarian Law (IHL) and other relevant bodies of law.*³⁴

Norway is committed to International Humanitarian Law and the relevant bodies of law and protocols. The Government, through its political priorities, recognises these laws as the basis for its humanitarian actions. In the field, prime core activities are promoting the rights of victims and granting protection for civilians. Implementing partners are expected to follow IHL and relevant guidelines.

- ii. *The core humanitarian principles of humanity and impartiality.*

Through policy papers and resource allocations, these principles are integral to all humanitarian actions supported by Norway, irrespective of the channels used. In addition, these principles represent the platform for cooperation with partners and for the evaluation of humanitarian programmes. One practical example of how Norway follows up these principles is by making significant contributions to pooled funds (CERF, country level).

- iii. *The requirement of humanitarian organisations to maintain a position of neutrality in relation to a given conflict or political dispute; and more generally the requirement to maintain the independence of humanitarian action from other policy agendas?*

Norway has over the past decades assumed an active mediation role in several conflict areas. Without maintaining neutrality in these processes and independence in humanitarian action, these aspects of Norwegian engagement would have failed. Identical requirements apply for

³³ Ref. Report No. 9 (2007-2008) to the Storting, Section E

³⁴ International Humanitarian Law (IHL) is the body of rules that in wartime, protects people who are not or are no longer participating in hostilities. Its central purpose is to limit and prevent human suffering in times of armed conflict. The four Geneva Conventions of 1949 and their two Additional Protocols of 1977 constitutes the principal instruments of humanitarian law.

the partners and implementing organisations. Furthermore, the choice of implementing partners takes into account this important aspect.

c) *Do the existing policy/policies ensure a system that encourages flexible funding in relation to humanitarian needs?*

Each fiscal year, the Ministry allocates a reserve equal to 10% of the total humanitarian budget. This allocation is meant for unforeseen and immediate needs, man-made or natural disasters. If not disbursed for the intended purposes, the funds will be reallocated during the year to meet other needs. Contributions to pooled funds (CERF, country level) are also flexible funding mechanisms.

d) *Do the existing policy/policies ensure a system that promotes timely funding?*

To prevent unnecessary delays when the response time is crucial, Norwegian policy is, through a set of exemptions and guidelines, devised to allow for rapid response to urgent needs. Norway has a tradition of quick and unbureaucratic allocations when sudden onset disasters strike, including the active involvement of a /vice-minister.

e) *Do the humanitarian policy/policies take into consideration the need for strengthening of the capacity of affected countries and local communities to prevent, prepare for, mitigate and respond to emergencies?*

Report No. 9 (2007–2008) to the Storting examines the global challenges to humanitarian and development assistance in the face of climate change, urbanisation and fragile states. It discusses how Norway can contribute to risk mitigation and climate change adaptation through its bilateral and multilateral assistance and support to South-South cooperation. In this quest, local risk reduction efforts, local capacity building and active local participation are key priorities. Norway has through various channels supported the strengthening of local communities, also using the humanitarian budget, including through the IFRC. Norway favours the inclusion of early recovery action in UN flash appeals and the CERF, which in many instances focuses on local capacity.

f) *How are issues of recovery, return of sustainable livelihoods and transitions from humanitarian relief to recovery and development activities addressed?*

The annual budget of the Ministry addresses recovery, as well as transitional and long-term support. Report No. 9 (2007–2008) seeks to address the need for a better common framework for interaction. Norway is currently studying how these challenges can be addressed in a more orderly fashion in consultation with partner countries. It should be noted that countries that receive humanitarian assistance from Norway are not automatically relevant partners for Norwegian transitional or long-term development assistance. Norway is among those countries in favour of early recovery in UN flash appeals and the CERF.

g) *To what extent do policies recognise and support coordination? How is the role of the United Nations in providing leadership and co-ordination of international humanitarian action, and the special mandate conferred upon the International Committee of the Red Cross in situations of crisis and conflict recognised and respected?*

In general, the Norwegian Government works actively to make international humanitarian efforts more coordinated, effective and harmonised, focusing particularly on prevention, protection and the interaction between different measures. Norway's continued commitment to UN reform involves strengthening the role of the UN as a defender of peace and development, the UN Peacebuilding Commission, the UN Peacebuilding Fund, the "One UN" approach at country level, the integration of humanitarian aspects and development

perspectives into UN peacekeeping operations and the continuation of reforms already begun in the humanitarian field. Norway will give particular emphasis to implementing UN Security Council resolution 1325 on women, peace and security, and resolution 1612 on children and armed conflict. Human rights conventions will be used methodically to identify the obligations of states towards their populations.

Regarding humanitarian reform, Norway has contributed to the Cluster Appeals and financed the staff instruments GenCap and ProCap. Norway is among the major contributors to the CERF and pooled funds at country level – which have proved to be useful instruments also from a coordination perspective. Norway contributes with core funding to OCHA as well as the ICRC. Norway is a staunch supporter of the UN's leading role in international humanitarian action.

h) *Are there mechanisms to ensure adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian response?*

It is crucial that populations transitioning out of conflicts or natural disaster can experience a substantive change for the better in their living conditions. In this perspective, the Government recognises that a broad-based approach, including mobilisation of civil society, cooperation with the local business sector, and international coordination are all vital ingredients in the recovery phase. The choice of partners takes into account these elements, and NGOs supported by Norway are, among other things, required to report on the project's incorporation of a gender perspective and relevance to the follow-up of UN SC resolution 1325 (2000) on women, peace and security.

Section Two – Principles on Funding Humanitarian Action³⁵

i) *In relation to a given context, and more generally, how does the donor:*

i. *Arrive at decisions about allocating resources in a way that respects the principle of responding in proportion to needs?*

The Ministry of Foreign Affairs relies on the UN needs assessments, as well as assessments made by the major Norwegian humanitarian partners. These external assessments are complemented by internal reviews addressing policy considerations; work plans and approved geographical allocation of resources. These documents constitute the basis for awarding grants. In addition, the target area is considered in terms of humanitarian, political and human rights needs. Finally, the applicant's objective(s), target groups, planned results, planned activities, timetable, risk factors, cooperation partners and coordination plans are appraised. In this context, too, we see the relevance of our contributions to pooled funds (CERF and country level) as well as multi-donor funds such as the DREF and UN agencies' own emergency funds.

ii. *Strive to ensure that funding of humanitarian action in high profile crises does not adversely affect the meeting of needs in ongoing crises?*

The UN Central Emergency Response Fund (CERF) plays a vital role in this respect. Norway is one of the major contributors to this fund (providing NOK 850 million in the 2006–2008 period). The fund basically ensures that the UN has access to rapid, sufficient, flexible and balanced funding for humanitarian efforts, with a particular focus on crises and conflicts that do not attract particular international attention. Experiences from the CERF's first year of operations are by and large positive. The Government will therefore continue to give CERF

³⁵ . “The principles and Good Practice of Humanitarian Donorship”, Paragraphs 5, 6, 11, 12, 13, 14

high priority. Norway also contributes to the DREF/IFRC and UN agencies' own emergency funds. In particular situations, the Storting has allotted extra-budgetary support (for instance after the Indian Ocean tsunami 2004–2005, the South Asia earthquake in 2005, the drought in Africa in 2005, the hurricanes in Central America in 2005, and the Lebanon crisis in 2006), thus avoiding a drastic shift of resources from other crisis situations.

iii. Ensure predictable, flexible and timely funding?

Critical situations and needs can be responded to throughout the year. In addition, the system of keeping non-allocated funds as a reserve close to the end of the budget year provides necessary room for action. Humanitarian funds are allocated on a yearly basis. To ensure flexibility, these funds are not subject to multi-year commitments. However, dialogue has started with some of the major NGO partners on how predictability can be improved for humanitarian action in protracted crises. The Norwegian CERF allocation has been disbursed early in the year.

iv. Make choices between earmarking and non-earmarking of funds?

When responding to an acute humanitarian crisis, the appeals and applications are evaluated and the issue of earmarking is assessed and decided upon by the Ministry. The decision is dependent on which type of support will be most effective to fulfil the objectives of assistance.

Norway is a supporter of the Appeal for Building Global Humanitarian Response Capacity ("the Cluster Appeal") and works to achieve sustainability of the cluster lead model and to support the development of a long-term resource mobilisation strategy which is both realistic and robust. The Norwegian Government's policy is that contributions to the CERF should not be perceived to reduce flash appeal funding. Substantial non-earmarked core contributions to the UNHCR, the ICRC, the IFRC, UNICEF, the WFP, the ISDR, OCHA and others will continue.

When responding to UN CAPs, it is our view that contributions to CAPs are not to be considered "earmarked" in a negative sense as long as the CAP in question is underfinanced. Within each CAP, we try to support activities aimed at the protection and involvement of women.

Earmarked (country/purpose/project) contributions are channelled through humanitarian organisations, based on detailed project applications. Among these are Norwegian Church Aid, Norwegian People's Aid, Norwegian Red Cross (tripartite agreement including the ICRC and the IFRC), Save the Children Norway and the Medicines Sans Frontières (Norway). This approach establishes a good balance between the different mechanisms.

v. Make choices between multilateral and bilateral channels?

The assessment is based on the relevance of the applicant/partner, and its ability to effectively deliver the assistance needed. As a result of this approach, the Norwegian humanitarian portfolio each budget year consists of contributions to the Norwegian and international NGOs, multilateral agencies, support through OCHA, CERF and clusters, as well as providing non-earmarked funding to the protection programmes of the UNHCR and the ICRC.

vi. Make choices between implementing agencies, between northern NGOs and southern civil society organisations?

The following documents constitute the basis for awarding grants: the budget, work plans and the annual memorandum on the geographical distribution of funds approved by the Ministry, as well as other strategies and policies relevant to the geographical area in question. Furthermore, the following issues are also considered: the humanitarian, political and human rights needs and conditions in the area; the applicants' objective(s), target groups, planned activities and results, timetable, risk factors, cooperating partners and coordination plans, including coordination of humanitarian efforts, peace and reconciliation processes in the area, as well as possible Norwegian participation in these.

In addition, the review establishes the role of crosscutting issues such as the gender perspective (SR1325), the needs of children and young people (SR1612), conflict sensitivity, etc. All organisations are assessed based on former experience with and knowledge of the applicant and its relations to local cooperation partner(s) and local administrative capacity. New applicants undergo a particularly rigorous review, which includes contact with Norad, embassies and others who have known the applicant. Whenever operationally possible, Norway's assistance is coordinated with that of the UN system.

vii. Contribute, on the basis of burden-sharing, to United Nations Consolidated Inter-Agency Appeals and to International Red Cross and Red Crescent Movement appeals?

Norway works actively to strengthen the international humanitarian response system, including making substantial contributions to the CERF, country-specific humanitarian funds, cluster appeals and other instruments such as ProCap and GenCap. The Government is therefore dedicated to making international humanitarian efforts more coordinated, effective and harmonised. It will focus particularly on prevention, protection and the synergy between different measures. Contributions to UN CAPs and ICRC/IFRC appeals are an important part of Norway's humanitarian response.

viii. Support the formulation of Common Humanitarian Action Plans (CHAP) as the primary instrument for strategic planning, prioritisation and coordination in complex emergencies?

The Ministry encourages the use of CHAP in partner organisations as a tool for planning, prioritisation and coordination in complex emergencies. Further, administrators of the project are required to describe risk mitigation measures in any humanitarian project. A good track record for coordination in the field is crucial.

Section Three – Promoting standards and enhancing implementation³⁶

j) How does the donor ensure that implementing humanitarian organisations adhere to good practice and commit themselves to promoting accountability, efficiency and effectiveness in implementing humanitarian action? How are the use of the Inter-Agency Standing Committee guidelines and principles on Humanitarian Activities, the Guiding Principles on Internal Displacement and the 1994 Code of Conduct for the International Red Cross and Red Crescent Movement and Non-Governmental Organisations (NGOs) in Disaster Relief respected and promoted?

Norway expects implementing organisations to adhere to the existing standards and principles governing their respective activities. Such standard-setting processes in civil-military interaction, gender, IDRL, and the Guiding Principles on Internal Displacement are important for upholding good practices. The Ministry, together with the Norwegian Refugee Council, is

³⁶ . “The principles and Good Practice of Humanitarian Donorship”, Paragraphs 14, 15, 16, 17, 18, 19, 20

preparing for the 10-year anniversary of these principles. Our main NGO partners are actively adhering to the 1994 Code of Conduct.

- k) *How does the donor offer support to the implementation of humanitarian action, including the facilitation of safe humanitarian access?*

Norway is actively engaging states and non-state actors to ensure safe and unhindered access for humanitarian organisations in conflict situations. The situation in Sudan (Darfur) is a case in point. In this conflict-ridden area, Norway has on several occasions raised the issues of access with the Sudanese authorities. Similarly, securing humanitarian access is a major part of Norway's foreign policy approach in Afghanistan, Somalia and Iraq.

- l) *Are mechanisms for contingency planning by humanitarian organisations to strengthen capacities for response at local, national, regional and global levels being supported?*

National and international NGO partners are actively encouraged to involve beneficiaries in projects financed by Norway. Local ownership, environmental and sustainability considerations where these are relevant, including the potential for using local resources or a local cooperation partner, personnel and goods, are essential funding criteria in all requests for support.

- m) *How does the donor affirm the primary position of civilian organisations in implementing humanitarian action, particularly in areas affected by armed conflict and where peace keeping and/or military intervention is taking place?*

All applicants are assessed on the basis of the Ministry's experience with and knowledge of the organisation. Further, the applicants' policy papers and strategies for humanitarian action carry considerable weight, as do issues such as basic principles and codes of conducts. With minor exceptions Norwegian humanitarian assistance is allocated to civilian organisations or to the UN's non-military activities. Norway has participated actively in relevant UN forums on civil-military coordination, stating clearly that humanitarian action should be a matter for civilians, with only very specific exceptions (regarding security or capacity). The PRT in Meymaneh, Afghanistan, where Norway contributes, has a special system of civilian liaisons and embassy involvement regarding humanitarian and development assistance.

- n) *In situations where military capacity and assets are used to support the implementation of humanitarian action, how does the donor ensure that such use conforms to IHL and humanitarian principles, and recognises the leading role of humanitarian organisations?*

Norway only provides military assets when called upon by the UN/OCHA to do so. All engagements are in conformity with the Guidelines on the Use of MCDA in Disaster Relief (the "Oslo Guidelines") or the Guidelines on the Use of MCDA to Support Humanitarian Activities in Complex Emergencies ("MCDA Guidelines"). This means that any use of military assets will be in full conformity with IHL and humanitarian principles, and coordinated by the UN/OCHA.

- o) *How are the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies being implemented and supported?*

See above. Norway is committed to the "Oslo Guidelines" and the "MCDA Guidelines", as well as the coordinating role of the UN/OCHA. The Government hosted the conference in 1994 when the Oslo Guidelines were adopted, as well as the Oslo Guidelines Event in Oslo in November 2006 – when the Oslo Guidelines were updated. Norway also supports OCHA's

CMCS Section in Geneva and the dissemination of the Oslo Guidelines, as well as supporting training on civil-military issues (CIMCOORD training). A Norwegian expert participated in the group formed under the OCHA/SIPRI study on civil-military coordination in 2007.

Section Four – Learning and Accountability³⁷

- p) *What is the current scope of evaluations of humanitarian action, what activities have recently been evaluated and how are the findings and recommendations being used to shape policy and programming decisions?*

The evaluations of humanitarian action are mainly result oriented. Recent evaluations within the humanitarian field include the use of M6 military trucks and their deployment in the distribution of mainly food and basic supplies in countries in Southern Africa, and the evaluation of the Norwegian Emergency Preparedness system and its capacity to deliver services, personnel and relief products. More limited studies have included the Norwegian efforts following the South Asia earthquake. The recommendations from these evaluations and studies provide important input for the Humanitarian Section of the MFA. In addition, the Ministry cooperates with Norad on the evaluation of Norwegian NGOs and their management and performance.

- q) *Are there systems in place to support learning and accountability for the effective and efficient implementation of humanitarian action? How is learning across departments and agencies ensured when several arms of government are involved?*

Reports, reviews and evaluations involving humanitarian actions normally attract substantial public attention. Internally, the conclusions and valid recommendations are included in the revisions of guidelines used to assess the implementation of humanitarian support in day-to-day work in the Ministry.

- r) *To what extent does the donor encourage, support and participate in joint evaluations of international responses to humanitarian crises, including assessments of donor performance?*

The Ministry of Foreign Affairs, partly through the Evaluation Department in Norad, promotes and supports evaluations in the humanitarian field, for instance those conducted by ALNAP. The Norwegian Auditor General will present the results of a major review of the Government's humanitarian assistance in June 2008. Norway participated in the 2007 DARA review of humanitarian donors, as well as in the reports by the organisation Development Initiatives, commissioned by the Good Humanitarian Donorship initiative (GHD).

- s) *To what extent is the involvement of beneficiaries in monitoring and evaluation of humanitarian response ensured?*

The role of beneficiaries in monitoring is not well documented. Their role in evaluations may also be modest. Their involvement is however a decision taken by the institution performing the evaluation.

- t) *Do existing report systems ensure a high degree of accuracy, timeliness, and transparency in donor reporting on official Humanitarian Action spending, and encourage the development of standardised formats?*

This is an ongoing task within relevant departments in the Ministry. The ambition is to simplify the process, to facilitate transparency and predictability and to secure that the reports

³⁷ . “The principles and Good Practice of Humanitarian Donorship”, Paragraphs 7, 21, 22, 23

of activities and results are consistent with approved plans. In order to present a relevant picture of results from humanitarian actions in the budget proposal to the Storting, the Ministry is currently drawing up defining formats that can aggregate findings.

Paris Declaration Indicators – Norway's position

The information in the table below covers data reported in 13 countries out of 34 and reflects 40% of country programmed aid in 2005

#	Indicators	Definitions	Amount in mil USD	2005 baseline ratio ³⁸	Average country ratio ³⁹	Illustrative 2010 targets
3	Aid flows are aligned on national priorities	Aid for government sector in budget	139			
		Aid disbursed for government sector	248	56%	57%	85%
4	Strengthen capacity by coordinated support	Coordinated technical cooperation	49			
		Technical cooperation	63	78%	65%	Target of 50% achieved
5a	Use of country public financial management systems	Use of PFM systems	151			
		Aid disbursed for government sector	248	61%	56%	Relative to indicator 2a
5b	Use of country	Use of procurement systems	171			
		Aid disbursed for government sector	248	69%	66%	Relative to indicator 2b
6	Avoid parallel implementation structures	Number of parallel PIUs	3			
		Number of countries	13	3	0,2	1
7	Aid is more predictable	Aid recorded as disbursed	144			
		Aid schedules for disbursement	287	50%	55%	75%
8	Aid is untied	Untied aid	544			
		Total bilateral aid	550	99%	98%	100%
9	Use of common arrangements or procedures	Programme-based approaches	147			
		Total aid disbursed	409	36%	34%	66%
10a	Joint mission	Number of joint missions	44			
		Total number of missions	79	56%	56%	Target of 40% achieved
10b	Joint country analytical work	Number of joint analyses	24			
		Total number of joint analyses	31	77%	77%	Target of 66% achieved

³⁸ weighted average

³⁹ unweighted average

2004 OECD/DAC Peer Review Recommendations

Summary of findings and recommendations from Peer Review of 2004⁴⁰ - and measures taken by Norway in response to these findings and recommendations.

2004 OECD/DAC Peer Review: Recommendations	Measures taken – status of implementation
1. Strategic Framework and New Orientation	
<ul style="list-style-type: none"> Should reflect on how implementation of its <i>right-based approach</i> affects Norway's policy dialogue with priority partner countries, including on locally-owned strategies 	<ul style="list-style-type: none"> This recommendation refers to priorities inherent in the white paper <i>Fighting Poverty Together</i> which guides the current Government's efforts to fight poverty. Followed up through the Government's priority areas which are human rights and humanitarian assistance; women and gender equality; good governance; supporting the health-related MDGs; implementing the development strategy for children and young people; and human trafficking. It remains a challenge to better include a rights-based approach in poverty analysis and in the formulation of development programmes.
<ul style="list-style-type: none"> In view of mutual learning, experiences from the reorganisation of aid administration could be shared with other donors 	<ul style="list-style-type: none"> So far there have been no formal efforts to share experiences from the reorganisation process with other partners. However, findings from coming reviews will be made available and will hopefully contribute to mutual learning both within the DAC and in other forums.
<ul style="list-style-type: none"> Placing increased emphasis on sector- and budget support, the Norwegian authorities should strengthen their focus on results 	<ul style="list-style-type: none"> There is a strong emphasis on results throughout the organisation. The annual budget upholds managing for results as a primary objective in Norwegian ODA. Norway participates actively in the DAC's JV for managing results. Norad's Result Report (2007) recognises how hard it is to ascribe specific results to own intervention in an increasingly coordinated and pooled engagement in development programmes. Norway is involved in improving reporting by multilateral institutions – active in MOPAN
<ul style="list-style-type: none"> Could come up with innovative strategies that mobilises the full potential of the private sector, particularly in priority countries 	<ul style="list-style-type: none"> Increased focus on Public-Private Partnership in sectors where Norway has specific competence such as oil, gas, clean energy, shipping and fisheries. Information office for PSD established in Norad/Norfund. PSD is a priority. Norway uses several

⁴⁰ Summary and recommendations based on summary of Peer Review Report 2004.

	instruments (Norfund, Norad etc.) for networking, including matchmaking programs. A PSD network has been established. Forum with private sector chaired by the Minister.
<ul style="list-style-type: none"> Should explore ways of ensuring that its focus on gender equality is not dissipated as a result of mainstreaming 	<ul style="list-style-type: none"> After the evaluation of the <i>Strategy for Women and Gender Equality in Development Cooperation (1997-2005)</i>, (NIBR 2005), increased political attention has been paid to the subject. Norway launched an Action Plan for implementing SCRes 1325 on Women, Peace and Security, 8th of March 2006. Launched an Action Plan for Women's Rights and Gender Equality in Development Cooperation (March 2007) and is planning to put in place a framework for assessing gender equality results. A White Paper is presented to the Parliament: Report No 11, 2007/2008, <i>On Equal Terms' Women's Rights and Gender Equality in Development Policy</i>. A budget line for women's organisations and gender equality initiatives has been established. Earmarking of resources for women and gender equality over other budget lines Engendering the entire aid budget including gender relevant targets for all major budget lines, tracking and monitoring of aid targeting women and gender equality Scaled up gender modules in obligatory training courses Optional training courses have been reintroduced for Norad and MFA staff on women's rights and gender equality and UNSCR 1325 There is still work to be done related to staffing, mandate, incentives, systems for tracking and securing gender equality analysis and organisational set-up.
2. Aid Volume, Channels and Appropriations	
<ul style="list-style-type: none"> Assess the possibility of multi-year funding commitments for the seven main partner countries so as to increase predictability of flows for those countries 	<ul style="list-style-type: none"> From 2008, the concept of main partner countries has been abolished for reasons explained in the Memorandum. The next bullets refer to status up to 2008. Norway has signed MoU's with multi-year funding commitments with the Governments of Mozambique and Tanzania. Norway is in the process of finalising MoUs with multiyear funding commitments with Malawi and Zambia. In Uganda, Norway has signed the UJAS, but has not signed a MoU with commitments on multiyear funding.
<ul style="list-style-type: none"> Encouraged to increase the proportion of its long term assistance going to partner 	<ul style="list-style-type: none"> Norway is placing increased focus on concentrating its cooperation in sectors where it

<p>countries;</p> <ul style="list-style-type: none"> Assess the comparative advantage of the different channels and modalities for delivering aid against poverty reduction goals 	<p>has a comparative advantage and competence.</p> <ul style="list-style-type: none"> There is recognition of the fact that contextual issues to large extent define choice of modality. Norway participated in and concurs with the recommendations made in the OECD DAC review of budget support mechanisms.
<ul style="list-style-type: none"> Could elaborate on an explicit strategy that covers the relationship between the Norwegian Government and the NGOs. Important elements in this strategy: <ul style="list-style-type: none"> Encourage and reflect on the diversity of roles NGOs fulfil in service provision and advocacy Clarify criteria for resource appropriations to the NGOs and how it will be communicated to them More efforts could be made to assess the contribution of the NGOs towards poverty reduction 	<ul style="list-style-type: none"> A Government-commissioned report “New Roles for Non-Governmental Organisations in Development Cooperation”, led by the Rattsø Commission and published in June 2006 looks into the role of civil society in Norwegian development, notably as regards their role in poverty reduction. Norad’s Department for Civil Society is considering developing a civil society policy/strategy. An initial exchange of ideas with like-minded colleagues started in the autumn of 2007, and will continue in 2008. Emphasis will be put on development goals, the role of civil society in aid effectiveness (including civil society partners in the South), on the diversity of civil society, and on CSOs’ roles in both service provision and advocacy. Criteria for resource appropriations to civil society organisations are contained in the guidelines from 2001. These will be revised in 2008. On the basis of one key recommendation in the report, namely to increase South-based orientation and ownership, Norway initiated and coordinated work on a report on behalf of six Nordic+ countries (including Canada, Finland, Ireland, Sweden and the UK) during 2007. The work covered six countries (Ethiopia, Tanzania, Zambia, Zimbabwe, Bangladesh and Guatemala). Recommendations include increasing the use of core/programme support for Southern CSOs; increasing joint donor support; and increased use of indirect funding/use of intermediaries. The Nordic+ partners in January 2008 endorsed the recommendations.
<p align="center">3. Policy Coherence for Development (PCD)</p>	
<ul style="list-style-type: none"> Should report regularly on its actions aimed at improving policy coherence and explore the possibility of integrating the MDGs into relevant policy areas such as trade, agriculture, the environment, security, migration and economics Could set up a ‘whole-of-government’ mechanism to strengthen PCD within those areas 	<ul style="list-style-type: none"> An MDG8 report was published in 2004 and a second report will be finalised in 2008. MDGs are today seen as important goals in other government ministries’ policies relating to, for instance, migration, health, education, trade, and the environment. As yet, no ‘whole-of-government’ mechanism has been set up to strengthen the PCD efforts in Norway. PCD issues are mainly addressed in bilateral discussions. The Government has named a committee to

	<p>publish – by the autumn of 2008 – an official report with proposals to improve PCD in Norwegian Government policies.</p> <ul style="list-style-type: none"> • Fragile states – whole-of-government approach etc.
<ul style="list-style-type: none"> • Given its new responsibilities, Norad could be mandated in the future to conduct evaluations related to PCD 	<ul style="list-style-type: none"> • Norad has not yet been explicitly given this task, but as host to the MFA's evaluation service, it will be the natural focal point of such a task, when relevant.
<ul style="list-style-type: none"> • Should review the high levels of agricultural protection to all but LDCs and its safeguard clauses associated with its general system of preferences to create more solid and durable export opportunities for developing countries 	<ul style="list-style-type: none"> • Agricultural protection is part of WTO negotiations. In preparing Norwegian positions for ongoing negotiations the aim is to strike a balance between a sustainable agricultural sector in Norway and improved market access for LDCs. • The Government has completed a full review of its GSP and implemented several improvements from 1 January 2008, including duty and quota free market access for all goods from 14 low-income countries, in addition to the LDCs. The safeguard clauses were merged, simplified and retained.
<h4>4. Aid Management and Implementation</h4>	
<ul style="list-style-type: none"> • Could clarify how the embassies will implement the rights-based approach to development 	<ul style="list-style-type: none"> • Bilateral assistance is one of the main instruments for implementing the Government's priorities (gender, good governance, HR, children, etc).
<ul style="list-style-type: none"> • Should clarify its results orientation. Systemic learning should be addressed by ensuring the continued sharing of information between the MFA and Norad and good knowledge management throughout the institutions 	<ul style="list-style-type: none"> • Results orientation is a Government priority and laid down as a principal objective in allocation letters to Norad and the embassies. • In 2006 Norad launched its <i>Strategy towards 2010</i>, where results management and knowledge management are key elements. • Following Norad's strategy, the first annual Results Report presenting results of Norwegian development cooperation through various aid channels was presented in 2007. • Training in results-based management has increased, both at the Foreign Service Institute and in the form of customised workshops at the MFA, Norad and the embassies. • A practical guide to results-based management will be published in April 2008. • The new mandate for evaluation (2006) established more formal follow-up requirements for evaluations in order to ensure systemic learning and use of the findings. Experience shows that follow-up of evaluation reports has improved (ref. EVAL Annual Report 2006). • A database of "Norad collected reviews" was established in 2007 to supplement the evaluation database (www.Norad.no). A database of NGO evaluations and reviews was also established on

	<p>Norad's website in 2004.</p> <ul style="list-style-type: none"> Norad's library services are being upgraded through increased use of electronically based knowledge, and training is offered for Norad staff in collecting knowledge from electronic sources.
<ul style="list-style-type: none"> Should ensure that the aid administration has the right mix of people and sufficient resources to provide effective advice and support on all issues which are high on the political agenda – such as private sector development; and to build on Norway's strong support to gender equality 	<ul style="list-style-type: none"> Adjustment of staff to match political priorities both at HQ and embassies. Opened new Embassy Branch Offices in Burundi and Bolivia, to ensure follow up of political priorities in countries and sectors. Ongoing external recruitment of six new experts to strengthen work on clean energy and climate change. These staff members will be placed in selected embassies. Implementing updated and specific job descriptions serves as a new and essential tool in recruiting the right competence for the right task. A common recruitment system with Norad has provided the Ministry with more applicants and human resources
<ul style="list-style-type: none"> Should allocate appropriate resources to Norad to fulfil its new functions 	<ul style="list-style-type: none"> Norad's administrative budget has had a nominal increase of 20% over three years (2005–2008). The MFA appointed a new Director for Norad on 1 September 2005. During 2006 and part of 2007, Norad adjusted its organisation in order to strengthen its functions according to the new mandate. It has taken time for the various departments of the MFA to adjust to Norad's new role. A series of planning meetings between Norad and relevant MFA sections during the first quarter of 2007 and 2008 proved to be a useful instrument in managing mutual expectations.
<ul style="list-style-type: none"> Human resource development should evolve to reflect strategic requirements such as budget and sector support, rights-based approach, policy dialogue with other donors and partner governments. Consider incentives for staff to renew, update and develop their knowledge base 	<ul style="list-style-type: none"> Over the last years, political priorities and new strategic requirements have been covered during staff training given to all employees in the MFA and Norad dealing with development cooperation. Norway is playing an active role in the core group of Train4Dev joint donors' competence development network. The Ministry has developed a scholarship scheme for further education (2007). All staff members are eligible to apply for a scholarship.
<ul style="list-style-type: none"> Could engage all donors to support capacity development and locally available expertise to assist governments in monitoring harmonisation and alignment processes 	<ul style="list-style-type: none"> This is a matter of priority inherent in the follow-up of the Paris Declaration at country level. Joint capacity building programmes within e.g. local government reform and public finance management programmes are commonly financed through pool funding mechanisms with multi-partner participation, and around common terms of reference.

5. Humanitarian Action	
<ul style="list-style-type: none"> • Could consider a comprehensive policy document for humanitarian action, including response to natural disasters, to ensure consistency with endorsed Principles and good practice of humanitarian donorship. Should also include the beneficiaries' involvement 	<ul style="list-style-type: none"> • A Government White Paper on Norwegian policy on disaster risk reduction and conflict management was submitted to the Storting in December 2007. An open hearing and subsequent debate in the Storting planned spring 2008. • A Humanitarian Strategy paper is under preparation and will be finalised and launched in 2008.
<ul style="list-style-type: none"> • Must ensure intra- and inter-ministerial cooperation to optimise its humanitarian response and decision-making for funding humanitarian action 	<ul style="list-style-type: none"> • The intra-ministerial cooperation and . coordination has been significantly strengthened the last years, especially through joint country-approaches.
<ul style="list-style-type: none"> • Could strengthen its procedures to ensure that the 1994 <i>Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief</i> and the 2003 <i>Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies</i> are respected 	<ul style="list-style-type: none"> • These Principles are regularly discussed in established Norwegian coordination mechanisms concerning inter alia Afghanistan. • Norway has taken a lead role in cooperation with UN OCHA to update and disseminate the key messages of the Oslo Guidelines and the MCDA Guidelines, and the Principles in the guidelines are mainstreamed in Norway's humanitarian action. Norway hosted the relaunch of the updated Oslo guidelines in 2006. Have also been an active proponent of a clear division of labour between military and humanitarian actors in other related processes, both within NATO (natural disasters such as the Pakistan earthquake, comprehensive approach, PRTs etc) in the UN (discussion on integrated missions etc).
<ul style="list-style-type: none"> • Could engage in initiatives to improve the financial tracking of global humanitarian action, to increase accuracy and timeliness in donor reporting 	<ul style="list-style-type: none"> • Through our core contribution to OCHA Norway supports the management of the Financial Tracking System. Reports on contributions are sent to FTS on a monthly basis.

Norad Strategy⁴¹

Please note:

Norad is in the middle of an institutional review. It will be completed by June 2008. This review will also assess if this strategy needs to be updated/adjusted.

Norad

- Aims to be the centre of expertise for evaluation, quality assurance and dissemination of the results of Norwegian development cooperation, jointly with partners in Norway, developing countries and the international community
- Will ensure that the goals of Norway's development policy are achieved by providing advice and support to the Ministry of Foreign Affairs and Norwegian foreign service missions
- Will administer the agency's grant schemes so that development assistance provided through Norwegian and international partners contributes effectively to poverty reduction

These goals are to be achieved on the foundation of Norad's current competencies, through highly qualified staff, a flexible and practical organisational structure, good administrative support functions and a working environment characterised by transparency, respect, equality, responsibility and quality.

May 2006

⁴¹ Norad: Norwegian Directorate for Development Cooperation

Enhancing quality and results of international development cooperation

Global development cooperation has ambitious goals of reducing poverty in all its dimensions, promoting peace and democracy and contributing to sustainable development and more equitable distribution of resources. Norway is an active partner in development cooperation, focusing on poverty reduction, national ownership and capacity development.

Development cooperation is an important part of Norwegian foreign policy, and development assistance is a primary means of achieving foreign policy goals. In development policy, Norway can exert greater influence through the development assistance mechanism than through other international instruments. Norad is inspired by three key questions on development cooperation:

1. *Does it work?* We know too little about the **results** of development cooperation. Although hundreds of millions of people have escaped the scourge of poverty in the past few decades, more than one billion still live in absolute poverty. Development assistance has helped, but we know too little about how and how much. Norway has been a flexible donor, but we must now make greater demands on both ourselves and our partners for documented results.
2. *Can we assure its quality?* Development cooperation requires **knowledge**. Transferring money and technology is insufficient unless combined with political dialogue and substantive advice to our partners in developing countries on development options and challenges. The Ministry of Foreign Affairs is responsible for the political dialogue, while Norad's role is to ensure that the substantive dialogue and aid management are of high quality.
3. *Is Norwegian society involved?* Norway has a strong tradition of **international solidarity**, based on the work of missionaries and the labour movement. The Norwegian people's active participation in development assistance will be sustained only if it is based on good information about the results of development cooperation. Many Norwegian actors must be involved, and their work carried out professionally, with quality and effect.

Norwegian development assistance must be adapted to key trends in development cooperation:

- *National ownership:* Most developing countries and their international partners now agree to emphasise national ownership, alignment and harmonisation of development assistance in support of national poverty reduction strategies, state-building policies and national institutions and systems. Increased use of sector and budget support calls for new ways of documenting the results of Norwegian assistance.
- *Changing aid architecture:* The number of donors and forms of assistance is multiplying. More responsibility is delegated to embassies and country offices. Joint financing and other forms of donor harmonisation are more common. As a result also of greater private sector involvement, developing countries must deal with many more actors. This poses a challenge for all concerned, including Norway, but also makes it possible to focus efforts on areas in which Norway has particularly good expertise.

As a Directorate under the Ministry of Foreign Affairs, Norad's mandate covers all Norwegian official development assistance as defined by the OECD. Norad's goal is effective and high-quality Norwegian assistance, leading to sustainable results. We work towards this goal through six functions: advice and support, quality assurance, evaluation, grant administration, information, and administration.

Norad is not directly responsible for implementing development cooperation. Norad provides advice and support and assures the quality of development assistance through other actors involved in Norwegian development cooperation: the Ministry of Foreign Affairs, Norwegian foreign service missions and other Norwegian and international actors (NGOs, voluntary organisations, the private sector, ministries, directorates and research institutions). Norad can only meet its goal of high-quality development cooperation that produces results by making its products relevant for these actors.

Norad's products

Based on Norad's own expertise and that of its Norwegian and international partners, Norad will combine its functions in five products: 1) Advice and support for good development cooperation, 2) Performance reviews and organisational assessments, 3) Grant administration, 4) Evaluation and dissemination of results, and 5) Joint competence-building.

1. Advice and support for good development cooperation

Norad's most important task is to deliver advice and support on development cooperation to the Ministry of Foreign Affairs, Norwegian embassies in developing countries and Norway's delegations to multilateral development organisations.. To give advice and support on good, effective and relevant development cooperation, Norad must draw knowledge from different fields and sources. Norad offers advice during the preparation, implementation, monitoring and evaluation of development cooperation programmes, aiming at realism in goals and measurement of results, identifying risk factors and, if relevant, suggesting measures to reduce risks. Knowledge of Norway's priority sectors and themes will be combined with knowledge of individual countries, country types and regions. This will be linked to knowledge of development assistance strategies, instruments and practices, the interaction between public and private sectors, global and regional processes, and lessons learned as to what is effective and what is not.

The Development Cooperation Manual (*Bistandshåndboken*) and legal expertise are important tools for Norad's advice and support on development cooperation. An intensified focus on results entails linking our expertise more closely to knowledge of partner countries' own performance management systems.

2. Performance reviews and organisational assessments

Regular quality assurance of Norwegian development assistance is the responsibility of the managers of the Norwegian aid budget. Norad provides advice and support, training programmes, methodology and control. At the request of the Ministry of Foreign Affairs, Norad will carry out performance reviews of the development assistance administration. The purpose of these reviews is to verify that rules, procedures and guidelines are being followed. A further objective of the performance reviews is to improve the connection between doing things right and doing the right things.

Norad will assist in organisational assessments of Norwegian, international and multilateral recipients of grants from Norad and the Ministry of Foreign Affairs. Norad will develop

methods for organisational assessments that can be implemented by Norad, the Ministry of Foreign Affairs or the development partners themselves. These assessments are intended to evaluate organisations'

- goals and the degree to which these are in accordance with Norway's political priorities
- technical, financial and administrative capacity to carry out programmes that fulfil their own goals and strategies
- results in the field of capacity development, service provision and policy and programme changes.

3. Administration of grants to partners in civil society, the private sector and the research community

Norad will simplify the administration of grants and attach primary importance to grant recipients' results and their capacity to achieve agreed goals. This will increase the efficiency of grant administration and provide more scope for technical and professional cooperation with non-governmental organisations, the private sector and research institutions.

Civil society. Norad will support programmes that aim to empower the poor and disadvantaged and fulfil their social and economic rights. Norad will continue to support organisations that promote solidarity and human relations between organisations, groups and local communities in Norway and in developing countries.

The private sector. Norway supports improved framework conditions in partner countries for profitable and sustainable private sector development, for both local and international business. Norway also supports cooperation between the Norwegian private sector and their partners in developing countries. Norad will work to ensure that these two approaches reinforce each other, and will contribute towards better coordination of instruments for private sector development.

Higher education and research. Support for higher education and research in developing countries shall enable partner countries produce and disseminate knowledge that is relevant for national development. Support for Norwegian development research shall improve the knowledge base for Norwegian foreign and development policy. We need to engage in close dialogue with research institutions in Norway and developing countries, and to promote the application of knowledge based on research.

4. Evaluation and dissemination of results

Evaluation covers all development cooperation and shall provide information about what is effective and what is not. Evaluation is independent, based on special instructions from the Ministry of Foreign Affairs. Evaluations shall ensure that the Norwegian development cooperation administration learns from experience by systematising knowledge of results and impact, whether it was acquired by Norad itself, in cooperation with others or by others. Evaluations also have a control function in that they assess the quality of development cooperation and whether the use of resources is commensurate with the results that are achieved.

Due to the increased reliance on joint sector programmes and budget support, it is difficult to follow the use of Norwegian funds from allocation to results. There is a need for better analyses of results that show changes in the livelihood of target groups, and for more evaluations of long-term social impacts. Measuring the long-term impact of aid programmes

is a challenging task because so many factors, apart from development assistance, play a role. Norway must work with other donors and partner countries to acquire such knowledge. The dissemination of results must be based on close links between advice, evaluation, grant administration and information. It must be adapted for different target groups and implemented in close cooperation with the Ministry of Foreign Affairs.

5. Competence-building

Norad aims to be a centre for the development and sharing of knowledge relating to development cooperation. This has at least four dimensions:

- Norad aims to be the leading agency in three important areas of international development cooperation, combining Norwegian competencies, Norwegian development priorities and international expertise (see below).
- In cooperation with the Norwegian Foreign Service Institute, Norad will help ensure that expertise relating to good development cooperation management, strategies and instruments are shared with other Norwegian actors.
- Norad will develop better platforms for sharing knowledge, learning and experience among operational partners in the non-governmental and private sectors and researchers, politicians and development organisations, as well as partners in developing countries. This requires open debates about development cooperation dilemmas and results.
- Norad will contribute to recruitment and training of qualified personnel for Norwegian development cooperation, e.g. by arranging programmes for visiting students, training and temporary posts at foreign service missions.

Norad's priorities and competence-building

Norad will provide advice and support in accordance with the political directions set by Government and the Storting. Within the time-frame of this strategy, the basic principles and priorities are laid down in Report No. 35 (2003-2004) to the Storting: *Fighting Poverty Together* and the political directions from the Stoltenberg II Government. Norad's advice and support will be demand-driven and recipient-based. The Ministry of Foreign Affairs and the Norwegian foreign service missions will have access to the expertise of Norad and its partners. At the same time, Norad must put important issues on the agenda and develop expertise that can be utilised in policy-making, development cooperation strategies and programme activities.

Norad will take the following steps to develop the agency's role in quality enhancement of Norwegian development cooperation: 1) Ensure basic competence relating to important themes in Norwegian development cooperation and make long-term investments in three priority areas where Norway aims to play a leading role in international development cooperation, 2) Develop and apply methods for evaluating the results of development cooperation, 3) Improve the dialogue with the Ministry of Foreign Affairs and the foreign service missions on continuous advice and support, which includes drawing on the expertise of partners in Norway and internationally, and 4) Improve Norad as a knowledge-based organisation.

1. Invest in three priority areas

Within the overarching goal of contributing towards poverty reduction, Norway's development policy emphasises the use of Norwegian competence – in response to the demand from developing countries and international partners for Norwegian experience and

know-how. Norad will seek to achieve this objective by investing in competence-building in three areas that are vital for poverty reduction and where Norway possesses relevant experience:

- *Natural resource management*, with special emphasis on governance and sustainability. This is based on the current “Oil for Development” programme. The focus is on anti-corruption, and on fair and transparent distribution of resources and revenues. Priority areas are petroleum, environment, hydropower and fisheries, with emphasis on local, national and international governance.
- *Equality, inclusion and economic rights*. To promote equality between men and women and among population groups, Norad will approach economic development from an equity perspective, both in politically stable partner countries and in partner countries affected by conflict. Norad will focus on marginalised groups, including indigenous peoples, and their economic rights and access to resources and services, such as land, credit, technology, education, regulated working conditions, security and protection.
- *Conflict-sensitive development cooperation and peace-building*. The absence of serious, violent conflict is a prerequisite for development and poverty reduction. Conflict-sensitive cooperation entails awareness of how violent conflicts affect development assistance and how humanitarian and other assistance may have positive or negative impact on conflicts. Norad will further develop expertise relating to conflict-sensitive assistance and the role of women in conflicts, and acquire more knowledge of how development assistance can reduce conflicts and promote peace-building.

Norad’s activities in these areas will be based on the expertise of its own staff in cooperation with our partners in Norway, abroad and in partner countries. Norad will provide advice and support for initiatives from the Ministry of Foreign Affairs and Norwegian foreign service missions, and support capacity development and research in these areas in Norway and in the South.

2. Develop and apply methods for results monitoring and evaluation

All development organisations strive to achieve and document results. Results are necessary to justify our efforts to partners and taxpayers in Norway, but primarily in order to achieve the international community’s ambitious goals for development cooperation. Norad will collate information concerning the results of Norwegian development assistance and, in close cooperation with the Ministry of Foreign Affairs, publish this information in an annual report.

In this strategy, Norad emphasises results across all its functions. Our staff will provide advice and support, administer grants, evaluate performance and assess quality on the basis of actual and expected results. The advice we give will be based on what has previously been achieved in development and assistance activities in similar sectors, countries and regions. As a first step, Norad will develop methodologies for results assessments in cooperation with our partners in Norway.

3. Improve the framework for advice and support to foreign service missions

In cooperation with the Ministry of Foreign Affairs, Norad will improve the framework for our advice and support to Norwegian foreign service missions. Embassies and delegations that handle substantial amounts of Norwegian development assistance will be offered advice and support from Norad and our partners on strategic and administrative issues relating to

development cooperation in sectors and themes to which the missions give high priority, or where they have little expertise. We intend to improve the predictability, continuity and quality of our advice and support whereby each foreign mission will be urged to set thematic priorities for its collaboration with Norad. We will then deploy the necessary staff to follow the prioritised themes/sectors in each country over a longer period of time.

Norad will integrate the services of expert partners through framework agreements and other consultancy agreements, and clarify the division of labour with them. The use of Norad as a channel to Norwegian public and private expertise will involve our own technical experts. Norad must be more than a manager of contracts. Norad will facilitate demand-driven institutional partnerships among peers from Norway and our Southern partners, while emphasising national ownership and capacity development.

4. Strengthen Norad as a knowledge-based organisation

Knowledge-sharing is crucial for high-quality, results-oriented development cooperation. Norad will lead the way in the collection and distribution of information, documentation, electronic administrative procedures, and other ICT-based dissemination of knowledge. Norad will promote project-based knowledge work when this increases the quality of services and is compatible with a secure and inspiring working environment. Norad will develop effective administrative support functions and utilise modern technology in development cooperation.

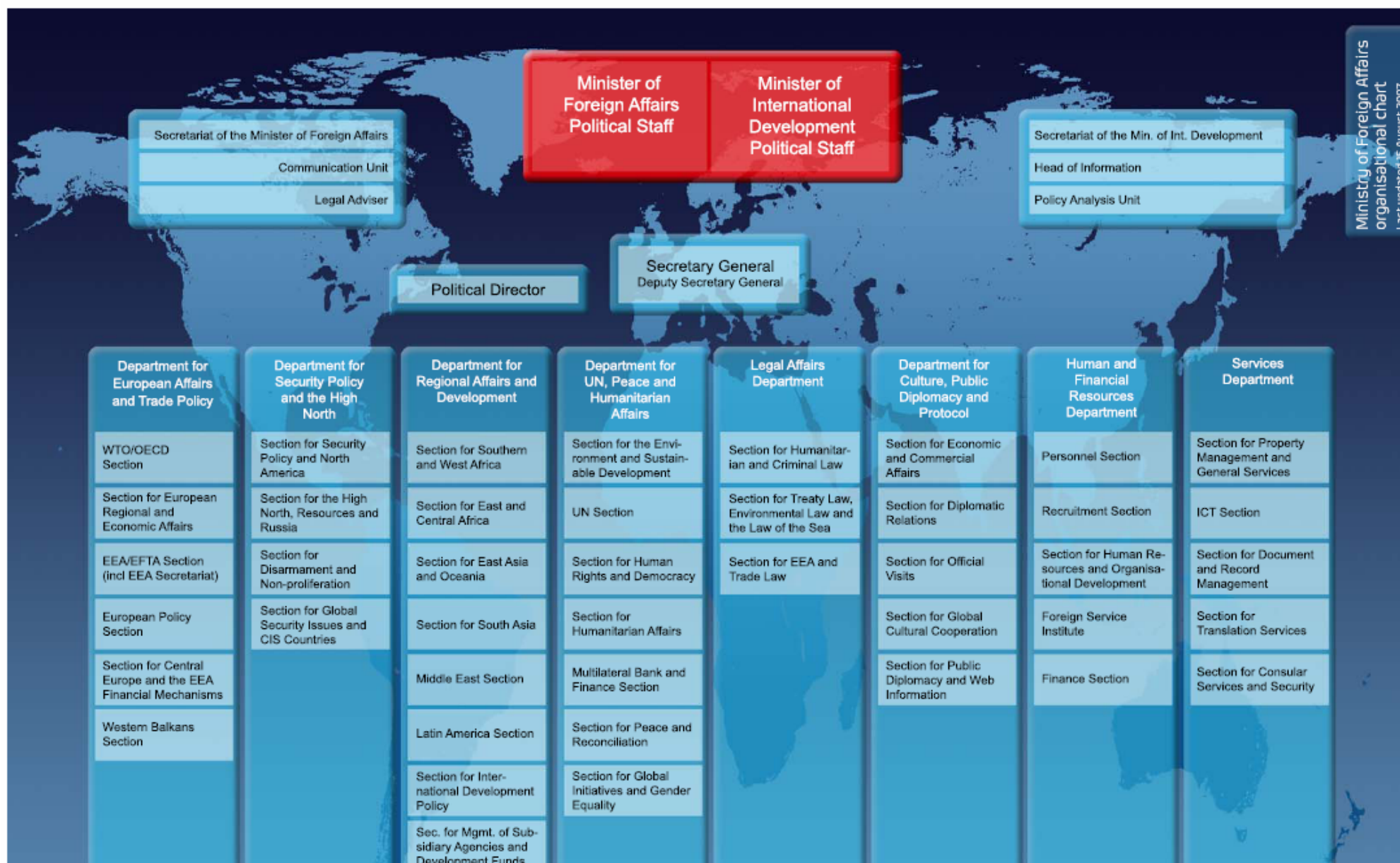
What is new in the strategy?

The strategy stresses the importance of quality assurance and results achievement in development cooperation. This will strengthen our partners in developing countries and ourselves as actors, and will provide better information to the Norwegian people as committed donors. We can achieve this by changing our approaches and perspectives.

Furthermore, in the period up to 2010, Norad and the Ministry of Foreign Affairs will launch several activities, some of which are new to Norad: 1) Invest in three priority areas, 2) Assist in assessments of Norway's partners in peace-building, humanitarian, multilateral and transition assistance, 3) Arrange joint competence-building with our partners, 4) Prepare an annual report on the results of Norway's development cooperation efforts, and 5) Further develop Norad as a knowledge- and project-based organisation.

To show how the various actors, functions, products, and knowledge types interact and are mutually dependent, we have illustrated the strategy as a number of interlinked cog wheels. Norway is one of many actors in international development cooperation, and Norad is only one of many Norwegian actors. If our contributions are to yield maximum results, all actors must collaborate better. We hope that the implementation of this strategy will be a constructive contribution. It is an ambitious strategy that will be realised through human resource and organisational development at Norad, and through the annual activity plans and letters of allocation from the Ministry of Foreign Affairs.

Organogram MFA



Norad organogram

The Norad organisation

