

NORWAY

1) QUANTITY OF AID

1.1. Current/Recent Quantity Performance:

Net ODA US\$m	3,967
% of GNI	0.88%

Source: OECD/DAC, preliminary 2008 data.

Since 2001, Norwegian ODA has increased rapidly in absolute amount (by 195%, up from US\$1346m) and relative to GNI (up from 0.80%). However, it fell by 2.4% in real terms in 2008, according to DAC preliminary numbers (DAC, 2009)

1.2. Future Quantity Intent

Norway has committed to give 1% of GNI as ODA between 2006 and 2009. The OECD DAC estimates that this will equate to US\$4,295m by 2010 (DAC, 2009).

2) KEY AGENCIES/MECHANISMS

2.1 Agencies and Structures

Ministry of Foreign Affairs (MFA)

As of 2004, the MFA has been responsible for all bilateral development cooperation, multilateral aid, and emergency and humanitarian relief. The Minister of Foreign Affairs and the Minister of the Environment and International Development have joint authority over the MFA.

Norwegian Agency for Development Cooperation (Norad)

Norad is the Norwegian government's centre for development policy advice and research. It also provides financial support to Norwegian NGOs working in international development.

2.2 Key Policies and Documents

Norwegian Development Assistance in 2008 – Priority Areas (MFA, 2008)

Norway will focus on five priority areas that make use of the country's advantages and expertise:

- Climate change, environment, and sustainable development
- Peacebuilding, human rights, and humanitarian assistance
- Oil and clean energy
- Women and gender equality
- Good governance and the fight against corruption

Fighting Poverty: Norway's Action Plan 2015 for Combating Poverty in the South. (MFA, 2002)

This plan, billed as a 'living plan' by the Norwegian government, outlines Norway's commitment to increase development assistance substantially. Among its measurable goals are to increase assistance to 1% of GNI, and to channel at least 40% of aid to the

LDCs (MFA, 2002, p5). It also encourages other countries to increase their aid, and seeks to ensure that Norway's trade, agriculture, energy and immigration policies are in line with its development policy.

New Roles for Non-Governmental Organizations in Development Cooperation (MFA, 2006)

This report recommends that Norway concentrate its aid further in poor countries with good governance and that it provide them with more ownership. It also suggests that more aid should be given directly to NGOs in recipient countries, but that these NGOs are not a substitute for national authorities.

Debt Relief for Development: A Plan of Action (MFA and NORAD, 2004)

This document details the Norwegian Government's stance on debt relief for developing countries. Norway is at the forefront on debt relief policy and goes further than the HIPC initiative. Notably, Norway does not require a long term record of economic and social policy for post-conflict countries' debt relief.

Aid for Trade: Norway's Action Plan (MFA, 2007b)

The Norwegian Government agrees to promote fairer trade, represent developing country trade interests in the international diplomatic arena, and will "target assistance towards enabling the least developed countries to utilise their trade preferences." In practice, this will mean prioritizing aid to Africa and LDCs, supporting funding for multilateral agencies, and withholding support for programs conditioned on privatization, liberalization, or any type of externally-driven policy.

3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

3.1. Recipient Countries

In spite of a clear strategy of concentrating aid on partner countries (see 3.2.2), in 2006, Norway provided aid to approximately 114 countries (MFA, 2007b). Norway's proliferation of recipients is a result of NGO project activity in response to humanitarian crises. This also accounts for the fact that not all main partner countries appeared on the list of top ten recipients shown in the table below.

Top ten countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$m
Sudan	3.5%	4.9%	103
Palestinian Adm. Areas	2.7%	3.8%	81
Tanzania	2.3%	3.2%	68
Mozambique	2.2%	3.1%	66
Afghanistan	2.2%	3.1%	65
Zambia	2.0%	2.7%	58
Sri Lanka	1.8%	2.5%	52
Pakistan	1.7%	2.4%	51
Malawi	1.7%	2.4%	50
Uganda	1.6%	2.3%	48

Source: OECD/DAC, 2005-2006 data.

A reasonable proportion of Norwegian aid (42.6%) goes to least developed or low-income countries, and all of the partner countries fall into these groups. Nevertheless, as of 2005-06, 20% of bilateral aid went to middle-income countries.

Distribution among different groups of recipients (% country allocated / region specified gross ODA disbursements):

Least Developed Countries	56.4%
Other Low Income Countries	11.3%
Sub-Saharan Africa	46.6%

Source: OECD/DAC, 2005-2006 Data.

3.2. Allocation Criteria

3.2.1. *Pre-selection criteria*

Budget support guidelines were recently updated (MFA and NORAD, 2007) and should be read in conjunction with MFA and NORAD (2005). The guidelines cover both sectoral and general budget support, with special arrangements for budget support to fragile states. In contrast to the old 2004 guidelines, there is no direct reference anymore to budget support recipients having to be 'main' or 'other' partner countries.

As with most donors involved in budget support, eligibility criteria involve assessments regarding Public Financial Systems, poverty reduction strategies, macroeconomic stability and political governance (human rights, multi-party democracy, etc). See also MFA and NORAD (2007).

3.2.2. *Allocation criteria:*

Norway selects partner countries on the basis of good governance and poverty orientation (DAC, 2004, p22).

Following a parliamentary review in 2001, the Norwegian Government reduced the number of partner countries from 11 to 7 (DAC, 2004, p23). The Government plans to continue rationalizing the number of countries and sectors it is involved in, though it has not yet provided guidelines for this process. As of 2008, Tanzania, Mozambique, and Zambia have been targeted for long-term bilateral assistance. Sudan, the Palestinian Authority, and Afghanistan receive transitional and humanitarian assistance and are therefore not considered long-term partners.

4) AID POLICIES

4.1. Concessionality

All Norwegian aid is in the form of grants.

4.2. Types of Assistance

Breakdown of different types ODA (commitments unless otherwise stated):

	\$USm	% of gross bilateral ODA
Stand-alone technical cooperation (disbursements)	366	16.6%
General budget support	157	5.9%
Sectoral projects and programmes (including some technical cooperation)	1094	41.2%
Action related to debt	226	8.5%
Developmental food aid	7	0.3%
Other commodity assistance	-	-
Emergency and distress (disbursements)	298	13.5%

Source: OECD/DAC, 2006 data.

Note: The breakdown into different types of assistance shown in the table is taken from different OECD/DAC data sources. As such, the final column does not add to 100%.

As can be seen from the table above, until recently Norwegian aid was dominated by sectoral programmes and stand-alone projects, as well as TA. Norwegian aid is according to Paris indicator 4 very coordinated with local processes, with all TA coordinated as such in Bangladesh, Kenya, South Africa, Uganda and Vietnam.

However, the current Government has announced major plans to shift to budget support, in cofinancing with other like-minded donors, as well as to encourage sector programmes and basket funding (DAC, 2004, p23). Reflecting this, new budget support guidelines have been produced recently (MFA and NORAD, 2007), giving a central role to budget support in strengthening Public Financial Management. The language of these guidelines is quite flexible however as to the concrete set-up of Norwegian budget support programmes and their conditionalities, in order to retain flexibility at the country-level and increase the possibilities for harmonisation and alignment (see also section 4.7 on budget support conditionalities).

Best practice on programme support (Paris indicator 9, which measures the ratio of Programme-based support to total aid to the government sector) can be found in Sudan (93%), Madagascar (68%) and Zambia (60%).

In addition, Norway has made major moves to shift away from TA to pooled funding for building capacity, with a reduction from about 150 advisors in 1996 to 1 in 2004 (DAC, 2004, p78).

4.3. Channels of Assistance

Norway allocates around 26% of its ODA via multilateral organisations, of which 62% goes to UN agencies and 18% to the World Bank (Source: OECD/DAC, 2006 data).

Currently Norway has an average performance in relation to the proportion of aid going through developing country budgets, but this is expected to improve dramatically when the planned increase in budget and sector support materialises.

4.4. Sectors and Projects

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	45.6%
Of which: Education	9.2%
Health	8.6%
Population	2.5%
Water supply and sanitation	1.3%
Government and civil society	20.1%
Economic Infrastructure	8.3%
Of which: Transport and communications	1.2%
Energy	4.8%
Production	5.4%
Of which: Agriculture	4.0%
Industry, mining, construction	0.8%
Trade and tourism	0.6%
Multi-sector	10.3%
Programme Assistance	4.5%
Action relating to debt	1.0%

Sector	% of bilateral ODA (commitments)
Emergency aid	14.3%
Administrative expenses	7.6%
Unspecified	3.1%

Source: OECD/DAC, 2006 data.

There is a very strong concentration of Norwegian aid in governance and support to civil society. Sectoral allocations are guided by areas of comparative advantage and specialist competency, such as in governance, private sector development and trade (agriculture and fishery included), sustainable development and natural resources management, capacity strengthening and peace-building (DAC, 2004, p25).

As a member of the NORDIC+ group of like-minded donors, NORAD will aim at focusing its active involvement with partner governments in a maximum of three sectors. Active engagement in sectors is envisaged to be for at least 5-7 years, or a minimum of 2 PRS cycles (NORDIC+, 2005).

Several policy documents emphasize the role of agricultural development in poverty reduction such as: *Agriculture – A Way out of Poverty* (MFA, 2003) and *Fighting Poverty through Agriculture* (MFA, 2004b). This is reflected by the large proportion of productive sector aid allocated to agriculture.

4.5. Flexibility

Norway has historically not been very flexible at financing against shocks, because of the low level of budget support. However, this is expected to change in future years. In contrast, Norway has since 2000 had a very proactive policy of financing post-conflict countries and fragile states.

4.6. Predictability

Norway has indicated it wants to move towards more budget support, one of the advantages of which is clearly expected to be greater predictability of funding (in line with Paris declaration). Hence MFA and NORAD (2007, p12) states that '*budget support will provide predictable funding for the agreed period, normally 3-5 years*'. In fragile states, budget support agreements will normally be 'for one or maximum two years' (MFA and NORAD, 2007, p15). In-year disbursement disruptions should be avoided: '*Good Practice is that funds for year t+1 are confirmed in year t based on overall assessments of performance in year t-1 and year t up to the review*', (MFA and NORAD, 2007, p12).

Paris indicator 7 (ratio of disbursements recorded by Government to aid scheduled by donors to the government sector) shows highest scores in Tanzania (91%) and Zambia (83%).

4.7. Conditionality

Norway has not historically insisted on additional macro-economic conditionalities, given the low level of budget support. Further, the new budget support guidelines state that 'Norway is not automatically dependent on whether a country is on-track with IMF or World Bank conditionality' (MFA and NORAD, 2007, p20). Preferably conditionality should be streamlined and harmonized, e.g. through a Performance Assessment Framework (PAF) onto which all budget support donors have signed up. Norway will not support programmes that impose privatization or liberalization conditions (MFA 2007). In expanding budget support, Norway is expected to be flexible on economic

policy conditions in line with the Nordic Plus group, but to take a strong line on governance and human rights issues: The focus of the Performance Assessment Framework *'should be on overall key issues, and contribute to reducing tendencies at micro-management by international partners'* (MFA and NORAD, p1).

Other than the eligibility criteria mentioned in section 3.2.1, budget support conditionalities mainly refer to information requirements that should allow NORAD/embassy staff to make comprehensive assessments of the budget support programme (MFA and NORAD, 2007, p13-14).

The BS guidelines provides for a description of different types of graduated response mechanisms (e.g. fixed and variable tranches), without stating a preferred mode of operation (MFA and NORAD, 2007, p13). This is framed in terms of retaining flexibility and ensuring country ownership.

4.8. Policy Dialogue

Norway has not in the past been visible in the policy dialogue with the BWIs, but is expected to become more so in future, with an independent stance (see also section 4.7). *'Norway must always make its own assessment'*. (MFA and NORAD, 2007, p20)

5) AID PROCEDURES

For more information on Norwegian aid procedures see also MFA and NORAD (2005, 2006).

5.1 Conditions Precedent

Generally Norway insists on separate bank accounts but these can be managed by the Ministry of Finance of the developing country. Paris indicator 6 shows that Norway has almost no PIUs in operation, with 15 out of 19 country delegation reporting no PIUs at all.

Additional information on Norwegian conditions precedent is being assembled.

5.2 Disbursement Methods

The normal procedure for programmes presupposes advance disbursements. Generally first disbursement tranches are made on request by the developing country following the signing. Thereafter disbursement is based on semi-annual written requests for advances based on projected financial needs, as well as work plans and budgets approved by Norway, and statements of account balances. An alternative is to provide reimbursement, semi-annually or more frequently.

Funds will in general be released to to the Ministry of Finance for further transfer to the implementing agency, but disbursements may also be made directly. The Embassy may make direct disbursements to a supplier of goods and services, but this should be justified and regulated in programme documentation (MFA and NORAD, 2005, p27).

5.3 Disbursement Procedures

Information on Norwegian disbursement methods is still being assembled.

According to Paris Indicator 5a, best practice regarding the use of partner country PFM systems can be found in Colombia (100% partner country's PFM system used), Malawi (99%) and Nepal (81%).

5.4 Procurement Procedures

99.8% of Norwegian aid is untied (OECD/DAC, 2006 data). The local execution partner is responsible for conducting all procurement processes, which must respect both Norwegian and partner country regulations. (See MFA and NORAD, 2006 for more information)

According to Paris survey indicator 5b, partner country procurement system use is best in Ethiopia (100%), Vietnam (100%), Madagascar (99%) and Zambia (96%).

5.5 Coordination

As a member of the EU, Norway committed in 2005 in Paris to reduce the number of uncoordinated missions by 50%. Norway is actively pursuing alternative implementing mechanisms to improve harmonization and alignment, such as silent partnerships, as with the Netherlands in Zambia, and delegated partnerships, as in Malawi to Sweden (DAC, 2004, p15 and 33).

These examples are applications of the principles agreed by the ‘Nordic +’ group of donors, of which Norway is a member. With this group of countries, Norway has agreed on many harmonisation documents such as guidelines on delegated cooperation, and on division of labour (Nordic+, 2005, 2006).

Further in its recent budget support guidelines, the Norwegians show commitment to Harmonisation and Alignment issues. When additional audits are required, these should be preferably conducted jointly (MFA and NORAD, 2006, p15). Also, standard mid-term and end-term programme reviews should be replaced by the joint donor assessment by in-country budget support groups (where applicable). See MFA and NORAD (2006, p20).

According to Paris indicator 5a, all of Norwegian’s missions are held jointly with other development partners in Kenya and Indonesia. All analytical work (Paris indicator 5b) is done jointly in Nicaragua, Tanzania and Zambia.

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