



Evaluation of the Norwegian Petroleum-Related Assistance

**Case Studies Regarding Mozambique, Bangladesh,
East Timor and Angola**



Norad

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Abbreviations

Abbreviation	Full name	Country
International		
2D	Two dimensional	
ADB	Asian Development Bank	
BPA	banking and Payment Authorities	East Timor
BPI	Bangladesh Petroleum Institute	Bangladesh
CMOC	Context mechanism outcome configurations	
CPF	Gas processing plant	Mozambique
DAC	Development Assistance Committee (under OECD)	
DME	Department of Minerals and Energy	South Africa
DNCH	National Directorate for Coal and Hydrocarbons	Mozambique
DNE	National Directorate for Energy	Mozambique
DNPG	National Oil and Gas Directorate	East Timor
DNRMN	Ministry of Natural Resources	East Timor
DNSMA	National Directorate for Environmental Services	East Timor
DOE	Division of Environment	East Timor
DRTL	Democratic Republic of East Timor	East Timor
EIA	Environmental Impact Assessment	
EITI	Extractive Industries Transparency Initiative	
EMRD	Energy and Mineral Resources Division	Bangladesh
EMRD	Energy and Mineral Resources Directorate	East Timor
ENH	National Hydrocarbon Company	Mozambique
EPC	Exploration and Production Contract	Mozambique
FID	Final Investment Decision	East Timor
GIS	Geographical Information System	
GNP	Gross national Product	
HCU	Hydro Carbon Unit	Bangladesh
HRD	Human Resources Development	
HRM	Human Resource Management	
HSE	Health, Safety and Environment	
IFC	International Finance Corporation (part of World Bank Group)	
IFI	International financial institutions	
IDC	Industrial Development Corporation	South Africa
IMF	International Monetary Fund	
IMS	Inventory Management System	
INE	National Statistics Institute	Mozambique
INP	National Petroleum Institute	Angola
INP	National Petroleum Institute	Mozambique
IOC	International Oil Company	
JNOC	Japan National Oil company	
JPDA	Joint Petroleum development Area	East Timor
JV	Joint Venture	
MDE	Ministry of Development and Environment	East Timor
MEP	Ministry of Energy and Petroleum	Angola
MFA	Ministry of Foreign Affairs (UD)	Norway
MFCA	Ministry of Fisheries and Coastal Affairs	Norway
MICOA	Ministry of Co-ordination and Environment	Mozambique

Abbreviation	Full name	Country
International		
MINPET	Ministry of Petroleum	Angola
MIREM	Ministry of Resources and Minerals	Mozambique
MIREME	Ministry of Resources, Minerals and Energy	Mozambique
MNRMEP	Ministry of Natural Resources, Minerals and Energy Policy	East Timor
MOEMR	Ministry of Energy and Mineral Resources	Bangladesh
MoF	Ministry of Finance	Norway
MoPF	Ministry of Planning and Finance	East Timor
MoU	Memorandum of Understanding	
MPE	Ministry of Petroleum and Energy	Norway
MPEMR	Ministry of Power Energy and Mineral Resources	Bangladesh
MPME	Ministry of Primary and Mass Education	Bangladesh
NINA	Norwegian Institute for Nature Research	Norway
NOK	Norwegian kroner	
Norad	Norwegian Agency for Development Cooperation	Norway
NPCA	Norwegian Pollution Control Authority (SFT)	Norway
NPD	Norwegian Petroleum Directorate (OD)	Norway
OGED	Oil and Gas Directorate	East Timor
OPCOM	Operational Committee	East Timor
PCA	Petroleum Concession Agreement	Mozambique
PETRAD	Programme for Petroleum Administration and Development	Norway
PCP	Project Concept Paper	Bangladesh
PP	Project Proforma	Bangladesh
PPA	Petroleum Production Agreement	Mozambique
PSA	Petroleum Safety Authority (PTIL)	Norway
PSA	Production Sharing Agreement	
PSC	Production Sharing Contract	
PTD	Petroleum Tax Division	East Timor
QA	Quality Assurance	
RSA	Republic of South Africa	
SADCC	Southern African Development Coordination Conference	
SME	Small and Medium Enterprises	
SONANGOL	State Oil Company of Angola	Angola
TAC	Technical assistance Co-ordinator	angola
TAPP	Technical Assistance Project Proposal	Bangladesh
TAU	Technical and Administrative Unit	Angola
TECOM	Technical committee	East Timor
T-L	Timor Leste	East Timor
TLRS	East Timor Revenue Service	East Timor
TNA	Training Needs Assessment	
ToR	Terms of Reference	
TPDC	Tanzania Petroleum Development Corporation	Tanzania
TPP	Technical Project Proposal	Bangladesh
TSDA	Timor Sea Designated Authority	East Timor
UNDP	United Nations Development Program	
USD	United States Dollar	
WB	World Bank	

Executive Summary

1. Purpose and approach of the evaluation

Norway has decided to increase its petroleum related assistance to developing countries during the next five years and to develop and implement a new action plan for this type of assistance. Norad's evaluation department (EVAL) decided to conduct a comprehensive evaluation of earlier assistance in the petroleum sector to identify and document lessons learned, and this way to contribute to improved quality of future assistance in this sector. The evaluation has included the period from the start of the Norwegian assistance to the selected countries in the early 1980s until July 2006, and it has addressed the following key issues:

- What have been the results of the Norwegian assistance,
- Content and quality of the assistance (the input)
- Successes and challenges between Norway and the partner countries/institutions.

Two success criteria have been used for the assessments throughout the evaluation, i.e. to what extent has the assistance met:

- Specific objectives, outputs and indicators formulated for each of the programme phases.
- Objectives and aims stated in the Norwegian development co-operation policy as well as in the partner country policies and development plans.

The evaluation has been based on a case study design, in which the assistance to Mozambique was the primary case. The assistance to Bangladesh, East Timor and to some extent also Angola was to be reflected against the findings in Mozambique.

The evaluation has been based on the following sources of information:

1. written documentation from the archives at the embassies in the four countries and in Ministry of Foreign Affairs (MFA) in Oslo¹,
2. in depth interviews with key persons in the case countries and Norway,
3. a questionnaire regarding the assistance to Mozambique, used in Mozambique and Norway²,
4. site visits to partner institutions and stakeholders³.

2. General conclusions from the evaluation

The evaluation concludes that the Norwegian petroleum-related assistance has made proper use of the Norwegian petroleum sector knowledge. This has implied that the support to all of the four countries has been successful on petrotechnical capacity building issues. Less emphasis has been put on other relevant areas, such as downstream issues, petroleum economics, Health, Safety and Environment (HSE) especially regarding the external environment.

The long-term Norwegian commitment to the assistance has been important in "new" petroleum producing countries, ensuring that the basic framework has been put in place, and that basic technical training was supplied, in particular through on-the-job-training supported by resident expatriate advisers during the first periods supplemented by trainee arrangements in Norway and formal training courses in Norway and other countries.

¹ The used documents are listed in Annex 7

² The questionnaire and results are presented in Annex 5

³ Institutions and persons consulted are listed in Annex 6

The support has been less successful on the overall institutional capacity development, which has focussed on technical issues and on support for revision of the legal and on the highly important regulatory frameworks for the petroleum sector. Too little emphasis has been put on the development of managerial and administrative capacities. With its focus on one main partner institution in each country, the opportunity has also been missed of developing the capacities of the full range of institutions needed for national management of the petroleum resources.

Discussions of exit strategies have generally been missing. If exit strategies had been made, they might have contributed importantly to the efficiency and sustainability of the programmes and to a clearer focus of the assistance.

The extraordinary flexibility in the Norwegian assistance has allowed for a demand-driven approach. This has been constructively made use of in the “new” petroleum producing countries like Mozambique and East Timor, while in more mature petroleum producing countries like Bangladesh and Angola it has postponed needed decision-making and led to less efficient programme implementation.

The Norwegian Petroleum Directorate (NPD) has been the Norwegian partner for implementation of all the programmes evaluated, and initiatives within the key competence areas of NPD have been given priority in the institutional co-operation, which formed the basis of the assistance since the mid-1990s.

The evaluation has assessed the quality of the Norwegian petroleum-related assistance based on the five DAC criteria: relevance, impact, effectiveness, efficiency and sustainability. Generic conclusions are summarised below, while detailed, country specific assessments are listed in Chapter 3 and Annex 2.

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

3. External conditions

Changes in a number of external conditions have been difficult to foresee, but they have had major impact on the outcome of the Norwegian development co-operation. In particular, the rise in the oil price, which for Mozambique suddenly made the exploitation of the petroleum resources feasible, and the overall political situation such as the continuation or end of civil wars.

Other variations in so-called “external conditions” could have been predicted and as such they should have been planned for in the programme set-up, such as the educational capacity in the partner country and the lengthy processes for approving, for instance, staff increase and for revising legislation in the country.

4. Specific conclusions

a. Adherence to development co-operation policies and promotion of good governance

The Norwegian petroleum-related assistance should adhere to general Norwegian policies for the development co-operation as long as the funds used for this assistance form part of

the general budget for development co-operation. Among others this implies that the programmes should have a poverty alleviation profile, with a perspective of promoting good governance and contributing to a more equal distribution of revenue. The evaluation has concluded that the programmes seldom address poverty alleviation explicitly, although this is the corner stone of the Norwegian development co-operation policy. The explanation has been that the programmes would contribute to the economic development in general and thereby indirectly to poverty alleviation.

In many countries successful support for revision of the legal and regulatory frameworks has formed a legitimate argument for the Norwegian programmes to adhere to the principles of good governance, transparency and poverty alleviation. But these initiatives have seldom been followed by targeted efforts to ensure that the petroleum revenue enter the state budget and leads to a poverty-oriented redistribution of the resources.

b. Ownership to programme achievements and decentralised programme management

The evaluation concludes that the decentralised programme management improves the option for set up of a close dialogue with the partner institutions, both at the stage of programme preparation and during the programme implementation. This might importantly contribute to increased local ownership to better programme implementation.

The evaluation also concludes that conditions for creating proper ownership varies so much among countries that different approaches should be used for programme set up and implementation to different types of countries: Among the four countries included in the evaluation, “mature” petroleum countries like Bangladesh and Angola have a number of common characteristics for the petroleum sector set up: a strong and hierarchical public sector administrative tradition a well established national system for petroleum sector management, and a relatively low commitment to Norwegian petroleum-related assistance; while Mozambique and East Timor have opposite characteristics (or rather *had* at the outset of the programmes).

The same distinction between groups of countries seem to be useful for characterising their ability to constructively take advantage of the flexibility offered in the Norwegian assistance: Mozambique and East Timor seem to have been able to use it constructively for a needs-based development of national petroleum sector management capacities, while it for Bangladesh and Angola has tended to imply weak and in-efficient programme implementation.

For the petroleum-related Norwegian assistance to “mature” countries it is a conclusion that a clearly defined and focused assistance, i.e. a more “traditional” approach than the flexible Norwegian approach, would improve the effectiveness and efficiency of the programmes. Among others, this would help clarify in due time whether at all a sound basis exists for setting up a programme for petroleum related Norwegian assistance to the country.

c. Petrotechnical and institutional capacity development

The evaluation concludes that the strict petrotechnical capacity building in the programmes to a high extent has been successful, in particular in the “new” petroleum producing countries. Institutional capacity development has been less successful.

Different forms of training have been used throughout the programmes, and it is the conclusion that on-the-job-training by resident advisers has been very useful in the start for “new” petroleum countries; that the 8-week PETRAD training courses have been highly appreciated by the participants, but might not be cost efficient; that only little training has taken place in Norway even though a number of very suitable training institutions exist; and that regional training as well as IOC-training has been highly appreciated.

The evaluation concludes that support to petroleum-oriented higher education institutions and vocational training institutions (with the exception of the vocational training in Sumbe in Angola) have been absent in the Norwegian programme and that this priority-setting should be reassessed, in particular for countries with substantial petroleum resources. In countries where the petroleum resources are limited or where identification of petroleum resources is still unsure, it might be considered instead to focus on building the needed national capacity to manage expatriate consultants.

Proper institutional analyses (and training needs analyses) have seldom been carried out, even though one of the principal objectives for the co-operation has been institutional capacity development. The evaluation concludes that impact on institutional capacity development in particular depends on the commitment at highest policy and administrative levels and on the real needs in the partner countries for the services supplied.

d. The institutional co-operation approach and use of the Norwegian resource base

The evaluation concludes that the institutional co-operation approach is well geared towards capacity development within similar areas of responsibilities between the two co-operating institutions, while it is less useful for support to areas outside such areas. NPD has, however, demonstrated remarkable ability to identify and contract useful consultants also outside their own key competence areas.

It is also a conclusion from the evaluation that the institutional approach model works out best in “new” petroleum producing countries where the programmes are not restricted by conflicting interests of long established local stakeholders, and where there is a general need for petroleum sector capacity development.

NPD has often been put in the difficult double role as adviser to both the local partner institution and the embassy or Norad. This is not acceptable. In principle, the embassy desk officers can contract local or international consultants, or they can call on support from the technical staff of Norad. In practice, however, this facility is seldom made use of, perhaps because the systems established are too complicated. Thus, the desk officers are often left without proper technical support for the needed decision-making.

e. Control of use of funds

Cash-based audits are carried out on an annual basis by internationally recognised auditing companies (“the big four”) or well-established national companies on the use of the Norwegian funds. No indications have been found from these audits of misuse of funds.

5. Result chains, lessons learned and recommendations

“Result chains” are interpreted as descriptions of causal relationships. Such result chains are prepared for six key issues, which have been selected by the evaluation team in relation to their importance for the development of the petroleum sector and the assistance programme. Each issue is analysed regarding circumstances, mechanisms and results, with a view to identify: “What works – for whom – under what circumstances?” and “What are the lessons learned?” The lessons learned are generalisations of conclusions applicable for wider use. Recommendations are derived from the above conclusions and the lessons learned.

However, it should be kept in mind that the study covers programmes in only four countries, supplemented by reviews from another two countries. The lessons learned and the recommendations should be used with caution due to this limitation.

The result chains and lessons learned are found in Chapter 5. The recommendations for each issue are listed below:

1. Adherence to Norwegian development policy

It is recommended that ways and means of obtaining a clearer adherence with the general goals of the Norwegian development assistance are pursued in the future assistance to the petroleum sector, with focus on the sectors contribution to the general poverty alleviation through improved transparency of the use of the revenues from the sector, and efficient management of the sector.

The potential is high for the sector to contribute substantially to both the general economic development and a fairer distribution of incomes. The issue should be highlighted in the annual negotiations on General Budget Support, forming part of the discussion between donors and the partner country on pro-poor budget allocations.

2. Good governance

Good governance should be pursued at the highest political level.

Good governance may be obtained with a range of different solutions. It is important to support locally suitable measures, procedures and standards, as long as they contribute to improved governance of the sector.

It is recommended that a wide range of institutions are involved in the assistance in the partner countries, including both relevant ministries, the private sector and the civil society, with a view to secure relevance and sustainability of the assistance.

3. Local ownership

As conditions for creating proper ownership vary so much among countries, different approaches for programme set-up and implementation should be consciously used by Norad. It should at the very start of a new programme be decided whether a “flexible” or a more strict and “traditional” approach to programme planning and management will be most useful for the specific programme in this specific country.

Programmes involving authorities should only be agreed to, if they are genuinely wanted at a sufficiently high political level. In the more hierarchic systems, a very high political level is required.

If local ownership at a sufficiently high level is not obtained, the programme should be reconsidered and either redesigned or abandoned.

4. Achievements from the decentralisation to embassies

It is recommended for the desk officers to establish a close relationship to the management of the local partner institution to ensure that the management of this institution is well informed of the programme rationale, aims and progress on implementation.

To improve the functioning of the embassy desk officers it is recommended that the officers are provided with appropriate tools for lifting the task. This will include more specific programme documents, agreed upon by both parties, and containing detailed descriptions of objectives, outputs, indicators, milestones, etc, quantified and set in time.

It is recommended for the desk officers to enter into an active dialogue with the partner institution to agree on and ensure the specificity of these targets already in the draft project document.

It is further recommended that the annual consultations are used to discuss and analyse deviations from implementation plans during the previous year, and to agree on realistic action plans and budgets for the coming year.

In order to help the desk officers to lift these tasks in an informed and qualified manner, they should have flexible access to support from independent advisers or consultants. This could be Norad specialists, or private or public consultants independent of the programme, being expatriates, regional or local.

5. *Quality of petrotechnical and institutional capacity development*

It is recommended that the use of advisers is discussed case by case, with a view to define the balance between the gap-filler function and the qualified supporter to the wanted institutional capacity building. This balance should be reflected in job-description / ToR for the adviser. When selecting advisers, their trainer capabilities and experience should be part of the selection criteria.

It is further recommended that realistic institutional development plans are elaborated as part of the documents, forming the basis for training needs analyses, strategies and plans.

6. *The institutional co-operation approach*

A system should be developed for use of available NPD resources where they correspond best possible with the demands. Other consultants should be engaged for tasks, where they better match the requirements. A flexible use and mix of staff from both consultancy companies and Norwegian institutions will be needed, if the needs for advisers to the future “Oil for development” programme shall be found.

Services should be delivered within a time schedule acceptable to the local partner institution, supplied at competitive costs.

Norwegian leadership should be based on motivation of staff, realistic and operative targets, and systematic monitoring of the implementation process.

1. Introduction

Many poor countries have oil and gas resources that form an opportunity for economic development and, if properly managed, a very important basis for poverty alleviation.

For more than 30 years Norway has built up experiences on petroleum management, and many developing countries have asked for Norwegian assistance to develop their petroleum resources. Since the early 1980s Norway has therefore included the petroleum sector in the development co-operation. This co-operation has included more than 30 countries, and has amounted to approximately NOK 440 million over the 10-year period of 1994 to 2004⁴. Out of this nearly 85% was channelled to co-operation with only 10 countries.

For the period of 2006 to 2010, both the previous and the present Norwegian Government have committed themselves to development co-operation for the petroleum sector at an amount of NOK 250 million for the 5-year period. The “Oil for development” programme has further increased the Norwegian commitments, and it was therefore decided to launch an assessment of the previous co-operation with the main purpose “to contribute to quality assurance of future assistance in this sector by identifying and documenting lessons learned”.⁵

As a first step for preparation of the present evaluation, a state-of-the-art study for the Norwegian petroleum-related assistance was prepared by Norsk Energi for Norad. This study was finalised December 2005 and entitled “The Norwegian assistance to the petroleum sector”.

Among the countries which took part in the Norwegian development co-operation four were selected for the evaluation. Mozambique has by far been the biggest recipient. Therefore, the assistance to Mozambique should form the principal basis for the evaluation, to be complemented with assessments from two other countries, Angola and Bangladesh, in which the co-operation had been on-going for many years, and one country where the programme was started 5 years back, East Timor. Addressing these four countries implies that the evaluation has included more than 60% of the total Norwegian support to the petroleum sector from the early 1980s till July 2006.

The evaluation was implemented during the period of June 2006 to March 2007, and included visits to all four countries by the evaluation team. Field visit reports have been made for each visit, based on debriefing notes, which were presented and discussed in each of the countries. Statements and conclusions in this report are, however, the sole responsibility of the evaluation team.

The evaluation has been carried out by a consortium of Danish Energy Authority and Copenhagen DC, and the evaluation team would hereby like to express its gratitude for the friendliness and openness with which it has been met in all countries as well as during discussions and interviews in Norway.

⁴ The Norwegian assistance to the petroleum sector, Norad, Dec 2005, p.6

⁵ Terms of Reference for an evaluation of the Norwegian petroleum-related assistance, Norad-EVAL, Apr. 2006, p.1

2. Methodology and Approach

2.1 Key elements of the Terms of Reference for the evaluation

The main purpose of the evaluation has been to contribute to a high quality of future Norwegian assistance in the petroleum sector by identifying and documenting lessons learned. Focus has been on the quality and results of Norwegian assistance so far and reasons for successes and failures. For 3 countries, a baseline has been made regarding the performance and effects of the assistance.

The Terms of Reference (ToR) set three overall objectives for the evaluation:

- a. To document and assess to what extent Norwegian petroleum assistance has produced the anticipated results, to identify successes and challenges, to clarify reasons for why interventions have been successful or not, and to identify lessons learned by Norway and partner countries/institutions.
- b. To be forward-looking and to assess how the co-operation results can be improved by identification of strong and weak elements in the design of Norway's assistance and the planning/implementation instruments used by the Norwegian and partner institutions.
- c. To contribute to a baseline for assessments of the performance and effects of the future petroleum assistance to Mozambique, Angola and East Timor.

In addition, the ToR formulated three key evaluation questions (EQs):

1. What have been the results of Norwegian assistance to the partner country, its petroleum sector, institutions and participating staff, and for the Norwegian stakeholders?
2. The content and quality of Norwegian petroleum assistance (the input), with emphasis on: The quality of input when assessed for its relevance for the partner countries/institutions/staff, using guidelines for Norwegian development assistance and internationally accepted quality standards related to assistance to the petroleum sector.
3. What have been the successes and challenges in the relationships between Norway and partner countries/institutions, and with other donors or commercial actors?

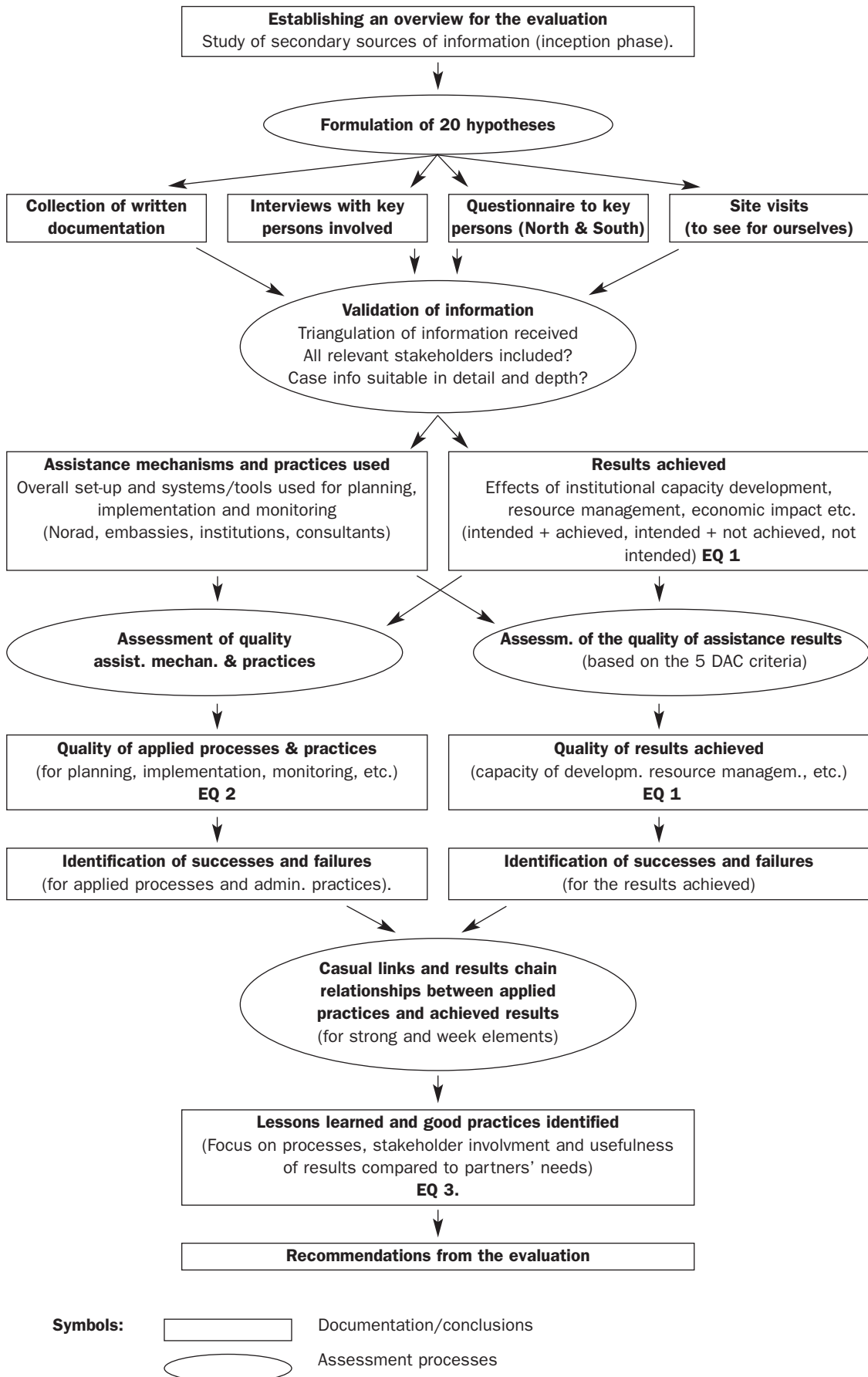
2.2 The evaluation approach

Before the evaluation, an Inception Report was prepared, describing in detail the approach to be used. The evaluation started with a visit to Mozambique followed by interviews with Norwegian key persons, before the visits to East Timor, Bangladesh and Angola. The purpose of first visiting Mozambique was to ensure that the situation in the main recipient country set the overall agenda for the evaluation as well as for the interviews in Norway, and to supply the evaluation team with such detailed knowledge of the programme implementation in a partner country that questions raised and discussed in Norway would be more relevant and focussed. The chosen approach proved useful.

Based on studies of secondary sources (e.g. reviews and the state-of-the-art study) 20 working hypotheses were formulated, ref. Annex 4. The aim was to set and maintain a clear focus for the evaluation throughout the evaluation process. The hypotheses also formed the basis of the questionnaire used for the assessment of the assistance to Mozambique.

The evaluation process is illustrated in the figure overleaf, indicating main process elements and how to respond to the three evaluation questions (EQs).

Evaluation process



Collection and validation of information

Four different means were used for collection of information:

- Written documentation formed the very basis for the evaluation. In particular, the written information was a useful source of information on activities years back.
- Interviews with key persons involved have formed another principal source of information – in particular this source has been important for information on recent activities.
- A questionnaire has been used for the collection of information in Mozambique and from expatriates (mainly Norwegian), so as to allow for comparing how nationals and expatriates perceived the same issues. The questionnaire exclusively contained “closed questions”.
- Site visits have been made to a number of institutions in the three countries of Mozambique, East Timor and Bangladesh to add visual impressions to other information.

Triangulation through comparison of information and impressions received from each of the four ways of collecting information has formed an important part of the validation of information received. Where contradictory information was received, priority was in general given to written information. As part of this validation it has also been considered to what extent all relevant stakeholders have been approached and heard, and whether the information used for the evaluation has been appropriately detailed and varied.

Comments from stakeholders to the draft report of 12/3 -2007 have been included in this report. However the team has not agreed to all comments received. An annotated overview of the comments is given in Annex 8.

Assessment of results achieved and assistance systems used

Two different groups of achieved results have been assessed:

- Petrotechnical competences and achievements, with specific focus on
 - resource assessment capacity,
 - successful preparation and implementation of international bidding rounds,
 - set-up and development of positive relationships to IOCs,
 - ability to maintain and further develop professional tools and systems.
- Institutional capacity development for the whole group of national organisations for petroleum resources management, with specific focus on:
 - ability of the group of organisations to set-up and develop rational systems of co-operation among themselves and with international partners in petroleum management,
 - development of the internal organisational capacity in the key institutions, based on the analytical framework of the Six-Box model⁶.

In addition, the Norwegian system of development assistance to the petroleum sector was assessed and compared to international standards for development co-operation procedures.

Findings were made on basis of assessment of results, and conclusions were made on basis of the findings. The conclusions focus on the quality of the petroleum related Norwegian assistance, using the five DAC-criteria as basis for the quality assessments: relevance, impact, effectiveness, efficiency and sustainability.

Identification of causal links

For the assessment of causal links and result chains, the evaluation has been based on the methodology formulated under the heading of “Realistic Evaluation”⁷. The basic principle of this approach is explained by Nick Tilley:

“Realists understand experiments in the natural sciences as the creation of conditions in which mechanisms will be activated... In the natural world, potential causal mechanism will

⁶ As described in the EC, Europe Aid guideline: Institutional assessment and capacity development, Sep. 2005

⁷ Realistic Evaluation, Ray Pawson and Nick Tilley, 1997; Realistic Evaluation: An Overview, Nick Tilley, Sept. 2000; Realistic Evaluation – Virkelighedstro Evaluering, Mikael Togeby, Dec. 2004

only be activated if the conditions are right for them... The causal potential is only released where the conditions are right for that to happen.

Realistic evaluation is simply an application of this insight to the examination of social programmes. Its concern is with understanding causal mechanisms and the conditions under which they are activated to produce specific outcomes.”

The Realistic Evaluation approach focuses on what is called “Context mechanism outcome configurations” (CMOCs), which capture the linkages between the context, the mechanism used for creating an impact, and the outcome of the process.

For the evaluation of the petroleum-related Norwegian assistance to developing countries, this approach implied that the evaluation used the Norwegian assistance to the petroleum sector in Mozambique as the basic case of the evaluation. The results from the case studies of East Timor, Bangladesh and Angola were compared with conclusions from the Mozambique study. Assessments of results and of the quality of the results achieved were made and described closely linked to the specific context in which they were achieved, and emphasis was put on the description of variations in the results as well as variations in the context in which they were achieved. The aim was to look for general patterns or dissimilarities in the results and to assess such differences in the light of different cultural, economic, and structural conditions in the partner countries as well as in the light of differences in the development co-operation context.

In the comparison of conclusions from the case studies of East Timor, Bangladesh and Angola with the conclusions from the Mozambique study, context-specific conclusions were drawn on result chains relationships regarding the following six key issues, selected by the evaluation team:

1. The quality of the Norwegian development assistance.
2. Improvements on good governance.
3. Fostering and rooting of local ownership to achievements.
4. Quality achieved from decentralisation to embassies.
5. Quality of petrotechnical and institutional capacity development.
6. Quality achieved from use of the institutional co-operation approach.

2.3 Baselines

The evaluation report has contributed to baseline descriptions for Mozambique, East Timor and Angola. Each of these baselines contains three main sections and a number of subsections:

Description of the socio-economic situation for the petroleum sector in the country around 1993 (if applicable) and 2006.

Description of the management of the national petroleum resources in each country around 1993 (if applicable) and 2006.

Assessment of the quality of the Norwegian development co-operation in 2006.

3. Results

3.1 Introductory remarks

A detailed description of the different programmes and major results achieved is presented for each of the countries studied in Annex 3.

A condensed assessment of the results against the 5 DAC criteria is presented in the table below.

Country DAC Criteria	Mozambique	Angola, Bangladesh and East Timor
Relevance	Needs-driven, stepwise approach developed a holistic and complete institutional set up for petroleum management.	Angola has focussed on relevant but not holistic elements. East Timor has built up according to needs – very relevant. Bangladesh: the scope for BPI was too narrow and relevant intentions with HCU never materialised.
Impact	The long-ranging and relatively large support to Mozambique ensured a well-functioning institutional and legal framework and feasible gas production.	Angola had the legal and regulatory framework adjusted. East Timor has had six production sharing agreements signed and a substantial petroleum fund established. Bangladesh had minor technical impacts (resource assessment).
Effectiveness	The overall aim of developing all the regulatory elements of institutional petroleum management capacity has been achieved.	Angola only completed a minor part of the planned activities. East Timor is a new programme, but first steps have been successfully completed. Bangladesh programme has had little effectiveness, missing the institution-building.
Efficiency	The support has been well timed to local needs and development, but work plans and budgets have been neglected. NPD administration costs have been high.	Angola had over-spending on administration and under-spending on implementation. East Timor has so far been cost-effective, but lack of continuity of advisers form a threat to the future efficiency. Bangladesh has seen little efficiency and high admin. costs.
Sustainability	INP is very well established: solid ownership to achievements and solid competences, financial source of income and freedom for management. ENH is actually in a financial squeeze that may threaten sustainability.	Angola: Institutional sustainability for Minpet cannot be assessed and the sustainability of the Sumbe school is dubious, as the school depends on voluntary contributions. East Timor is financially sustainable but depends on technical assistance. They claim to be ready to take over in 2011. Bangladesh: Neither BPI or HCU were sustainable institutions when the assistance stopped.

This chapter gives a condensed description of the results for each country, split in two categories, petroleum sector related results, and capacity building of the involved institutions.

Mozambique is the base case, and results achieved in the other three countries are reflected against the experience and achievements gained through the Norwegian assistance in Mozambique.

The description of results is primarily based on the written documentation, supplemented with and validated against information given at interviews in the partner countries and in Norway, and for Mozambique also against information obtained from the questionnaires. There are very few cases of contradictory information obtained from different sources. The few cases found are mentioned specifically. Lists of the institutions and persons consulted and of the written documentation are given in Annex 6 and 7 respectively.

3.2 Results, Mozambique

The Norwegian petroleum related assistance to Mozambique had a total budget for the period 1981-2005 of NOK 202 million.

3.2.1 Achievements on petroleum-related issues

The status by 2006 is that the Norwegian assistance has helped Mozambique in establishing a basis for a well-functioning petroleum sector. It can still be improved, but it works already in an efficient and transparent manner.

The main results are:

- The Mozambican institutions, ENH (National Hydrocarbon Company) and INP (National Petroleum Institute)⁸ have built up a solid knowledge about potential petroleum resources through acquisition and interpretation of seismic analyses from 1981 and onwards.
- Contracts were made in the early 1990ties with a number of International Oil Companies (IOCs) on exploration activities, including optional seismic and drilling of exploration wells. 37 wells were drilled and geological and geophysical analyses were made on the cores.
- A pilot project on use of gas in Vilanculos has been implemented in the early 1990ties.
- A new law was drafted in 1995. The new Petroleum Law was promulgated in 2001. The Law follows Mozambican standards, being an umbrella law supplemented by a number of specified regulations, which have been drafted and approved.
- Within the frame of the Petroleum Law, standard contracts and standard agreements have been developed and implemented.
- Adequate monitoring systems, largely based on self-control systems, have been established in collaboration with MICOA (Ministry of Co-ordination and Environment) and MoF (Ministry of Finance).
- A National Data Centre as well as a core-storage have been established and seem to be well-functioning.
- Negotiations have been conducted and agreements made with international oil companies (IOCs) on further exploration activities in Mozambique.
- Mozambique has conducted 2 licensing rounds.
- An agreement has been made with SASOL on production and use of the natural gas from the Pande gas field.
- The infrastructure - the pipe line and a CPF (Gas processing plant) - has been established.
- The production of natural gas started in 2004.

Certain results were not on the programme, when the activity started, but re-allocations of funds were decided at the annual meetings.

- Part of the funds for seismic analyses in the late 1980s was re-allocated to finance the relief of a blow-out, which had lasted for more than three years. The well-fire was stopped in 1991.

⁸ Formerly: DNCH – National Directorate for Coal and Hydrocarbons

- The drafting of the new Petroleum Law was not included in 1992 agreement, covering the period the 1993 – 1996, but it was decided during the annual meeting to initiate the work, and an additional agreement was made in June 1996.

Certain results are not yet achieved:

- Regarding environmental regulation, the sector has still to manage within the general environmental regulations. Recently, INP has initiated the development of a more adequate environmental regulation for the sector in collaboration with MICOA and ENH.

3.2.2 Achievements on institutional capacity development

The status is that the Norwegian assistance has helped Mozambique in developing two competent players in the petroleum sector, ENH and INP, which are able to assist the Government in achieving the political goals for the sector, in collaboration with relevant ministries.

The main achievements are:

- Adequate institutional interrelationships with the surrounding public and business sector environment have been established.
- ENH and INP have clearly formulated missions, visions and values, and the annual work-plans are related to these statements.
- ENH has established two affiliated companies, CMG and CMH with specified tasks for downstream and upstream activities, respectively.
- Capacity building programmes have secured strong professional capabilities of the staff of both INP and ENH, including CMG and CMH .
- Helpful mechanisms in the form of systems and tools for technical purposes are in place and well functioning in INP.

Certain results are not yet achieved:

- Adequate administrative systems and procedures as well as adequate management systems are not fully established and implemented.
- The forecast of production activities is not yet in place. This is especially important in relation to estimating the income generated from the sector. So far only two fields have formed the basis for production agreements, but as the sector develops, production forecasts will be of utmost importance to the budgeting process in Mozambique.
- The capacity building of MIREME and MICOA in petroleum related issues has not yet reached a sufficient level.

The capacity development achievements are evaluated against 7 criteria, of which b to g are given by the so called “Six-Box model”⁹:

a. Development of adequate institutional interrelationships

It has been clearly demonstrated in the written documentation and also stressed in a number of interviews that the relationships between the three key players for management of the petroleum sector in Mozambique, MIREME, INP and the ENH group, are very well functioning. It appears from the interviews that INP’s relations with a number of other institutions (such as Sasol and the IOCs taking part in the bidding rounds) are also fairly good. Successful co-operation with MICOA and MoF is in place. It is the impression of the team that INP pro-actively seeks to establish and maintain good working relations with other relevant institutions, especially regarding health and safety issues.

An institutionalised monitoring system for gas production is in place. Every month the operator reports to the INP on production, tax calculation and other important information. The reports are sent also to the national Tax and Auditing Authority. It is thus the impression that the systems are communicating and the monitoring ‘circle’ exists. On the basis of the

⁹ As described in the EC, Europe Aid guideline: Institutional assessment and capacity development, Sept. 2005.

operators' reports, the INP and MoF calibrate and audit the gas measuring meter every 6 months.

To some extent this good co-operation between institutions is a fruit of the Norwegian assistance as the funds have allowed for ENH and DNCH/INP to engage other institutions, such as MICOA and MoF in common workshops and even in training activities abroad.

b. Strategy of the institution (do mission and goals fit inputs and context)

It is found that over the years the institutions ENH, DNCH and INP have developed and changed responsibilities in a manner which demonstrates a wish and a willingness to adapt to new conditions and new challenges. Today all the key organisations in the sector have clearly formulated missions, visions and values, and the annual work-plans and budgets are related to these statements.

c. Institutional structure (in particular the legal, regulatory and institutional set-up)

During the interviews, the Mozambican officials have stressed the importance and usefulness of having the legal and regulatory framework in place, securing transparency and a clear division of competences between the regulatory and the commercial institutions. The Petroleum Law of 2001 and the Petroleum Regulation of 2004 are strong and useful instruments for the regulation of the sector, clarifying the roles and competences of the different institutions involved in the petroleum sector in agreement with Mozambican priorities. The usefulness of the legal framework was confirmed by the results of the questionnaires, though some found the legal set-up too complicated.

In 2006, environmental regulations for the petroleum sector were being drafted by INP in collaboration with MICOA and ENH/CMH. They are strongly requested by the sector, as the general environmental regulations are not sufficient for regulating the activities of the petroleum sector.

There has been established a suitable and useful structure of the collaboration with the MoF for measuring and reporting of the natural gas production.

d. Helpful mechanisms (systems and tools supplied for technical and managerial purposes)

When handling and interpreting geological data, it is necessary to use fairly sophisticated hardware and software. The evaluation team has been concerned with the question of whether the supplied systems were suitable for the needs of Mozambique. Though not all answers to the questionnaire have been positive regarding the systems provided, the team has been convinced from the written documentation and interviews that the systems and the tools supplied for the handling of data and other information generally have been well-related to the needs in Mozambique.

Mainly in recent years, tools for managerial purposes, such as accounting systems and routines, human resource management systems etc. have been part of the Norwegian assistance. But in general there has been little focus on general management as well as on administrative systems and procedures in the assistance programmes.

e. Rewards, incentives and skills development

The Norwegian assistance has included training, which has had many forms during the long period of the assistance. Initially the focus was on in-house guidance and support by resident advisers, combined with external courses in geological and petroleum engineering issues. These activities have been supplemented by "on-the-job-training", such as trainee arrangements in relevant sister organisations and IOCs in a wide range of countries and to some extent by Petrad. However, it has been an expressed policy of both ENH and DNCH/INP to utilize other sources for training to the extent possible, rather than using the Norwegian funds for this purpose.

Even though the training has been given to individuals, it forms part of clear priorities of the institutions. It has matched the needs for managing the systems and tools introduced. However, we find that there has been too little focus on training regarding the external environment, petroleum economy and taxation, and internal managerial issues; although we recognise that a few seminars on such issues have been conducted in Maputo as part of the programmes.

The change of DNHC into INP has implied that incentives are now available in INP, needed for recruiting and maintaining competent staff. In principle, ENH has also the autonomy to give incentives to the staff, but due to the present financial difficulties of ENH, the organisation has very limited possibilities of doing so.

There has been a resident adviser in Mozambique for 20 years, first in ENH and, after the split in 1995, in DNCH. The resident adviser has been supplemented by short-term advisers, mainly from NPD. Since late 2003, only short term advisers have been hired for specific tasks, either from NPD's pool of advisers or from specialised consulting companies. The advisers have been both gap fillers and trainers for the Mozambican staff. Through interviews much praise has been given to training achieved through the daily collaboration with the advisers, though not all advisers have been able to share their knowledge in a proper way.

f. Overall set-up and leadership for the institutional development

The evaluation team has not been able to get a clear picture of how much emphasis the Norwegian assistance has put on managerial aspects of the involved institutions and to what extent it has contributed to the development of the managerial aspects of the institutions.

g. Internal relationships

INP has managed to establish a relatively flat structure, where the staff increasingly is trained in working across the organisation, when needed.

It is the impression that ENH is still relatively top-heavy with a long distance from the management to the staff.

In the process of stream-lining the organisation to the function as a purely commercial company, ENH has established two focused and lean affiliated companies for upstream and downstream activities. However, the effectiveness of ENH regarding negotiating new contracts is hampered by its reduced possibilities of processing seismic and other data.

3.2.3 Quality of results assessed against the DAC criteria

Relevance

The needs-driven "step-wise" approach to developing ENH and DNCH/INP (as an alternative to a strategically planned approach) has proved to be highly useful in the sense that the support for development of the organisations has corresponded very well to the needs. It also seems that a clear strategic focus has been set and maintained by the management of ENH and later of DNCH/INP, which has led to a fairly holistic and complete institutional set-up for management of the petroleum sector in Mozambique.

The overall issues addressed by the Norwegian assistance programmes have focused on relevant issues at the different stages of the development of the sector, initially focusing on improving the knowledge of petroleum resources in Mozambique and the capability of the Mozambican specialists in acquisition and analyses of seismic data and resource assessment. When required, the assistance shifted to an up-dating of the legal basis for the sector, as well as assistance to negotiations. INP has by now developed capability to take charge of conducting highly complex international negotiations. Since ENH was defined as a purely commercial

company in 1998, Norway has limited its assistance to issues regarding ENH's functions as a commercial company.

Impact

Norwegian assistance has been very long-ranging and of a substantial size. Through the Norwegian assistance, Mozambique has established a well-functioning legal and regulatory framework. It has contributed to establishing an institutional and contractual set-up for the gas exploration and production, which has made foreign investments in the sector lucrative and at the same time secured a fair share of the incomes to the Mozambican state in the form of 5 % royalty gas and a 30 % option for participation in the production licences. INP has taken charge of sustaining the further development of the sector. DNCH/INP has successfully conducted two licensing rounds and INP is preparing a third round, with a limited need for external assistance. ENH has managed to establish itself as a commercial company and a relevant player in the market. However, present financial constraints limit its capability of fully exploiting the option for a 30 % participation in new or increased production.

Effectiveness

The Norwegian effort to strengthen the three institutions ENH, DNCH and now the INP has succeeded in developing important elements of institutional capacity for management of the petroleum sector in Mozambique. The main purpose of the programmes has thereby been achieved.

INP is a young organisation with a relatively large share of young staff, which needs specialised education in petroleum related issues. At times, the effectiveness is limited due to the absence of staff on training. ENH is an older organisation, which is in a process of cutting down on staff in areas, that are no longer relevant, and on stream-lining the organisation to the function as a purely commercial company. However, the effectiveness of ENH regarding negotiating new contracts may be hindered by its reduced access to seismic and other data.

Efficiency

The assistance has been fairly efficient, as the support has been well timed to local needs and the systems delivered have had a degree of complexity, which has been suitable to the actual needs of the partner institutions. However, there has been a significant lack of adherence to agreed work-plans and budgets, and this ad hoc administration may have led to a less efficient use of funds.

In the later years, the funds used for administration by NPD seem to have grown significantly, indicating reduced efficiency. INP is a lean organisation of which the management has a focus on keeping costs down. ENH has had certain problems in accounting according to Norwegian principles, resulting in delays and misunderstandings. However, there is no indication of misuse of funds, as stated in audit reports from well-known international auditors.

Sustainability

The INP staff takes ownership to all aspects of the results achieved – both at management level and at technical level. This is an important precondition for ensuring the long-term sustainability of INP. Further it seems that the role of INP defined in the legal framework, combined with the freedom for organisational management, achieved through the restructuring of DNCH into INP, has contributed importantly to ensuring that the institution will be both institutionally and financially sustainable. The technical competencies established within INP seem to be solid and so well rooted that they seem to be not only sustainable, but also able to further develop and maintain contacts to state-of-the-art knowledge within the petroleum sector world-wide. The ENH is in a more complex situation. The organisation is defined as a fully commercial state-owned company. But the incomes are foreseen to materialise only in 2008. There is no doubt to the evaluation team that ENH has developed important skills in petroleum-related issues during the many years of collaboration with Norway. However, there

may be a risk that key staff will look for more attractive jobs in international companies, who are establishing themselves in Mozambique.

3.2.4 The context

In the sixties, natural gas resources were found in Mozambique in the Inhambane Province, but gas was at that time of limited commercial interest. After independence, Mozambique received support from Russia for development of the petroleum sector. The hope was to find oil. The Russians mainly operated in onshore areas. Therefore, when Norway initiated the assistance to the petroleum sector in 1983, the effort was concentrated on offshore areas, general capacity building and solving of specific tasks.

ENH was the responsible organisation in Mozambique, closely related to Ministry of Resources and Minerals (MIREM)¹⁰. For the first ten years of collaboration with Norway, ENH had the same director, who had a clear picture of what he wanted to achieve from the assistance in order to develop the sector. During the evaluation, the first director of ENH was interviewed. He gave a picture of a fruitful collaboration based on trust and the will to build up a solid knowledge about the potential petroleum resources, with a view to use such resources for the general economical development of the country.

Norway continued to supply a long-term resident adviser for totally 20 years, supplemented with short to medium-term advisers on specific tasks. The Norwegian Petroleum Directorate (NPD) supplied a number of the advisers, but also experts from private companies were engaged.

During the first ten years, ENH managed to establish a solid knowledge of the geological structures. Unfortunately this did not lead to new findings of oil and gas. Due to the poor results regarding new findings, and low world-market prices, the IOCs cut down on their exploration activities in 1992. The difficulties caused by the civil war are also mentioned as a reason for their withdrawal though, as reported during interviews, the civil war never caused severe damage to the activities.

However, there was a growing interest for utilizing natural gas commercially. In the last years of apartheid, South Africa (RSA) was subject to boycotting by a large part of the international community, and looked for new sources of energy for its industry. About 1990 negotiations started about export of gas through a pipeline to RSA. Also a small pilot project on use of gas in Vilanculos was investigated by the World Bank (WB), based on Norwegian funds. The pilot project was implemented with Norwegian assistance.

In 1992, Mozambique decided to split ENH into two by establishing the National Directorate for Coal and Hydrocarbons (DNCH) for regulatory purposes and keeping commercial activities in ENH. This led to an organisational set-up much like NPD in Norway. DNCH started functioning by 1995. However, the existing Petroleum Law of 1981 stated the right of ENH to keep full responsibility of both commercial and regulatory functions. DNCH, therefore, initiated the drafting of a new law in 1995, assisted by a Norwegian legal adviser. The first draft was made within a few months. The process of finalising the law took more than 5 years. The new Petroleum Law was promulgated in 2001.

The principle of the Petroleum Law is to secure the frame for a transparent and fair regulation of the sector. The format of the law follows Mozambican standards, being an umbrella law supplemented by a number of specified regulations. Within the frame of the Petroleum Law, standard contracts and standard agreements have been developed and implemented. Most sources are very positive regarding the law, but a number of people answering the questionnaire express the opinion that it is more complicated than needed. Still, the evaluation team is

¹⁰ Now: MIREME, Ministry of Resources, Minerals and Energy

convinced that the regulatory framework established will facilitate transparency and good governance of the sector.

Recently, INP has initiated the development of an environmental regulation for the sector. The work is performed in collaboration with among others MICOA, who will be responsible for processing the approval of the regulation. NDP and the Norwegian Petroleum Safety Authority (PSA) are supporting the process.

It has been stated in the written documentation and confirmed during interviews that adequate systems for technical monitoring of the gas production have been established in collaboration with MICOA and MoF. The monitoring of the private companies operating in the sector is to a large extent based on self-control systems, like in Norway and other advanced countries.

After the establishment of DNCH in 1995, the Norwegian assistance to ENH was reduced to supporting ENH in becoming a fully commercial company. By 2004 DNCH was transformed into an autonomous institute, the National Petroleum Institute (INP). INP resumed full responsibility of the Data Centre and all other regulatory functions, while EHN concentrated on commercial issues.

The successful outcome of the Norwegian assistance has depended on the fact that the exploration of the gas resources in Inhambane province proved to be commercially feasible.

3.3 Results, Angola

The Norwegian petroleum related assistance to Angola had total budget for the period 1987 - 2005 of NOK 67.5 million.

3.3.1 Achievements on petroleum related issues

Detailed documentation available at the embassy in Luanda covers only the period during which the Norwegian embassy has existed in Luanda, from 1998 and onwards. In addition a few documents are available at the embassy concerning the previous period (in particular until 1990), originating either the archives in Windhoek in Namibia or from the former consulate in Luanda. This sets strict limits to the details of description of the Norwegian assistance until start of 1998.

In the Field Study Report¹¹, the description of assistance before 1998 has to a high extent leaned upon the mid-term review report from 2004, elaborated by the Bridge Group, as this report supplies a number of relatively systematic and specific information. However, major parts of this report were challenged by both the Minpet, the Norwegian embassy in Luanda and the NPD.

The main reported results are:

- A new petroleum law was drafted in 1992, and promulgated in 2002.
- Feasibility assessment of petroleum resources, by NOPEC.
- A study by Kvaerner on options for LNG/LPG storage (Cryogenic Storage Terminal) north of Luanda (the study was not well received).
- Provisional assessment of Angola's petroleum resources by NOPEC/Petec.
- Environmental and safety regulations, including regulations on metering and bunkering initiated.
- Revision of standard Production Sharing Agreement model (PSA), focussed on Environment, HSE, petroleum operations, downstream regulations and local content.

Certain results were not on the programme, when the activity started, but re-allocations of funds were decided at the annual meetings.

¹¹ Ref. Annex 9

- Downstream activities given higher priority than initially anticipated.
- Establishment of IT telecommunication facilities.

Certain results are not yet achieved:

- A number of results were not achieved mainly regarding the institutional model and petroleum management issues.

3.3.2 Achievements on institutional capacity building

The main results are:

- The support for adjustment of the legal and regulatory framework was an important contribution to the institutional capacity building for the petroleum-related institutions in Angola.
- General training at Petrad's 8-weeks courses and English training;

Certain results are not yet achieved:

- A Management Information System was not implemented as planned due to lack of basic knowledge in the use of computer systems.

3.3.3 The context

During the 1980s, the development co-operation was based on a contract with a Norwegian consultancy company (Norconsult) regarding provision of a long-term Technical Assistance Co-ordinator (TAC) to support the programme as well as short-term consultancy assistance; training of Angolan staff; and management and backstopping services in Norway. In September 1993 Norad suggested to replace this set-up with an "institutional co-operation" approach, having the Minpet and the NPD as co-operating institutions, as Minpet and NPD were similar institutions with similar tasks. It was explicitly stated that there should be a plan for possible inclusion of Sonangol in the programme, if need be.

Different Norwegian groups of private sector companies were involved in the petroleum sector development in Angola. However, both the representatives of the companies and the Norwegian embassy firmly stated the need for a clear and strict separation of these two different ways of co-operation with the Angolan partner institutions.

During the annual meeting in 1994 it was agreed that Sonangol's monopoly both upstream and downstream was the main obstacle to changing the Angolan legislation, and it was also decided that the future prime objective should be training.

Even though Norway has supported Minpet for more than 20 years a systematic institutional analysis has never been carried out, and expatriate consultants have not been given proper access to assessment of the strong and weak aspects of the institution. Neither has a systematic assessment of the Training Needs of Minpet ever been set through.

Since it took over the role as institutional co-operation partner, NPD has faced a number of difficulties and challenges for instance concerning relation-building of the Minpet management, proper understanding of the cultural context, the "language barrier", and in relation to fulfilling its role as institutional co-operation partner.

3.3.4 Quality of results assessed against the DAC criteria:

Relevance

The objective of capacity development for Minpet as a means to improve the balance with Sonangol was relevant by the start of the assistance in the late 1980s. The specific support for development and approval of a revised legal and regulatory framework for the petroleum sector has been very relevant, but it has been indicated that the approved framework is still not fully adhered to.

Impact

The principal impact of the programme should be institutional development of Minpet. However, during almost 20 years of support to Minpet, the project never made an assessment of Minpet or of the training needs at Minpet. As such it is impossible to assess to what extent the programme over these 20 years has had an impact, or whether this impact has been positive or negative. The programme has, however, made one essential impact: the support has helped produce a draft for a legal and regulatory framework for the petroleum sector in Angola, which has later on been approved.

The present support to INP in Sumbe seems to have an important positive impact, but this only forms a very little part of the programme.

Effectiveness

In general, budgets for implementing programme activities have been seriously under-spent, and less than half of the planned activities have been completed, partly or fully. This is a clear indication of lack of effectiveness. Due to the loosely formulated Project Documents and to the highly “flexible” programme implementation approach, it has been impossible to set up an adequate system for monitoring and evaluation. This has complicated assessments of effectiveness.

Efficiency

The over-spending on administration since the mid 1990s indicates a lack of efficiency.

Sustainability

Some sustainability has been achieved through the revised legal framework, which was established with substantial support from the programme. No matter whether this framework is fully used or not, this is an important contribution to building the needed systems for management of the petroleum sector in Angola, and it will also in the future, when new adjustments of the legal framework will be needed, form an important basis for the oil sector management system.

The sustainability of the support to INP in Sumbe may be questioned as to a high extent it is based on voluntary contributions in kind (in particular in form of supply of teachers and trainers) from private oil companies.

3.3.5 Comparison with the assistance to Mozambique

A crucial difference from the assistance programme in Mozambique is the lack of commitment to the programme at high level in the local partner institution. In a strictly hierarchical system like the one in Angola this implies that proper priority-setting is not made for the programme activities, neither at the time of planning or implementation. Coupled with lack of staff and a booming development in the petroleum sector this increases the problems for successful programme implementation.

In addition, the programme was set up within an environment where substantial petroleum exploitation already took place and where the national systems and institutions were therefore already fairly well established. As a consequence, adjustment of the legal and regulatory framework for the sector led to difficult negotiations on distribution of powers and to a lengthy approval process, and the willingness of the partner institution to allow for and contribute to a thorough assessment of institutional capacity development needs for Minpet has not been achieved – even after 20 years of support for the capacity building of the institution.

In such an environment it seems that time and energy is spent on fights over share of power and control rather than on forward-looking needs and demands for proper regulation by the group of national petroleum-sector institutions. This seriously confines the perspective for Norwegian support to the sector.

3.4 Results, Bangladesh

The Norwegian petroleum related assistance to Bangladesh had total budget for the period 1986 -2005 of NOK 30 million, as NOK 16 million was allocated for BPI for the years 1986 - 1996 and NOK 14 million for HCU for the years 1996 - 2005.

3.4.1 Achievements on petroleum related issues

The status by 2006 is that BPI (Bangladesh Petroleum Institute) functions as a training institute and a data centre, and that HCU (Hydro Carbon Unit) has been incorporated in ministry. The director is highly competent in petroleum issues, while the technical key staff has mostly been replaced by generalists.

The main results are:

- BPI's maintained and developed its training activities. By 1996, 112 courses had been conducted with about 2000 participants; this included some specific training courses conducted in collaboration with PETRAD in Dhaka.
- BPI had established a centre for seismic analyses and reservoir analyses, based on computers and training supplied by Norad. However, the results were limited due to a very unstable supply of data.
- A computerised data storage and mapping system was established and maintained.
- BPI participated in a number of research studies on geological and geophysical issues in collaboration with University of Dhaka and Trondheim University.
- HCU produced a resource assessment, which was the first comprehensive oil and natural gas assessment of the country (2001)
- HCU revised the assessment of the natural gas resources in 2003, and produces monthly updates of the actual production and of the remaining reserves.
- Econ produced a Gas Utility Study of 2002, based on input from HCU. This was the first overview of possibilities to utilise Bangladesh's natural gas resources.
- The Gas Utility Study was revised and updated in 2004 in a Phase II. The Phase II study has been a basic input in the recent World Bank Gas Master Plan, which was approved by the government in November 2006.
- HCU drafted a number of analyses and reports, including the report Guidelines for Exploration and Development Strategy of 2005, which forms the basis for a new strategy in the Ministry of Power, Energy and Mineral Resources (MPEMR).

Certain results are not achieved:

- The activity of BPI focused strongly on geophysical issues based on seismic analyses, while production surveillance, forecasts, well analyses, petroleum economics and environmental issues seem to have been left out.
- BPI did apparently not deliver advisory studies to the ministry.
- HCU did not manage to be recognised as the upstream regulator, though it was stated in the TAPP that HCU should "supervise" private sector activities.
- Environmental issues seem to have been given no priority.

3.4.2 Achievements on institutional capacity building

When the Norwegian assistance to BPI terminated in 1996, almost all professional staff had left the organisation. Those who returned to Petrobangla brought their skills along. Similarly when the direct assistance to HCU terminated in 2005, almost all professional staff had left, some for positions in Petrobangla, others retired and started as private consultants. However, a number of achievements had been made during the project periods.

The main achievements are:

- BPI acquired skills in conducting training in petroleum related issues.
- BPI acquired skills in seismic analyses and resource analyses.
- BPI had a capability sufficient for taking part in research projects in collaboration with national and international universities.

- HCU was mainly staffed with competent geologists and engineers, on leave from Petrobangla. During the project period their skills developed further in areas like geological analyses, resource assessments, and production forecasts.
- HCU developed skills in conducting highly sophisticated analyses regarding the development of the petroleum sector.

Results not achieved were:

- BPI seems not to have achieved skills in production surveillance, forecasts, well analyses, petroleum economics and environmental issues.
- HCU did apparently not achieve skills in environment related issues

The capacity development achievements are evaluated against 7 criteria:

a. Development of adequate institutional interrelationships with the surrounding public and business sector environment

BPI was recognised as the only training centre for the sector, and both Petrobangla and private operators sent their staff for training. BPI was also the only centre in Bangladesh, which could perform seismic analyses. The services were reported to be useful for the sector in general. Regarding data analyses, BPI did not manage to establish a fruitful collaboration with Petrobangla during the project period.

The evaluation has shown that HCU was supplying Ministry of Energy and mineral resources (MOEMR)¹² and Petrobangla with important information and a number of sophisticated analyses. HCU was seen also by the IOCs as a competent and highly respected institution.

b. Strategy of the institution (do missions and goals fit inputs and context)

It was an aim of BPI to focus on training, research, establishment of a data centre and giving advice to the MOEMR. The organisation did not have a clear strategy for reaching these goals, and the direction of the activities was very much dependent on the resident adviser, who was a geophysicist. According to written documentation this meant that important areas, like production surveillance, environmental issues and petroleum economics were omitted.

In contrast, HCU developed a clear strategy of providing high-class analyses in order to prove its value for the sector in general and the ministry in particular. In order to pursue this strategy, HCU emphasised training as instrumental for building the necessary capacity.

c. Institutional structure (in particular the legal, regulatory and institutional set-up)

The legal structure of 1974 did not support the functions of BPI and later of HCU. However, the Petroleum Law was not revised during the period of direct Norwegian assistance.

It was foreseen in the TAPP¹³ for HCU that the funding of the organisation would be based on funding from the Production Sharing Contracts (PSC). These contracts were negotiated by Petrobangla. There is no documentation showing any attempts to have the issue of securing provisions for financing HCU secured in the PSCs. However, it was reported that to-day, BPI is partly funded via the PSCs' training obligations.

d. Helpful mechanisms (systems and tools supplied for technical and managerial purposes)

Computers were supplied to BPI for seismic interpretation and data storage. The equipment was being reported to be useful and sufficient. There were some problems in maintaining the systems, as it was difficult to get hold of spare parts. At a visit to BPI the evaluation team was informed that some of the computers were still in use. During the project period,

¹² Now: Ministry of Power, Energy and Mineral Resources (MPEMR)

¹³ TAPP: Technical Assistance Project Proposal, formerly: Project Proforma (PP)

the use of the computers was reduced due to low and unstable availability of data from Petrobangla. With the sole focus on geophysics, the organisation was very vulnerable to this situation. - Computers and software supplied to HCU for resource assessments were also appreciated in interviews as useful and sufficient. The data-base programmes supplied are still in use.

e. Rewards, incentives and skills

The resource base in Bangladesh is limited. This was experienced already by BPI, who had difficulties in hiring sufficient staff. With the intention to secure high qualifications of the staff, it was specifically mentioned in the TAPP for HCU that the staff “should be offered attractive salary different from the National Pay Scale.” However, the project partners never managed to find a long-term and sustainable solution to the institutional set-up, securing a salary and advancement structure, which would allow HCU to recruit and maintain a sufficient number of well-qualified geologists, reservoir engineers and other specialist staff, needed for the survival as an institution of high professional standard.

f. Overall set-up and leadership for the institutional development

BPI suffered for long periods with management problems due to the fact that the director was working part time. The position was seen as prestigious, but with hardly any salary. The active engagement of the director seems to have been equally low. HCU was benefited with a highly skilled and dedicated management.

g. Internal relationships

The management problems of BPI, combined with staff, who often had to have several jobs because of low salaries, resulted in an organisation losing momentum.

HCU established a core of highly qualified staff, who collaborated fruitfully with the management, and kept momentum even during the period when there was a change of management.

3.4.3 The context

The Norwegian assistance to Bangladesh was in the first period directed towards BPI which had been established in 1979 as an office of Petrobangla with the objective to be a training centre for Petrobangla and a competence centre, serving the needs of Ministry of Energy and Mineral Resources (MOEMR) and the state owned oil company, Petrobangla. Most of the staff, including the director, came from Petrobangla. Till 1984 BPI was funded by UNDP. In 1985 BPI was formalised as a development project under MOEMR.

A government to government agreement on Norwegian assistance to PBI was signed in June 1986 with a budget of NOK 23 million. However, due to Bangladeshi decision procedures regarding the Project Proforma (PP), the project only started two years later with a budget of NOK 16 million¹⁴. The project period had been planned to be three years. But funds were not used as fast as planned, so the project period was prolonged twice. The project terminated in 1996.

During the project period, BPI's training activities, which had been initiated before the Norad funded project, were maintained and further developed. The training activities were seen by BPI as the basic function of the Institute. – In 1995 BPI constructed a new building with training facilities.

BPI developed a capacity in performing seismic analyses and reservoir analyses, being the only centre in Bangladesh which could perform such analyses, which formerly had been bought abroad. However, for long periods BPI did not receive the relevant data from

¹⁴ This was formally confirmed in a Revised Agreement of 17 June 1996.

Petrobangla. The results were limited because of prolonged discussions with Petrobangla about availability of data. Only in relative short periods in 1990-1992, the collaboration went smoothly.

The autonomy of BPI was challenged by Petrobangla, and Norad and NPD struggled to secure the independence of BPI¹⁵. Petrobangla answered back by blocking the flow of seismic data to BPI.

For years NORAD refused almost any dialogue with Petrobangla, until January 1995 when it was finally decided to include Petrobangla in the Steering Committee of BPI. In the autumn 1996 BPI was re-integrated in Petrobangla, based on a Government decision. By that time the Norwegian assistance had terminated and almost all staff had left BPI, which was working at a much reduced scale.

Norad decided to continue the assistance to the petroleum sector in Bangladesh, but turned towards HCU as the partner institution. An agreement was signed in November 1997 on support to HCU with an allocation of NOK 8.55 million and an additional grant of NOK 5.553 million in 2003. The assistance period was prolonged to 2005.

Also this project started with serious delays. Half a year elapsed before a solution was found securing “attractive salaries”. This was done by changing the status of HCU from being a unit in the ministry to be a “project”, thus allowing for salaries to exceed the public sector levels. However, due to governmental salary regulations, HCU was – being a project - hit by big difficulties in getting the qualified staff released from their posts, if they were already sitting in government positions. About one year elapsed before this problem was solved and the project could start. The set-up of HCU in parallel to the formal public sector system turned out to be crucial for the sustainability of the achieved capacity development as well as for the responsibilities assigned to HCU.

According to the IOCs, HCU’s role as “think tank” and as provider of data and statistics for the sector as a whole has been a significant improvement. Petrobangla has also utilised the analyses and statistics. In 2006, it was decided to incorporate HCU into the MPEMR again. By then almost all specialist staff had left HCU.

3.4.4 Quality of results assessed against the DAC criteria

Relevance

The results achieved by BPI regarding its training activity for the sector, seismic analyses and the establishment of a geological data storage were relevant for Bangladesh. However, the scope of the capacity building seems to have been too narrow, focusing on geological and geophysical analyses, while HCU had a broader view.

The intention to establish HCU as the technical arm of MPEMR was highly relevant, and HCU has managed to deliver a number of results, which have been useful for the ministry’s policy development and for the development of the sector. The analyses elaborated by HCU have generally been used by the ministry and the sector. The intention - as stated in the TAPP - of making HCU the regulator of the upstream sector was highly relevant, as well. But HCU was never allowed to assume this role. In this respect the project failed.

Impact

The impact of the assistance to BPI was limited due to the prolonged conflicts regarding the role and position of BPI. However it must be assumed that the training conducted by BPI has had an impact on the sector, as these activities are still being maintained. The seismic analyses were reported to be useful for both Petrobangla and the IOCs.

¹⁵ For details, ref. Annex 3.

The technical output delivered by HCU, in the form of studies and analyses, has been an important input to the development of the sector. The resource assessments have been used for new licensing rounds, and the gas utility study is reflected in the new WB natural gas master plan.

Effectiveness

The assistance to BPI can be seen as effective to the extent that the organisation is still building on competences achieved and systems supplied during the years of Norwegian assistance.

For several years, the capacity building of HCU and among the HCU staff seemed very promising. HCU managed to use the Norwegian assistance in such a way, that the HCU staff was able to conduct “second generation” studies with limited expatriate support - mainly for coaching and quality assurance. However by the end of the project, little has been left of this capacity in HCU, as all the technical key specialists have left the organisation.

Efficiency

The assistance to BPI can hardly be seen as efficient, as the project was prolonged from initially 3 years to almost 10 years, without all planned tasks being fulfilled. The project was almost on stand-by for long periods. The project was also hampered by delayed travel permissions to staff selected for training abroad.

There were serious delays in the first phases of the assistance to HCU. But when the project finally started, the HCU seems to have been capable of benefiting from the assistance in an efficient manner, with highly motivated staff and a steep learning curve. However, delays partly due to lack of capacity in NPD and an apparent reluctance to find advisers outside NPD, as well as the high administration costs for the project indicate that the NPD support and the use of expatriate staff have been expensive and not always efficient.

Sustainability

By the end of the project periods, neither BPI (in 1996) nor HCU (in 2006) can be seen as sustainable. However, BPI has proved an ability to survive and develop into a sustainable organisation with a focused target, and a seemingly healthy economic basis.

HCU was changed into a “project”, in order to solve a salary problem, but this implied that HCU was transformed into an institution parallel to the MOEMR. In 2006 HCU has been re-incorporated into the ministry, and will survive as a department. It is yet to be seen, if HCU will manage to retrieve its position as a highly capable institution in the petroleum sector in Bangladesh. The knowledgeable people are available. The issue is whether the ministry is able to attract them. When incorporated as part of the ministry and thus with the obligation to follow public rules for employment and salaries, almost all the capacitated staff have left or are supposed to leave HCU, and thus only systems (hardware and software) will prevail, but without the needed competences of staff to utilise them and to further develop the capacity of HCU.

3.4.5 Comparison with the assistance to Mozambique

There are major differences in the development of the assistance to Bangladesh compared with Mozambique. First of all, production of natural gas had already started in Bangladesh before the assistance started. A powerful state owned petroleum company, Petrobangla, had been established. Petrobangla fought for keeping its legal responsibilities - even if these might not be compatible with the principles of transparency and good governance. Norad was not in dialogue with Petrobangla, while in Mozambique, Norad had collaborated with EHN, which also for many years held both commercial and regulatory functions.

In Mozambique, Norad supplied long-term resident advisers for about 20 years, securing the development of trust and common understandings - while in Bangladesh the assistance has

been much more ad-hoc, apart from the period 1991-93 in which a long term adviser was working with BPI. It has obviously been difficult to develop a common understanding of the goals and objectives of the assistance, causing much frustration.

But neither of the two programmes have had a clear exit-strategy, securing sustainability of the achievements gained, after completion of the Norwegian assistance to specific organisations, i.e. the ENH in Mozambique and the HCU in Bangladesh.

3.5 Results, East Timor

The Norwegian petroleum related assistance to East Timor for the period 2002-2008 amounts to NOK 50 million.

3.5.1 Achievements on petroleum related issues

The evaluation has revealed a well-functioning, but technical assistance dependant sector which now can focus on capacity building and further sector development.

The main results are:

- Rules and regulations have been established, especially regulations for bidding rounds.
- A macroeconomic framework has been created, including a petroleum fund.
- Two major reviews and 2 bidding rounds have been conducted.
- Negotiations were completed with TSDA and Australia on certain maritime arrangements for the Timor Sea Designated Area.

Certain results are still to be achieved:

- Further regulatory work, e.g. environmental regulations of the sector, regulations in connection with onshore activities, drilling regulations, HSE etc.
- Recruiting and capacity building of Timorese staff.

3.5.2 Achievements on institutional capacity building

The programme has focused on broad capacity building in the following institutions and subdivisions in the public sector petroleum administration:

- The Ministry of Natural Resources, Minerals and Energy Policy
- The Banking and Payment Authority
- The Petroleum Tax Division
- East Timor Revenue Service
- TSDA, the bi-jointly Australian/East-Timorese authority

a) Development of adequate institutional interrelationships with the surrounding public and business sector environment

As the sector is the main generator for national income, it is being supervised from the highest political level. The assistance focuses on all the key institutions and thereby it facilitates collaboration between relevant institutions.

b) Strategy of the institution (do missions and goals fit inputs and context)

It is that aim of the institution to maintain expatriate advisers to the extent needed, and in parallel educate young Timorese to take over at a later stage. Therefore capacity building has included university scholarships for young Timorese, of whom the first will graduate next year, petrotechnical workshops, technological and petroleum management training, and on-the-job training provided by the resident advisers and by the IOCs. However, due to the limited human capital base East Timor will for a long period of time remain dependent on technical assistance from abroad.

c) Institutional structure (in particular the legal, regulatory and institutional set-up)

Relevant regulations have been established supporting the development of the sector. But

in a number of areas regulations still remain to be produced and approved.

d) *Helpful mechanisms (systems and tools supplied for technical and managerial purposes)*

Present residential manager and the NPD coordinator have structured the activities in a well-structured project management framework.

e) *Rewards, incentives and skills*

East Timor has not yet developed a system securing the right people at the right place at the right time. Being dependent on expatriate staff on key functions, typically on 1-year contracts only, it is very necessary to develop agreements and systems, which can secure that the institutional knowledge can be developed and maintained, even if the staff changes too often.

f) *Overall set-up and leadership for the institutional development*

Even though a number of HRD activities have been carried out, capacity building and institutional development have not really taken place up till now.

g. *Internal relationships*

Not assessed due to the system of frequently changing staff.

3.5.3 *The context*

Petroleum has been found in the shelf between Australia and East Timor. East Timor has the rights to 90 % of the petroleum resources of the Joint Petroleum Development Area (JPDA) according to the Timor Sea Treaty between Australia and East Timor.

A joint administration has been established with Australia, the TDSA (Timor Sea Designated Authority). The offices of the TDSA were until recently split between Darwin, Australia and Dili, East Timor. However, the two offices have completed an office merger by the summer of 2006, moving all its personnel and activities to Dili. TDSA will become the largest petroleum organization in East Timor, with a staff of 50 civil servants. As part of the assistance Norway paid the salary of the managing director of TDSA for the first couple of years. This payment was not directly a part of the programme, but established in parallel to the programme. The Norwegian director has successfully been replaced by a local Timorese official.

Expectations are that East Timor will have its main national income from the petroleum sector within a few years time. East Timor therefore needs an administration to supervise this sector without bindings to other sovereign countries such as in the JPDA. Already during the first years of Norwegian support, East Timor entered into contracts regarding exploration within East Timor sovereign off-shore area.

Since it was foreseen that UN funding of advisors in East Timor largely would come to an end in 2003, the East Timor government analysed that an adapted Norwegian administrative model including the set-up of the transparent administration ending in disbursement of revenues from a sustainable petroleum fund called The Norwegian+ Fund, would be the best solution for the country.

A major element in the context is that East Timor has very few educated people. It is difficult to get counterparts with relevant basic training to educate into the highly specialised positions of the sector.

The development of the sector is based on expatriate staff, and it is expected to remain so for the next many years, however, paid by the East Timorese budget.

The Norwegian assistance focuses on a number of partner organisations, i.e. Ministry of Natural Resources, Minerals and Energy Policy (MNRMEP) and its Oil Gas and Energy

Directorate (OGED), Ministry of Planning and Finance (MoPF) and Banking and Payment Authority (BPA).

3.5.4 Quality of results assessed against the DAC criteria

Relevance

The overall issues addressed by the Norwegian assistance programmes seem to have focused on relevant issues at the different stages of the development of the sector. Initially the emphasis was on solving specific tasks such as establishing institutions with qualified people, mostly being expatriates, on starting basic office training of local personnel together with solving urgent tasks, and on having the sector established as soon as possible to secure an income for the new nation. Later, the assistance focused on development of the legal and regulatory framework as well as standard contracts securing transparency and good governance of the sector.

Impact

There is already a significant impact of the assistance. In a very short time span, 6 production sharing contracts have been signed. East Timor was the prime example mentioned, when EITI was initiated.

By the end of 2006 the petroleum fund has reached USD 1 billion, allowing an inflow to the state budget of USD 30 million.

Effectiveness

The project has developed through a series of steps. The first steps of awarding contracts have been effective. Now the challenge is to build capacity so that the Timorese can carry out the future rounds and supervise petroleum activities in an effective manner.

Efficiency

Until now the project has been cost-effective. When relating to the impact, it is the impression that the money spent has been relatively limited compared to similar projects. The fact that the NPD project coordinator has been the same throughout the project has had a very positive effect on efficiency. However, there is a high risk that the project may miss out on efficiency, due to the lack of continuity of the advisers, who generally work on 1 year contracts.

Sustainability

With a Petroleum Fund USD 1 billion, which is foreseen to be sustained at not less than least USD 12 billion in the future, the system is financially sustainable.

However, there will be a need for technical assistance for a long period of time. In the years to come, East Timor's ability to administer relevant assistance is crucial for the maintenance of the sector at an acceptable level of good governance. It is the expressed expectation by the project manager that sustainability will be lost, if the project is not extended until 2011. By extending the project, the full circle (exploration, development, production and abandonment) will have been conducted. However, this does not imply that the Timorese are ready to take over the running of the sector by 2011. Only by preparing an exit strategy, in which advisers are paid by East Timor and by focusing more on managerial capacity building rather than technical, the administrative system will continue to be sustainable.

It is important that the transparent local recruitment procedure is sustained due to the tradition in East Timor to favour relationships above professional qualifications, when appointments are made.

3.5.5 Comparison with the assistance to Mozambique

The assistance to East Timor differs mainly in the size, including a number of partner organisations and an equivalent number of resident advisers.

It differs also in the very short term engagement by the advisers with contracts of generally not more than one year, while in Mozambique, the advisers remained for many years having the opportunity to build up a solid knowledge of the country and its culture.

The choice of Norway - and the "Norwegian Model" - is made deliberately by the Timorese government – but the planning and implementation of the assistance is to a high extent donor driven, due to the shortage of Timorese staff. However, the sector is being developed under a clear guidance and in a close dialogue with the Timorese top-political level.

3.6 Socio-economic impact

3.6.1 Socio-economic impact, Mozambique

The team has not found any systematic assessments of the socio-economic impact of the Norwegian Support in Mozambique.

However, there are certain indicators of the impact of the development of the sector. For example, the World Bank has estimated that during the construction phase, the SASOL natural gas project created about 3,000 jobs of which about 1,000 were for Mozambican nationals, while in the production phase the natural gas project only to a limited extent contributes to the direct employment, due to the character of the production. Also the construction of the Vilanculos pilot project created employment. Furthermore, the natural gas supply facilitates the development of an industrial sector in Mozambique, and consequently to the employment.

The petroleum sector is foreseen to significantly impact the socio-economic development because of increasing fiscal contributions from natural gas projects to the national budget. At the annual meeting 2003, the project director of NPD mentioned that the sales of natural gas are estimated to contribute with an initial 25 % increase of the growth of the GNP. Furthermore, the tax authorities have expressed the point of view that the downstream gas utilisation in Mozambique is big enough/ready for introduction of the same utility/consumer tax as applies for related products. This implies that part of the benefits from liberalising the gas sector is being included in the national budget.

By assisting the development of a legal set-up for the petroleum sector that secures national interests, where revenues are channelled into the national budget, the Norwegian support has assisted Mozambique in creating a situation, where the sector may contribute not only to the general economic growth but also to reduction in poverty and income inequality, if the revenue is used for sustaining pro-poor expenditures.

However, the full benefit from the petroleum sector development to the socio-economic development is not guaranteed. The legal set-up for the petroleum sector allows the Mozambican state to participate with 30 % in the production licenses. CMH, an affiliate of ENH, is responsible for this. CMH has very limited funds, which means that the investment capital has to be obtained from financial institutions. During the first production license, CMH managed to raise capital covering only 25 % and leave the remaining 5 % to IFC, which was an IFC precondition for the loan agreement. SASOL is at present planning to increase the production, but it is not yet clear to what extent CMH will manage to raise its share of 30 % of the additional investment capital needed for this expansion. Similarly, CMH does not have a financial capacity allowing the company to secure the state's interests, if new findings result in a major increase in the natural gas production.

In order to get the full economic benefit of the support, it is necessary that accessibility of venture capital is improved for the involved state-owned companies.

3.6.2 Socio-economic impact, Angola

The need for competent Angolans in the petroleum sector will be very big in the future, and there is a growing awareness both among national civil servants, IOCs and donors for the need to prioritise proper education to much broader groups.

In addition, Angola has put much emphasis on employment creation of Angolans in relation to the petroleum exploration and exploitation contracts with expatriate companies, and a proper public sector regulation has been approved, forcing the companies to such inclusion of “local content” in the contracts.

3.6.3 Socio-economic impact, Bangladesh

The state is also harvesting a surplus from the petroleum sector through the price-regulations, even to such an extent that it is difficult for Petrobangla to operate in an optimal manner because of financial constraints.

3.6.4 Socio-economic impact, East Timor

The development of the petroleum sector has had a major socio-economic impact in East Timor through the creation of a Petroleum Fund, which is expected to be sustained at USD 12 billion, with an inflow to the national budget of 3% of the Funds actual capital per year. By 2006, the Fund has reached a size of USD 1 billion.

3.7 Regional aspects of assistance to the petroleum sector

In addition to the bilateral development co-operation programmes, Norad has also supported the regional SADCC programme in Southern Africa for the set up and development of a Technical and Administrative Unit (TAU) for the energy and petroleum sector (coal, hydro-power, petroleum and energy planning). The secretariat for this sector co-ordination unit (the TAU) has been set up in Luanda, and since it was established in 1983, Norad has been the major donor. For the period 1983 - 1997, the Norwegian allocations have amounted to totally NOK 117.5 million, covering both the petroleum sector and the power supply sector.

Almost all the funding has been used for employment of staff, an overwhelming part for expatriates. The principal objectives for these expatriates have been to train local staff and to attract additional funding from other donors through elaboration of attractive project proposals. At a certain moment the African Development Bank (AfdB) committed a major funding but it was later on withdrawn. Apart from this, funding has been attracted for only 13 minor projects.

By end 1999 it was decided among the SADC members to transform the TAU into an energy secretariat for the SADC commission, still to be placed physically in Luanda. To what extent there will be a sustainable outcome of the Norwegian support to TAU first of all depends on whether the SADC member countries will be able to agree on and raise the necessary funds for the running costs of the secretariat.

4. Policy and procedures for the Norwegian assistance

4.1 Introduction

The Norwegian development co-operation policies set the overall framework for the planning and implementation of the Norwegian petroleum-related assistance. The Norwegian manuals on how to implement the assistance and how to divide responsibilities between different groups of MFA (Ministry of Foreign Affairs) and Norad staff specify the operational procedures for implementation of the policy.

In the following, the programmes assessed in Mozambique, Bangladesh, East Timor and Angola will be described and assessed, trying to extract the generic and the specific characteristics. The characteristics will, to the extent possible, also be assessed in the light of documentation made available of the Norwegian assistance to the petroleum sector in Nigeria and Vietnam.

4.2 Adherence to Norwegian development co-operation policy

4.2.1 Goals of the Norwegian development co-operation

The overall goals of the Norwegian development co-operation are to achieve durable improvements of the economic, social and political conditions for the population in the developing countries, with specific emphasis on ensuring that the support will benefit the poorest. In the early 1990s a number of cross-cutting issues were added to this policy basis for the development co-operation, among others concerning environment, gender equality and good governance. As a general rule these policies have been reflected in the choice of partner countries for development co-operation as well as in the sectors chosen for Norwegian support.

In the recent document “The Strategy of Norad – against 2010”¹⁶, three areas are indicated as specific priority areas under the overall priority of poverty alleviation:

- Natural resource management, with special emphasis on good governance and sustainability.
- Equality, inclusion and economic rights.
- Conflict-sensitive development co-operation and peace-building.

Specific reference to the “Oil for development – programme” is made under the first of these priority areas, stating that the emphasis should be on anti-corruption, and on a just and transparent distribution of resources and revenues.

Improved transparency in the flow of funds is one example of better governance practices. Another is the approval of a legal and regulatory framework for the petroleum sector, which separates areas of conflicting interests and allows for transparency in administrative processes and flow of funds.

4.2.2 Findings from partner countries

In all four countries visited, poverty alleviation has been addressed indirectly, assuming that increased economic revenues from better management of the petroleum resources will lead to improved living conditions for the poor. Norwegian support to revising the legal and regulatory framework has been an important approach to improving the basis of good governance in the petroleum sector, and it has been successful in three out of the four countries.

¹⁶ Norads strategi mot 2010, Norad, May 2006, p. 10

Mozambique

In 1992, Mozambique decided to separate the commercial and regulatory interests in ENH by establishing a directorate, DNCH, with regulatory functions, and Norad decided to focus the assistance on building proper technical and institutional capacity in DNCH to ensure proper management of the sector. This included development of a new legal framework and close involvement of the Ministry of Finance in the revenue collection process. In 1998, ENH was formally established as a public enterprise, responsible for the commercial petroleum interests. Since then the Norwegian support to ENH has been confined to ad-hoc assistance.

The solid rooting of the Norwegian development co-operation with Mozambique has, after many years of co-operation, contributed importantly to the successful development in Mozambique. In ENH and DNCH this has ensured competent management and has built the trust between the national and the expatriate partners.

Bangladesh, East Timor and Angola

To a high extent East Timor has been able to benefit from these positive experiences when setting up their system for petroleum sector management and regulation. However, the educational national basis for recruitment of staff is so little that the country for many years will have to rely on expatriate experts for the national oil/gas sector management. This poses a threat to the sustainability of the results achieved.

In Bangladesh and Angola, institutional set-up and control of the regulatory functions have been important issues for discussion in relation to the planning of the Norwegian assistance. In Bangladesh, the Norwegian programmes tried twice to support institutions (BPI and HCU) with the objective that they should take over the control of the regulatory functions from Petrobangla, but without success.

Instead, BPI now focuses on its initial role of being a national training institute for the petroleum sector, achieving this without Norwegian support, but building on the competences and the equipment, which formed part of the Norwegian support up to 1996. After being set up as a project (a “parallel institution” to the ministry) for a period of time, HCU has now again been included in the proper ministry. This has had the effect that the key HCU staff has left the organisation because public sector employment conditions are not attractive. As a consequence, HCU will only be able to fulfil a small part of the functions initially foreseen and the institutional capacity achieved has almost disappeared.

Also in Angola the issue of separating the regulatory functions from the state oil company, Sonangol, was discussed for a long time. These functions were established as self-control within Sonangol’s responsibility, because the ministry, Minpet, did not have the necessary technical and institutional capacity to cope with the regulation, and as sole concessionaire, Sonangol included the regulatory functions in the PSAs. A revision of the legal and regulatory framework for the petroleum sector in Angola was supported by Norway. The outcome was a compromise, which allows for existing contracts to continue on the existing basis while an option has been made in new contracts for joint venture companies (offering a 51 % option for Sonangol). Although inclusion of Sonangol in the Norwegian programme was discussed for years among the Norwegian partner institutions, this never materialised. Minpet did not want such involvement.

Like Petrobangla in Bangladesh, Sonangol is well established and has been responsible for both the commercial management and the regulatory functions for the national petroleum sector. In addition, these institutions are both politically and economically very well connected and powerful, they employ the most competent staff in the national petroleum sector and they pay them well. It has been argued that until the necessary competence is properly established and rooted in the ministries, it is less risky to continue with the regulatory functions in the hands of the national oil companies than to transfer them to un-experienced ministries.

However, for the sake of good governance promotion, it is important that a separation of commercial interests and regulatory powers takes place in one way or the other.

Compared to the experience from Mozambique, the context in Bangladesh and Angola was different, in particular in two respects:

- For a long time substantial and highly lucrative petroleum resources had been exploited in Bangladesh and Angola, creating a technically experienced staff in Petrobangla and Sonangol, who benefited from favourable employment conditions and were influential and politically well connected.
- This had been on-going long before Norway initiated its petroleum-related support to these countries.

Norway never established a close relationship to Petrobangla or to Sonangol. Instead, the Norwegian support focussed on BPI/HCU and Minpet, i.e. organisations which have had only limited impact on the petroleum sector management.

In East Timor it seems that the aim for poverty alleviation is real as a sustainable monetary fund is created for that purpose (called “Norway, model +”).

Nigeria

The Norwegian petroleum-oriented assistance to Nigeria has had both success and failures. When the support focussed on specific issues, such as training and support to specialised areas, a review of the programme¹⁷ stated that these specialised focal areas have been successful, and it is recommended that future assistance to mature petroleum producing nations like Nigeria should:

1. Reduce the scope of the programme and focus on areas of Norwegian core competence.
2. Include only areas of explicit key strategic importance for the recipient partner organisation.
3. Increase the requirement for counterpart funding from the recipient partner organisation.

It is argued that this will ensure the important high-level management support in the partner country and improve the effectiveness of the programme. The conclusions seem to match well with the experiences from Bangladesh and Angola.

Vietnam

The Norwegian petroleum-related assistance to Vietnam has focused on HSE in PetroVietnam. A review of the programme¹⁸ stated that the relevance and effectiveness of the project has been high.

The conclusions of the report confirm the conclusions drawn from the Nigeria review that in countries with strong state-owned petroleum companies it is possible to achieve successful results on the condition that the programme is focused on highly specific issues of great importance for the company. Furthermore it was confirmed that the design of the programme is important to secure success. This conclusion seems to match well with the conclusions from the other countries.

4.2.3 Conclusions regarding fulfilment of the development co-operation policies

From the countries visited, it can be concluded that the results on promotion of good governance be concluded that:

- It is difficult for the Norwegian petroleum sector support to ensure that revenues from the petroleum sector are channelled to the social sectors.
- A focus on support for improvement of the legal and regulatory frameworks in the partner

¹⁷ Review of Development Co-operation between Norway and Nigeria in the Petroleum Sector, Bridge Group, Mar. 2006

¹⁸ Development of Management Systems on Safety and Working Environment and Pollution Control in the Vietnamese Petroleum Industry, The Bridge Group, October 2006.

countries has been very successful in the Norwegian programmes in countries where this has been requested by the Government.

- In partner countries where exploitation of petroleum is relatively new, the division of economic and regulatory powers has succeeded, and so has the successful co-ordination with the Ministry of Finance to ensure transparent procedures for flow of revenues.
- A long-term presence in countries during which trust and relationships have developed further improves the possibility of promoting good governance.
- In mature petroleum producing countries, the Norwegian support will have more effect if:
 1. It is based on Norwegian core competences.
 2. It is of strategic importance to the partner country.
 3. It is co-funded by the partner country.
- Successful support for improved co-operation between different ministries involved in the petroleum sector management as well as between departments of such institutions tends to promote good governance through efficiency of administration, transparency of flow of funds and openness towards change.

As concerns the cross-cutting issue of gender equality, the petroleum-related Norwegian assistance programmes have hardly touched upon this issue. As for the issue of environment, the programmes have only recently included this aspect, for instance in the programme for support to HSE in Vietnam and Angola, and the focus in Mozambique on drafting – in co-operation with the ministry of environment - a regulation for the environmental management of the consequences of the petroleum exploitation. HIV/Aids policies in connection with the petroleum activities have not been included in any of the examined programmes, even though the programmes involve relocation of sizeable work-forces, and thereby a known risk of a dramatic spreading of HIV/Aids.

4.3 Procedures for development co-operation

In addition to the policies for Norwegian development co-operation, a number of Norwegian procedures exist for how to implement the development assistance.

Until the mid 1990s, development co-operation programmes were managed by Norad out of Oslo headquarters. The embassies (where such existed) and the local consulates supported Norad fulfilling this task, but decision-making on all major issues came from Norway. The responsible Norad desk officers were supported by contracted private consultants, and by contracted long-term resident advisers who were permanently based in the partner country.

During interviews with former resident advisers it was stated that the resident advisers referred to and were subordinated the partner institution management, but they also had an obligation to report to the Norad desk officer on a regular basis. In practical terms the resident advisers functioned as the “extended arm and eye” of the desk officer. In particular during the first years of a new programme, the long-term resident advisers were expected to importantly contribute to on-the-job-training as well as to support the partner institution management on strategic decisions, and very often they ended up in a gap-filler like position, in particular in the least developed countries. Later on the role shifted gradually to that of helping to identify and to contract the specialists needed to supply targeted training and advice to the partner institution on a needs-driven basis. However, in many cases the resident adviser continued as gap-filler and as personal adviser to the management for a very long time, being considered by the partner institution management as very useful additional staff, who was available free of charge.

In the mid 1990s, when the decentralisation to embassy level was set through, these policies and procedures changed. New procedures were formulated as rules and put forward in Manuals for Norad’s Development Co-operation. The first manual was launched in 1994¹⁹. It sets out the rules for division of responsibilities between the different parts of Norad for how

¹⁹ Manual for programme and project cycle management, Norad, Mar. 1994

to co-operate among themselves and with the partner countries. Together with the two specific handbooks on “The Logical Framework Approach, Norad, 1993” and “Evaluation of Development Assistance, MFA 1994”, the manual sets out the basic principles and procedures for the bilateral Norwegian development co-operation. Updated versions of the manual have been published by Norad approximately every 4 years since then, recurrently adjusting the procedures.

In broad terms the principles of the manual, including the division of responsibilities between the operational and technical departments of Norad have remained the same since 1994. The principles are based on overall decentralisation of competences to embassy level, on Norad-Headquarter (the regional departments) to approve the key mandates before the embassy staff commits Norway to specific programme activities, and on supply of technical support on request from the technical departments of Norad to the field offices at the embassies.

4.4 The programming phase

4.4.1 The programming phase, Norwegian procedures

In the 1994 Manual, the process and distribution of responsibilities for the “early and decision-making phases of the project cycle” include the following elements:

1. Norad receives a request for support from the partner country.
2. Norad approves in principle to support the programme.
3. A Norad regional department endorses a mandate for furthering the proposal.
4. The partner country prepares a Draft Programme Document.
5. Norad appraises the draft programme document (field office at the embassy is responsible) and on this basis it decides on recommendation or rejection of the proposal.
6. MFA delegates to Norad to approve allocations for a specific programme.
7. Field office staff prepares Appropriation Document and Draft Country-to-Country Agreement.
8. Norad director approves the programme on this basis, on advise from an Advisory Forum.
9. Field office staff negotiates final adjustments of programme document and signs agreement.

Support from the technical departments of Norad as well as from the Legal Affairs Section may be solicited all way through this process of preparation by the field office as well as by the regional department staff. The regional department must be involved if decisions regarding the programme preparation concern principles for the development co-operation.

In the 1994 Manual it is a clearly stated principle that the “detailed planning, implementation and reporting is the responsibility of the partner country and the partner country institutions”²⁰. This implies that the partner country, after a request for a programme has been positively received by Norad and after a close dialogue on the basic principles and conditions for Norwegian funding has taken place, will draft a Programme Document. There is not a Norwegian demand for this document to be drafted in a specific format, but it is stated that “a certain minimum of planning must be carried out to gain Norwegian support”, and that “Norad may, upon request, provide financial and/or technical assistance to the partner during the planning process”²¹. It is emphasised, however, that “Norad is not to do the planning on behalf of the partner. Professional advice should be solicited from independent consultants/institutions”²².

The field office staff at the embassy is responsible for the whole programme preparation process, needing only approval from Norad–Oslo (the regional department) for mandates for programme preparation and for negotiation of country-to-country agreement. The regional departments (or the Director General of Norad) must approve the draft appropriation docu-

²⁰ Manual for programme and project cycle management, Norad, Mar. 1994, p. 7

²¹ Same, p. 8

²² Same, p. 16

ment. This leaves substantial flexibility to the field offices at the embassies for dialogue with the partner institutions throughout the full programme preparation process.

4.4.2 The programming phase, findings

General findings

In Mozambique, Bangladesh and Angola, the project documents did not contain sufficiently specific objectives and outputs. They contained a general description of the situation, but neither proper analyses of the problems to be addressed, nor of the stakeholders and their interests, or of risks and assumptions. The documents did not contain milestones, indicators or other means for specification of targets for programme achievements, which to a reasonable degree could be guiding the project implementation and supply a basis for systematic monitoring and management of implementation of the programme.

The programme appraisals found in the archives have not made up for the shortcomings of the project documents, and as a consequence the final appropriation documents and the country-to-country agreements lack specific outputs as well as milestones and operational indicators for programme implementation. In addition, project documents and appraisals lacked risk assessments and analysis of how to mitigate possible deviations from the foreseen implementation patterns. Considering that the programmes concern the petroleum sector, in which a number of essential conditions are rapidly shifting, this is a risky way of planning large programmes.

The evaluation team found no project documents or appraisals which had made use of basic analytic tools referred to in the Norwegian Manual for programme and project cycle management already in 1994, such as Logical Framework Analysis (LFA), or for instance, tools for stakeholder analyses, institutional analyses, risk analyses, scenario analyses, Training Needs Assessment, or other similar tools. For Angola, it was mentioned that the appraisal, which took place during autumn 2006 included elaboration of a LFA for the new programme phase 2006 – 2009, elaborated by a Norwegian consultant on the initiative of the embassy in Luanda.

2009

The long-ranging Norwegian co-operation with the Mozambican petroleum sector institutions seems to have “paid off” very positively. It is the largest of the programmes, with a total budget for the period 1981 to 2005 of NOK 202 million. Even though project documents and appraisals have been unspecific, a highly constructive dialogue has been established between Norwegian embassy staff, expatriate consultants, and the Mozambican partners. This has led to a very positive development and capacity building within the Mozambican institutions responsible for management of the national petroleum resources and to a high ownership by the Mozambican institutions of all the major results achieved.

Angola

The Norwegian assistance to Angola has been equally long-ranging, and it has all way through supported Minpet. For the years 1983-1997, it summed up to NOK 67.5 million. Programme documents have been highly unspecific, and a number of components have been included which were never requested by Minpet. This has led to a low rate of component implementation (in the programme for 2000-2003, only 16 out of 38 main activities were fully or partly fulfilled), allowing for Minpet to focus on components of real priority, but at the same time making programme planning, monitoring and management almost impossible. Minpet always opposed an external institutional analysis, and the programmes have in general been unrealistic concerning Minpet’s implementing capacity, among others because commitment to the programme by Minpet’s high-level management was never achieved. A new programme has just been approved for the period 2006-2009 bringing the total up to NOK 94.5 million.

Bangladesh

In Bangladesh, the Norwegian assistance has been almost as long-ranging as in Mozambique, but of a much more limited size, with a total budget for the period 1986 to 2005 of NOK 30 million. In Bangladesh, Norad took over the task of supporting BPI after UNDP. The project suffered from severe differences between the Bangladeshi partners and Norad/NPD in the understanding of the objectives of the project and of the correct decision-making regarding the implementation of the project. In 1996 Norad decided to support the new institution HCU instead of continuing the support for BPI, based on a project description made by a Norwegian consultant. However, the report did not contain a proper analysis of the conflicting interests in the sector and of the question, whether at all it was the right programme to start.

East Timor

The petroleum programme in East Timor has only been on-going for 5 years. The budget for the period 2002-2008 amounts to NOK 50 million. Here the local ownership is undisputed. East Timor politicians supported by expatriate advisers selected the elements of set-up of the petroleum sector, they liked best. This linked up closely with the Norwegian experience, and resulted in a programme in which the necessary institutions were created, mostly with expatriate staff, but with high commitment even up to the level of the minister. Today a long-term process of training of local staff and capacity building has started.

4.4.3 Programming phase, conclusions

A consequence of the general lack of specific outputs, milestones and indicators is that the staff at the Norwegian embassies being responsible for implementing the programmes and for ensuring that stated objectives and outputs are achieved, is put in a very difficult situation: On the basis of a very “loose” country-to-country agreement, the staff is responsible for annual meetings with the partner country institutions, which are supposed to formulate operational and specific targets for the programme implementation, without having reference points from the country-to-country agreement to lean against. This opens for all sorts of haphazard planning, and it does not support the set-up of a useful monitoring and management system for the programme.

The problems are systemic and should be dealt with as such. Basically it is a political choice to leave over the responsibility for programme formulation and implementation completely to the partner country institution and hope for proper co-operation, or as another extreme to set-up strict control and risk that ownership to the programme is lost. There are, however, also approaches that mix the two extremes, and it could be an option to use one approach for countries with a track record for constructive co-operation and dialogue, and another for countries where the dialogue is less open and the rationale for choices seems to be less clear.

However, the use of LFA or other tools will not in itself be a guarantee for a proper quality of the project documents or ensure an adequate basis for programme implementation, but it will help raise relevant questions for clarification and contribute to a more systematic approach both to programme formulation and implementation.

4.5 The implementation phase

4.5.1 The implementation phase, Norwegian procedures

According to the 1994 Manual, the “follow-up and completion phases of the project cycle” include the following principal elements:

1. The partner will establish a monitoring system to provide Norad with necessary information.
2. The field office staff ensures that partner reporting is fulfilled, assessed and used.
3. Annual meetings are held with participation of the partner institution(s) and Norad (the field office staff will normally represent Norad), based on:
 1. Partner’s progress report, statement on accounts, audit report, revised work plan and budget.

2. A mandate note elaborated by the field office staff.
4. Agreed minutes from the meeting are elaborated by the field office staff.
5. A special report is elaborated by field office staff and sent to regional department for comments.
6. Field office staff is responsible for initiating pre-programmed reviews and the partner and Norad can take initiative to initiate additional reviews.
7. Field office staff is responsible for assessment of review reports and for preparing a summary.
8. A number of details on disbursement of funds.
9. Upon receipt of last annual progress report, field office staff shall summarise all documentation, conclude upon this and communicate conclusions to the partner institution(s).
10. Field office or regional department may decide to have an end review carried out.
11. Field office staff shall prepare a completion report and submit it to the regional department for approval.

Support from the technical departments as well as from the Legal Affairs Section can be solicited all way through this process by the field office as well as by the regional department. If decisions concerning programme preparation concern principles for the development co-operation, the regional department must be involved.

Later versions of the Manual are based on the same principles of division of responsibilities and tasks, but they contain more details. The 2002 version of the Manual²³ clarifies that:

- The partner is fully responsible for implementing the programme.
- The embassy is responsible for ensuring that the programme is run according to defined goals and objectives and that other obligations of the Government-to-Government agreement are complied with.
- Norad-Oslo's responsibility is to monitor the implementation and provide agreed technical and financial assistance. The monitoring tools are specified: "Reviews of progress reports, statement of accounts, audit reports and other commissioned reports, site visits, reviews and formative process research".

In this version of the Manual it has also been clarified that "reviews, formative processes and evaluations are the main tools for following up a programme". They should "assess achievements in the light of planned objectives, to identify measures for improved management and increased accountability"²⁴.

4.5.2 The implementation phase, findings

The majority of the problems of the implementation phase links back to the shortcomings of the planning phase, first of all to lack of genuine analyses of the problem to be dealt with and lack of stakeholder analyses, but also to the unclear objectives, outputs and indicators, and thereby to the lack of a proper basis for monitoring and management of the implementation process.

The difficulties stemming from the inappropriate planning phase are aggravated by the fact that the responsibility for the implementation is left over to embassy staff that will normally not have technical knowledge or experience from the petroleum sector. This staff is put in a difficult position without the necessary means and support to adequately manage the programme and to live up to their responsibilities. The embassy staff may call on Norad's technical staff for support, but from the countries visited we have only seen few examples of this.

If embassy staff needs technical consultation or advice, they have leant against the NPD. From this fact we draw the conclusion that a common practice within the embassy staff has developed, calling only seldom on Norad headquarter support.

²³ Norad's Development Co-operation Manual, Mar. 2002, p. 19

²⁴ Same, p. 28

There are four key elements to support the programme implementation:

1. The annual meetings, including the preparation and the follow-up of the meetings.
2. The set-up and implementation of a monitoring system to supply management information.
3. The implementation of reviews of the programme.
4. The daily co-operation between the institutional co-operation partners.

The annual meetings between embassy, Norad and partners are the cornerstone for detailed and recurrent programme monitoring, adjustment and management. In particular the preparation for the meetings is important – both the preparation by the partner institution elaborating the progress report and the statement of accounts, and the preparation by the embassy of a mandate note.

The visits to the countries have revealed that it is generally not the local partner institutions who prepare the progress report and budgets. It has been the Norwegian partner institution NPD, who has done the work. This may lead to better and more detailed documents, but the idea of the partner institution assuming ownership to the programme disappears. And as to financial statements (and auditing) there has in a number of countries been confusion as to what system to use as a basis for the accounting, the “cash principle” or the “commitment principle”. It has been concluded that accounts should include both, but there seems to be a need for this clarification in the Manual for Development Co-operation.

It has been an issue in a number of the countries that budgets for implementation have been under-spent, while at the same time budgets for administration and support have been over-spent. This is an indication of low programme efficiency and of too high costs for programme administration (up to 40% of the budgets one review stated). The under-spending also indicates that planning has been too optimistic as concerns the implementing capacity of the partner institutions.

In Angola and Bangladesh, the under-spending on implementation has increased because the partner institutions have decided to give up a substantial part of the components foreseen and earlier agreed upon, or for different reasons to implement them at a slower pace. The flexible approach has given the freedom for the partner institution to thoroughly reallocate funds within the budget.

NPD and embassy staff have responded to these problems by leaning against the extended flexibility allowed for in the Norwegian approach, and NPD has even underscored the crucial importance of this flexibility as a means to accommodate shifting external conditions for the programme implementation. In some of the countries evaluated this has led to lack of a strategic focus, both for the programme and for its sub-components.

The set-up and implementation of a monitoring system is the responsibility of the partner institution. Logically, this is well in line with the overall aim to ensure ownership and to hand over responsibility and day-to day management to the partner institution, but in practice the partner institutions are far too weak to fulfil this role. The Norwegian co-operation institution, NPD, is supposed to support the partners with this task, but the strength of NPD staff is petroleum-technical competences, and most of the staff has little experience with management, monitoring and institutional development.

The implementation of reviews seems to be a “golden opportunity” for consultants, external to the very small group of expatriates who are normally involved in a programme, to contribute with a “second opinion”. From the countries visited, it has been evident that the reviews have been introducing new visions to the programmes and putting up issues for discussion.

4.5.3 *The implementation phase, conclusions*

Considering that reviews take place only once or twice per decade the programmes might benefit from additional involvement of either Norad technical experts or private consultants.

The daily dialogue between the institutional co-operation partners is the very basis for the programme implementation. To a high extent this co-operation has been successful concerning NPD key competence areas, but NPD has also in many cases successfully recruited local, Norwegian and international consultants to promote and support the programme activities within areas outside their own specific competences.

Some important elements of institutional capacity development have, however, been only vaguely addressed, such as management support and long-sighted considerations for holistic institutional capacity building, including also the development of proper relationship to other important stakeholders in the petroleum sector development and management.

Also the issues of HSE and petroleum economics seem to have been neglected, and the focus on downstream activities has only been involved in the programmes after pressure from the partner country institutions.

However, the successful focus on Norwegian support for development of the legal and regulatory framework of administration of the petroleum sector in most of the countries should be emphasized. This has probably been the most successful sub-component in Mozambique, Angola and East Timor.

4.6 **The institutional co-operation approach**

4.6.1 *The principles for institutional co-operation*

Until the mid-1990s, the Norad-Oslo was the principal responsible of the development co-operation, and this co-operation was mainly based on contracting of consultancy companies (mainly Norwegian) and individual consultants.

Parallel with the decentralisation to embassy level, a major shift took place in the use of consultants in the mid-1990s. The overall aim was to use Norwegian technical competences as much as possible where it existed and was internationally competitive. An element of this new approach was to use public sector institutions within sectors where such public sector institutions had comparative advantages. The petroleum sector was one of the sectors chosen for this approach.

NPD had already taken part in the development co-operation in a number of countries during the 1980s, supplying services to Norad based on their specific knowledge and competences gained from the Norwegian petroleum sector. Since the mid-1990s there has been a substantial increase in the involvement of NPD staff in the Norwegian development co-operation, and contracts have been made by Norad and NPD, which committed NPD to make available a specified number of man-months per year for implementation of development assistance projects.

In 2001, the focus on institutional co-operation within selected sectors led to the formulation of a “Guide for Institutional Co-operation”, published by Norad²⁵. This guide sets the overall framework for the institutional co-operation. In the introductory definition, the guide states that “the institutional co-operation is not an end in itself, but an instrument of institutional development”, “to enable it (the partner institution) to meet its responsibilities in a sustainable, targeted and efficient manner”²⁶.

²⁵ Guide for Institutional Co-operation, Norad 2001

²⁶ Same, p. 6

Six objectives were formulated for the institutional co-operation approach, of which the three most relevant for the support to the petroleum sector are the following²⁷:

- To strengthen professional, organisational and management capacities of the co-operation partners.
- To improve efficiency in the implementation of development activities in priority countries through the development of human resources and organisational capacity.
- To promote administrative development and good governance.

Preconditions were listed for successful institutional co-operation, among others:

- The co-operation should result from an initiative by the partner in the priority country.
- The recipient should not be given the impression that co-operation with Norwegian institution(s) is a precondition for Norwegian development co-operation.
- Clear and long-term development targets should be established.
- The institution in the recipient country has had the freedom to select the partner, which it considers most suitable for long-term co-operation.

These preconditions are ideal ones, but it should nevertheless be a matter of concern that these 4 (out of 13) preconditions are generally not met by the institutional co-operation in the petroleum sector.

Since the mid-1990s, the institutional co-operation initiative introduced a new balance between the three key competences for consultancy to development co-operation:

- Strict petrotechnical knowledge and experience relevant for the assistance.
- Competence and experience on institutional capacity development in a developing country.
- Cultural knowledge and experience from cross-cultural co-operation and dialogue.

With the new institutional co-operation approach the weight shifted from cross cultural understanding and experience of institutional capacity development towards the petroleum-technical and petroleum-administrative competences, which were the comparative advantage of NPD, in spite of the fact that the importance of “cross-cultural communication: dialogue, interaction and negotiations” was emphasized in the guide²⁸.

4.6.2 The institutional co-operation approach, findings

Two sorts of contract form the formal basis for NPD involvement in the development co-operation within the petroleum sector: A contract between Norad and NPD, and a contract between NPD and each of the partner country institutions who form part of the co-operation programme.

From the country visits the following observations have been made concerning the institutional co-operation between NPD and the partner institutions:

1. Professional capacity development

Petrotechnical professional capacity development has been a key issue for the Norwegian petroleum-related assistance. NPD has successfully supplied support and training within the upstream technical key competence areas of NPD, and it has managed to help identify and contract useful consultants for most of the areas outside these key competence areas. However, there has been a reluctance of NPD to involve areas outside their key competences, and indications are that such areas have not been sufficiently adhered to. These areas include: HSE, petroleum economics and downstream management.

2. Organisational and management capacity development

In general, the NPD support for organisational and management development has been fragmented and based on an ad hoc approach.

²⁷ Same, p. 7

²⁸ Same, p. 19

3. *Human resources development*

Substantial individual training has taken place in the form of on-the-job-training as well as participation in training courses in-country and abroad. This training has to a high extent focussed on technical aspects of upstream petroleum management, and in general it has been successful.

4. *Administrative development and promotion of good governance*

The institutional co-operation support has focussed on elements of good governance that relate to the legal framework and to the set-up of institutions and institutional relationships within the national petroleum sector. Key issues have for instance been the separation of commercial interests and regulatory powers in different and independent organisations, and only in Mozambique and East Timor has there been a focus on transparency in the flow of petroleum revenues. Development of administrative tools and procedures (including accountancy) within the partner institutions has had low priority.

5. *Other observations concerning the functions of NPD*

In addition, the following findings have been made from the country visits and from the documentation made available:

- Many of the NPD support activities have been of high quality.
- NPD has a limited capacity, and thereby it has not always been able to deliver support as needed.
- NPD has demonstrated a substantial ability to identify and recruit useful consultants, also for jobs outside of the key competences of NPD.
- The involved NPD advisers have had a strong technical knowledge of specific petroleum administration issues, but they have lacked experience from institutional capacity development and specifically for development of the capacity of management.
- In general, the involved NPD advisers lacked in-depth cultural understanding and experience from working in developing countries.
- NPD has tended to “take over” partner institution responsibilities and it has been stated that NPD has acted as if it was implementing agency – for instance in Angola.
- NPD has given high priority to flexibility in programme management and implementation, rather than to focus on objectives for the institutional capacity development.
- NPD has been put into and accepted a critical double role of being the institution to help set up programmes, to support the partner institution during programme implementation, and to supply technical advice to embassy staff and even to give advice to the appraisal team (for the latest Angola programme).

4.6.2 *The institutional co-operation approach, conclusions*

The institutional approach has demonstrated both significant strengths and weaknesses. When NPD has had sufficient staff with key competences available for the co-operation, NPD has demonstrated willingness and endurance and high qualifications in the development process and the results have been remarkable. However, the engagement of NPD and the intensity of the collaboration have varied over time and from country to country, and thereby influenced the success achieved. In certain cases, NPD has demonstrated reluctance to engage consultants outside the organisation, even if this has caused delays in the implementation of the programme (Bangladesh), while in other cases, NPD has supported the programme implementation by contracting external consultants as needed (Mozambique).

Areas outside the key competences of NPD have not been sufficiently adhered to such as HSE, petroleum economics and downstream management.

The institutional approach has led to a close collaboration between the specific partner institutions, with no clear strategic strategy for the capacity building of the full range of relevant institutions in the petroleum sector.

The contracts between NPD and the partner institutions have tended to leave the responsibility of documenting plans, budgets and results achieved for the annual consultations with Norad to NPD, thereby undermining the ownership and responsibility of the partner institutions.

Useful training has been conducted as part of the institutional co-operation via trainee arrangements. However, it seems that the set-up has led to ad-hoc training and less systematic building of the capacity of the partner institutions, as the training which for most of the countries has not been based on systematic training needs assessments. Development of administrative tools and procedures (including accountancy) within the partner institutions has had low priority.

4.7 Alignment and donor co-ordination

Very few other donors have been involved in development co-operation for the petroleum sector, and the ones involved have mostly dealt with aspects of the sector distinctly different from the aspects which have formed part of the Norwegian programmes. For instance, the World Bank, Asian Development Bank and IFC have been involved with supply of funds for major investment projects, for instance in Mozambique and Bangladesh. Thus, the issue of donor co-ordination and donor harmonisation has not been an important element of the Norwegian programmes.

Conclusion

The issue of donor co-ordination and donor harmonisation has not been an important element of the Norwegian programmes. But due to circumstances in the considered partner countries, this has so far not been a problem.

5. Result chains

The “result chains” are interpreted as descriptions of causal relationships. Such result chains are prepared for six key issues, which are selected by the evaluation team in relation to their importance for the development of the petroleum sector and the assistance programme.

Each issue is briefly analysed regarding circumstances, mechanisms and results, with a view to identify: “What works – for whom – under what circumstances?” and “What are the lessons learned?” The lessons learned are generalisations of conclusions applicable for wider use. Recommendations are derived from the above conclusions and the lessons learned.

However, it should be kept in mind that the study covers programmes in only four countries, supplemented by reviews from another two countries. The lessons learned and the recommendations should be used with caution due to this limitation.

5.1 Adherence to Norwegian development assistance policy

1. The framework for the quality of the Norwegian assistance to the petroleum sector?

The Norwegian development co-operation must adhere to the approved development policies.

The manual for development co-operation sets the framework for how to implement the development co-operation and it defines the division of responsibilities among Ministry of Foreign Affairs (MFA), Norad and the embassies. Manuals are revised approximately every 4 years.

Guidelines further specify ways of programming, planning, implementation and follow-up. For the petroleum-sector assistance the “Guideline on Institutional Co-operation, 2002”, is also important.

2. Relevance of the framework approved for the assistance

Policies, manuals and guidelines should ensure that the petroleum related assistance is relevant, efficient and sustainable.

3. The most important elements in the petroleum sector

There are three principal challenges for the Norwegian petroleum-related assistance:

1. The Norwegian assistance contributes to good governance practices and through that to redistribution of petroleum revenues and a more equal distribution of wealth.
2. The flexibility allowed for in the Norwegian development assistance should improve effectiveness and efficiency of the implementation of the assistance as well as the sustainability of the programme achievements. This issue is also dealt with in section 6.3, but in that section at a more specific level.
3. The institutional capacity development addressed by the Norwegian programmes address not only specific petrotechnical or management issues, but also the interaction between relevant institutions in the sector.

4. Result chains for policy framework issues

1. *The Norwegian development policies* are the basis for allocation of funds for development co-operation. The petroleum assistance programmes adhere very well to the issues of natural resources management and economic development in the partner country, but they must also contribute to poverty alleviation, for instance by re-allocation of the

petroleum revenue to social sectors. The focus should be based on a just and transparent distribution of the revenue.

Support for adjustment of the legal and regulatory framework has been one of the most successful achievements of the Norwegian programmes for the petroleum sector. Key elements of this support have been to ensure a strict division of commercial interests and regulatory powers and to ensure that there is transparency and openness concerning petroleum resources management.

Transparency in flow of revenues is also promoted through co-operation the petroleum sector institutions and the Ministry of Finance.

2. *Use of flexibility* in the Norwegian assistance aims at a demand-driven approach to implementation. This intends to increase local ownership to the programme and the sustainability of the results.

The principal problem has been lack of proper agreement and clarification before signing the country-to-country agreements:

- Objectives and outputs have been unspecific. This has caused lengthy discussions.
- So has the institutional setting if not agreed upon in due time, and the lack of risk assessments and the proper description of assumptions. No examples were found during the evaluation of a proper Log Frame analysis, stakeholder analysis or sensitivity analysis. For programmes addressing the rapidly shifting petroleum sector this is surprising.
- Finally, there has been a lack of systems for monitoring and evaluation of programme implementation, as well as for a management information system.

Instead it was assumed that the Norwegian flexible approach would allow for these issues to be discussed and solved during the annual meetings of the programme implementation. This has seriously and negatively contributed to the effectiveness and efficiency of the programme implementation as well as to loss of ownership and sustainability of programme achievements.

3. *Capacity development* has probably been the most prominent activity in the programmes. This has to a high extent focussed on training of individuals in various petrotechnical disciplines. Little focus has been on overall institutional capacity development for the full group of institutions in the sector – probably because the institutional co-operation approach focuses on one single institution in each of the two partner countries. Mid-term reviews have pointed towards the need for a broader institutional focus, but they were never listened to, neither in Bangladesh nor in Angola.

5. *Lessons learned on adherence to development assistance policies*

1. The Norwegian petroleum-related assistance does not adhere fully to general Norwegian policies for the development co-operation. The programmes have not a distinct poverty alleviation profile. It is not certain that they contribute to a more equal distribution of revenue. They do not consistently address cross cutting issues such as the environment and HIV/AIDS.
2. Successful support for revision of the legal and regulatory frameworks in many countries has so far formed a legitimate argument for adherence of many of the Norwegian programmes to the principle of good governance, transparency and poverty alleviation. The assistance does not specifically cover other aspects of promoting the transparency concerning, for instance, information on national petroleum resources, production, financial transactions, bidding-rounds, tender processes and allocation of rights, as well as concerning agreements between partners in the petroleum sector. However, these are

sensitive issues to touch upon and can easily be perceived by the partner country as Norwegian interference in internal national matters.

3. A more close co-operation with and possible support for the partner country's Ministry of Finance would be conducive for establishing more transparent systems of agreements and flow of revenues and could be a complement to the more strict, petroleum-sector oriented assistance.
4. A socially fair redistribution of the revenue from the petroleum sector has not directly been an issue in the assistance programmes, but this is foreseen to change in the new programmes by active involvement of ministries of finance.
5. In some countries, the Norwegian flexibility has proved highly constructive. However, the effectiveness and efficiency of programme implementation would further improve if a more detailed programme planning and description were set through and formed the basis for the country-to-country agreement.

6. Recommendations regarding adherence to development assistance policies

It is recommended that ways and means of obtaining a clearer adherence with the general goals of the Norwegian development assistance are pursued in the future assistance to the petroleum sector, with focus on the sectors contribution to the general poverty alleviation through improved transparency of the use of the revenues from the sector, and efficient management of the sector.

The potential is high for the sector to contribute substantially to both the general economic development and a fairer distribution of incomes. The issue should be highlighted in the annual negotiations on General Budget Support, forming part of the discussion between donors and the partner country on pro-poor budget allocations.

5.2 Good governance

1. Characteristics of good governance

In regard to the petroleum sector, we have interpreted the term good governance to consist of the following elements:

1. Adequate regulation established and implemented, securing consistency and predictability in regulation of the sector and a known distribution of responsibilities among institutions.
2. Transparency, especially regarding resource assessments, the awarding of contracts, the flow of funds and the monitoring of the systems.
3. Qualified basis for decisions established and maintained regarding sector specific and administrative issues.
4. Socially fair redistribution of revenue gained from the sector.

2. Relevance of good governance

The petroleum sector is characterised by being a high risk sector with very high initial costs and a possibility of high gains as well, if commercial productions starts. Few countries, if any, can manage to conduct the exploration activities by own means. Therefore, the IOCs are major players in both exploration and production of the resources. They require a well-defined and just regulation of the sector and awarding of contracts.

For the country it is important that the exploitation of its natural resources contribute not only to the general growth, but not the least to a socially balanced development. Good governance is instrumental for this.

3. Key issues for ensuring good governance

The key issues regarding development and maintenance of good government are:

1. Maintenance of transparent procedures.

2. A technically competent sector.
3. An informed society.
4. A pro-poor development policy.

4. Result chains regarding good governance

1. *Maintenance of transparent procedures:* Transparent procedures are secured via the development and implementation of adequate legislation for the sector. The Norwegian assistance has actively pursued this issue in most of the programmes. But laws are only interesting to the extent they are adhered to. Therefore it is important to develop and maintain other means as well to support and sustain the implementation.

In most of the countries there are contracts from the time before the present legislation entered into force, generally awarding the contract holders with larger privileges than those of more recent contracts. Like this there are original differences between the contract holders. Openness about such issues is an element in promotion of good governance and reducing the risk of fraud and corruption. But it is limited how much the government can do because of confidentiality clauses.

Other ways of improving transparency is to secure openness about resource assessments and prognoses and production statistics, areas which are potential assistance areas.

2. *A technically competent sector:* The Norwegian assistance has generally focused on one key organisation in each country. However, even the most competent organisation cannot operate in a vacuum. There seems to be a growing understanding of the importance of a genuine knowledge in affected ministries of the special characteristics and challenges of the petroleum sector, in order that they may contribute to the sector with relevant support - and relevant questions. This is especially important for the ministries of mineral resources and energy, ministries of finance, ministries of fishery, but also ministries of education, health and industry.

The competence of the sector would improve by a stronger co-operation with the IOCs. Via their contracts they generally supply the authorities with training opportunities, while common fora for key stakeholders for exchange of information are not seen. They have been on the programme in several countries, but they have not been established.

3. *An informed society:* It has generally been an issue in the programmes to secure general information of the society. Not much has been spent of such activities, except that in several countries, home-pages have been established and maintained by the partner organisations, supplying both the IOCs and the general public with rather technical information about the sector. A similar openness seems not to exist about the flow of funds.
4. *A pro-poor development policy:* For the petroleum-related assistance to contribute to poverty alleviation and reallocation of petroleum-revenues, it is crucial that the programmes address good governance and transparency for flow of funds. A pro-poor development policy has not been in focus of the petroleum assistance, which only indirectly has affected the poor. However, it is important that the issue is given special attention via involvement of the relevant ministries, and via the negotiations regarding general budget support.

5. Lessons learned regarding good governance

1. In countries, where the government has been in favour and actively supporting the process of promoting good governance, the assistance has succeeded in securing adequate legal regulations of the sector. It can be implemented by using different tools – the importance is that a proper legal administration is established.

2. Good governance must build upon locally acceptable principles and concepts. The format is less important.
3. It is a lengthy process to establish new legal frameworks. In the programmes, it has been planned to finalise the new laws in unrealistic short periods of time – in spite of experience from both Norway and other countries with similar legislation.
4. It is not enough to capacitate the specialised institutions in the sector. Also relevant ministries, NGOs and the petroleum industry should be involved in the capacity building to secure a consistent and sustainable development.

6. Recommendations regarding good governance

Good governance should be pursued at the highest political level.

Good governance may be obtained with a range of different solutions. It is important to support locally suitable measures, procedures and standards, as long as they contribute to improved governance of the sector.

It is recommended that a wide range of institutions are involved in the assistance in the partner countries, including both relevant ministries, the private sector and the civil society, with a view to secure relevance and sustainability of the assistance.

5.3 Local ownership

1. Characteristics of local ownership

With local ownership we refer to the local partner assuming responsibility for programme objectives and implementation, and for the achievements made through the programme. Such ownership is demonstrated through the will and effort of the partner institution to prioritise and invest its own resources (money and time) as well as its own prestige and commitment in the programme implementation and outcomes.

2. Relevance of achieving ownership

Achieving local ownership is important because ownership leads to sustainability of the achieved programme set-up and results. Increased local ownership will also lead to adaptation of the programme to local conditions, as local partners normally know better what works. This way, improved ownership leads to increased effectiveness and efficiency in the programme implementation and to more successful implementation. Successful implementation will further strengthen the local ownership and the building of relationships between donor and partner institutions in a self-perpetuating process.

3. Key issues for ensuring local ownership

1. *Flexibility* is an important element of the Norwegian development co-operation. It is considered a means for adjustment of the assistance to local needs and demands, and it is argued that local ownership is the principle aim for the flexibility. However, a high degree of flexibility may also lead to a loss of ownership. The reason is that ownership is strengthened through a successful implementation of the programme, and a too flexible approach may lead to a loss of focus and delays in the implementation, and hence to a lower success rate.
2. *Taking responsibility* by the local partner institution is part of building ownership. However, the partner institution needs both management skills and a solid knowledge of the contents of the programme to be able to take full responsibility. The expatriate partner institution should support this process by sustaining the autonomy to the local partner, and by helping it to achieve successful implementation of the agreed programme. Very often, this has not been the case, and the local partner institution has not assumed responsibility.

3. *Integration of programme activities* in the daily tasks of the partner institution is also a key to building ownership. In this way, the programme becomes deeply rooted in the partner institution, and it contributes to achieving the objectives of the partner institution. In addition, the integration of programme activities promotes adaptation of these activities to the specific needs of the local institution, so that they better correspond to local needs.
4. *Commitment by top management* is a crucial for achieving local ownership to the implementation and achievements of a programme. Especially in very hierarchical countries like Bangladesh and Angola, such commitment is needed for the programme activities to be adhered to, prioritised and integrated in the normal tasks of the institution. In these countries it is therefore imperative that commitment at appropriate levels has been achieved before signing a country-to-country agreement. Without such commitment it should be reconsidered whether the programme can be successfully implemented.

4. *Result chains regarding local ownership*

1. ***Flexibility:*** The countries examined for the evaluation have responded very differently to the flexibility offered by the petroleum-related Norwegian assistance: Mozambique and East Timor have generally been open for dialogue, trying to take advantage of any opportunity offered. The partner institutions in Bangladesh and Angola have been more defensive, making it more difficult for the Norwegian programmes to get properly rooted in the local partner institutions and to establish a proper overview over options for useful support.

The flexibility offered in the Norwegian programmes has resulted in unspecific programme documents and country-to-country agreements for all four countries. Mozambique and East Timor have taken advantage of this by development of the needed capacities in a stepwise, demand-driven process of close co-operation with the Norwegian partner institution and consultants. This has entailed strong ownership to the programmes in Mozambique and East Timor. In Bangladesh and Angola the unspecific agreements have rather been used as “road blocks” in the sense that lower-level officials have been reluctant to commit themselves to activities that are not stated specifically in the country agreement. They have even stepped back from implementation of activities that have been agreed upon at annual meetings. This has complicated the programme implementation in these countries, confined the results achieved, and demonstrated that local ownership is weak.

For both mature and less mature countries the annual meetings with the Norwegian embassy have been an opportunity for approval of ambitious work plans and corresponding budgets rather than an option for agreement on realistic strategic targets and work plans. This being a general observation for all four countries point to the role of NPD as the one to prepare the documents for the annual meeting, this way undermining local ownership and commitment to the decisions from the annual meetings.

2. ***Taking responsibility:*** For Bangladesh and Angola, the Norwegian petroleum-related assistance has been insignificant, compared to the flow of revenues from the petroleum sector. Contrary to this, the support for Mozambique and East Timor has offered a unique opportunity for assessing whether feasible petroleum exploitation could be established, and later, for in-sourcing of the needed capacity building for the national institutions responsible for petroleum sector management. This has influenced the attention given by the local partner institution(s) to the Norwegian programmes and the willingness to assume responsibility and take ownership.

In all four countries, the programmes have been set up as an “institutional co-operation” with NPD as the Norwegian partner institution. A large responsibility is therefore put

on NPD for implementing the programmes in such a way that responsibilities are transferred to the partner institutions as soon as the needed capacity has been established for assuming responsibility. In Mozambique, NPD has been successful in doing so, and similarly in the co-operation with HCU in Bangladesh. For Angola it has been stated that NPD often assumed the role as implementing agency, probably because Minpet did not assume responsibility and because the programmes did not enjoy proper high-level commitment. In all countries, NPD intervened in two situations: when a new programme phase was being designed, and when the annual meetings were being prepared.

For periods, the expatriate support and in particular the expatriate residential adviser has in all the countries been used for gap-filling, when specific competences were needed but not available. This has often been continued for much longer than needed, offering a useful additional resource to the local partner institution, which was considered to be free of charge. This has delayed transfer of responsibility to the partner country institution(s).

3. *Integration of programme activities:* Difficulties of integration of programme activities in relevant institutions relate to three aspects:

- the level of development of the petroleum sector (“maturity”) in the country;
- the degree of hierarchical organisation in the country; and
- the commitment at high level to the development co-operation programme with Norway.

On all three aspects Angola and Bangladesh have been much more reluctant to integration than Mozambique and East Timor. The role of the Norwegian programmes has in Angola been considered an “additional option” (for training as well as for new inputs), while it for Mozambique and East Timor has been the very core of building the national petroleum sector institutions. An exception has been the Norwegian support for revisions of the legal and regulatory frameworks, which in all countries (except from Bangladesh, where revision of the legal framework was not achieved) has been very successful.

4. *Ensuring commitment at top level:* Commitment to a programme at appropriate policy level should be an overall aim for the early phase of embassy dialogue with partner country representatives – even before drafting a programme document, and it should at least be achieved before a country-to-country agreement is signed. The dialogue should result in well defined programme objective(s) and expected outputs, and a proper description of risks and preconditions related to the programme implementation. Formal commitment to the programme should be achieved and reflected in the country-to-country agreement. Unfortunately, this never succeeded for Angola or Bangladesh. A number of issues were left unsolved at the time of programme approval. The expectation was that they would be solved and agreed upon during the programme implementation – a spin off from the flexible Norwegian approach to the co-operation. Detailed agreements were not made for programmes in Mozambique either, but the partners managed during the programme implementation to build and consolidate trust and commitment, also at high management and policy levels. For East Timor the documents forming the basis for the country agreement were specific and useful.

Another important aspect of the programme document is the formulation and agreement on specific and realistic targets for short-term achievements that are important for the partner country. If properly set up, and if implemented at an early stage of the programme, such achievements might importantly add to ensuring the needed commitment to the programme in the partner country.

5. *Lessons learned on local ownership*

Increased ownership is seen as a key to achieving successful programme implementation

and sustainability of programme achievements. The following are important for fostering and development of ownership:

1. Conditions for creating proper ownership vary so much among countries that different approaches for programme set-up and implementation should be consciously used by Norad. The following three aspects are essential for which approach to use:
 - The level of development of the petroleum sector (“maturity”) in the country.
 - The degree of hierarchical organisation in the country.
 - The commitment at high level to the development co-operation programme with Norway.

Countries like Bangladesh and Angola have a number of common characteristics, as they have high maturity of the petroleum exploitation, a strong hierarchical tradition, and low commitment to the Norwegian petroleum-related assistance. This indicates that a traditional approach would be more useful in these countries.

Mozambique and East Timor have opposite characteristics, allowing for a more flexible approach.

2. The same distinction between groups of countries seem to be useful for characterising their ability to constructively take advantage of the flexibility offered in the Norwegian assistance: Mozambique and East Timor seem to have been able to use it constructively for a needs-based capacity building regarding the national petroleum sector management, while it for Bangladesh and Angola have tended to lead towards a weak and inefficient programme implementation.
3. Distinction between the two groups of countries is also relevant for their ability to assume responsibility and integrate the programme implementation into the daily work of the local partner institution - Mozambique and East Timor doing so successfully and thereby taking ownership.
4. It has proved important that a clear commitment to the programme set-up and the implementation is established at high political level, before a country-to-country agreement is signed, based on true agreements on a detailed description of objectives, expected outputs, risks and assumptions. This never materialised for the agreed programmes for Bangladesh and Angola, while it at least partially took place for East Timor. For both Bangladesh and Angola the lack of commitment has negatively affected the programme implementation and the local ownership.

6. Recommendations regarding local ownership

As conditions for creating proper ownership vary so much among countries, different approaches for programme set-up and implementation should be consciously used by Norad. It should at the very start of a new programme be decided whether a “flexible” or a more strict and “traditional” approach to programme planning and management will be most useful for the specific programme in this specific country.

Programmes involving authorities should only be agreed to, if they are genuinely wanted at a sufficiently high political level. In the more hierarchic systems, a very high political level is required.

If local ownership at a sufficiently high level is not obtained, the programme should be reconsidered and either redesigned or abandoned.

5.4 Achievements from decentralisation to embassies

1. Aim of the decentralisation

Decentralisation to the embassy level from Ministry of Foreign Affairs (MFA) aims at increasing the autonomy of the embassies to negotiation and decision-making in the partner country regarding the development co-operation. This increases the focus on how to ensure sufficient professional competences at embassy level for proper management of the development assistance or alternatively to ensure means at the embassies to “in-source” such competences.

2. Relevance of well functioning decentralisation

Establishment of close relationships with partner institution(s) is important for a proper administration of the Norwegian petroleum-related assistance. Through the embassy staff’s direct contact and close dialogue at local level in the partner country, the embassy has a major role to play by developing a profound understanding of local cultures and ways of working, coupled with sufficient negotiation power vis-à-vis the local partner institution(s). In this way, the decentralisation to the embassy level contributes importantly to a quick and improved decision-making in the partner country.

3. Key issues for ensuring well functioning decentralisation

The review team finds that the following five issues could be a useful point of departure for discussion of possible improvements of the functioning of the embassies:

1. Agreement on management tools: According to the manual for development co-operation the embassy is the responsible for the proper implementation of the programme. To fulfil this role the embassies are need of proper “tools” for management of the implementation process.
2. Relation between desk officer and partner institution: The advantage of the decentralisation is that desk officers at embassy level are able to take the needed decisions. For this to work out smoothly, it is important that the desk officer establishes close relationships to the management of the local partner institution(s).
3. Annual consultations: The annual programme meetings should focus on setting realistic targets for action plans and budgets for the following year
4. Constructive dialogue: There seems to be a need for a much more active dialogue between the local partner institution and the embassy on objectives and contents of new programme phases, so as to ensure agreement on the overall targets for the new program at an early stage and to ensure that the draft programme document is sufficiently specific.
5. Support to desk officers: A lot of responsibility is assigned to the desk officer at the embassy, among others for management of the programme implementation. However, as desk officers are normally without specific petroleum sector expertise, there is a need for technical support.

4. Result chains for well functioning decentralisation

1. Agreement with partner institution on specific targets for programme implementation

According to the manual for development co-operation the embassy is responsible for the proper implementation of the programme.

To be operational there is first of all a need for clearly stated objective(s), expected outputs, indicators and milestones for the programme implementation. The two partners must agreed on these - for instance as they are stated in the project document or in the country-to-country agreement. But this should not be turned into a strait-jacket for the programme implementation process – there should still be room for flexible adjustment of the implementation process - first of all during the annual consultations, but even between these.

An agreement should also be achieved between the partners on a system for monitoring and evaluation. This needs not to be a very complicated set-up, but at least a brief

description of what indicators to follow and how to measure and assess them. This would importantly facilitate the work of the embassies.

2. *Setting up close relations between desk officer and the management of the partner institution*

In order to facilitate the dialogue on how to solve programme implementation problems and to form a basis for planning of new phases of the programme, the embassy desk officer should establish close relationships to the management of the local partner institution(s). Close relationships with the desk officer will facilitate quick and easy decision-making during the programme implementation.

3. *Effective and efficient annual consultations*

The annual meetings at the Norwegian embassy should include a proper reporting for the year that passed and give reasons for deviations from plans and budgets. The meetings should further lead to agreements on realistic action plans and budgets for the following year.

Frequent communication should take place between the embassy desk officer and the programme manager of the local partner institution(s) throughout the year, ensuring the proper follow-up on agreed plans and budgets.

4. *Adequate preparations of new programmes*

The embassy should play a more active role in the dialogue with the local partner institution during the phase of preparation for a new programme. This should ensure that the draft programme document will be specific on objectives, outputs, indicators etc., and should help identify and contract independent consultants if needed for programme formulation.

5. *Support to the embassy desk officers*

The embassy desk officer will normally be without specific petroleum sector competences. To be able to adequately fulfil the responsibilities assigned to them they should have access to using independent consultants for professional support to the administration of the programme.

The embassy desk officers have already access to consultancy support in form of an option to ask for support from Norad, but this opportunity is far too seldom made use of. An alternative option would be to contract expatriate, regional or local companies, able to supply services within the competences needed.

The present use of NPD consultants as advisers to the embassy desk officers should be avoided because:

- It puts the NPD advisers in a difficult double role.
- It sends confusing signals to the local partner institution management on the division of responsibilities among the Norwegian institutions.
- It hinders that a second opinion from an independent consultant is heard.

Independent consultants are mainly required to carry out programme reviews, often to form a basis for assessing whether a next phase of the programme should be launched, or the programme should be stopped. From the written documentation, it seems that these review reports in general are of high quality and supplies a lot of useful information and recommendations. However, it has also been noticed that such information and recommendations are not properly reflected or even distorted, when proposals for a new programme phase are put forward. It is important that such information is fully and fairly referred to and made use of.

5. *Lessons learned on decentralisation*

1. Well functioning desk officers at the local embassies is a key to successful dialogue with the management of the local partner institution. However, the desk officers need tools and petroleum sector specific knowledge to enter into a constructive dialogue with the partner institutions.
2. The desk officer can contribute substantially to the programme formulation and implementation if securing close relationships to the management of the local partner institution for discussion and mutual information of programme rationale, aims and progress.
3. The flexible approach leaves a large responsibility to the decision making and outcome of the annual meetings. Through an open dialogue, the annual meetings can be used constructively to secure that plans and budgets for the coming year are realistic, but also to redirect and expand scope of the programme during the implementation, if need be, while the goal of the programme is kept in mind. However, this requires that deviations from implementation plans during the previous year are recorded, argued and analysed.

6. *Recommendation regarding decentralisation*

It is recommended for the desk officers to establish a close relationship to the management of the local partner institution to ensure that the management of this institution is well informed of the programme rationale, aims and progress on implementation.

To improve the functioning of the embassy desk officers it is recommended that the officers are provided with appropriate tools for lifting the task. This will include more specific programme documents, agreed upon by both parties, and containing detailed descriptions objectives, outputs, indicators, milestones, etc, quantified and set in time.

It is recommended for the desk officers to enter into an active dialogue with the partner institution to agree on and ensure the specificity of these targets already in the draft project document.

It is further recommended that the annual consultations are used to discuss and analyse deviations from implementation plans during the previous year, and to agree on realistic action plans and budgets for the coming year.

In order to help the desk officers to lift these tasks in an informed and qualified manner, they should have flexible access to support from independent advisers or consultants. This could be Norad specialists, or private or public consultants independent of the programme, being expatriates, regional or local.

5.5 Quality of petrotechnical and institutional capacity development

1. *Characteristics of petrotechnical and institutional capacity development*

Petrotechnical capacity development includes a broad range of geological, technical, economical and legal disciplines, covering the following areas:

1. Systematic exploration and exploitation of available petroleum resources.
2. Commercialisation of these resources.
3. Setting up a legal framework for a just, transparent and environmentally friendly management and use of the resources (upstream and downstream).
4. Setting up a framework for transparent regulation of the revenues from exploitation of the resources.

A key issue for the approach to institutional capacity development is to ensure the proper co-operation among involved organisations in the national petroleum sector management, expressed by the development of relationships between the partner organisation and relevant external institutions and individuals, and to develop the internal functions and relations of an organisation, for instance as described in the “Six-Box model”²⁹.

²⁹ As described in the EC, Europe Aid guideline: Institutional assessment and capacity development, Sept. 2005

2. *Relevance of an appropriate petrotechnical and institutional capacity available*

The needed national capacity to adequately manage the petroleum resources depends both on the availability of the required technical competences and on the ability to co-operate among institutions and among staff within these institutions. In countries with petroleum resources, the petroleum sector has the potential of completely changing the socio-economic situation of the country. However, sound economic development depends on the country's capacity to manage the resources properly and to utilise the revenues for the benefit of the country. It is imperative for the country to be able to meet and match the IOCs with sufficient intellectual strength to secure the interests of the country in a manner which also makes it sufficiently attractive for the IOCs to invest in exploration and production activities.

Overall institutional capacity development is important to ensure effective and efficient co-operation between the stakeholders in the petroleum sector of the country, but also to ensure the sustainability of the administrative management set-up, the development of good governance practices and a long-sighted planning of maintenance and further development of the competences needed for petroleum management.

3. *Key issues for ensuring successful and needed institutional capacity development*

Some issues have been identified to be of major importance to secure successful and adequate capacity development:

1. Identification of the relevant institutions for the programme, based on stakeholder analyses prior to each new programme.
When for example the assistance to Mozambique started in the early 1980s, it focused on finding the petroleum resources. The relevant partner institution was ENH. However, as the focus of the assistance widened, it was a weakness of the programme that relevant other institutions were involved in an unsystematic and limited manner. In East Timor, it seems that all the relevant institutions have been involved right from the start of the programme.
2. Institutional setting of the programme in existing, permanent institutions.
Especially in Bangladesh it has been devastating for the outcome and sustainability of the programmes that the assistance has been given to non-permanent institutions.
3. Strategic and clear objectives regarding both technical and institutional capacity development formulated in the agreement, based on an analyses of needs and perspectives of the involved organisations.
It has been obvious that the programmes have focused on pre-defined solutions. These have generally been relevant, but often not sufficient to secure a comprehensive and sustainable development, neither of the sector as such, nor of the involved organisations.
4. Clear political priority given by the partner country to the chosen institutions and the objectives.

4. *Result chains regarding institutional capacity development*

1. *Identification of relevant institutions:* Societies develop, new institutions are established, and others change responsibilities or focus of interest. Therefore, a renewed stakeholder analysis should be made before initiation of any new programme, in order to assure that the relevant partners are being involved in a proper manner. It is seldom sufficient to capacitate one organisation only, as the organisation must be able to interact with the other players in the field, including a number of ministries, regulatory bodies, financial institutions, training schools and universities, maybe even labour organisations or NGOs. They will all be relevant for a successful development of the petroleum sector, not the least in the production phase. They will not have to be involved in the same way, nor to the same extent, but only a proper analysis will show to what extent it is useful to involve each of them in the programme.

2. *Permanent partner organisations:* It has generally not been a problem to identify permanent partner organisations in the countries forming part of the evaluation, apart from Bangladesh. BPI was established as an autonomous organisation before the Norwegian project started, and HCU was transformed into a “project” in order to solve a salary problem. In both cases this the organisational set-up contributed to the limited success of the assistance. Even if it is a tradition in a country to establish “projects” or similar non-permanent organisations, they should not, as a general rule, be accepted as partner organisations by Norad / the embassies.
3. *Demand driven assistance:* Successful capacity development of any organisation must be demand driven. Mozambique is a fine example of the different training needs at different stages. At the beginning, development of geological and geophysical skills dominated as the focus of ENH was on exploration. But as the natural gas became economically interesting, the needs changed towards capability to negotiate, to make economical analyses and to develop legal regulations. However, a proper training needs analysis was apparently never made, and missing skills were supplied by the advisers. This was partly due to the difficulties in recruiting staff with the right qualifications, but also to a lack of proper training needs analyses and a strategy for developing the required skills. Norad requested on several occasions such analyses, but accepted to receive a plan of training in stead of a training needs analysis, which would have been more supportive for an efficient effort to develop the capacity of the partner organisation.

By not making proper needs assessments, there will be a tendency to focus on present needs at the expense of the organisations’ long-term needs. This is especially the case regarding management and administrative skills. They are perceived as less important until the organisation has to survive on commercial or semi-commercial conditions. Then suddenly they become crucial for the survival of the organisation. This makes the organisation very vulnerable. And it could have been foreseen, as the change trend towards commercialisation was known well in advance.

With no clear picture of both actual and future needs, there may be a risk that advisers are used more as gap-fillers than as trainers, as they will have no clear targets to meet regarding successful capacity building.

4. *Political commitment:* Country to country agreements are supposed to be agreements made at the highest political level. However, this does not necessarily guarantee that the contents of the agreements are fully reflecting the needs and wishes of the partner country. In the planning process it must be secured that common and genuine understanding and acceptance of the contents of any programme. In real life, it can hardly be fully avoided that the donor will have a strong say in the formulation of the programmes, but an open dialogue will help in securing that the real interests and needs of the partners are assessed. A strengthened appraisal may help revealing the needs and priorities of the partner, and thereby reducing the risk of donor driven programmes.

The positive results in Mozambique and East Timor demonstrate the relevance of genuine political support to the programmes, while the many challenges and slow progress of the programmes in Bangladesh and Angola demonstrate the vulnerability of programmes with no clear commitment at the highest political level.

5. *Lessons learned on institutional capacity development*

1. In capacity development there is a dilemma between the need for timely delivery of specific products of a high quality and the more long-sighted capacity building of the local staff, securing institutional development in general. The dilemma is partly dependent on the fact that successful implementation of programme objectives and specific tasks adds to the commitment of the partner institutions. However, if focus is too strongly on

correct and timely delivery of products by the adviser, the institutional learning process will suffer.

2. On the job training in the partner country has generally proved useful. However, with no clear targets for the capacity development, the management seem to prefer using the expatriate experts as gap-fillers and personal advisers, rather than using them as trainers of the staff.
3. Other training activities have taken place supporting the building of capacities, with focus especially on strictly petroleum related issues, and to a lesser extent on related issues like petroleum economics, HSE, downstream issues as well as managerial and administrative tasks. The training has been connected with solving specific tasks or it has depended on opportunities offered by the IOCs and others. The training programmes have not been based on training needs assessments.
4. It has been a characteristic of the Norwegian assistance to the petroleum sector that problems are solved, when they arise. This may be perceived as convenient by the involved organisations, but it is not the most efficient way of securing genuine institutional capacity building.

6. Recommendation regarding institutional capacity development

It is recommended that the use of advisers is discussed case by case, with a view to define the balance between the gap-filler function and the qualified supporter to the wanted institutional capacity building. This balance should be reflected in job-description / ToR for the adviser. When selecting advisers, their trainer capabilities and experience should be part of the selection criteria.

It is further recommended that realistic institutional development plans are elaborated as part of the documents, forming the basis for training needs analyses, strategies and plans.

5.6 The institutional co-operation approach

1. Aim of the institutional co-operation approach

An institutional co-operation approach has been used by Norad since the mid-1990s. The overall aim was to use Norwegian technical competences as much as possible where it had comparative advantages. The petroleum sector was one of the sectors chosen for this approach. In 2001, the focus on institutional co-operation led to the formulation of a “Guide for Institutional Co-operation”, published by Norad³⁰.

2. Relevance of the use of institutional co-operation approach

The shift towards use of the institutional co-operation approach in the mid-1990s implied a number of major shifts in the practices of the Norwegian development co-operation. For instance it implied that:

- Civil servants replaced private consultants as key advisers for the assistance to the petroleum sector;
- The competences of the advisers tended to shift from broad coverage of the three key competence areas of technical issues, and institutional capacity development and cross-cultural experience, towards a more strict focus on technical competences.

This shift had major impact on the day-to-day development co-operation and on the focus of the petroleum-related assistance. Among others it led to more focus on upstream petroleum competences based on approaches that took their point of departure in the institutional experiences.

³⁰ Guide for Institutional Co-operation, Norad 2001

3. Key issues for the institutional co-operation approach

The following five issues are essential for the effectiveness and efficiency of the institutional co-operation approach:

1. **Broad competences:** The ability of the Norwegian public institution to cover the broad range of support areas needed for coherent petrotechnical and overall institutional capacity development in a developing country.
2. **Cultural understanding:** The ability of the Norwegian institution to properly understand and assess the cultural and political context in which the programme is embedded and to respond adequately to the challenges.
3. **Sufficient resources:** The capacity of the Norwegian institutions to supply required assistance, considered in the light of substantial increase of the Norwegian petroleum-related assistance under the “Oil for development” programme.
4. **Training focus and long-term commitment:** The ability and patience of the Norwegian institution to support and encourage the staff of the local partner institution to gradually develop and take over responsibilities for programme implementation, with the Norwegian partner as “back-stopper”.
5. **Management of the Norwegian participation:** The ability of the Norwegian institution to set up an efficient management system to identify, contracting and support competent and motivated staff to work in developing countries.

4. Result chains for the institutional co-operation approach

1. **Broad competences:** The Norwegian institutional co-operation approach is defined so that the Norwegian partner institution is a highly specialised public institution with fairly specialised staff, and it is stated in the guidelines for the approach as a precondition for successful institutional co-operation that “experience has taught us that institutional co-operation works well when the two institutions have similar responsibilities in their respective countries”. The idea is evidently that the Norwegian partner institution, when having similar responsibilities with the local partner institution, will be able to cover a broad range of the services demanded.

The services delivered within key competence areas of NPD have been successful. NPD has tended to focus on such services when delivering consultancies to the partner institution, but there has been some reluctance from NPD to supply services outside their key competence areas, and such issues have therefore been given less attention. NPD has, however, demonstrated remarkable ability to identify and contract useful consultants also outside its own key competence areas.

2. **Cultural understanding:** Some senior staff of NPD has substantial experience from developing countries, but in general the consultants used are technically specialised employees with limited third world experience. Therefore, the embassy staff has an important task of supporting and advising the Norwegian partners and consultants regarding country specific cultural and political understanding.
3. **Sufficient resources:** The use of NPD staff for support to the petroleum-related Norwegian assistance is based on two assumptions: that the competent employee can be released from his/her normal task and that he/she is willing to take an assignment abroad in a developing country. There are examples that NPD has been unable to supply the needed staff on time, and thereby delayed the implementation. With a view to the enlarged engagement during the “Oil for Development” programme, NPD will have to find ways of enlarging the resource base, either by use its own staff to a larger extent or by use of external consultants.
4. **Training focus and long-term commitment:** Staff from public sector institutions in Norway is focussed on solving problems and finding solutions rather than on pedagogical ways of training and capacitating employees of the local partner institutions. It can

therefore not be a surprise that a number of the persons interviewed have pointed to the fact that NPD advisers in many situations have taken over the partner institution role as implementing agency.

5. *Management of the Norwegian contribution:* It is evidently a challenge for the NPD management to find and motivate staff, and to set up attractive work plans. The management of the Norwegian institution should ensure that the comparative advantages of the institutional co-operation are harvested by systematic management systems for programme implementation.

5. *Lessons learned on the institutional co-operation approach*

1. The institutional co-operation approach is well geared towards capacity development within areas of similar responsibilities between the two institutions, while it is less useful for support to areas outside such similar responsibilities of the two institutions.
2. NPD has limited resources for the numerous assistance programmes. NPD has in certain cases been delaying the programme implementation due to lack of available resources with the needed qualifications. However, NPD has also to a large extent been useful in supporting the partner institutions by identifying and contracting external consultants for specific tasks.
3. NPD has a low salary claim per hour compared to external consultants. It has however not been possible to prove that the consultancy given has been efficient (cost effective), as NPD has registered very large administration costs, which probably would have been covered by the private consultants overhead factor.
4. Services should be delivered within a time schedule acceptable to the local partner institution, supplied at competitive costs. Norwegian leadership should be based on motivation of staff, realistic and operative targets, and systematic monitoring of the implementation process.

6. *Recommendations regarding the institutional co-operation approach*

A system should be developed for use of available NPD resources where they correspond best possible with the demands. Other consultants should be engaged for tasks, where they better match the requirements. A flexible use and mix of staff from both consultancy companies and Norwegian institutions will be needed, if the needs for advisers to the future “Oil for development” programme shall be met.

Services should be delivered within a time schedule acceptable to the local partner institution, supplied at competitive costs.

Norwegian leadership should be based on motivation of staff, realistic and operative targets, and systematic monitoring of the implementation process.

6. Baselines

Baseline descriptions for Mozambique, Angola and East Timor are enclosed as Annex 2. The aim of these baselines is to form a basis for recurrent assessment of the performance and effects of the Norwegian petroleum-related assistance. The intention is to build an assessment framework which is easy to apply and which gives a broad overview of the situation in the country concerning socio-economic issues, the petroleum sector, and the quality of the Norwegian development co-operation.

As to the socio-economic situation in the country, it has been important to define a limited number of indicators which concern the level of development, the economic equality, the macro-economic national situation, the dependency of external assistance, and the energy production and consumption. In order to allow for comparisons between countries, the indicators refer to information available for almost all countries, which is calculated - each year - in the same manner for all the countries. For instance, the source of such information has been UNDP's Human Development Report and the World Bank's World Development Indicators.

Nine issues have been identified for description of the petroleum sector. For each of these issues, the situation in the country is described, thus forming a basis for assessment of the development.

After having identified the socio-economic situation and the status of the petroleum sector, the Norwegian development assistance is assessed for each country. The development assistance includes description and assessment of major changes in policies and priorities for the development assistance and the way in which it has been implemented. Doing so, the baseline analysis tries to describe the Norwegian assistance in a country-specific context and to assess whether the Norwegian assistance is properly adapted to the country specifics.

The contents of the baseline and indicators thus focus on three overall issues:

1. Description of the socio-economic situation in each country around 1993 (if applicable) and in 2006, based on selected socio-economic indicators.
2. Description of the management of the national petroleum resources in each country around 1993 (if applicable) and in 2006.
3. Assessment of the quality of the Norwegian development co-operation in 2006, based on
 - Assessment of adherence of the petroleum-related Norwegian assistance to the Norwegian development co-operation policies.
 - The quality of the results achieved and adaptation of the Norwegian development co-operation procedures and approaches to local conditions and needs so as to best achieve relevance, impact, effectiveness, efficiency and sustainability of the assistance.

7. Specific issues

The Terms of Reference for the evaluation are very specific and detailed. In the previous six chapters all essential issues have been addressed in a systematic manner, while some few issues need some additional comments, and one of the issues requested in the Terms of Reference has hardly been touched upon.

The scope for this missing issue is described in Chapter 6 of the ToR, second section, page 7 and asks for the evaluation to make a limited study of the cross-cutting realities and compare them with existing data sources including Norad's statistical database, reviews and reports from the involved embassies to assess the quality of existing information tools. The evaluation has picked up information during the field visits and from documentation available at the embassies concerning cross-cutting issues included in the petroleum-related assistance, and it has referred to this in the country reports. A summary of these cross-cutting realities is included as Chapter 7.4. Time has not allowed, however, for the evaluation team to systematically compare these realities with existing data sources including Norad's statistical database, reviews and reports from the involved embassies to assess the quality of existing information tools.

7.1 Characteristic of country programmes and achievements

All the petroleum-related Norwegian programmes evaluated have been long-lasting, apart from the programme to East Timor which only started 5 years back. The allocation per year has been approximately NOK 8 million for both East Timor and Mozambique, NOK 4 million for Angola and NOK 1.5 million for Bangladesh.

The overview also lists the duration of the assistance to each of the countries and the amount of the total assistance, as well as characteristics of the assistance, important external conditions for the implementation of the cooperation programmes, key achievements and very brief summary assessments of the overall quality of the achieved results.

The evaluation team draws the following conclusions from the table and the country studies:

1. Principal reasons for successful programme implementation depend on:
 - Whether the programme has a focus that responds to the needs of the partner country/partner institution(s). In relatively rich countries with ongoing petroleum production general capacity development needs might be felt much less than in poor countries, being on the way to start up the petroleum exploitation or to assess whether a production can be made feasible. Therefore, in the better off countries there is a need to ensure that an assistance programme responds strictly on strategic needs and demands in the partner country.
 - Whether solid commitment is or can be achieved at high policy and administrative levels in the partner country and in the partner institution(s). From the countries studied there seems to be a close relationship between ability to establish such commitment and the degree of formal bureaucracy in the country.
 - Whether a proper and sustainable institutional setting is defined and fully agreed upon during the programme formulation phase. Inappropriate institutional setting is probably the most devastating element for a programme.
 - However, it should be a general rule that setting up of institutions in parallel to the offi-

cial systems should by all means be avoided. The institutional setting should, at the stage of programme formulation be given utmost attention.

- Whether the assistance programme has a clear and relevant focus. For “new” petroleum producing countries it may be very broad so as to ensure a holistic and coherent development of all the institutions involved in the national petroleum management, while for countries with more mature petroleum sectors it should be more focused.

2. Conclusions concerning external conditions:

- Civil war is certainly devastating for any programme implementation, for many reasons, but in particular because it is draining all human and financial resources as well as the focus from development priorities.
- It seems, however, that it is even more important whether the assistance programme is introduced in a country that already has established a feasible petroleum production and the corresponding institutional set-up. In such countries power structures are established which are very difficult to shift around, and assistance programmes therefore seem to have to accept existing power structures or they will fail.
- The local level of education and the number of relevantly educated persons is often emphasised as an important external factor. However, the experience from Mozambique and East Timor seem to prove that, even with weak local educations, it is possible to set through the institutional capacity development in the country - but it either takes time or requires that, for a period of time, key functions are taken care of by expatriates.
- From the four countries included in the evaluation it is seen that no other essential donors have formed an important part of the stakeholders in the development of the petroleum sector. The World Bank and IFC have been involved, but with completely different aspects than the Norwegian assistance. In fact it seems that the IOCs are linked most closely to the activities and objectives for the Norwegian programmes through their training and education activities.

From the above overview there seems to be a correlation between the average annual Norwegian support to a country and to what extent the programme is successful. As we have argued above, other reasons than the annual contribution seem to be decisive for the success. In fact it may even be that the average contributions to Mozambique and East Timor are bigger, because the programmes in these countries are more successful and more needed. It can, however, also be argued that small annual contributions to programmes in countries, which already have a lucrative petroleum exploitation, lead to a situation where the programmes enjoy little attention and commitment from the policy and management levels, and therefore will turn out less successful. This argument once again leads to the conclusion that assistance programmes in such countries should be very much focussed on issues of strategic importance for the partner country in areas where Norway has clear comparative international advantages.

In the above we have not discussed the role of the oil price level, even though this will often be decisive for whether exploitation is feasible or not.

For Mozambique, for instance, assistance was given for many years without really making a breakthrough for the petroleum sector development. This came only when oil prices rose to a level that made the gas resources feasible, and when friendly relations replaced the former tensions to the apartheid regime in South Africa, this way facilitating the achievement of an agreement between the two countries on a gas deal.

Overview of country characteristics.

Country	Mozambique	Angola	Banglades	East Timor
Assist. period /no. of years	1981 – 2005 24 years	1987 – 2005 18 years	1986 – 2005 19 years	2002 – 2008 6 years
Assistance, total	NOK 202 mio.	NOK 67.5 mio	NOK 30 mio.	NOK 50 mio.
Average per year	NOK 8.4 mio.	NOK 3.8 mio.	NOK 1.6 mio.	NOK 8.3 mio.
Characteristics of the assistance	Evident need for the assistance Committed and active partners Needs driven and well timed Holistic institutional development Well defined institutional settings Workplans/budgets not adhered to No exit strategy and risk assessment.	Low commitment at management level Difficult dialogue with decision-makers. Focus on legal revision, otherwise unclear programme focus Relatively passive partners Workplans/budgets not adhered to No exit strategy and risk assessment.	Low commitment at policy level Unrealistic overall programme focus Unrealistic institutional set up Programme change in the middle Little dialogue with decision-makers No exit strategy and risk assessment.	High commitment at policy level Contracted expatriate partner staff Needs driven and well timed Holistic institutional development Well defined institutional settings Adhered to workplans/budgets No exit strategy and risk assessment.
Important external conditions	Civil war 1982 – 1992 Un-bureaucratic nation. administration. No petro-institution at start Low level of education Meagre nat. financial resources No petro-exploitation at start Petro-exploit. became feasible No other essential donors	Civil war until 2002 Bureaucratic nation. administration. Well established petro-institutions at start Huge income from petrol. from start of programme Low level of education No other essential donors, but many influential IOCs	Bureaucratic nation. administration. Well established petro-institutions at start High income from gas product. at programme start No other essential donors, but some influential IOCs	Civil war until 2002 Un-bureaucratic nation. administration. No petro-institutions at start Low level of education Petro-exploit. feasible No other essential donors
Key Achievements	Fulfilment of all key objectives Holistic development of sustainable institutions. Important institutional capacity development. Transparent flow of petro-revenue Revision of legal framework	Revision of legal framework Vocational education institute in Sumbe Some individual capacity building	Contributions to resource analyses Some indiv. capacity building Some infrastructure (for BPI)	Fulfilment of all key objectives Holistic devel. of sustainable instit. Important instit. capacity developm. Transparent flow of petro-revenue Revision of legal framework So far successful management of expatr. partner staff
Overall quality of achieved results	Highly successful High relevance Fairly high impact Fairly effective Highly sustainable (Probably efficient?)	Limit. success (legal) Limited relevance Limit. impact (legal) Little effectiveness Some sustainability Little efficient	Little successful Limited relevance Limit./no impact Little effectiveness No sustainability Little efficient	Highly successful High relevance High impact Fairly effective Probably sustainable (Probably efficient?)

7.2 The Norwegian institutions involved and their relations

The evaluation team has been convinced that the institutions involved in the petroleum-related assistance to a very high degree and for very good business reasons do their best to avoid mixing development assistance and businesses. This issue was touched upon in detail in particular during the visit to Angola.

This way the two most important situations that have influenced the relations between Norwegian partners have been:

- The situation in the mid 1990s when Norads approach to assistance to the petroleum sector changed from use of private consultants and individual long-term resident advisers to the institutional co-operation approach which involved Norwegian public sector institutions. For a number of private consultants this had the effect that they were squeezed out of the market and today focus on consultancy within other sectors. However, the market was elastic, and it seems that the change passed relatively smoothly.
- The private consultants and public sector institutions also confront over reviews performed by private consultants. The consultants, who are responsible for the reviews, tend to be fairly critical and probably less diplomatic than normally among public sector employees, and this seem to cause anger rather than a constructive debate. Both reviews from Bangladesh and Angola evidently had this effect, and the embassies have in both countries tended to support the institution and neglect the recommendations of the consultant. Seen in the light of hindsight it is clear, at least for the situation in Bangladesh, that the review really touched upon critical issues which were nevertheless played down and neglected by the embassy and ignored in the appropriation document for the following programme phase. It will always depend on an individual assessment, whether consultants' arguments and recommendations are accepted, and as such the individuals at the embassies have for sure decided in good faith.

7.3. Different forms of training

It is the conclusion from the evaluation that it is impossible to point to one or more forms of training as most effective or efficient. Instead, it is the conclusion that different forms of training work well under different conditions for different persons at different points of time.

From the evaluation, the following conclusions have come out:

- There has been much satisfaction among all persons interviewed concerning their participation in the 8-week Petrad training courses. The evaluation team finds that these courses are very expensive, and it is a question whether the specific outcome from these courses are made useful in daily work that might be quite far from the issues addressed. The evaluation team has consequently questioned the efficiency of this training and points to the managers and other leaders for the participants to be the ones to consult for getting a feedback on whether the training is value for money.
- The on-the-job-training at the work place initiated by long-term residential advisers have proven very useful – in particular during the first decades for new petroleum countries. Of course the success has depended on the individual expatriate adviser, but apart from supplying useful and practical training this form of co-operation has also contributed importantly to relation-building between the institutions, to better inter-cultural communication between the partners and to procurement of the hardware needed in an efficient manner. This way, the long-term advisers have been essential for the flexible Norwegian approach to succeed.
- Surprisingly little long-term high-level training at Norwegian universities or other training institutions has taken place, taking into consideration the high quality and the substantial experience available at some of the Norwegian universities and training institutions.
- Finally, it has been remarkable that the Norwegian petroleum-related assistance has nowhere considered to support relevant university education in the partner countries, no matter that it is evident that there is and in the future will be a major demand for competent local technicians and economists in the petroleum sector.

7.4 Cross-cutting issues

A number of cross-cutting issues form strong elements of the petroleum-related assistance. As described throughout the evaluation this includes the Norwegian focus on support to adjustment of the legal and regulatory frameworks in most of the countries visited (this way addressing good governance) and the efforts for environmental regulation.

Gender issues have hardly been addressed in the programmes, probably because there so far has not been indicated a clear approach for this. But even more surprisingly, the issue of HIV/Aids has been absent in the assistance, even though petroleum activities implies many relocations and as such a severely increased exposure to the spread of HIV/Aids.

Annex 1: ToR for an evaluation of the Norwegian petroleum-related assistance

1 The purpose of the evaluation

Norad's evaluation department (EVAL) will conduct a comprehensive evaluation of earlier assistance in the petroleum sector. One reason is that Norway has decided to greatly increase its petroleum related assistance to developing countries during the next five years, and to develop and implement a new action plan for this type of assistance.

The main purpose of the evaluation is to contribute to quality assurance of future assistance in this sector by identifying and documenting lessons learned. The focus will be on the quality and results of Norwegian assistance so far and reasons for successes and failures. Two key issues are the potential for improving Norwegian assistance in the future and preconditions for successful assistance in former and new partner countries.

The evaluation will follow the norms and quality standards laid down in OECD/DACs evaluation guidelines¹ and the MFAs instruction for Norad's evaluation department.

The main users of the evaluation results will be the Norwegian policy makers and the institutions² that have been and are involved in developing and implementing Norwegian policy and guidelines for the petroleum assistance. The results will also be useful for other stakeholders in Norway and partner countries. An important goal is to have the first results ready before the end of 2006 and the final report delivered early 2007.

2 The evaluation object

Norway has provided assistance to the petroleum sector in at least 30 developing countries and for more than 20 years, but limited information is available on this assistance in general. Norad's statistical database gives an overview of the input, but not the results of the support to the petroleum sector.

The database shows, however, that approximately 440 million NOK or 60 million US\$ has been spent on petroleum related assistance in total from 1994 to 2004. Assistance to policy development, nature resource and energy planning, and administration were the main areas of cooperation during this period, while advice on management of petroleum income is a more recent phenomenon. The data indicates that approx. 18% of the total budget has been spent on education and training, while only 0.1% was used on industrial development and 0.7% related to commercial services. Environmental issues were a significant or the main objective in ? of the budget while good governance has only indirectly been the purpose. Resource persons assess that good governance, environmental issues and training have had higher priority than these data indicate, a question the evaluation should verify.

Norwegian petroleum related assistance has been concentrated geographically, with nearly 85% of total budget used in 10 countries from 1994 on. 56% was allocated to Africa, with Mozambique the largest recipient with almost 40% of the country specific allocations 1994-2004. Mozambique got 4 times more than any other recipient.

¹ Including the guidelines in DAC Evaluation Quality Standards, March 2006

² Such as Ministry of Foreign Affairs (MFA), Ministry of Energy (MoE), Ministry of Environment (MoE), the Norwegian Agency for Development Cooperation (Norad), the Norwegian Petroleum Directorate (NPD), the Norwegian Pollution Control Authority (SFT), PETRAD, INTSOK

A large number of Norwegian institutions and management units have been involved in this type of development cooperation. During the last 6 years 20 different actors have entered into agreements or contracts with 33 different partners. Norwegian partners were directly responsible for reporting and implementing approx. 20% of the total budget, but indirectly even more. The most important partner 1999-2004 has been Mozambique Ministry of Foreign Affairs which has had agreements with Norway worth 75 million NOK. The most important implementing unit on the Mozambique side has been DNCH (the National Directorate for Coal and Hydrocarbon) that in the last 6 years has received 50 million NOK.

3 The policy background for the evaluation

The Cabinet proposed in 2005 to develop a new action plan and at least double annual Norwegian petroleum aid during the coming five years. Its proposal was recently approved by Parliament. Since the achievements of this type of assistance have not been subject to independent evaluations so far, it is timely to make an overall assessment of results and what can be learned from past performance.

The proposed action³ for petroleum assistance during 2006-2010 will cover three key target areas and be on two different levels. The three target areas are:

- petroleum resource management
- management of petroleum revenues
- environmental and safety issues.

The first level of assistance will be information services to all development countries that are interested in learning about the Norwegian experience, but limited to overviews of the main issues. The next level will be more comprehensive and extended cooperation with a limited number of countries on developing institutional capacity and competence, training of personnel, and legal/technical advice.

A common challenge to both levels and to the respective target areas will be to secure a high quality of Norwegian assistance for partner countries, and strong linkages between the broad development policy goals of Norway, the implementation strategy, and specific program goals and activities in the new action plan.

The evaluation will not be an appraisal of the new action plan or its components. The purpose is to contribute with background information to the planning and implementation process by collecting and documenting relevant information on earlier results, performance and experiences which has relevance for assistance in the future.

The planning of the evaluation is partly based on a state-of-the-art study⁴ of the Norwegian petroleum assistance which shows that the assistance so far had high relevance in general for partner countries, but significant variation in effectiveness, efficiency, impact and sustainability. It also shows that none of the reviewed programmes had accomplished the complete set of activities (input) originally designed, with large non-compliance in some cases. Four main causes for non-compliance were identified: delayed political processes, institutional structure not clarified, limited capacity to absorb assistance and petroleum sector dynamics. The information on reasons for weaknesses in the programmes is very limited, but unrealistic planning and vague definitions of output and performance indicators constituted problems. The state of the art study also concludes that risk factors should have been more consistently identified during the design and planning phase, and monitored in the implementation phase. The evaluation should explore these findings⁵ and clarify why the results have varied.

3 Ministry of Foreign Affairs (MFA). Memo dated 15/6-2005 from Jon Lomøy at the Regional Department in Norwegian and with the title "Forslag til en utvidet norsk satsing på petroleumforvaltning".

4 The state of the art report summarises the findings of 12 reviews undertaken of petroleum interventions by Norway and information from resource persons. The report is available on http://www.norad.no/default.asp?V_ITEM_ID=2864.

5 The state-of-the-art report was based on limited data and one objective of the evaluation is to verify data and findings.

4 Organisation and involvement of relevant interests

The evaluation will consist of three phases:

- the preparation phase, including state-of-the-art study, dialog on Terms of Reference (ToR), the tender process and contracting of a team of independent consultants,
- the implementation phase when the evaluation team conducts the evaluation according to ToR, with the production of an inception report clarifying the work plan, a draft final report and the final report,
- the follow-up phase, disseminating and discussing the findings with the stakeholders and giving advice to the Minister for international development on policy change and how management should respond.

The planning and organising is done by Norad's evaluation department (EVAL) in cooperation with a reference group⁶ consisting of major stakeholders in Norway, and after consulting with other relevant actors in Norway and partner countries. The reference group and involved partners give advice on Terms of Reference, the tender process and criteria for selecting the evaluation team. All members of the reference group will also have the possibility to assess and discuss the inception report with the evaluation team or give their comments before the inception report is approved by EVAL.

The draft final report will be sent by EVAL to the reference group and other involved stakeholders, giving them the opportunity to comment on the findings, conclusions, recommendations and lessons learned which are presented in the draft report. The final evaluation report will reflect and assess these comments, and acknowledge any substantive disagreements. The reference group will, together with other stakeholders, also be invited to participate during the follow-up phase in discussions about the conclusions and recommendations in the final report.

An evaluation team, independent of the stakeholders and EVAL, will collect and evaluate the information given by different sources. The team will be selected after an international tender process and will be responsible for the findings, assessments, conclusions and recommendations in their reports.

EVAL has professional responsibility for the evaluation process and choice of consultants. EVAL is also responsible for its independent advice to the Norwegian Minister for international development on policy change and management response.

5 The objectives

The evaluation of Norwegian petroleum assistance will be based on DACs quality standard and cover all of DACs criteria for evaluating development assistance; relevance, impact, effectiveness, efficiency and sustainability.

The main objective will be to document and assess to what extent Norwegian petroleum assistance produced the anticipated results, identify successes and challenges, clarify reasons for why interventions have been successful or not, and lessons learned by Norway and partner countries/institutions. These assessments should include the result chain, cause/effects relationships and the importance of risks that are not easy to control or not under the control of the partners involved in petroleum related assistance. Results, in the form of lessons learned that have changed Norway's more recent assistance, should be verified and assessed, including changes in the main design of the interventions and actions for increasing results or reducing risks. In this respect, the evaluation will be backward looking and emphasise short term effectiveness, long term results, sustainability, reasons for success or failures and lessons learned.

⁶ A list of the members is included in the appendix

The evaluation will, in addition, be forward looking and assess how the cooperation and results can be improved, with focus on measures under the control of Norway and partner countries/institutions. Therefore, the second objective is to identify strong and weak elements in the design of Norway's assistance and the planning/implementation instruments used by the Norwegian and partner institutions. The instruments then include the realism and quality of project documents, analysis of the needs of the partner and the intervention logic (logframe), risks and impact assessments, assessments of the Norwegian and partner institutions competence and capacity, the monitoring and reporting systems, the integration of legal/ technical/ health/security/environment elements and follow-up processes.

The third objective of the evaluation is to contribute to a baseline for assessments of the performance and effects of the petroleum assistance in the future. This information should be limited to key baseline elements. It shall cover both a relatively new partner country where Norway has decided to be involved during coming years, but also a baseline that documents the quality and results of Norwegian assistance among existing partner countries. The aim is to get a baseline at the beginning of the new action plan which covers the existing quality of the Norwegian input, the performance of the involved partners, the results achieved before or at the beginning of the implementation of the new action plan, and the context of the assistance.

6 The scope; key questions to be answered by the evaluation

It is not possible to cover all issues of interest in depth. It is, therefore, necessary to choose a limited number of more specific questions. The evaluation team should investigate and assess the following key questions, and present the findings, conclusions, recommendations and lessons learned in the draft and final report. The evaluation team is free to propose additional or reformulated evaluation questions or changes in design/methods in its tender documents and the inception report.

Key evaluation questions are:

1. What have been the results of Norwegian assistance to the partner country, its petroleum sector, institutions and participating staff, and for the Norwegian stakeholders?

The result-concept then covers anticipated and unexpected results, short- and long-term effects of the assistance on output, outcome and impact level, the cause-effect relationships and risk-factors. Analysis should at minimum cover capacity/competence building effects for institutions and individuals, effects on resource and environmental management, economic impact/sustainability on country/institutional level and, if possible, the contribution to poverty reduction. Assessments of institutional development and capacity should preferably be in accordance with EU or equivalent guidelines⁷.

The evaluation should especially investigate the results of long-term assistance in the form of advice and training. It should try to clarify whether assistance needs to be substantial before the results are significant. Do the results, for example, increase substantially if the assistance is great and long lasting as in Mozambique?

The analysis of results for the Norwegian stakeholders should cover both the Norwegian institutions directly involved in the partnerships, and also clarify the economic linkages to institutions, companies or individual consultants in other steps in the results-chain.

The evaluation should, in addition, identify the main internal and external risks influencing the results and performance of Norwegian petroleum assistance so far and how threats/risks were analysed, monitored, reported and reacted to. The response of assistance

⁷ European Commission. Europe Aid. September 2005. Institutional Assessment and capacity Development. Why, what and how? See also guidelines from Danida or DIFD

authorities or partners to weaknesses and potential improvements that are reported in reviews, progress reports or other documents will be of special interest.

2. The content and quality of Norwegian petroleum assistance (the input), with emphasis on:
The quality of input when assessed for its relevance for the partner countries/institutions/staff, using guidelines for Norwegian development assistance and internationally accepted quality standards related to assistance or the petroleum sector.

The evaluation should give a clear description of the Norwegian intervention (time pattern, volume, content, actors and context, including relationships to other relevant interventions). The quality assessments of the inputs should focus on the effectiveness, efficiency and capacity of the Norwegian partner institutions, but also include the competence of their staff and partners in development assistance, transfer of knowledge, language and cultural skills. In other words: How has the capacity/competence/quality of assistance been among the different Norwegian partners and subcontractors, including Norad, MFA and the involved embassy? How cost-effective has their assistance been and to what degree have they reached the expected goal stated in agreements and annual plans/budgets? How has the quality of programme design and planning affected implementation and result?

The relevance-concept should cover how relevant Norwegian role models and instruments/measures have been when implemented in partner countries. Role models include ways of organising responsibility for policy development and implementation (law, regulations, licensing) and the choice between twinning arrangements between institutions or hiring consultants for more focused “task-assistance”. The instrument concept includes such tools as programme assistance planning, assessments of partner needs (including training needs), environmental/social impact assessments (when relevant)), and quality/performance control. Quality/performance control refers to tools used before a programme is entered into by Norad or agreement partners, appraisals by resource persons, and tools such as monitoring, reviews and evaluations. The effects of appraisals, monitoring and reviews on implementation should also be clarified to see if recommendations have been included in projects afterwards.

The evaluation should also clarify to what degree cross-cutting issues have been covered in petroleum assistance such as health, safety, environmental protection, good governance, gender and capacity building/training issues. Such a limited study of the cross-cutting realities should be compared with existing data sources including Norad’s statistical database, reviews and reports from the involved embassies to assess the quality of existing information tools.

Assessments of contents and quality should be based on the guidelines which were relevant at the time of the Norwegian assistance; including framework agreements, contract obligations and ToR, in addition to quality or normative standards for the petroleum industry/trade, and policy documents by Norwegian and partner country authorities.

3. What have been the successes and challenges in the relationships between Norway and partner countries/institutions, and with other donors or commercial actors?

Relationships refer to partners on different levels (national and institutional), in different sectors (public/commercial and petroleum/fishing/environment) and during the main phases of assistance (planning, implementation and exit).

The evaluation should especially investigate and assess:

- Challenges in the internal relationships and cooperation between Norwegian partners in the assistance,
- The challenges and opportunities for Norwegian assistance when commercial interests

and other foreign authorities (both bilateral and multilateral) have been involved directly or indirectly,

- The preconditions and capacity to absorb assistance in partner institutions; how has this been analysed and what have been the main problems and solutions? How have these and other challenges been handled in dialogs connected with the planning, annual dialogs/meetings and reporting activities?
- What have been the experiences with alternative models for project management, with emphasis on resident and non-resident locations of management?
- What have been the experiences with the main alternative types of training both in Norway and partner countries?

7 Methodology and data sources

The evaluation is based on a case-study design. It will build on information produced by earlier reviews, appraisals or study reports, but use such second-hand accounts as a starting point for analysis of first-hand empirical material which gives a deeper or broader understanding.

The large and long lasting Norwegian programme in Mozambique will be the basic case. It will be assessed by a comprehensive and in depth field study of the above mentioned key evaluation questions including the quality of Norwegian assistance, the relationships with partners and the intended and real results for the stakeholders in Mozambique, the related region and in Norway. This in depth study should cover Norwegian assistance from its start and up to summer 2006. The emphasis should be on long-term effects (more than 5 years), but also cover recent short term effects of strategic importance.

Results from the case study in Mozambique will be compared with and supplemented by more limited case studies in a few other countries, looking for general patterns or dissimilarities in the results, the quality of Norwegian assistance and the relationships with partners⁸. The comparisons will include information published in the state-of-the-art report, new reviews of the petroleum assistance to Nigeria and Vietnam or other documents from selected partner countries⁹.

In theory, the expected results from Norwegian assistance in general will depend on the involved Norwegian resources (volume, quality and duration), the relationships with partners and their capacity/competence, and the context of the assistance. Important contextual elements in petroleum related assistance are the partner country's situation as a developing country and producer of oil/gas, if Norway is a small/large actor, the relationship to other interests etc. The choice of additional case-study countries is based on the need to cover experiences from countries where the scope and volume of Norwegian assistance has varied, and where the contexts are different.

In addition to the field study in Mozambique, three limited field studies will cover Norwegian assistance to Bangladesh and East-Timor. All of these field studies should cover content and quality of the Norwegian assistance and the results of training activities in Norway for the participants. The collection of new data on the results on capacity and competence building for the involved institutions is limited to Bangladesh, Mozambique and East-Timor, not Angola. The additional data collection on results will vary.

- In Bangladesh, the field study should cover the relevance of the Norwegian way of organising responsibilities among institutions (the Norwegian role model) and the instru-

⁸ The evaluation design is in other words a "multiple case study design with embedded multiple units of analysis" as described for example in Yin, R. K. 1984. *Case Study Research. Design and Methods*. Sage publications. London. The Norwegian petroleum assistance programmes in a few selected countries will be "the multiple cases" and the units of analysis are the results, quality of inputs and relationships (the key evaluation questions). The main method is to compare – when possible - how the analytical unit(s) varies between chosen cases (countries and interventions) and contexts, looking for similarities and diversity

⁹ Supplementary information on some results from Norwegian petroleum assistance will also be found in an evaluation of Norad Fellowship Programme from Tanzania and Bangladesh, see Norad 2005. *Evaluation of the Norad Fellowship Programme*. Evaluation Report 1/2005. Oslo.

ments/measures that have been used during planning and implementation, including the challenges related to choice of partner institutions and institutional capacity building.

- In East-Timor, the focus will be on how lessons learned from other petroleum programmes have been integrated in the new petroleum related programme. It should, in addition, look at the effects of the involvement, influence and co-operation with other donor organisations like UNDP etc. The field study should also produce key baseline data needed in future assessments of results.
- In Angola the collection of new data is, with the exception of interviews with the Angolan participants on training in Norway, limited to Norwegian sources and the need to establish baseline information which will be used later on in an evaluation of the results of the Norwegian assistance. The collection of baseline data will focus on factors that contributes or influence the results of the Norwegian assistance, with emphasis on influence on Norwegian interests by the introduction of international and national instruments such as the Extractive Industries Transparency Initiative (EITI), the Angolan (and OECD's) guidelines on corporate responsibility, and the Norwegian guidelines for assistance in general. The field study of these contributing factors should include the results, and the opportunities and challenges connected with such instruments. The field study in Angola should in addition give an overview of the Norwegian commercial interests and their contribution to local content, and identify challenges that are related to the combination of public assistance and the Norwegian commercial interests in this partner country.

The original evaluation plan included a field study in Vietnam on the assistance related to environmental, security and health issues. The field study in Vietnam will now be organised as a separate project, and be an extended result oriented review of the assistance on environmental, security and health issues. The report from the review in Vietnam will be available for comparison with the other case-study countries.

It should be possible to collect information on the content and quality of Norwegian assistance by interviewing resource personnel in the Norwegian institutions and agencies who have been involved in the chosen case-study countries and by analysing existing documents and accounting data. These data sources should also give reliable information on results for the involved Norwegian stakeholders, either directly involved or indirectly through other steps in the result-chain. It will be important to compare the Norwegian actor's self-assessment with quality assessments by partner institutions, their staff and other relevant actors inside the petroleum sector or in related institutions.

Information about the results in partner countries/ institutions and other donors should be available from the same type of resources; by interviewing people on all staff levels and units in the partner institutions, and through data produced by them, including accounting data. It is, however, important to first clarify the products and services that the partner institutions have delivered by collecting information from the users of such products and services, both inside and outside of the petroleum sector (for example from other ministries and the private sector). Data on long and short term effects of competence building and training should be collected by interviewing the participants who have had training in Norway¹⁰ and on courses/job-training in partner countries. The training data should include previous staff members who have changed jobs. The data collection in partner countries is a demanding task and requires most probably aid from competent local consultants.

It is necessary for the evaluation team to use triangulation strategies and check the reliability of information by comparing data from different sources. The comprehensive study in Mozambique and the additional field studies in Bangladesh and East-Timor should include comparable personal interviews of the staff that cover all levels and units in partner institutions. These field studies should present an overview of all actors involved directly in the

¹⁰ PETRAD has made available lists of all participants on their different courses, including names of the over 80 participants on 8 week courses from Angola (26), Bangladesh (21), East Timor (2), Mozambique (8) and Vietnam (24).

partnerships, but also other actors who have been participating/hired in additional steps of the result-chain including institutions, companies and individual consultants in Norway and partner countries. The data collection on direct and indirect partners in the assistance to Angola is limited to Norwegian sources.

The consultants should, in their tender document and inception report, clarify the analytical tools and data collection methods they intend to use for the assessment of results and performances. The quality of design, analytical framework and data collection methodology proposed by the consultants in their tender will be one of the criteria for selecting the evaluation team.

8 Reporting

The consultants will present an inception report within 4-5 weeks after the contract is signed giving a more detailed plan for the work tasks. An important purpose of the inception report is to clarify the analytical framework, the main hypothesis which the evaluation will investigate, data sources and indicators. The indicators should be as specific, measurable, attainable, relevant and time bound (SMART) as possible. The inception report will be based on desk review of documents, interviews with key resource people and include a preliminary discussion of the intervention logic (the relationship between the petroleum assistance program and expected results) and the assumptions which the interventions were based on. The inception report will be discussed with the team and members of the reference group at a meeting in Norway before approval by EVAL.

The field studies will end with a debriefing of the Norwegian Embassy and involved partners before leaving the case-study country and with a debriefing of Norad and relevant stakeholders at a meeting in Norway.

A draft final report will be delivered in electronic form before January 10th 2007 for feedback from EVAL, the reference group and other stakeholders involved. The feedback will include comments on facts, conclusions, recommendations and lessons learned. The consultants should reflect these comments and acknowledge any substantive disagreements in the final report.

The final evaluation report is to be submitted to EVAL by February 10th by the Team Leader. It shall be an analytical report written in English not exceeding 60 pages (excluding annexes), detailing the findings, conclusions and recommendations on planning and implementation for Norwegian petroleum assistance in the coming years. The structure of the report should facilitate assessments of the key evaluation questions. Annexes should give more detailed information on Norwegian assistance to each case-study country; the assistance, context, results, quality, relationships and methods used in the evaluation. The final report shall be delivered both in electronic and paper form in accordance with EVAL's guidelines, and the language checked.

The final report will be followed-up by meetings/workshops where the consultants will participate in discussions with the parties involved, other stakeholders and with EVAL. The follow-up phase for the consultants will be limited to 15 man days during the 6 weeks after the final report has been delivered.

9 The tender process and choice of evaluation team

The tender process will be international and in accordance with EU rules. The main competition criteria will be the quality of team, the design and methods proposed, the availability of team members and price. The team needs a high level of competence in the main issues in petroleum assistance, including legal and technical assistance, environment/health/security and income management, but also education and training. The team leader should have extensive experience of major evaluations. The selection criteria will be defined in the invitation for tender. The invitation for tender will also include the expected time scale for the evaluation.

Appendix 1.

The Petroleum evaluation; the members of reference group

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- 2.02 Evaluation of the International Humanitarian Assistance of the Norwegian Red Cross
- 3.02 Evaluation of ACOPAM
An ILO program for "Cooperative and Organizational Support to Grassroots Initiatives" in Western Africa 1978 – 1999
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Un programme du BIT sur l'« Appui associatif et coopératif aux Initiatives de Développement à la Base » en Afrique de l'Ouest de 1978 à 1999
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