

# EVALUATION DEPARTMENT

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## Evaluation of Norway's Aid Concentration

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June 2020



**Commissioned by**  
The Evaluation Department

**Carried out by**  
Analysis for Economic Decisions (ADE)  
in collaboration with Scanteam

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This report is the product of the authors, and responsibility for the accuracy of data included in this report rests with the authors alone. The findings, interpretations, and conclusions presented in this report do not necessarily reflect the views of the Evaluation Department

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# Foreword

While the interest in the Paris agenda for aid effectiveness has waned over the last decade, a donor focus on effective management of aid and a focus on value for money has not. Globally, there is increasing pressure to ensure that donors fund the best possible programmes and partners to reach the sustainable development goals (SDGs) as official development assistance is increasingly viewed as scarce and insufficient to fill the funding gap for the SDGs.

For Norwegian development assistance and for the Norwegian aid administration this has created an aid-management challenge, as aid budgets have gone up while there has been a cap on staff. To meet this challenge and ensure an effective and efficient delivery of development aid, the Norwegian Government has decided to concentrate aid on fewer geographic and thematic areas and to reduce the number of agreements and the number of partners.

Aid concentration can reduce transaction costs and allow for better management of aid. For development partners, reduced transaction costs can increase focus on programme and project delivery. For the aid administration, larger agreements with fewer partners on fewer thematic areas and in fewer countries can allow for building competence in prioritised areas, and to see the connection and complementarity between partners and projects.

Even though aid concentration has large potential to improve management of aid there is limited knowledge of how successful the concentration policy has been, and how it can affect aid. The purpose of this evaluation has been to bridge this knowledge gap and determine the extent to which Norway has achieved aid concentration and discuss whether it is likely that concentration will improve development results.

We believe this evaluation provides an important contribution to the debate on prioritisation of both development finance and human resources.

The evaluation was carried out by the Belgian consultancy company ADE in collaboration with Scanteam, Norway. We are grateful for expert advice from our external advisors Professors Rune Jansen Hagen and Patricia Rogers, for extensive stakeholder comments throughout the process, and to the team for a job well done.

*Oslo, June 2020*



**Per Øyvind Bastøe**

Director, Evaluation Department



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# Executive Summary

## PURPOSE

The purpose of this evaluation is to provide the Norwegian Ministry of Foreign Affairs and Norad with information about whether concentration efforts have led to concentration in practice, whether this led to more effective and efficient management of aid and whether it is likely that these changes have improved development assistance. It also aims to provide decision-makers with recommendations for improving the policy.

## BACKGROUND

The Norwegian aid administration is faced with an important aid management challenge, which is driven by two factors: (i) the volume of aid has tripled from 1999 to end 2018, while (ii) staff levels for managing aid have not increased. This has created a need to concentrate Norwegian aid on fewer countries, fewer themes, with fewer implementing partners and agreements. Focusing on the aid managed by Norad and the Ministry of Foreign Affairs (excluding funds to refugees in donor

countries), the shift from bilateral aid (from 52% of aid commitment in 1999 to 37% in 2018) to multilateral aid (from 40% of aid commitments in 1999 to 55-60% in recent years) has contributed at an early stage to aid concentration.

In 2013, the Norwegian government's political platform, the 'Sundvolden Declaration', aimed to introduce stricter requirements for efficiency and monitoring of Norwegian development aid funding. In this context, it focused specifically on reducing the number of recipient countries, while thematic concentration was also mentioned. Aid concentration is also expected to contribute to improving aid effectiveness and achieve better results.

Norway has pursued three types of aid concentration:

- Geographic concentration, which refers to financing activities in fewer countries. Policy efforts include lists of priority partner



countries (nine lists since 2002 with 12 to 28 countries) and a list of 85 eligible countries for Norwegian aid introduced in 2015;

- Thematic concentration, which refers to concentration of aid on fewer themes or sectors. Over time many thematic, sector and cross-cutting priorities have been defined. In 2017 the government defined five broad thematic areas and four cross-cutting issues;
- Partner and agreement concentration/reduction, which refers to both a reduction in the number of agreements with the same partner, and a reduction in the number of partners and annual targets for reduction were set.

During the same period, when aid concentration measures were implemented, other measures were taken to improve the efficiency of aid administration such as improved risk management (zero tolerance for corruption) and reorganisation of the aid administration. After initial decentralisation of the Norwegian aid administration when embassies received more responsibilities, a recentralisation took place from 2009 onwards. After 2009, grant-management responsibilities have been shifted from the Ministry of Foreign Affairs to Norad. A new reorganisation reinforcing these trends is effective from 1 February 2020.

In addition, the aid administration has been faced with increasing

demands for improved quality of aid and results reporting, leading to more pressure on aid management staff, which was also stressed in 'the Sundvolden Declaration'. This led to a new broader focus for the aid concentration policy, mentioned in the 2018-19 budget proposal, according to which aid concentration should allow for better follow-up and ensure better results through more effective and efficient management of aid.

#### **METHODOLOGY**

The evaluation has four objectives:

1. Document implementation of aid concentration policy efforts and changes in concentration of aid (thematic, geographic, with respect to partners and in the number of agreements).
2. Assess the effect of the policy efforts on the effectiveness and efficiency of the Norwegian aid administration's management of aid.
3. Discuss how concentration efforts can affect results (the effectiveness and efficiency of aid).
4. Suggest areas for improvement with the intention of informing a decision on whether to continue, intensify or more comprehensively implement the policy.

The evaluation covers all Norwegian development aid managed by the Ministry of Foreign Affairs and Norad (excluding funds to refugees in donor countries). Evidence has been collected through a mix of tools: quantitative analysis of Norwegian aid statistics from 1999 to 2018 (making use of various measurements including the Theil index), document review, interviews with aid administration staff and implementing partners, and four case studies. The latter consisted of two case studies on priority partner countries Afghanistan and Malawi, one on health as one of the five main thematic areas, and one on Norwegian Church Aid to draw lessons on civil society organisations as implementing partners. Findings are based on validation and triangulation of data, including two validation workshops with key stakeholders. This evaluation focuses on the Norwegian aid administration and Norwegian civil society organisations as implementing partners; it does not examine the perspective of multilateral organisations or those of partner countries. This limits the analysis of the effects of aid concentration on the effectiveness of Norwegian aid and better development results. Furthermore, analysis of aid administration practices is based on stakeholder perceptions (through interviews and workshops) rather than direct observations.

### **CONCENTRATION TRENDS: MAIN FINDINGS**

The main focus of aid concentration policy efforts was on partner and agreement reduction. This is also where evidence on substantial aid concentration is found. The number of active partners has declined from more than 2,000 at the peak in 2012 to only around 1,000 in 2018. The number of active agreements also more than halved in ten years, from 4,800 agreements at the peak in 2007 to approximately 2,000 in 2018. This has led to an increase in the average agreement size, from NOK 3 million in 1999 to NOK 15 million in 2018, with fewer agreements for the same number of partners.

The evidence indicates limited geographic concentration: Norway provided aid to 108 countries in 2013 and this declined to 88 countries in 2018. There is no evidence of more aid being provided to priority countries. The share of overall Norwegian aid subject to geographical concentration declined from 48% in 2000 to 30% in 2013 and then to only 15% in 2017. Although civil society has been formally exempt from geographic concentration, the dialogue between Norad and some civil society organisations led to some reduction of the number of countries in which they are active with Norad-funded activities.

The quantitative analysis shows continuity in the shares of Norwegian aid spent on broad priority areas such as health, education,





humanitarian assistance, governance and civil society, while the share of environmental protection has increased over time. There is, however, also some increased fragmentation due to new sub-themes having been added by politicians to the broad priority areas.

## CONCLUSIONS

*Evaluation Question 1: To what extent has geographic, thematic, and partner and agreement reduction been achieved?*

**Conclusion A:** Between 2012 and 2017, Norwegian aid underwent an important concentration in terms of partners and agreements. However, evidence suggests that no substantial geographic and thematic concentration was achieved.

*Evaluation Question 2: Are the policy efforts consistent with the overall objective of the policy (effective and efficient management of aid, and ultimately more effective and efficient aid)?*

**Conclusion B:** There has been no clear and consistent aid concentration policy. Policy efforts for geographic and thematic concentration remained limited and were hardly operationalised. Consistent policy efforts on partner and agreement reduction were developed and implemented. Moreover, the main focus of aid concentration policy efforts has so far been on improving the efficiency of the Norwegian aid admin-

istration, together with other aid administration measures.

The policy efforts for partner and agreement reduction consisted of setting quantitative targets, formally ending agreements that were no longer active, and having larger multi-year framework agreements rather than many small different agreements with key partners such as multilateral organisations and Norwegian civil society organisations. However, policy efforts, especially for geographic and thematic concentration such as lists of priority countries and definition of thematic priority areas changed frequently. Furthermore, they were not always operationalised and implemented in a consistent way. For example, the countries on the priority lists did not receive significantly higher budgets. The contents and number of thematic areas have changed many times, but always remained rather broad, with sub-themes being added. This negatively affected geographic and thematic aid concentration.

Recently, aid concentration policy efforts appear to have been less high on the political agenda, which has led to some signals of increasing fragmentation.

*Evaluation Question 3: To what extent is the policy likely to improve the effectiveness and efficiency of the aid administration's management of aid?*

**Conclusion C:** The policy efforts towards partner and agreement reduction, together with other administrative measures, have contributed to efficiency gains (i.e. larger volumes of money handled by the same number of, or fewer, staff). There are also some indications of efficiency gains for Norwegian CSOs as implementing partners.

Partner and agreement reduction have led to positive effects on the Norwegian aid administration, in particular efficiency gains, which means that larger volumes of aid are handled by the same number of, or even fewer, staff. An extra task force was created to formally end inactive agreements. Other measures to improve efficiency such as improvements of the grant management system and reorganisations of the aid administration also contributed to efficiency improvements for the aid administration.

Larger Norwegian CSOs and umbrella CSOs note that moving to larger framework agreements has increased predictability and flexibility of funding, which is seen as positive. On the other hand, the costs of preparing larger agreements and reporting against aggregate results frameworks has increased, although these seem recently to have been falling as procedures are being streamlined. The evaluation has not assessed the consequences for multilateral actors of shifting a greater share of Norwegian funds to this channel.

There are, however, also some unintended negative effects such as the very low actual share of agreements with organisations in partner countries such as governments and Southern civil society organisations.

*Evaluation Question 4:* To what extent is the concentration policy likely to improve the results of aid (with respect to both effectiveness and efficiency)?

**Conclusion D:** The evaluation could not establish that efficiency gains, realised in the aid administration as a result of aid concentration, have already contributed to improved effectiveness or better development results.

This evaluation did not find any evidence that efficiency gains in the aid administration have led to improved effectiveness and better development results. It should, however, be realised that aid concentration is only one of the drivers for improving the quality of aid management. Only if the various factors work together can overall improvements in effectiveness of Norwegian aid be realised. Joint efforts and accompanying measures are needed and have already been taken, such as the introduction of results-based management. There are some other key challenges that still need to be addressed such as complex institutional arrangements leading to overlaps and inefficiencies that continue to



affect the distribution of tasks and responsibilities in the aid administration and a still rather scattered results orientation. In addition, given the high share of aid via the multilateral channel, more insight is needed into the results of the core and earmarked contributions to multilateral organisations.

### RECOMMENDATIONS

**Recommendation 1:** Assuming that the aid management dilemma – increasing the volume of Norwegian aid vis-à-vis aid administration staff limitations – will remain binding, the aid administration should continue to pursue aid concentration, in particular partner and agreement reduction. Aid concentration should be operationalised in a governing document with clear and measurable goals.

Given the aid management dilemma of Norwegian aid there is a clear need to continue focusing on keeping the number of agreements and partners manageable. Signs of a recent increase in fragmentation due to a decrease in focus should be monitored carefully and countered. The governing document should be based on an analysis of what has been achieved so far and of what has not been achieved. This evaluation can hopefully serve as a starting point. A focused aid concentration document should not be developed in isolation but be linked to the overall policy objectives and Norwegian commitments to contribute to realising the SDGs.

**Recommendation 2:** The governing document on aid concentration should provide clear and precise instructions for operationalisation of the various types of aid concentration with a timeline for implementation and regular reporting and reviews.

There are some good examples of tools that enhance the implementation of aid concentration that should continue to be implemented, such as target setting for the number of partners and agreements at a decentralised level in line with the goals set for different programmes and thematic priorities. The development of a human resource plan in line with the priorities set is also fundamental to monitoring implementation with a view to achieving the policy objectives.

Lessons can be learned from departments and sections that managed to align aid concentration efforts with other strategic objectives. The aid concentration goals and targets should be included in the annual activity planning and decisions on funding allocations ('virksomhetsplaner' and 'fordelingsnotater'), as this link was insufficiently established in the past for geographic and thematic concentration.

**Recommendation 3:** If Norway still wishes to pursue geographic and thematic concentration, policy choices with respect to a limited number of key priority countries and clearly-defined thematic areas with limited



changes over time should be made. The consistency of policy efforts for the three areas of aid concentration should also be articulated in the governing document.

**Recommendation 4:** In line with overall aid concentration goals, targets and guidelines as laid down in the governing document, sufficient flexibility should be allowed for the aid administration in charge of specific thematic programmes and/or budgets to further operationalise aid concentration together with other aid administrative measures to achieve the best results and avoid unintended effects.

**Recommendation 5:** The consequences of the actual distribution between multilateral and bilateral assistance need further reflection in terms of aid concentration. The tensions between core funding and earmarked funding in respect of the overarching objectives such as strengthening the multilateral system, on the one hand, and reporting on development results to which Norway contributed, on the other, need to be recognised and choices need to be made.



# Introduction

The Evaluation Department in Norad initiated the “Evaluation of the Norwegian aid concentration policy” for which the requirements are laid down in the Terms of Reference (ToR, see [Annex 1](#)).

## PURPOSE

The evaluation aims to contribute to both accountability and learning.

The purpose of this evaluation is to provide the main stakeholders with information on whether aid concentration efforts have led to concentration in practice; and, if so, whether this has led to improved aid management practices by the Norwegian aid administration and implementing partners and whether this can be seen to be contributing to more efficient and effective Norwegian aid implementation and ultimately to better development results.

The evaluation also aims to inform decisions on whether to continue and intensify the various aid concentration efforts or to implement aid concentration more comprehensively.

## 'THE AID CONCENTRATION POLICY IN BRIEF

'Aid concentration policy' as 'evaluand' is complex.<sup>1</sup>

Since 2002 various aid concentration policy efforts can be identified. In 2013 the incoming government made its ambitions regarding aid concentration more explicit by referring in the political platform: the 'Sundvolden Declaration' to the desirability of achieving geographic and thematic concentration, while over time an increased focus also on partner and agreement concentration was added. In the Budget proposal 2018–19 the three types of aid concentration are brought together: 'Clear objectives and priorities are a precondition for effective development assistance: The Government wants to concentrate its efforts, both geographically, thematically and with respect to partners'.<sup>2</sup>

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1 An 'evaluand' is the subject of an evaluation, typically a programme, a system or a policy.

2 See ToR p.1, Translation from 2018-19 MFA budget proposal p.93.



### BOX 1.1 – KEY TERMS AND DEFINITIONS

#### THREE TYPES OF AID CONCENTRATION:

- 1. Geographic concentration refers to channelling aid to fewer countries;
- 2. Thematic concentration refers to concentration of aid to specific prioritised thematic areas or sectors;<sup>3</sup>
- 3. Partner and agreement concentration/reduction refers to both a reduction in the number of agreements with the same partner, and a reduction in the number of partners.

<sup>3</sup> Thematic concentration and sector concentration are commonly used terms and are interchangeable. In this evaluation, the term thematic concentration is used as this is the terminology used in Norwegian policy documents.

- Policy efforts are actions/initiatives taken to concentrate aid and refer to a number of decisions, measures, targets, etc. which are defined in White Papers, Budget Proposals and internal documents specifically aimed at aid concentration.
- Country programmable aid (CPA) is the portion of aid that providers can programme for individual countries or regions, and over which partner countries could have a significant say.<sup>4</sup>

<sup>4</sup> OECD definition; <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/cpa.htm>

Throughout the analysis, it became clear that there is no clear-cut aid concentration policy, but rather a series of aid concentration policy efforts over time that started well before 2013. Therefore, it has been decided to refer in this document to aid concentration policy efforts rather than to aid concentration policy. In parallel, the title of the evaluation has been shortened to “Evaluation of Norway’s aid concentration”.

The [Box 1.1](#) explains how key concepts are understood in this evaluation.

#### OBJECTIVES AND EVALUATION QUESTIONS

The terms of reference present the following four objectives, which are in line with the purpose presented above.<sup>5</sup>

- A. Document implementation of aid concentration policy efforts and changes in concentration of aid (thematic, geographic, with respect to partners and in the number of agreements).
- B. Assess the effect of the policy efforts on the effectiveness and efficiency of the Norwegian aid administration’s management of aid.

<sup>5</sup> Notice that in line with the understanding of the evaluand, the objectives from the ToR have been modified to refer to aid concentration policy efforts rather than to aid concentration policy.



- C. Discuss how concentration efforts can affect results (the effectiveness and efficiency of aid).
- D. Suggest areas for improvement with the intention of informing a decision on whether to continue, intensify or more comprehensively implement the policy.

As per exchanges with the Evaluation Department, the focus of the evaluation is on the extent to which aid concentration has been realised, how aid concentration has affected Norwegian aid management practices and how these changes could affect results. This has led to some reformulation of the three Evaluation Questions presented in the ToR (see [Annex 1](#)) during the inception phase and approved by the Evaluation Department.<sup>6</sup>

1. To what extent has geographic, thematic, and partner and agreement reduction been achieved?
2. Are the policy efforts consistent with the overall objective of the policy (effective and efficient management of aid, and ultimately more effective and efficient aid)?

<sup>6</sup> The order of the questions has been changed in the data collection and data analysis based on comments from the Evaluation Department on the inception report

3. To what extent is the policy likely to improve the effectiveness and efficiency of the aid administration's management of aid?
4. To what extent is the concentration policy likely to improve the results of aid (with respect to both effectiveness and efficiency)?

#### MAIN USERS

According to the ToR, the main users or stakeholders of this evaluation are the Ministry of Foreign Affairs (MFA) including Embassies in partner countries, the Ministry of Climate and Environment (MCE), and Norad. Secondary users and stakeholders are the implementing partners, in particular Norwegian Civil Society Organisations (CSOs).

Taking into account some main principles of a utilisation-focused evaluation approach, the evaluation has been planned and conducted in such a way that it enhances the likely utilisation of the findings, conclusions and recommendations. During the evaluation the consultations with key stakeholders were continued in a both formal and informal way. Formal meetings with key stakeholders were organised to discuss the draft inception report, the mapping of changes in the concentration report and the draft final report. In addition, the

evaluation team organised two validation workshops to validate preliminary findings (see [Annex 2](#)). In this way the evaluation team has been able to maintain an open and transparent process, so that the reader can understand how findings and conclusions have been arrived at.

#### SCOPE

The overall temporal scope of this evaluation is the period 1999–2019 as consistent Norwegian aid statistics are available from 1999 onwards, which allows analysis of whether aid concentration has taken place. As aid data for 2019 are not yet available, the quantitative analysis of aid concentration will be based on data for the period 1999–2018.

From 2002 aid concentration policy efforts have been formulated. However, the specific focus of the evaluation will be on the period 2013–2019 as the 2013 Government's political platform, the 'Sundvolden Declaration' marks the beginning of a period when consistent attention to the three types of aid concentration has been paid. For the 2013–2019 period a detailed assessment of the aid concentration policy efforts, implementation and effects has been made.



The ToR state that all Norwegian development aid managed by the MFA and Norad is to be covered by this evaluation. This includes MCE funds managed by Norad. However, funds managed by institutions other than MFA and Norad are excluded, in particular Norfund (the Norwegian Development Finance Institution), the Norwegian Agency for Exchange Cooperation (Norec) and MCE (as implementing partner).<sup>7</sup> Aid to refugees in donor countries is also excluded from the analysis. This means that around 91% of total Norwegian ODA in 2013, and 83% in 2015 has been taken into account in the analysis. For specific types of aid concentration the scope is further limited as exemptions apply. This is further explained in [Annex 4](#) with details on the scope of the quantitative analysis.

### THREE PHASES

The evaluation has been conducted in three phases:

1. *Inception phase* during which, on the basis of initial interviews and a document review, the evaluation design was developed in detail;

2. *Inquiry phase*, which focused on data collection including the quantitative analysis that resulted in a 'Mapping of changes in aid concentration' report, interviews with key stakeholders (see [Annex 2](#) for an overview), additional document review (see the References section for an overview of documents consulted), and case studies (see [Annexes 5–8](#));
3. Finalisation phase, which started with validation of preliminary findings and two validation workshops with MFA staff and with Norwegian CSOs, followed by reporting based on further triangulation of findings.

### THEORY OF CHANGE APPROACH

The ToR ask for an “evaluation approach [which] shall be based on a theory of change for how concentration efforts contribute to more effective and efficient aid”.

[Figure 1.1](#) (next page) presents a simplified reconstructed theory of change developed on the basis of stakeholders' views and documents. In [Annex 3](#) a more detailed theory of change is included that was reconstructed during the inception phase.

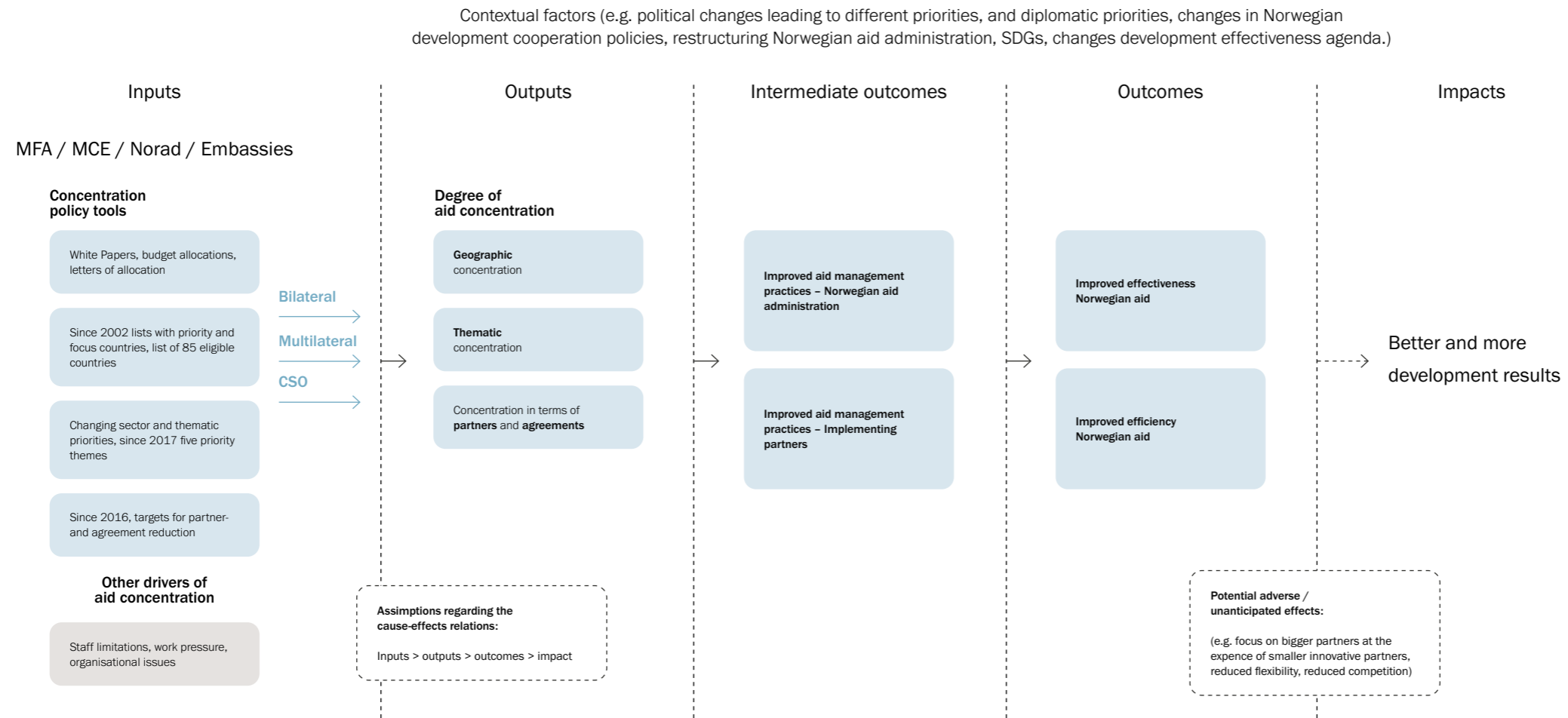
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<sup>7</sup> Other stakeholders as implementing partners are also excluded such as the Ministry of Finance, the Ministry of Defence, the Ministry of Education and Research and the Office of the Auditor General.





Figure 1. 1 Simplified Reconstructed Theory of Change



The reconstructed theory of change adheres to the basic idea of an impact pathway with cause-effect relationships. At the same time, limitations related to the evaluand that consists of a series of policy efforts rather than a clear-cut policy have been taken into account. This means that at each level of cause-effect relations,

underlying assumptions have been formulated that are included in the detailed reconstructed theory of change (see Annex 3). The aid concentration policy efforts form the inputs in the theory of change that contribute to outputs that are defined as the degree of geographic, thematic and partner/agreement aid concentration.

The intermediate outcomes are related to the effects on aid management practices of the Norwegian aid administration practices on the one hand, and to the effects on aid management practices of implementing partners, on the other.

Based on the literature and views from stakeholders for each type of aid concentration specific arguments are presented and analysed in the various chapters on aid concentration ([Chapters 3, 4 and 5](#)) why aid concentration would lead to improved aid management practices, i.e. the link between outputs and intermediate outcomes. A key overarching objective is the reduction of 'management complexity' in terms of numbers of countries, themes, partners, and agreements, which would lead to a reduction in administrative costs (i.e. transaction costs, see explanation below). Geographic and thematic concentration would allow to concentrate human resources on a limited number of partner countries and themes, which could favour specialisation. The main arguments are briefly summarised here:

- For geographic concentration, the concentration of donor resources in a more limited number of countries would allow donors to reduce the costs of being involved in agreements in many partner countries, which is also referred to as 'transaction costs' (see adjacent text). The concentration of financial and human donor resources could also lead to better knowledge of the evolving country context and better coordination at partner country level.

- For thematic concentration, the concentration of resources on fewer themes – overall and at partner country level – would allow donors to reduce the costs of being involved in agreements on a large number of themes/sectors, i.e. transaction costs. The concentration of financial and human donor resources on specific themes, based on comparative advantage, would further allow for specialisation and more engagement in in-depth dialogues at thematic/sector level.
- For partner and agreement reduction, it is assumed that each agreement and partner, has some 'fixed' costs, and by reducing the number of agreements, the number of agreements per partner, and the number of partners, the administrative burden i.e. the transaction costs may be reduced. This would 'free up resources' including time of the aid administration for other activities

The arguments for geographic and thematic concentration were mainly developed in relation to the international aid effectiveness agenda (see [Chapter 2](#) for brief background and [Chapters 3 and 4](#) for references). The focus of Norway on partner and agreement reduction as the principal instrument for aid concentration is rather unique among other donor countries following

aid concentration efforts. Arguments in favour of this approach are developed in Norwegian policy documents and views shared by stakeholders (see [Chapter 5](#) for references). The three types of aid concentration are all assumed to reduce the administrative burden or transaction costs of donors, which would allow to do other more meaningful activities, which would improve the effectiveness and efficiency of Norwegian aid and finally lead to better development results (see [Annex 12](#) for references).

To assess changes in aid management practices the concept of transaction costs plays an important role as indicated in the arguments presented above. Lawson's framework for analysing transaction costs as presented in the ToR has been as the basis for defining transaction costs to be measured in this evaluation. Lawson defines transaction costs as "costs incurred through entering or managing an aid agreement without adding anything to the aid project/programme".<sup>8</sup> The starting point for the analysis on transaction costs is the administrative burden of managing agreements (i.e. contracts with partner agencies and partner countries).

<sup>8</sup> Lawson (2009), *Evaluating the Transaction Costs of Implementing the Paris Declaration*, Fiscus, Paper to the Secretariat for the Evaluation of the Paris Declaration, p.8.



It is assumed that transaction costs – the administrative burden of managing agreements – are potentially reduced through concentration on fewer countries, fewer themes, and fewer partners and agreements, while transaction costs for implementing partners would also decline or at least not increase (see [Annex 3](#) for more details).

Finally, the cause-effect linkages from improved aid management practices (i.e. intermediate outcomes) to improved aid efficiency and effectiveness (i.e. outcome level) and from there to better development results (i.e. impact level) are also based on the aid effectiveness literature, but the evidence base is rather weak (see [Annex 12](#) for more details).

In addition, contextual factors affecting aid concentration have been identified such as changes in the government and parliament and other Norwegian development cooperation policies that also affect aid concentration. During the evaluation period there have been several reforms, and in 2019 a new reform was prepared that has been implemented from 1 February 2020 onwards.

The theory of change has informed the elaboration of the evaluation matrix, which is also presented in [Annex 3](#). The evaluation matrix includes the first three Evaluation Questions listed above for which indicators, evaluation methods and sources are provided. In line with the focus of the evaluation, it has been decided to reverse slightly the order of data collection and analysis, i.e. to start with the factual question of to what extent aid concentration has been achieved based on quantitative analysis. On the basis of the answer to this question the actual degree of aid concentration is linked to policy efforts, which has been analysed in a qualitative way. This also applies to the assessment of the immediate and overall outcomes of the evaluation.

While the basics of a theory of change have been followed in this evaluation to the extent possible, there were various challenges regarding this approach. First, the so called 'aid concentration policy' consisted of a number of rather dispersed policy efforts. The lists of priority partner countries and of thematic areas changed many times, while no clear tools for implementation were developed. This limited the possibility to track whether specific policy efforts actually led to geographic or thematic concentration. Second, the literature on aid concentration focuses to a large extent on recipient countries and less on reduction on donor

proliferation and the effects on the aid administration. In addition, there is no consensus on the extent to which the arguments for aid concentration are valid and under which conditions after more than 15 years of research. There are also conceptual problems related to the problematic definition of transaction costs. Below in the section on limitations of this evaluation, challenges regarding data collection and analysis are presented.

Therefore, rather than taking the analysis of policy efforts as the point of departure, the analysis has started with the extent to which the various types of aid concentration have been realised, based on the quantitative analysis presented in the mapping report. This has been followed by collecting information on how the outputs are related to aid concentration policy efforts, and finally whether and how this has led to immediate and overall outcomes.

#### **ANALYSIS AT STRATEGIC LEVEL AND CASE STUDIES**

The analysis at the overall strategic level consisted of the following activities:

- A quantitative analysis of geographic, thematic and partner/agreement concentration of Norwegian aid making use of Theil index analysis and descriptive statistics (see details in [Annex 4](#));



- A strategic analysis of linkages between the actual degree of aid concentration and the aid concentration policy efforts, focusing on documenting the operationalisation and implementation of the aid concentration policy elements by MFA and Norad (and to a less extent MCE), based on document review and interviews;
- A general assessment of how the different types of aid concentration affected aid management practices across the different parts of the Norwegian aid administration, based on document review and interviews.

In order to provide meaningful answers to the Evaluation Questions, it has been decided to conduct an in-depth analysis of a set of four selected case studies (see selection criteria and methodological approach of the case studies in [Annex 3](#), results of the case studies in [Annexes 5–8](#)):

Two country case studies, Malawi and Afghanistan; both countries have been on the nine lists of priority or focus partner countries;

One thematic case study on health;

One partner case study: Norwegian Church Aid (NCA).

### METHODS

The main data collection methods for this evaluation were:

- Desk review of documents on Norwegian aid statistics (see details in [Annex 3](#));
- Collection and cleaning of Norwegian aid statistics data (see details in [Annex 4](#));
- Interviews of the Norwegian aid administration (Ministry of Foreign Affairs and Norad), Ministry of Climate and Environment, Embassies and Norwegian Civil Society Organisations (see the list of interviewees in [Annex 2](#) and methodological details in [Annex 3](#));

The main data analysis methods were:

- Quantitative analysis for aid concentration mapping (see [Annex 4](#));

- Two validation workshops: one with MFA and Norad staff and one with Norwegian CSOs (see details in [Annex 3](#));
- Triangulation and additional validation: Evaluation analysis is valid if it derives from several sources of information. It requires cross-verification and demonstration of the evidence on which an assessment is based. The validation workshops have been an important first step in the validation process. Through validation, confirmation bias can be avoided, while also in the evaluation design and data collection due attention has been paid to avoiding confirmation bias. Therefore, assumptions regarding adverse effects have also been included in the Theory of Change and appear in the evaluation matrix, which means that in data collection testing of these assumptions has been included.



## LIMITATIONS

The following limitations of the data collection and analysis have been identified:

- *Limitations related to the evaluation* owing to its complexity that have been outlined above. This limits the extent to which a complete theory-based approach can be applied. Nevertheless, a theory of change has been reconstructed taking into account some of these challenges.
- *Limitations related to the data availability and quality for the quantitative analysis:* The quantitative analysis relies almost exclusively on the Norwegian aid statistics over the period 1999–2018 available on the Norad website.<sup>9</sup> This database has been complemented with OECD DAC data for specific analyses. [Annex 4](#) provides a detailed description of the data and quality issues. The analysis is mainly based on aid commitments, with complementary analysis based on aid disbursements when relevant.
- *Limitations related to interviews of Norwegian aid administration staff.* Interviews with the Norwegian aid administration staff have been purposefully planned to cover the main areas of Norwegian aid. However, given the vast scope and the limited resources and time, no attempt was made to interview representatives of all sections, departments and embassies managing Norwegian aid. The sampling was based on criteria to cover the main regional and thematic areas of Norwegian aid, while through the case studies specific areas were covered. In total, over 40 interviews were conducted, and 14 people participated in the validation workshops. Given the high workload of the aid administration staff, the interviews were kept short (approximately one hour) while many topics had to be covered. Most of the interviews were conducted in English although some interviews – especially with Norwegian Civil Society Organisations (CSOs) – were in Norwegian. This may have affected in some cases the depth of information collection and analysis, also because not all interviewees were acquainted with all aspects of aid concentration. In order to facilitate the discussion, specific jargon such as transaction costs, was avoided (see Interview and validation workshop guides in [Annex 11](#)). Follow-up interviews with some persons, cross-checking of findings from one interview in other interviews, validation workshops and document review were methods to establish a sound and robust evidence base. In some cases, no conclusive evidence could be found especially at the higher outcome and impact level, which is indicated in the text.
- *Limitations related to the non-involvement of partner countries and multilateral organisations.* The theory of change indicates that the effects on aid management practices of implementing partners should be assessed together with the effects on aid management practices of the Norwegian aid administration in order to analyse outcomes (improved efficiency and effectiveness) and impact (better development results). The main Norwegian CSOs which were implementing partners have been involved in the evaluation (via case study, interviews and a validation workshop), which has led to useful insights. Nevertheless, given time and resource constraints no other CSOs have been involved in the evaluation. Another limitation is the lack of direct involvement of multilateral organisations and partner countries in the evaluation. There have been two case

<sup>9</sup> <https://norad.no/en/front/toolspublications/norwegian-aid-statistics?tab=geo>



studies at partner country level – Afghanistan and Malawi – where the partner country perspective is only indirectly addressed. Given the focus of the evaluation on the Norwegian aid administration, it was a deliberate decision to not involve partner countries and multilateral organisations as only scattered information could be collected.

- *Limitations related to case studies:* The case studies are meant to illustrate from various perspectives how aid concentration works in practice but are not meant to be representative. The limitation regarding involvement of implementing partners has been mentioned above. Only one case study on health as one of the five thematic priority areas has been done, which has provided very useful insights, but cannot be generalised for all five thematic priority areas. Specific limitations of the case studies are mentioned in the [Annexes 5–8](#) with the four case studies.

- *Limitations related to the qualitative analysis to assess the effects of the various types of aid concentration.* The analysis of the cause-effect linkages in the theory of change has been based entirely on qualitative research: document review, interviews and case studies. This means that the assessment of effects on the aid administration is to a large extent based on perceptions from interviewees. These perceptions of changes in aid management practices could only to a limited extent be triangulated with information on actual changes in aid management as documented in evaluation reports and efficiency reviews.

- *Limitations related to the qualitative analysis to assess the effects of the various types of aid concentration.* The analysis of the cause-effect linkages in the theory of change has been based entirely on qualitative research: document review, interviews and case studies. This means that the assessment of effects on the aid administration is to a large extent based on perceptions from interviewees. These perceptions on changes in aid management practices could only to a limited extent be triangulated with information on actual changes in aid management as documented in evaluation reports and efficiency reviews.

- *Limitations related to causal interference:* It has not been possible to construct a credible counterfactual, i.e. an accurate estimate of what would have happened without aid concentration policy efforts. This has limited the possibilities to establish causal interference. In addition, there are various factors that affect aid concentration, which means that there are important confounding factors. Therefore, it has been difficult to establish direct causal links between the Norwegian aid concentration policy and the outcomes (improved efficiency and effectiveness of Norwegian aid). Given the importance of confounding factors affecting aid concentration, plausible linkages between policy efforts and outcomes have been explored, based on the underlying assumptions of the theory of change. This means that the evaluation team aimed to apply contribution analysis in line with the theory of change approach.



## ETHICAL CHALLENGES

All aspects of the evaluation have been carried out in accordance to the ethical standards listed in [Table 1.1](#). ADE-Scanteam is well known and respected for its high ethical standards and well aware of Norad Evaluation Department's expectations with regards to ethical behaviour to be applied in its evaluations, which are set in their Evaluation Guidelines.<sup>10</sup> ADE and the evaluation team abide to these principles and guidelines and have ensured the application of ethical standards at all stages of the evaluation. Our Quality Assurance System provides adequate safeguards, processes and systems in this respect.

Key ethical concerns and relating standards that have been applied are described in [Table 1.1](#).

[Table 1.1](#) Ethical Concerns and Relating Standards

Issue	Standards to be Applied
Honesty and integrity	Evaluation team members committed to adherence to OECD DAC quality standards for development evaluation (OECD, 2011), and to accurately presenting procedures, data and findings, including ensuring that the evaluation findings are transparently generated, have full integrity and are unbiased.
Rights of participants	Prospective interviewees and participants in workshops have been given the time and information to decide whether or not they wish to participate. Informed consent has been sought in all cases.
Professionalism, respect and sensitivity	When conducting interviews, the team has ensured that participants dedicated reduced time and efforts to interviews. The evaluation team has a long experience of conducting interviews with a variety of stakeholders, including in sensitive contexts. This ensured sensitivity to gender, beliefs, manners and customs during interviews.
Anonymity and confidentiality	All stakeholders providing information for this evaluation have been informed how that information will be used and how their anonymity will be ensured so that sensitive information cannot be traced to its source.
Data protection	All data generated by the evaluation team, including that collected from validation workshops, will remain internal to the team and the independent evaluation department.

<sup>10</sup> Norad (2016), Evaluation guidelines, Norad's Evaluation Department.

## Background of Norway's Aid Concentration

This chapter presents the background of Norway's aid concentration efforts. The main aid concentration policy efforts are presented as well as key features of the Norwegian aid data from 1999 to 2018. These are situated against the evolving international debate on aid concentration, providing the background for the analysis.

### 2.1 Norway's Aid Concentration Policy Efforts

Formally, the recent aid concentration policy started in 2013. In the Government's political platform, the 'Sundvolden Declaration' the incoming government made its ambitions of aid concentration more explicit by referring to the desirability of achieving geographic and thematic concentration. In chapter 16, "Foreign and Development Policy", it states that "The Government will explore and introduce stricter requirements for efficiency and monitoring of Norwegian development aid funding. As part of this effort, the Government will review existing aid and cooperation agreements with a view to reducing the number of recipient countries. Thematic and geographic concentration will help to increase efficiency and enhance competence in the follow-up and

administration of a narrower portfolio".<sup>11</sup> Soon thereafter a focus on a reduction in the number of agreements and partners also developed.

Nevertheless, the overview of aid concentration policy efforts regarding the three types of aid concentration in [Figure 2.1](#) (next page) shows that aid concentration policy efforts were developed well before 2013. The figure shows that over time most attention has been paid to geographic concentration, with nine lists<sup>12</sup> with priority partner countries published since 2002 (see [Annex 9](#)). Partner and agreement reduction is most recent, but here – contrary to the other types of aid concentration – very concrete targets have been set. Thematic aid concentration shows many changes in priority setting over the years.

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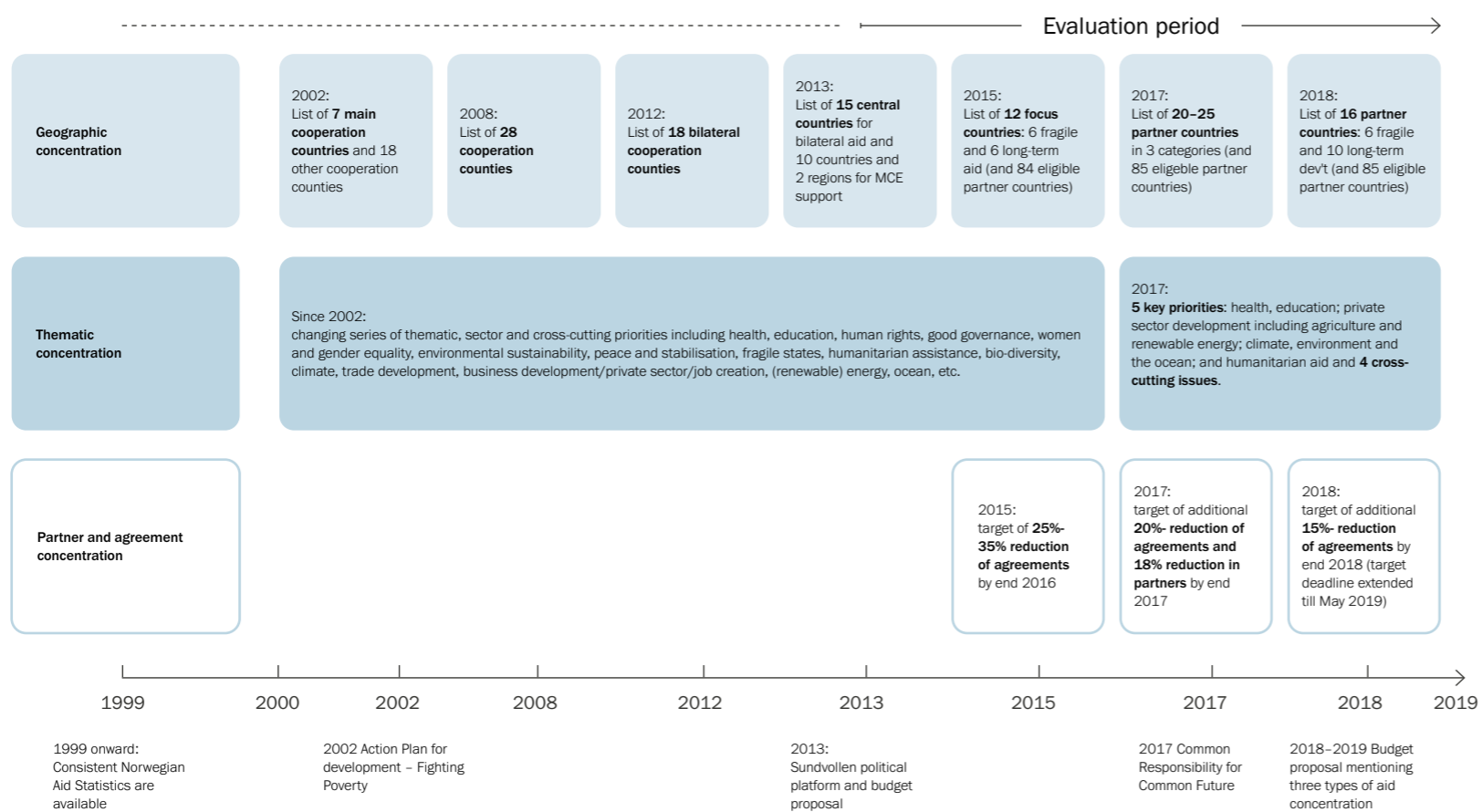
<sup>11</sup> [https://www.regjeringen.no/contentassets/a93b067d9b604c5a82bd3b5590096f74/politisk\\_plattform\\_eng.pdf](https://www.regjeringen.no/contentassets/a93b067d9b604c5a82bd3b5590096f74/politisk_plattform_eng.pdf), p. 77.

<sup>12</sup> Two country lists are not included in [Figure 2.1](#): The 2016 list with priority countries is the same as the 2015 albeit with a different terminology; the 2019 list is formally beyond the scope of this evaluation.





Figure 2.1 Timeline of Aid Concentration Policy Efforts, 1999–2019



The policy documents initially mainly refer to geographic concentration though this gradually broadened after 2013. In the budget proposal for fiscal year 2015, the Government introduced the concept of “focus countries” as part of its efforts to reduce aid fragmentation and improve results reporting. In the Budget proposal for fiscal year 2017 a sub-chapter 10.7 is presented on

“Improved effectiveness of aid: Concentration, realism and results”. The argument is made that an improved focus on results requires limiting the number of partner countries while also simplifying and improving aid administration. In the 2018–19 Budget proposal the three types of aid concentration are brought together as was shown in the Introduction.

While in policy documents a link is made between aid concentration and an improved results' focus, documents and interviews point to two main practical drivers for aid concentration:

1. The necessity to cope with an increasing volume of aid as Norway is committed to spend 1% of its Gross National Income (GNI) on Official Development Aid (ODA). The 2019 OECD DAC peer review of Norway mentioned: “The country’s strong economy has resulted in sustained increases to ODA in real terms over recent years: net ODA grew by 1.2% and total official flows by 0.4% on average per year over 2013–17”.<sup>13</sup>
2. In the presence of strict limitations regarding the number of staff, the incoming Government in 2013 pursued a policy of improving the efficiency of public administration, including by reducing administrative budgets by 0.5% per year. This was across the Ministry of Foreign Affairs (MFA) and Norad in general, and so not directed specifically at aid administration although of course also affecting this. Nevertheless, previous and later governments also insisted on limited numbers of staff in the public administration.

<sup>13</sup> OECD (2019), Development Co-operation Peer Reviews, Norway

These two dynamics mean that work pressure increased, thus making a clear case for aid concentration, in particular reducing the number of agreements and partners. This finding was validated in a workshop with participants from the Ministry of Foreign Affairs.

While aid concentration has remained on the agenda, it is clear that the attention paid to this has changed with changing ministers. The focus in recent budget proposals has been more on aid management rather than on aid concentration, leading to the organisational reform of the aid administration that came into place on 1 February 2020.

## 2.2 Main Features of the Norwegian Aid Data

### GENERAL CHARACTERISTICS OF NORWEGIAN AID

Total Norwegian aid analysed for this evaluation (i.e. the aid managed by the MFA and Norad excluding funds for refugees in donor countries) tripled between

1999 and 2018. [Box 2.1](#) (page 29) provides a detailed description of the variables and scope of aid used for the different part of the analysis. Overall, the amount of aid committed increased from around NOK 11 billion in 1999 to NOK 25 billion in 2018, with a maximum of NOK 39 billion of aid committed in 2016 ([Figure 2.2](#), next page). The trend is similar for disbursements where actual disbursements per year show a gradually increasing trend from NOK 10 billion in 1999 to around NOK 31 billion in 2018 (see [Annex 4](#) for definitions and measurement methods). Norway's commitment to spend 1% of its gross national income on ODA explains to a large extent the increasing trend.

According to the OECD's reporting on 2018 disbursement data<sup>14</sup>, Norway is the third most generous DAC donor as a proportion of GNI with only Luxembourg and Sweden spending more as a percentage of GNI. Critically, only five DAC donors met the 0.7% GNI target, the fourth being Denmark and the fifth the United Kingdom.

<sup>14</sup> <https://www.oecd.org/development/development-aid-drops-in-2018-especially-to-neediest-countries.htm>

Total Norwegian aid analysed for this evaluation (i.e. the aid managed by the MFA and Norad excluding funds for refugees in donor countries) tripled between 1999 and 2018



Figure 2.2 Evolution of the Norwegian Aid (commitments and disbursements NOK million, 1999–2018)



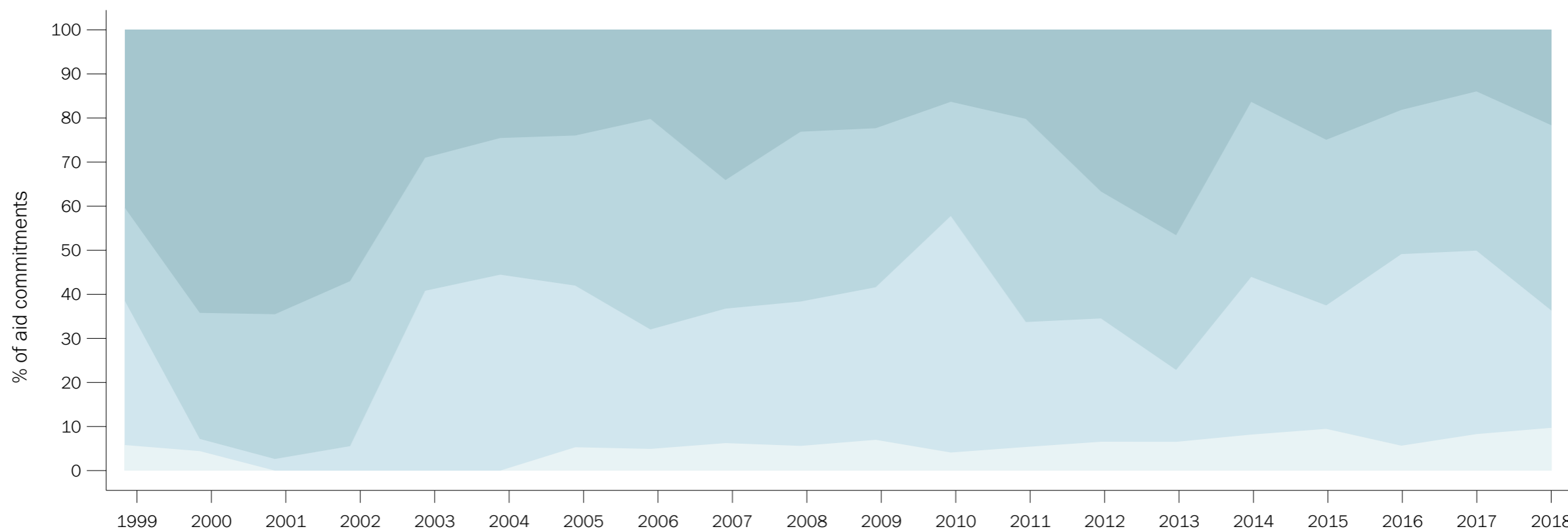
■ Disbursements (current year)  
■ Commitments (agreement starting year)  
■ Total disbursements (agreement starting year)

Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad).

Notes: Scope is the total aid managed by the MFA or Norad excluding funds to refugees in donor countries.

The composition of Norwegian aid also shows important changes from 1999 to 2018 with a gradually increasing share of multilateral aid (Figure 2.3, next page). Bilateral assistance refers to Norwegian aid provided to specific developing countries, regions and a few global programmes, independent of the implementing partner, which can be the government of partner countries or local, Norwegian or international NGOs (see Annex 4 for detailed definitions).

Figure 2.3 Share of each Type of Assistance in Aid Commitments, 1999–2018



- Bilateral
- Earmarked contribution to multilateral institutions
- Core funding to multilateral institutions
- Administrative costs

Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad)

Notes: Scope is the total aid managed by the MFA or Norad excluding funds to refugees in donor countries.

Figure 2.3 shows that the share of bilateral assistance has decreased from around 52% in 1999 to 37% in 2018. In parallel, earmarked contributions to multilateral organisations have increased from around 17% to 34%, while core contributions to multilaterals have fluctuated around 23% over the period. This indicates that since 2003 and for most of the period, between 55% and 60% of Norwegian aid is annually committed to multilateral institutions.

### BOX 2.1 – QUANTITATIVE ANALYSIS OF AID CONCENTRATION: MAIN DEFINITIONS

The data choices made to conduct the quantitative analysis of geographic, thematic, partner and agreement concentration rely on two main aspects: i) selecting a relevant variable and ii) defining the scope of aid for which it is relevant and possible to measure aid concentration.

#### VARIABLES USED

The analysis of geographic and thematic concentration is based on two variables:

- **Commitments** are the total sum of funding for the entire duration of the activities in the year the agreement is signed.
- **Disbursements** are the total sum of amounts spent each year of all “active” agreements.

The analysis of geographic and thematic concentration is mainly based on aid commitments as they reflect the changes in aid allocation over time. However, aid disbursements are also used for documenting the allocation of aid across sectors ([Section 4.1](#) and [Annex 7](#) on Health) and the evolution of agreement size ([Chapter 5](#)) as they are less volatile. A detailed discussion on the pros and cons of using aid commitments or disbursements is provided in [Annex 4](#).

The analysis of agreement reduction is based on the **number of “active” agreements**, i.e. agreements for which a financial transaction (i.e. disbursement) is recorded in a given year. The analysis is based on standard and framework agreements. Additional analysis is done of sub-frame agreements (see [Figure 5.4](#)).

The analysis of partner concentration is based on the evolution of the **number of “active” partners**, i.e. the number of unique partners in charge of managing agreements with a financial transaction (i.e. disbursement) in a given year.

#### SCOPE OF AID CONSIDERED

For the analysis of each type of aid concentration a different scope of aid is defined. The overall scope is total aid managed by the MFA and Norad excluding funds to refugees in donor countries, 1999–2018. The changes in scope depend on exemptions, and the possibility to attribute aid to specific countries and sectors, as indicated for each type of aid allocation below.

#### Geographic concentration (e.g. 22% of total ODA in 2018)

- Aid managed by the MFA and Norad, which is allocated to a specific country (i.e. excluding global or regional interventions and core funding to multilateral institutions and administrative costs);
- Excluding funds to refugees in donor countries (i.e. DAC sector 930), and specific budget lines exempted from geographic concentration such as civil society and humanitarian assistance (see [Annex 4](#) for a detailed description).

#### Thematic concentration (e.g. 59% of total ODA in 2018)

- Aid managed by the MFA or Norad (excluding refugee costs), which is allocated to a specific DAC main sector (i.e. excluding multi-sector and undefined);
- Adding the core funding to certain multilateral institutions for which activities can be allocated to a specific sector (e.g. GAVI to health). See [Chapter 4](#) for the list of these institutions and corresponding DAC sectors.

#### Partner and agreement concentration (e.g. 91% of total ODA in 2018)

- Aid managed by the MFA and Norad excluding funds to refugees in donor countries (i.e. the overall scope).



## 2.3 International Debate on Aid Fragmentation and Aid Concentration

Norway's aid concentration policy should be situated in the context of the international aid effectiveness agenda that evolved from 2002, although the linkages for the period 2013–2019 are not very straightforward.<sup>15</sup> The aim of this agenda was to improve aid effectiveness and aid efficiency. The main envisaged outcomes were reduced aid fragmentation; reduced transactions costs; strengthened ownership and leadership by the partner country and closer alignment with its policies and implementation systems. The 2005 Paris Declaration can be considered as a partial driver for aid concentration because under the commitment to harmonisation and alignment, it posits that duplication of programming and dialogue is

15 From 2002 to 2011 four High Level Fora on Aid Effectiveness took place: Rome, 2002; Paris, 2005; Accra, 2008 and Busan, 2011. The Paris Declaration and the Accra Agenda for Action were the two most important documents in which five fundamental principles for making aid more effective were outlined (ownership, alignment, harmonisation, results and mutual accountability). After Busan, the Global Partnership for Effective Development Co-operation became responsible for monitoring the progress regarding the aid effectiveness agenda, while also being responsible for realising the 2030 Agenda for Sustainable Development e.g. the Sustainable Development Goals (SDGs). Recently the term *development effectiveness* is used more as it also covers Private Sector Development, remittances and migration. However, for this evaluation the term *aid effectiveness* is most appropriate.

an ineffective use of resources<sup>16</sup> and this pointed in the direction of the need for thematic concentration.

By 2009 the focus on concentration was emphasised by the Working Party on Aid Effectiveness in an OECD publication on Division of Labour.<sup>17</sup> The EU and some Member States already had given due attention to Division of Labour, which was supported by Norway as a like-minded donor.<sup>18</sup> In 2008 a code of conduct<sup>19</sup> was developed that called for donors to:

1. “Concentrate [...] on a limited number of national sectors”, which points at thematic concentration;

16 OECD (2005), Paris Declaration on Aid effectiveness [https://read.oecd-ilibrary.org/development/paris-declaration-on-aid-effectiveness\\_9789264098084-en#page8](https://read.oecd-ilibrary.org/development/paris-declaration-on-aid-effectiveness_9789264098084-en#page8)

17 OECD (2009), International Good Practice Principles for Country-Led Division of Labour and Complementarity: <https://www.oecd.org/dac/effectiveness/43408412.pdf>

18 In 2010, for example, Norway had seconded officials to the EU's DEVCO A2 unit tasked with implementing the ‘fast track initiative on division of labour’.

19 EU (2007), Code of Conduct on Complementarity and the Division of Labour in Development Policy <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3Ar13003>

2. Use “delegated cooperation/partnership arrangements” to reduce the number of projects, i.e. pointing to some form of agreement reduction;
3. Country concentration by “designating a limited number of priority countries”, i.e. pointing at geographic concentration.

The summary paragraph justifying the code of conduct stated: “donors frequently concentrate on the same countries and the same sectors. This leads to a significant administrative burden and high transaction costs in the beneficiary countries, diffuses policy dialogue, reduces transparency and increases the risk of corruption”.<sup>20</sup>

The last monitoring round on the Paris Declaration was in 2011 and it did not evidence good progress on donor efforts to concentrate: “implementation of division of labour exercises at the country level has been relatively slow”<sup>21</sup> despite some evidence of increased delegated co-operation arrangements (e.g. the Nordic Plus Group). Fragmentations had increased for all but upper-middle-income countries between 2004 and the 2011

20 Ibid.

21 OECD (2011), Aid Effectiveness 2005–10: Progress In Implementing The Paris Declaration



monitoring round based on 2009 data. Another quantitative OECD report shows that the equivalent of country concentration was a failure, that thematic concentration had actually become worse and that the global development community was responsible for increasing the number of agreements.<sup>22 23</sup> Multilateral donors were found to be less prone to fragmentation than bilateral donors. The trend was found to be deteriorating, especially for low income countries and fragile countries. 16 bilateral donors were found to fall short of the DAC average concentration ratio of 40%, which included Norway. OECD DAC has not published more recent data on aid fragmentation across countries, but donors' performance regarding aid concentration is an important element of OECD DAC Peer Reviews.

From 2012 onwards the interest in and adherence to the aid effectiveness agenda by donors appears to have gradually faded. The recommendations of the Par-

22 OECD (2011), Evidence on Trends in Fragmentation and Proliferation and Implementation and Results of Division of Labour Processes, <https://www.oecd.org/dac/effectiveness/47823028.pdf>

23 OECD (2009), *Report on Division of Labour, Addressing Fragmentation and Concentration of Aid across Countries*. OECD (2012), *The Architecture of Development Assistance, 2012/2011 OECD Report on Division of Labour: Addressing cross-country fragmentation of aid*.

is Declaration evaluation<sup>24</sup> were hardly followed up in a systematic way. Some key indicators of the aid effectiveness agenda such as the use of partner country systems were also included in the successor to the Fora on Aid Effectiveness, the Global Partnership on Effective Development Cooperation (GPEDC). The 2019 GPEDC monitoring round notably reported a decline in use of partner country systems in the two years to 2018. Also, other evaluations pointed at a decrease in use of partner country systems. The issue of aid concentration is not very dominant in the GPEDC. While fragmentation is still sometimes discussed as a problem worth overcoming, there is hardly any focus on measuring it.

Nevertheless, recent academic studies on aid fragmentation and concentration were conducted, based on Theil indices,<sup>25</sup> with the following main findings:

24 <https://www.oecd.org/dac/evaluation/evaluationoftheimplementationoftheparisdeclaration.htm>

25 Bickenbach, F. et al. (2019), "Is Foreign Aid Concentrated Increasingly on Needy and Deserving Recipient Countries? An Analysis of Theil Indices, 1995-2015", *World Development*, 115, 1-16; and Fløgstad, C. and R.J. Hagen (2017), "Aid Dispersion: Measurement in Principle and Practice", *World Development*, 97, 232-250.

- Aid was more fragmented in Sub-Saharan Africa and in the poorest countries, which is consistent with other studies using more limited samples.
- Bilateral aid was more dispersed than multilateral aid, and in both cases the large number of donors controlling similar shares of total funds was a major driver of the total spread.
- Among the major donors Canada, Denmark, France, the Netherlands, Norway, and Sweden had higher Theil values (i.e. higher degree of aid concentration) after the Paris Declaration was issued than they had before. However, the improvement was only significant for the Netherlands and Norway.
- The Paris Declaration did not lead donors to change aid allocation systematically and consistently. Bilateral aid became slightly more concentrated on poorer recipient countries, but most donors became less selective in granting aid to higher-income countries.



## Geographic Aid Concentration

This chapter provides partial answers to the three main Evaluation Questions regarding geographic concentration (formulation of the Evaluation Questions adjusted for geographic concentration):

These questions are answered in the three sections of this chapter.

Evaluation Question 1: To what extent has geographic concentration been achieved?

Evaluation Question 2: To what extent did geographic aid concentration policy efforts contribute to geographic concentration?

Evaluation Question 3: What have been the effects of geographic aid concentration on the Norwegian aid administration and on implementing partners?

In [Chapter 1](#) the basics of the theory of change have been discussed and in [Chapter 2](#) main background information regarding the international debate on aid fragmentation and aid concentration has been presented. In this chapter the specific elements of the theory of change regarding geographic concentration of Norwegian aid will be further detailed, which provides the basis for a structured presentation of main findings on the effects of geographic concentration. Therefore [section 3.3](#) starts with the main elements of the theory of change on geographic concentration.





### BOX 3.1 – GEOGRAPHIC AID CONCENTRATION

#### MAIN FINDINGS

- There is only limited evidence of geographic concentration. Norwegian country programmable aid is nowadays spent in fewer countries than was the case around 2000. The number of countries receiving new aid commitments declined from 108 in 2013 to 88 in 2018. Half of the recipient countries now receive almost all aid subject to geographical concentration.
  - Priority partner countries did not receive a higher share of Norwegian country programmable aid. Norway developed priority country lists from 2002. These lists have changed frequently and in total nine lists were published with 47 priority partner countries in total.
  - There have been hardly any tools for operationalising geographic concentration via these lists. In addition, for some programmes and budget lines other priority country lists were developed, which did not contribute to coherent policy efforts for geographic concentration.
  - The share of Norwegian country programmable aid subject to geographic concentration declined substantially from around 48% in 2001 to 30% in 2013 and then to around 15% in 2017. This is due to a large share of aid that cannot be allocated to a specific country (mainly multilateral aid) and to the exemptions for civil society and humanitarian assistance.
  - There have been no clear effects of geographic concentration on the Norwegian aid administration. Some new policy efforts may eventually lead to improvements for the aid administration, but these new efforts cannot yet be assessed.
  - Norwegian CSOs experienced a reduction in their administrative workload due to geographic concentration that Norad pushed for in the negotiations on multi-year framework contracts.
- Scope:** Norwegian country programmable aid managed by the MFA/Norad excluding aid to refugees in donor countries



## 3.1 Degree of Geographic Concentration

### SCOPE

The scope for the analysis of geographic concentration is based on the overall scope (all aid managed by the MFA and Norad excluding the costs for refugees in donor countries) and is limited by two main factors (for details regarding the scope see [Annex 4](#)):

1. Aid that cannot be attributed to a specific country, which means that (i) core funding to multilateral institutions (around 30% on average over the period), (ii) administration costs, and (iii) part of the earmarked contributions to multilateral organisations and bilateral aid affected to regional or global interventions (31% on average), are excluded;
2. Aid that is exempted from geographic concentration, which has been the case for (i) civil society, (ii) humanitarian assistance and peace and reconciliation, and (iii) the aid provided to refugees in donor countries.

Figure 3.1 Decomposition of Total Norwegian Aid Commitments by Status Regarding Geographic Concentration, 1999–2018

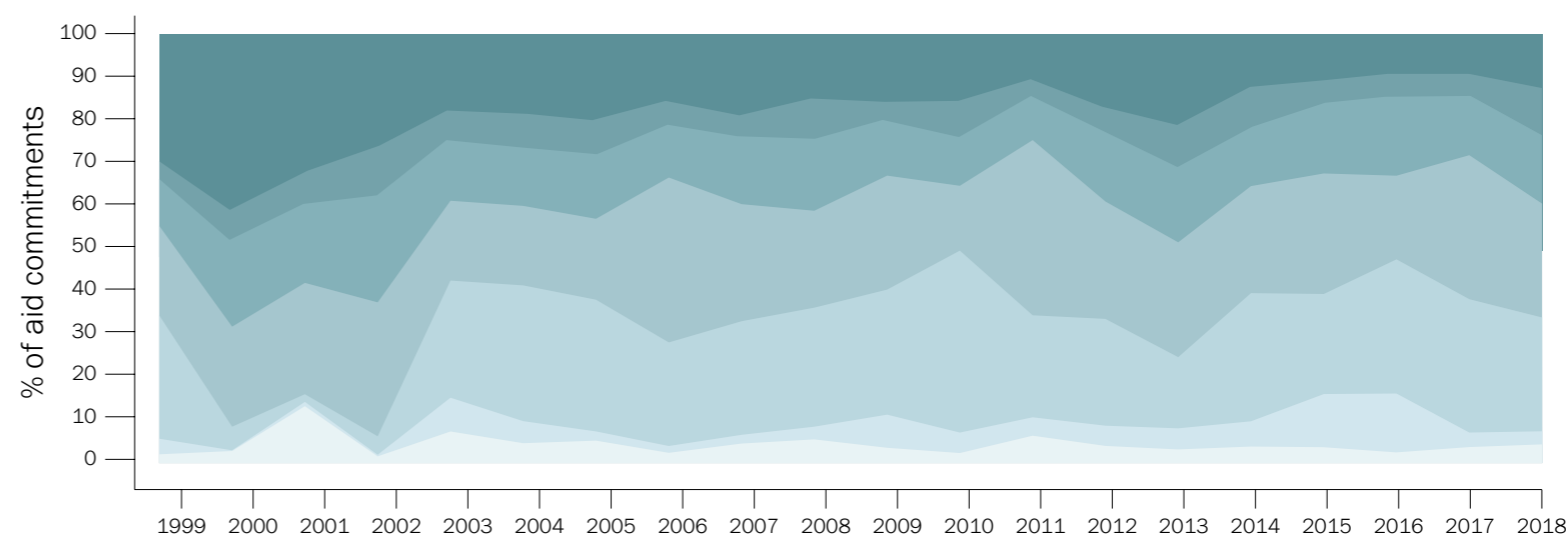


Figure 3.1 shows that the share of Norwegian aid subject to geographic concentration (i.e. the categories “Bilateral (applicable) and “Earmarked to multi. (applicable)”) declined from around 48% in 2000 to 30% in 2013 and as little as 15% in 2017. This is due to the factors mentioned above. This decreasing share of Norwegian aid subject to geographic concentration clearly limits the overall degree of geographic concentration that can be realised.

- Bilateral (applicable)
- Earmarked to multi. (applicable)
- Exempted budget lines
- Global or regional interventions
- Core funding/Administration
- Refugees in donor countries
- Aid not managed by MFA or Norad

Source: ADE calculation based on the Norwegian aid statistics (MFA/Norad)

Notes: Scope is the Norwegian aid. The category ‘Earmarked to multi. (applicable)’ corresponds to earmarked contributions to multilateral institutions allocated to a specific country.

### NUMBER OF COUNTRIES RECEIVING AID

The simplest measure of geographic aid concentration is counting the number of countries receiving Norwegian aid (i.e. aid managed by the MFA/Norad that can be attributed to a specific country), which is also a common measure in press publications and in the political debate.<sup>26</sup> In total, 136 countries received Norwegian aid (managed by the MFA and Norad excluding aid to refugees in donor countries) between 1999 and 2018. Between 2000 and 2013 the number of countries for which aid commitments were recorded per year remained quite stable around an average of 106. It varied from a minimum of 102 (in 2007) to a maximum of 111 countries (in 2005) (see [Annex 4](#), [Figure A4.1](#)). The number of countries declined from 108 in 2013 to 88 in 2018. The number of countries actually receiving disbursements has always been higher, ranging for most of the period between 110 and 120, but the total still exhibits the same decrease towards the end of the period ([Figure A4.1](#) in [Annex 4](#)). A similar trend is also observed when considering only those countries with (significant) commitments or disbursements above NOK 1 million ([Figure A4.1](#) in [Annex 4](#)).

<sup>26</sup> The Norwegian newspaper *Nettavisen* published an article on 4 March 2020 with the title "Norway has provided assistance to 116 countries – how did they end up on that list?" The article is based on the Norad aid statistics data and reports on the number of countries receiving aid and also indicates that the number of countries receiving aid is declining.

The 2019 OECD DAC peer review of Norway reports on the drop in number of countries and states: "In 2016–17, just 13% of bilateral aid went to Norway's top five recipient countries, well below the DAC average of 19%, and 22% to its top ten recipients, compared to the DAC average of 29%. This is below Norway's 2012–13 concentration levels of 22% for its top five recipient countries and 30% for its top ten recipients. In 2016–17, Norway was among the top five bilateral donors in only five of its top ten recipient countries".<sup>27</sup> Although the share of aid committed to the top 20 recipient countries peaked at 39% in 2013, it remained below 30% from 2014 onwards (see [Figure A4.2](#) in [Annex 4](#)) in line with the above findings.

### THEIL INDEX

The Theil index is a widely used measure of economic inequality. In the context of aid concentration, it is used to measure the fragmentation of aid allocation across sectors or countries. The Theil index has a minimum value (i.e. 0) when the resources are equally distributed, i.e. when all recipient countries receive the same share of aid for geographic concentration). The Theil index has a maximum value in a situation where all aid would go to a single country (see [Annex 4](#) for a detailed descrip-

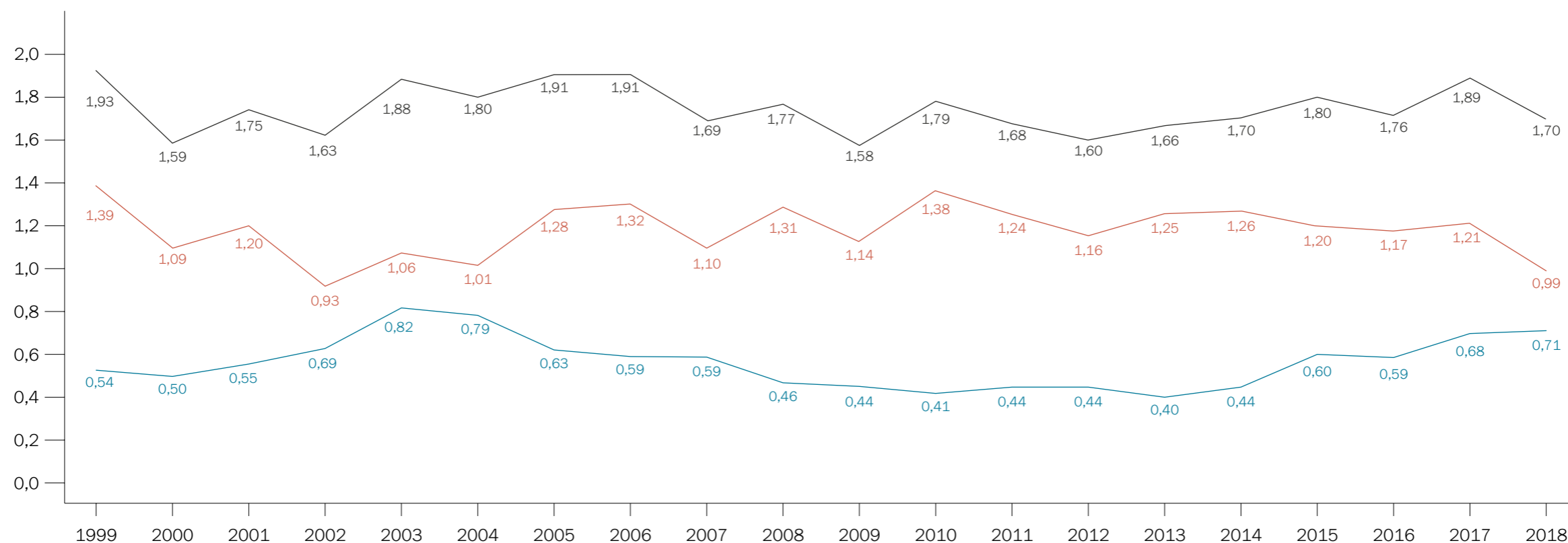
<sup>27</sup> OECD (2019), *Development Co-operation Peer Reviews, Norway*, p. 51

tion of the Theil Index properties and limitations). Thus, the higher the Theil index the more aid is concentrated.

For geographic concentration, the Theil index (see [Annex 4](#)) is computed using the share of aid commitments for all 136 countries that received some aid commitments for at least one year during the period 1999–2018. The analysis is limited to the aid subject to geographic concentration as indicated above (details of the Theil index analysis are presented in [Annex 4](#)). [Figure 3.2](#) (next page) shows that the Theil index for geographic concentration is quite volatile over the period – ranging between 0.932 and 1.58 – but exhibits a flat trend overall. The Theil index is broken down to reflect the 'intensive' margin i.e. the variation in the allocation of new aid commitments across countries and the 'extensive' margin reflecting the reduction in the number of recipient countries. [Figure 3.2](#) shows two periods of increase in geographic aid concentration (i.e. from 2000 to 2004 and from 2013 to 2017). These increases are mainly due to the extensive component of the Theil index caused by the decrease in number of countries receiving aid. The intensive component reflects the overall volatility of the overall Theil index and indicates that between 2005 and 2017 aid has not been more concentrated on specific priority countries. It is not possible to draw clear conclusions on the sharp



Figure 3.2 Theil Indexes for Geographic Concentration Over Time, 1999–2018



decline observed in 2018, given the overall variability of the Theil index. Overall, this is in line with the findings on the number of countries receiving aid that also indicated limited concentration on top recipients (see Figure A4.2 in Annex 4).

### SHARE OF AID COMMITMENTS TO PRIORITY PARTNER COUNTRIES

A third measure of geographic aid concentration consists of calculating the share of aid allocated to prior-

ity partner countries. [Chapter 2](#) includes the lists of priority and focus countries (first list dates from 2002, see overview of all lists and priority countries in [Annex 9](#)) and the list of 84 or 85 eligible countries that was introduced in 2015. As the lists of priority countries changed considerably over time, concentration cannot be easily measured. Therefore [Figure 3.3](#) (next page) shows the share of aid committed to four groups of countries. First, the share of aid committed to all 86

- Theil (total)
- Theil (intensive margin)
- Theil (extensive margin)

Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad).

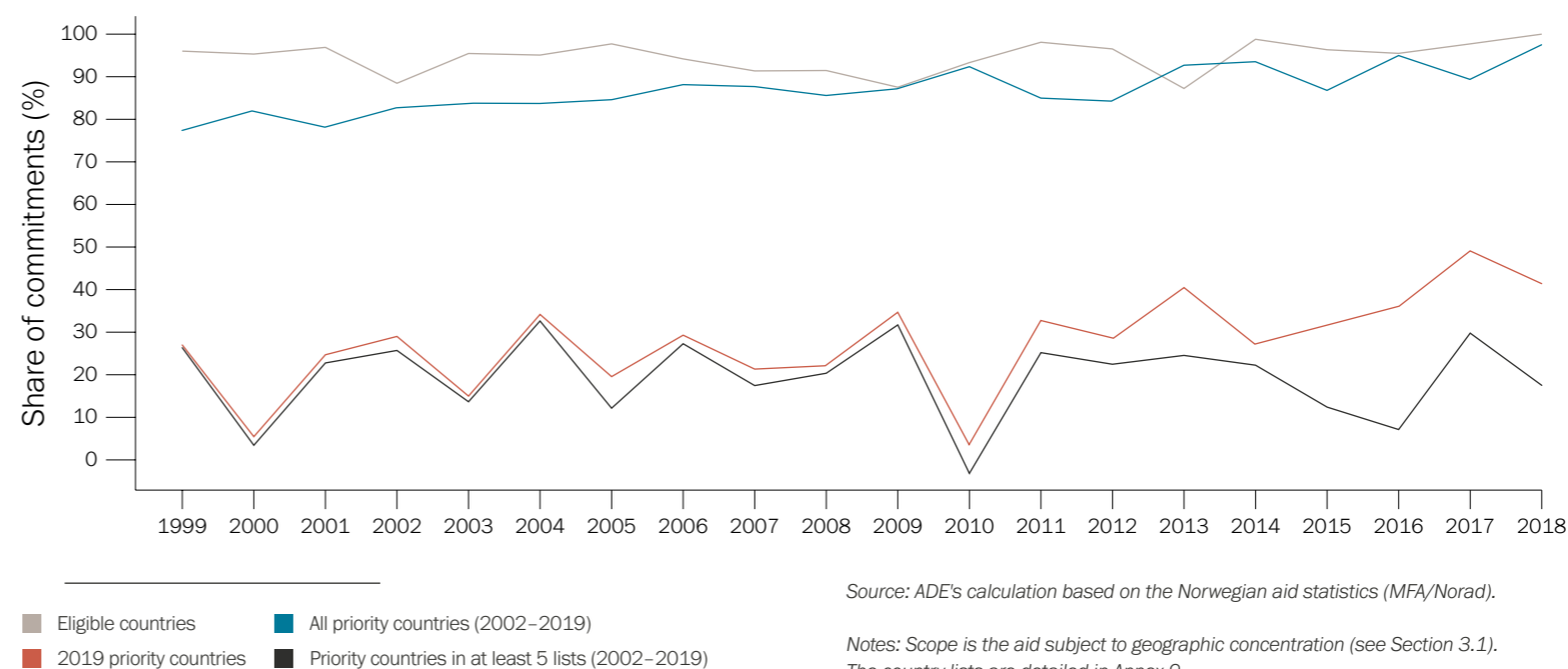
Notes: The calculations are based on the aid commitments for which geographic concentration applies and is observable. This includes the aid managed by the MFA and Norad, that is assigned to a specific country and exclude aid to refugees in donor countries (DAC sector code 930) as well as the budget lines exempted from geographic concentration (i.e. humanitarian assistance and civil society and governance).

eligible countries that figured on the lists from 2015<sup>28</sup> remained close to 100% over the period, although it had dropped to around 90% in 2009 (and 2013) before increasing again to 100% in 2018. Second, the share of aid allocated to all 47 priority or focus countries that appeared on any of the nine priority lists increased steadily from around 85% in 1999 to almost 98% in 2018. Third, the share of aid committed to the 16 countries on the priority list for 2019 displays an increasing trend over the period from around 45% in 1999–2000 to around 65% in 2018. Fourth, the share of aid to the ten priority countries that were included in at least five out of the nine priority country lists between 2002 and 2019 fluctuated around 50% (Figure 3.3).

Figure 3.3 shows that there is more concentration of aid subject to geographic concentration on a reduced number of countries. This is best illustrated by the increase in aid allocated to all 47 priority countries that figured on one or more of the priority lists (blue line). This indicates that those countries now receive almost 100% of the aid, also indicating that the share received by the remaining approximately 40 countries is minimal.

<sup>28</sup> The list stipulated a maximum number of recipient countries and some countries entered the list in place of another country. As a result, 86 countries have been on the list in total over the period.

Figure 3.3 Share of Aid Commitments for the Different Groups of Priority Countries, 1999–2018



Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad).

Notes: Scope is the aid subject to geographic concentration (see Section 3.1). The country lists are detailed in Annex 9.

This cannot be considered as an indication that there is more concentration on priority countries, although there has been an increase in the share of commitments spent in countries on the 2019 list.

The limited geographic concentration is also shown in the lists of main recipients of Norwegian aid where Syria and Brazil are among the top ten list of recipients of aid, whereas they do not figure on the priority country lists.<sup>29</sup> This is due to refugee support related to the Syria crisis

<sup>29</sup> OECD (2019), Development Co-operation Peer Reviews, Norway, p. 13

and to forestry interventions in Brazil. The case studies on two priority countries Afghanistan and Malawi show no increase in overall disbursements of aid to these countries.<sup>30</sup> Both countries figure on all nine priority country lists from 2002. The share of aid to these countries as percentage of aid subject to geographical concentration does show an increase. This is not surprising as the total aid subject to geographical concentration declined substantially (see Annexes 5 and 6).

<sup>30</sup> In this case disbursements better reflect the overall trend as commitments are more volatile given the importance of multi-year agreements.

## 3.2 Geographic Aid Concentration Policy Efforts

### LISTS OF PRIORITY OR FOCUS COUNTRIES

From 2002 to 2019 a total of nine lists containing priority countries for Norwegian development aid were published. [Annex 9](#) provides an overview of these lists and their background showing both the evolution in the number and also in the terminology used to describe Norway's partner countries, which changed over time, from main cooperation countries, to cooperation countries, to central countries, to focus countries, and to priority countries. In this evaluation the term priority (partner) countries is used. In 2019 there was an additional shift in terminology, to accommodate the shift in development terminology from "donors and recipients" to "mutual cooperation and real partnerships towards common goals".

In 2013 the Government stated that it was the partner countries' own strategies and desire for poverty reduction, along with an assessment of where Norwegian assistance might provide value-added, that would set the frame for long-term collaboration. This was also meant to be the starting point for concentrating aid and the basis for a clearer division of labour among the donors.<sup>31</sup> Since 2015 a distinction is made between two main priority

<sup>31</sup> *St.Prp 1/ 2013-2014, p. 119.*

country groups: conflict-affected countries and countries in long-term partnership. In total 47 countries have figured on the nine priority country lists. For the period 2013–2019 the various priority country lists show that in total 19 long-term development partners were identified (although different terms were used) and 7 fragile-state countries. The justification for the selection of countries and the actual number of countries on the lists tends to be fairly general, linked to poverty levels, historic links, and the addressing of Millennium Development Goals or Sustainable Development Goals (while Afghanistan is referenced<sup>32</sup> in relation to its risks for European, Regional and Global security). The overview of lists shows the frequent changes in priority countries reflecting changing political priorities, while some countries figure on all country lists, examples being Mozambique, Ethiopia, Malawi, Palestine and Afghanistan. Recent new priority countries on the list are Sahel countries such as Mali and Niger, as well as Indonesia. By the end of 2019 and into early 2020, new priority countries under consideration are Madagascar and the Democratic Republic of Congo. Additionally, Norway is considering a stronger focus on Least

<sup>32</sup> Page 16, Meld. St. 36 (2016–2017) Report to the Storting (white paper). *Setting the course for Norwegian foreign and security policy* describes Afghanistan as a continued risk for security in Europe's neighbourhood because it is "still a safe haven for violent extremists and a source of instability, both within and outside the region".

Developed Countries (LDCs), which addresses OECD concerns raised in the peer review. It should be realised that frequent changes in the list of priority countries cannot translate automatically into shifting aid to new countries as commitments made earlier have to be honoured.

Documents and interviews point to specific country priorities being set for various priority themes or programmes. Peace and reconciliation focuses on specific conflicts where it is assumed that Norway has a comparative advantage as peace broker, e.g. Colombia, Somalia and South-Sudan. The Ministry of Climate and Environment (MCE)<sup>33</sup> sets its own geographical priorities, which in 2015 included Indonesia, Brazil and various other countries and regions.<sup>34</sup> Programmes under the so-called Knowledge Bank in Norad use different criteria for geographical priorities and do not strictly adhere to the priority country list. In the Oil for Development (OfD) Programme a Steering Group led by the Ministry of Foreign Affairs (MFA) makes strategic decisions in which countries to enter, continue and exit. The aim is that

<sup>33</sup> In a Royal Resolution 13 December 2013 it was announced that Norad would manage ODA funds on behalf of MCE.

<sup>34</sup> Letter of allocation from the MCE to Norad, 30 January 2015. Also mentioning the following countries and regions: Vietnam, Myanmar and the Mekong basin region, Ethiopia, Liberia, Guyana, Peru, Colombia and Ecuador, while also strengthening the efforts in the Congo basin.



programmes should have the highest possible impact on poverty and environment. The Oil for Development programme cooperates with 14 countries in Africa, Asia, the Middle East and Latin America. Most of the countries are on the priority lists (A9.1 and A9.2 in Annex 9) such as Mozambique, Myanmar, Somalia, Tanzania, South Sudan, Colombia, Ghana, Lebanon and Uganda, while others are not, for example Sudan, Angola and Iraq. Other Knowledge Bank programmes such as Fish for Development and Tax for Development have bilateral agreements with their own focus countries that are on the list of eligible countries (see next page). It has been mentioned by stakeholders that despite the existence of specific partner country selection criteria for institution cooperation and other programmes, it is still possible that foreign policy interests might overrule previously given criteria for selection of partner countries. No such direct evidence was found, but it appears likely.

Few attempts have been developed and implemented to further operationalise geographic concentration via the priority country lists. There are no mechanisms to harmonise the priority country lists for specific themes and programmes with the overall priority country list although consultations take place. This means that various priority country lists exist alongside each other, i.e. the overall list plus priority country lists for specific programmes and

budget lines. Furthermore, the share of Country Programmable Aid (CPA) is shrinking as the regional budget lines are decreasing (see Annexes 5 and 6 country case studies). The 2019 OECD DAC peer review also points to “a growing share of unallocated bilateral aid, a relatively low and falling share of CPA and more aid to upper middle-income countries (UMICs)”.<sup>35</sup> Also priority countries do not receive a substantially higher share of CPA.

In principle, interviewees assume that a relatively higher share of the budget is allocated to priority countries. The budget proposals and annual allocations for priority countries show that approximately NOK 700 million on average was allocated to Afghanistan over the last five years, with some fluctuations. For Malawi, the allocation for 2019 was NOK 478 million, but it was substantially higher in 2015 at NOK 590 million. These annual allocations are related to the regional budget line, which includes most of the country programmable aid.

CPA has declined, on the one hand due to the shift from bilateral to multilateral aid, but on the other due to a transfer of money from the regional budget line to thematic budget lines.<sup>36</sup> This might explain the recent decline in allocation for Malawi. The overview of disbursements to Afghanistan and Malawi shows stable or declining shares of around 2% of all aid disbursements to each of these countries (see Annexes 5 and 6). This is in line with the overall measures of geographic concentration that did not show evidence of geographic concentration on priority countries.

Earmarked multilateral contributions might be focused on specific priority countries. Between 1999 and 2018 around 46% of all earmarked contributions have been assigned to a specific country. There are different ways of earmarking and therefore it is not always clear whether these earmarked contributions are part of country programmable aid or not. For Afghanistan there are two very important earmarked contributions to which Norway has contributed for many years: The World Bank led the Afghanistan Reconstruction Trust Fund (ARTF) and

<sup>35</sup> OECD (2019), Development Co-operation Reviews, Norway, p.50

<sup>36</sup> In 2019, funds of the regional budget line (up to 50%) have been transferred to thematic budget lines. There were suggestions to remove the regional budget line, but it continues to exist, though the volume has been cut by more than 50%, from its peak at NOK 2.7 billion to NOK 1.1 billion in 2019.



the UNDP led Law and Order Trust Fund for Afghanistan (LOTFA).<sup>37</sup> For Malawi, the earmarked contributions do not have such a prominent place in Norwegian aid.

In addition, the total share of aid going to a specific priority country may also be much higher as different budget lines may allocate aid to specific countries. For specific countries such as Afghanistan annual pledges for humanitarian assistance may contribute substantially to the share of aid allocated and these pledges increased to about NOK 700 million annually.

Until recently Norway did not have country strategies, but in 2019 country strategies were prepared for the priority countries and at the time of this evaluation were awaiting formal political approval and thus not available to the evaluation team. The 2019 OECD DAC peer review mentioned such country strategies as important for strengthening alignment with partner country priorities and for a more strategic focus.<sup>38</sup> The Knowledge Bank has in the meantime selected three priority coun-

tries – Mozambique, Ghana and Nepal – as pilot countries where it will try to cooperate across several of its programmes for increased synergies.

During the period under review, the MFA has thus published nine different lists of priority countries, in which in the countries included their classification and the justification and criteria have changed. In addition, in none of the cases have there been target values or operational objectives set or specific steps proposed to ensure that resources are re-directed in some measurable way towards these countries. New tools are being developed to operationalise the focus on priority countries including more harmonisation across departments and sections managing country programmable aid (CPA), which cannot yet be assessed. However, the fact that country programmable aid is not likely to increase over time and that political geographical priorities are likely to continue to change means that geographic concentration on priority countries is likely to remain relatively limited in the future.

#### LIST OF ELIGIBLE COUNTRIES

The Government's political platform, the 'Sundvolden Declaration' had as its starting point the fact that Norwegian development assistance had been provided to 116 countries through various channels, and that this needed

to be reduced. In addition to the lists of priority countries, the Ministry of Foreign Affairs in 2015 therefore prepared the list of 84 countries declared eligible for Norwegian aid, later increased to 85 countries (see [Annex 9](#)).

Contrary to the priority country lists, all programmes and priority themes are expected to adhere to the list of eligible countries. If a programme or thematic area wishes to include a country that is not on the list, another country should be removed. This has happened a few times, although changes have remained relatively limited. The simplicity of operationalising the list of eligible countries, the still relatively large number of countries on the list and the clear principles explain why the introduction of this list has led to some geographic concentration as shown in [section 3.1](#). It should be noted that changes were already visible from 2013 onwards, while the list was only introduced in 2015. However, persons spoken with noted that as of 2013 due attention was already being paid to reducing the number of countries receiving Norwegian aid.

The reduction of the number of countries took place alongside more or less structured exits from partner countries. In some cases exits mainly consisted of honouring existing agreements and not signing any new

<sup>37</sup> The Norwegian allocations to these two funds are repeatedly mentioned in Norad's annual reports since 2013, signifying the importance of these contributions, while also the need for close monitoring is mentioned.

<sup>38</sup> OECD (2019), *Development Co-operation Reviews, Norway*, p. 76





agreements. In other cases exits were more strategically focused as countries graduated and stock was taken of the achievements realised by Norwegian aid over a longer period of time. Vietnam was mentioned by several as an example of such a structured exit. It was, however, beyond the scope of this evaluation to assess the extent to which structured exits were realised in practice.

### **GEOGRAPHIC AID CONCENTRATION FOR NORWEGIAN CSOS AND OTHER IMPLEMENTING PARTNERS**

Norad has had framework agreements with a number of the larger Norwegian Civil Society Organisations (CSOs) since the late 1990s. With the 2013 political platform, the 'Sundvolden Declaration' and the push for greater geographic concentration, the framework agreements were seen as the ideal vehicle for achieving this objective in civil society. Even though civil society was formally exempt from geographic concentration and no formal links with the list of 85 eligible countries and priority country lists were established, in practice CSOs were actively promoted to reduce the number of countries as of 2013. Whenever new framework agreements were to be agreed, Norad wanted to see a reduced number of countries to be covered compared to the previous contract. No particular targets in terms of numbers – either regarding how many countries should be cut or

how many countries in total could be included in the new framework agreement – were presented; it was up to the CSOs themselves to suggest a revised list of their partner countries. According to interviews and the validation workshop with Civil Society Organisations, in recent years Civil Society Organisations were expected to adhere to the list of 85 eligible countries.

For umbrella organisations, geographic concentration posed some issues, since their geographical reach was a function of where the various member organisations were engaged. For some smaller member organisations that might have a limited number of partner countries based on longstanding partnerships, cutting these links was therefore painful. In some cases, the reduction was agreed to, but in others they found alternative funding sources to be able to continue these partnerships.

CSOs that had own programmes faced some of the same issues. Several of them noted, however, that the push from Norad to concentrate on fewer countries made sense to them and related to their own strategy discussions, and that deleting certain programmes and countries was the right way to go.

In some cases where the organisation wanted to continue collaboration in a country that they felt they could

not include in the Norad framework agreement, they used own resources, involved other donors, or were members of an international network so that they could hand over the programme or obtain funding from other members of the network. This means that there has clearly been a reduction in the number of countries financed by Norad due to these processes. The reduction in the number of countries in which the CSOs are active was more limited as they maintained country collaborations by relying on other funding sources.

When it comes to the large-scale humanitarian financing channelled through Norwegian CSOs, the picture is somewhat different since this aid, for obvious reasons, is not subject to geographic concentration. The MFA has, however, concentrated on areas or regions that in fact fall within the eligible country list. Until 2020 the humanitarian assistance agreements with Norwegian CSOs were made annually. While the MFA largely decided where it wants to focus attention, CSOs could also apply for financing of their own interventions, albeit generally where they knew where the Ministry was focusing its attention and thus would be more likely to provide finance. In 2020, the humanitarian assistance department also began offering multi-year framework contracts with Norwegian CSOs where geographic focus was taken into consideration.



Some interviewees mentioned that there have been attempts to reduce the number of earmarked agreements with multilaterals via embassies. Embassies often have an interest in close agreements on specific thematic priorities with multilateral organisations. This might lead to geographical fragmentation. However, there have also been attempts to reduce the number of earmarked multilateral agreements by embassies and to merge them with overall framework agreements. Therefore, the overall trend and effect is not clear (see [Chapters 4](#) and [5](#)).

### **OTHER POLICIES AND FACTORS AFFECTING GEOGRAPHIC AID CONCENTRATION**

In 2004 Norway reorganised its aid management system whereby Norad largely became a technical advisory agency while responsibility for bilateral aid was transferred from Norad to the MFA. The embassies were given more responsibilities for managing development co-operation in-country, although this decentralisation was in fact reversed from 2009 onwards.<sup>39</sup> While this decentralisation could be seen as favourable for geographic concentration on priority countries, no conclusive evidence was found that embassies in these countries received proportionally more staff and a larger budget.

<sup>39</sup> Norad (October 2018), *Evaluation of Organisational Aspects of Norwegian Aid Administration*, p.5.

Limited capacity at the embassies is often mentioned as an important factor that affected geographic concentration. Although no precise figures are available of changes in the number of embassy staff addressing aid management, it is clear that this number has not increased. For quite some time the regional budget line increased substantially in line with the increase in the overall aid budget. In 2016 a significant share of the budget was reallocated to in-country refugee costs, while in subsequent years part of the regional budget was transferred to thematic budget lines, so funding that could be programmed on the basis of geographic concentration was becoming relatively less important.

Other 'coping' measures mentioned in interviews were the increase of regional programmes, i.e. rather than having one programme for each country in a region, regional programmes working in different countries were started. This can be considered as an attempt to avoid geographic concentration.

In 2017, the so-called Ølberg report was published. This was the product of an MFA internal working group mandated to assess the organisation of aid management and suggest effectiveness and efficiency improvements. The report stated that the system appeared somewhat incoherent and overlapping at thematic, channel, coun-

try and organisational levels. Administrative reviews of embassies showed that the larger stations with a tradition of managing aid performed better than those embassies managing smaller amounts. The report recommended reducing the number of stations that manage aid, with smaller embassies transferring the responsibility to Oslo.<sup>40</sup> For embassies in some of the fragile countries, such as Afghanistan, responsibilities had gradually been transferred back to Oslo due to the deteriorating security situation in 2014. Whilst Norway still maintains a staffed embassy in Kabul, grant agreements are now managed in Oslo.

<sup>40</sup> Ibid, p.28.



### 3.3 Effects of Geographic Aid Concentration

The specifics of the Theory of Change on geographic concentration are based on the international aid effectiveness agenda that evolved from 2002, which expected mainly positive effects on recipient countries but also some positive effects on donor countries. In line with this agenda due attention has been paid in literature to geographic concentration i.e. donors channelling aid to fewer countries. The reduction of aid proliferation – the number of recipient countries and sectors a donor is engaged in – is assumed to lead to efficiency gains in terms of reduction of administration costs of donors.<sup>41</sup> The concentration of donor resources in a more limited number of countries would also allow donors to have better knowledge of the evolving country context.<sup>42</sup> At the same time it is assumed that transaction costs of implementing partners will be reduced or at least stay the same. The better use of time and resources by the aid administration and

41 IOB (2016), *The gaps left behind. An evaluation of the impact of ending aid.* P. 46  
Bigsten (2011), *The Aid Effectiveness Agenda: The Benefits of Going Ahead.*

42 WRR (2010), *Less pretension, more ambition: development policy in times of globalization,* Dutch Scientific Council for Research.

implementing partners would in turn lead to improved aid effectiveness.

The theory of change on geographic concentration and the realisation of effectiveness and efficiency improvements is closely related to the assumption that donor coordination within partner countries will be improved and that there will be a better division of labour among donors i.e. a limited number of sectors per donor within recipient countries (see [Chapter 4](#)).

#### EFFECTS ON THE NORWEGIAN AID ADMINISTRATION

In general, there has been limited geographic aid concentration for the reasons set out above: multiple lists of priority countries over time, a constant decline in country programmable aid and lack of policy tools such as strategies for priority countries. This means that effects on the aid administration are also quite limited. Some interviewees indicated that the decrease in total number of partner countries where Norway has agreements has reduced the administrative burden somewhat. There is however no other evidence on the use of freed up resources due to fewer partner countries for other activities that add value to the quality of Norwegian aid. This would require good insight into re-allocation of human resources within the aid administration and this could not be

collected. There are no indications that concentration on priority countries did lead to building specific competences on partner countries. Therefore, this perception on a reduced administrative burden due to a reduction in the number of countries could not be validated.

The country case studies of priority partner countries indicated that the aid administration staff at the embassies and at headquarters dealing with country programmable aid did not increase, while the country allocations remained roughly the same (Afghanistan<sup>43</sup>) or declined recently (Malawi). This is in line with the overall findings that there is no clear concentration on priority countries. Theoretically, it would have been expected that a larger volume of aid for partner countries would be handled by a larger number of staff, but these parameters did not change. This means that based on the country case studies, there is no evidence of effects -positive or negative- of geographic concentration on the aid administration or on overall effectiveness and efficiency at the priority country level. Of course, there may be effects from thematic concentration and partner and agreement reduction. These effects will be discussed in the following chapters.

43 For security reasons and capacity problems grant management for Afghanistan has been transferred to Oslo



The decline in Norwegian country programmable aid (CPA) is related to the shift towards multilateral aid and the negative effects of a decline in country programmable aid on the quality of Norwegian aid might be compensated by positive effects related to the increase of multilateral aid. This will be analysed in more detail in [Chapter 5](#), while some overall findings from literature will be presented here. The quality of Official Development Assistance (ODA) index (QuODA) has been assessed by the Centre for Global Development since 2011 according to four dimensions that draw upon international declarations: maximising efficiency, fostering institutions, reducing burden, and transparency and learning.<sup>44</sup> The dimension 'maximising efficiency' refers to geographic concentration. Where the change in country programmable aid is one of the indicators. The change of Norwegian country programmable aid declined over time as indicated above and this is also mentioned in the OECD DAC peer review of Norway as a weak spot. According to the quality of ODA analysis, the decrease in country programmable aid negatively affects the dialogue with the partner country and country ownership. On the other hand, increased core contributions to multilateral organisations positively affect

the donor performance and here Norway scores well. This shows the complications and the discussions on measuring aid effectiveness. This is also acknowledged by the Centre for Global Development, which stated in a recent paper that reduced empirical support for the negative effects of aid fragmentation was found, especially when measured by synthetic indicators of donor "market shares" in given sectors and countries. This has led to a change in the indicators included in the quality of ODA index.

#### EFFECTS ON IMPLEMENTING PARTNERS

In theory, geographic concentration is assumed to have a positive effect on priority partner countries as they could have a better dialogue with a more limited number of donors. As indicated in the limitations for this evaluation, no partner country representatives were interviewed. However, the interviews with the Norwegian aid administration and the fact that bilateral aid has declined over the years provide some insight. The two case studies on partner countries did not indicate that there is a more intensive dialogue with partner country representatives due to geographic concentration. However, also no sign of less intensive dialogue was found due to a decline in Norwegian country programmable aid. The health sector case study however indicates that the strong move in this sector to multilateral aid

has led to less insights at country level and Norway does not participate anymore in country-level dialogues on health. This means that there is no conclusive evidence of effects from improved dialogue with partner countries. Other effects on implementing partners related to the shift towards multilateral aid are discussed in [Chapter 5](#).

For the CSOs, the increased geographic concentration, as far as Norad funding is concerned, has led to some cost reductions, although these vary from one organisation to another. For those CSOs that simply shifted funding from other sources to those countries no longer covered by Norad framework agreements, there were of course no real savings. But most CSOs seem to agree that they have reduced the number of countries they are working in, with concomitant savings on administrative, financial management and results monitoring and reporting staff. One important saving noted by a couple of CSOs was that they no longer had to maintain their own partner country knowledge at head office for the countries that they had previously had programmes in, which was a disproportionate cost for small country programmes.

44 Birdsall, N. and H. Kharas (2012), The Quality of Official Development Assistance (QuODA) and <https://www.cgdev.org/page/quality-oda-quoda>



## Thematic Aid Concentration

This chapter provides partial answers to the three main Evaluation Questions regarding thematic aid concentration:

These questions are answered in the three sections of this chapter.

Evaluation Question 1: To what extent has thematic concentration been achieved?

Evaluation Question 2: To what extent did thematic aid concentration policy efforts contribute to thematic concentration?

Evaluation Question 3: What have been the effects of thematic aid concentration on the Norwegian aid administration and on implementing partners?

In [Chapter 1](#) the basics of the theory of change have been discussed and in [Chapter 2](#) main background information regarding the international debate on aid fragmentation and aid concentration has been presented. In this chapter the specific elements of the theory of change regarding thematic concentration of Norwegian aid will be further detailed, which provides the basis for a structured presentation of main findings on the effects of thematic concentration. Therefore, [Section 4.3](#) starts with the main elements of the theory of change on thematic concentration.



### BOX 4.1 – THEMATIC AID CONCENTRATION

#### MAIN FINDINGS

- For the period 1999-2018, the data show quite some continuity in the shares of aid allocated to the main DAC sectors of health, education humanitarian assistance and governance and civil society, while the share of environment protection has increased. The observed changes, which have remained limited, do not reflect any indications of changes due to thematic concentration policy efforts.
- There is, however, also some increased thematic fragmentation due to new sub-themes being added by politicians. Thematic fragmentation at this lower level of aggregation cannot be quantitatively measured.
- Operationalisation of thematic concentration has been given limited attention and no concrete tools have been developed. Budget allocations do not clearly reflect thematic concentration efforts either at central level or at partner country level where there is clear scope for thematic concentration. Thematic concentration is also reported not to have been the main focus of attention in the aid concentration policy efforts.
- Given the lack of apparent thematic concentration and signs of increased thematic fragmentation there are some indications that the workload of some sections of the aid administration increased, and thus negatively affected efficiency.
- The efficiency of grant management of the departments or sections handling specific thematic areas such as humanitarian assistance, education and health appears to have increased as larger volumes of aid per staff member are managed. However, this appears to be more the result of partner and agreement reduction and not of any thematic concentration policy efforts.

**Scope:** Norwegian aid that can be associated with a specific sector and is managed by the MFA/Norad excluding aid to refugees in donor countries.

## 4.1 Degree of Thematic Concentration

### SCOPE

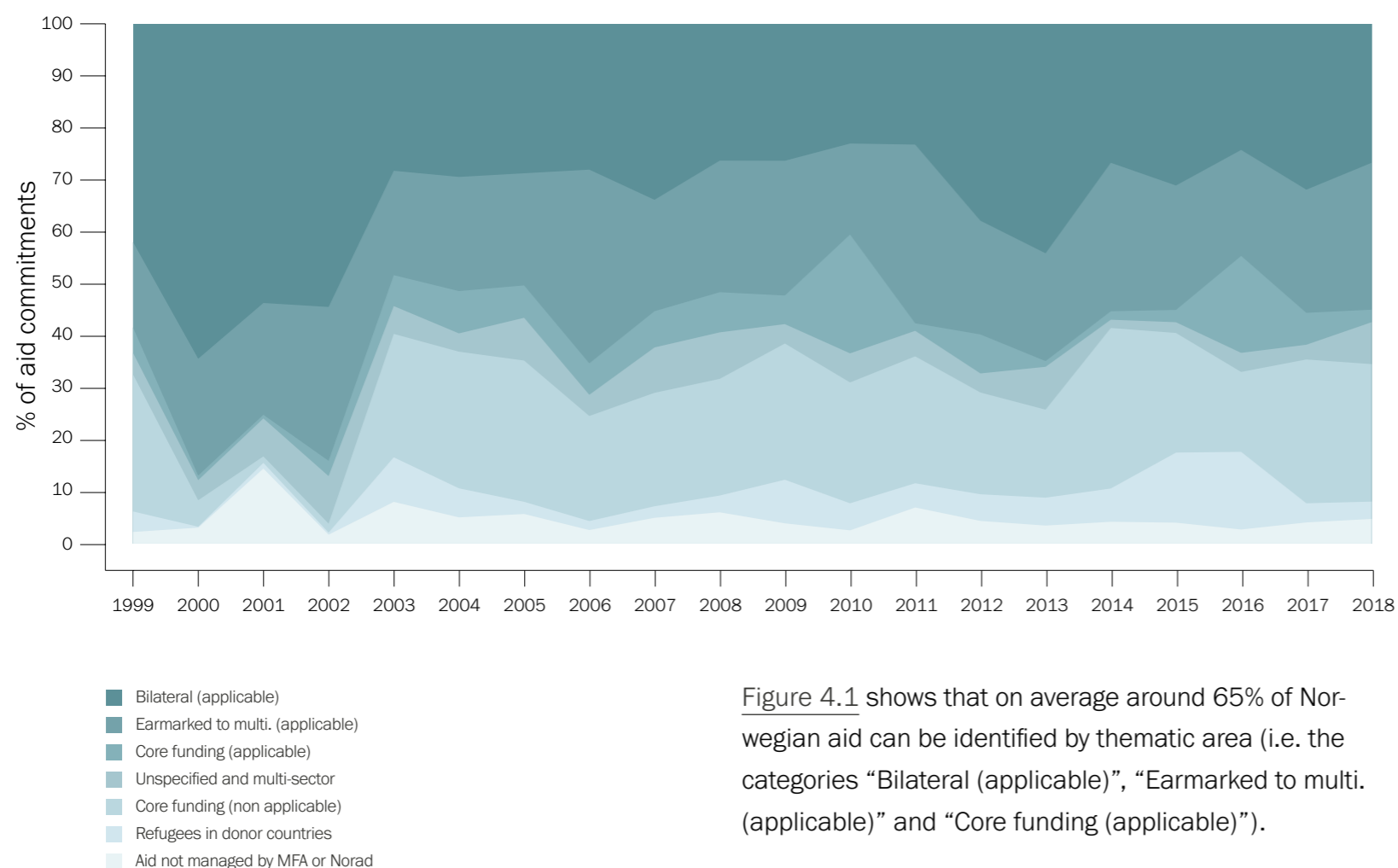
It should be noted, as explained in [Chapter 1](#), that thematic concentration could only be measured using the DAC sector classifiers which are consistently recorded over time in the Norwegian aid statistics (Norad). However, the DAC sectors do not fully match the Norwegian thematic priorities, as discussed below.

The scope of aid subject to thematic concentration is constrained by the possibility of associating a specific sector to the intervention. Bilateral aid and earmarked contributions for which the DAC sector is recorded as “unspecified” or “multi-sector” as well as administrative costs are excluded (for more details see [Annex 4](#)). Core funding to specific multilateral organisations can be

attributed to thematic priorities or sectors in line with reporting by thematic departments.<sup>45</sup>

<sup>45</sup> Thus, core funding to WHO, GAVI and GFATM is attributed to Health, GPE and UNESCO to Education, WFP, UNHCR, OCHA to Humanitarian Assistance, and UN-REDD and UNEP to Environmental Protection. However, core funding to other multilateral institutions, which could be attributed to specific sectors based on their general expenditure profile,

Figure 4.1 Decomposition of Total Norwegian Aid Commitments by Status Regarding Sector Concentration



Source: ADE calculation based on the Norwegian aid statistics (MFA/Norad).

Notes: Scope is the total aid. The categories 'Earmarked to multi. (applicable)' corresponds to earmarked contributions to multilateral institutions allocated to a specific DAC sector.

Figure 4.1 shows that on average around 65% of Norwegian aid can be identified by thematic area (i.e. the categories "Bilateral (applicable)", "Earmarked to multi. (applicable)" and "Core funding (applicable)").

has not been included. Thus if 5% of the World Bank's concessional expenditures are disbursed to health sector activities, this percentage could potentially be applied to Norway's general contributions to the World Bank's IDA window to be included in Norway's commitments to the health sector. This is not considered to be relevant for assessing thematic concentration.

#### AID COMMITMENTS TO PRIORITY THEMATIC AREAS

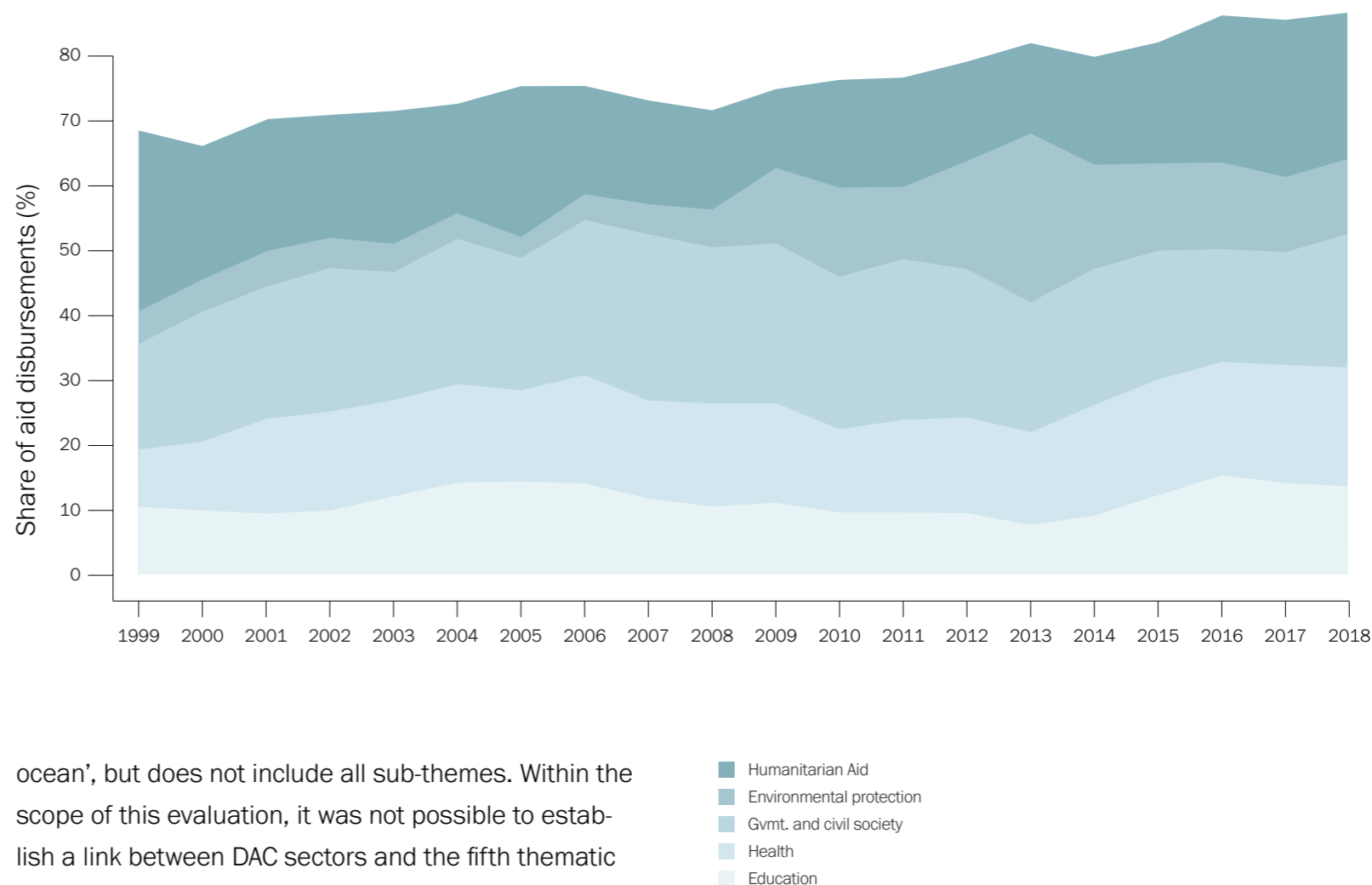
In Annex 4, a Theil index on sector concentration has been calculated based on the spread of Norwegian aid over an aggregate of the main DAC sectors (Figure A4.3 in Annex 4). This measure points at increasing sector concentration overall, although the volatility of the Theil index prevents the drawing of definitive conclusions. Furthermore, given the challenge of linking DAC sectors to some of the Norwegian thematic priorities, interpretation of the Theil index for thematic concentration is not straightforward (see Annex 4 for a detailed description of how the aggregate DAC sectors could be proxies for some of Norway's thematic priorities). The Theil index for sector concentration is therefore not included in the main findings.

The most important measure for thematic concentration is the evolution of the share of Norwegian aid spent on DAC sectors that can be linked to priority thematic areas. In Figure 4.2 (next page) the share of aid disbursements to five main DAC sectors is shown: humanitarian assistance, education, health, government and civil society, and environmental protection. Overall, the share of aid disbursed to these five DAC sectors increased from around 70% in 1999 to slightly below 90% in 2018. The DAC sector 'General Environmental Protection' is mainly responsible for the increase in

the overall share of these five sectors, as this sector displays an increase from less than 5% of aid disbursements between 1999 and 2007 up to around 15% between 2012 and 2018. The share of aid disbursed to humanitarian assistance fluctuated around 20% and showed a slight increase from 2013 onwards. The share of aid disbursed to education does not display a clear upward trend over the period and remained above 10% on average. The share of aid disbursed to health gradually increased from around 13–16% at the start of the period to around 19% in 2018 (see [Annex 7](#) for health case study). These findings are confirmed when considering the trend in the share of aid commitments (see [Figures A4.4 and A4.5](#) in [Annex 4](#)).

The DAC sectors are only a proxy for the Norwegian thematic priorities. Whereas education and to a large extent health and humanitarian assistance can be tracked using the DAC codes, this is less the case for other Norwegian thematic priorities. The DAC sector 'General environmental protection' is related to the thematic priority area 'climate, environment and the

Figure 4.2 Share of Aid Disbursements by Main DAC sectors, 1999–2018



ocean', but does not include all sub-themes. Within the scope of this evaluation, it was not possible to establish a link between DAC sectors and the fifth thematic priority area 'private sector development, including agriculture and renewable energy' and is therefore not included. Government and civil society are not among the five thematic priority areas defined in 2018 but still figure prominently in the aid disbursements with a share fluctuating around 20% throughout the entire period from 1999 to 2018.

Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad)

Notes: Scope is the Norwegian aid subject to thematic concentration (see Section 4.1).



## 4.2 Contribution of Thematic Aid Concentration Policy Efforts

### THEMATIC, SECTOR AND CROSSCUTTING PRIORITIES

Norway has always focused on certain thematic, sector and crosscutting issues within its development cooperation. These priorities have changed over time, from roads and hydropower projects and integrated rural development programmes some decades ago, to social sectors, gender equality, environmental management, public sector development, good governance, civil society and private sector development more recently (see [Figure 2.1](#) (page 25)). In 2013 the general reference to thematic concentration in the Government's political platform, the 'Sundvolden Declaration' therefore did not by itself signal a major shift in how Norwegian aid was to be structured but made more explicit insofar as thematic concerns were to be spelled out and made directive.

For most of the actual thematic priority areas, White Papers have been prepared in the past 12 years to specify the Norwegian strategies:

- Norway's Humanitarian Policy, 2008–2009, Report No. 40 to the Storting<sup>46</sup>

<sup>46</sup> MFA (2008), Norsk humanitær politikk, <https://www.regjeringen.no/>

- Strategy for Norway's humanitarian policy, July 2018<sup>47</sup>
- Global health in foreign and development policy, Meld. St. 11 (2011–2012)<sup>48</sup>
- Education for Development, Meld. St. 25 (2013–2014)<sup>49</sup>
- Working together: Private sector development in Norwegian development cooperation, Meld. St. 35 (2014–2015)<sup>50</sup>

[globalassets/upload/ud/vedlegg/hum/hum\\_strategi\\_web08.pdf](https://globalassets/upload/ud/vedlegg/hum/hum_strategi_web08.pdf)

<sup>47</sup> MFA (2018), Strategi for norsk humanitær politikk, [https://www.regjeringen.no/globalassets/departementene/ud/dokumenter/hum/hum\\_strategi.pdf](https://www.regjeringen.no/globalassets/departementene/ud/dokumenter/hum/hum_strategi.pdf)

<sup>48</sup> MFA (2012), Meld. St. 11 (2011–2012) - Melding til Stortinget: Global helse i utenriks- og utviklingspolitikken <https://www.regjeringen.no/contentassets/dc5be7cf9f4e41ca9ff5cd165a1d1c69/no/pdfs/stm201120120011000dddpdfs.pdf>

<sup>49</sup> MFA (2014), Meld. St. 25 (2013–2014) - Melding til Stortinget: Utdanning for utvikling <https://www.regjeringen.no/contentassets/118ab85ad919493699f9623aad5652fb/no/pdfs/stm201320140025000dddpdfs.pdf>

<sup>50</sup> MFA (2015), Meld. St. 35 (2014–2015) - Melding til Stortinget: Sammen om jobben - Næringsutvikling innenfor utviklingssamarbeidet, <https://www.regjeringen.no/contentassets/e25c842a003d4892986ce29678102593/no/pdfs/stm201420150035000dddpdfs.pdf>

Opportunities for All: Human Rights in Norway's Foreign Policy and Development Cooperation – Meld. St. 10 (2014–2015)<sup>51</sup>

The place of the oceans in Norway's foreign and development policy – Meld. St. 22 (2016–2017).<sup>52</sup>

These White Papers do not explicitly refer to thematic concentration as they focus on specific priorities. As indicated above, the 'Sundvolden Declaration' in 2013, referred for the first time explicitly to thematic concentration. In line with this focus, the Norad annual report 2015 stated: "Norad will prioritise and communicate the Government's priority areas, contribute to more holistic Norwegian efforts with stricter sector priorities at country level, and reduce the number of countries receiving Norwegian assistance. At the same time, Norad's room for concentration is limited by the fact that Norwegian assistance has many priorities and objectives, a large number

<sup>51</sup> MFA (2015), Meld. St. 10 (2014–2015) - Melding til Stortinget: Muligheter for alle – menneskerettighetene som mål og middel i utenriks- og utviklingspolitikken, <https://www.regjeringen.no/contentassets/261f255d028b42cab91ad099ee3f99fc/no/pdfs/stm201420150010000dddpdfs.pdf>

<sup>52</sup> MFA (2017), Meld. St. 22 (2016–2017) - Melding til Stortinget: Hav i utenriks- og utviklingspolitikken <https://www.regjeringen.no/contentassets/1b21c0734b5042e489c24234e9927b73/no/pdfs/stm201620170022000dddpdfs.pdf>

of budget posts, detailed allocation letters and guides in connection with various grant schemes and initiatives”.<sup>53</sup> This statement indicates clearly the limitations to especially thematic concentration.

Figure 4.2 shows that from 1999 to 2018 there is an increase of the shares of five main DAC sectors in aid disbursements, which is mainly due to an increased share of general environmental protection. This can be attributed to the increased political priority attached to this specific theme. The share of disbursements to the other main DAC sectors shows mainly continuity over a long period of time and does not point at first sight at significant influence of thematic concentration policy efforts, also because the DAC sectors only partially match with thematic priorities.

The overview table regarding statements in budget proposals and letters of allocation showing the three types of aid concentration over the period 2013–2019 (see Annex 10) shows that the contents and number of the thematic areas have changed. In the budget proposal for 2017 following the White Paper “Common responsibilities for Common Future”, five thematic areas are mentioned as well as four cross-cutting issues. Table 4.1 shows the

<sup>53</sup> Norads årsrapport 2015, mars 2016, p.3

Table 4. 1 Thematic Priorities and Crosscutting Issues in Letters of Allocation, 2017–2019

2017		2018		2019	
Thematic areas	Crosscutting issues	Thematic areas	Crosscutting issues	Thematic areas	Crosscutting issues
Health		Health		Health	
Education		Education		Education	
Humanitarian aid and efforts in fragile states and regions		Humanitarian aid	Fragile states Migration	Humanitarian efforts	
Climate, Environment and Energy	Climate and environment	Climate, Renewable Energy and Environment	Ocean and Maritime Resources	Climate, Environment and the Ocean	
Business development/ Private Sector		Business development and job creation	Fish, Agriculture and food security	Business development, Agriculture and Renewable Energy	
	Human Rights		Human Rights		
	Women's Rights and Gender Equality		Women's Rights and Gender Equality		
	Anti-corruption				

definition of the five thematic areas and the cross-cutting issues and the changes made in 2018 and 2019:

The table shows that only health and education have remained priority thematic areas over time. In 2019, cross-cutting issues were not mentioned in the allocation letters but included in the budget proposal. The composi-

tion of the three other thematic areas has changed over time. Sub-themes such as the ocean, agriculture and fragile states have been either considered as cross-cutting issues or shifted from a thematic area to another. Government and civil society, which was an important priority area in the past, and continues to receive a substantial share of Norwegian aid (as shown in Figure 4.2),

does not figure on the list of thematic and cross-cutting priorities. The volatile definition of priorities complicates the assessment of thematic concentration over time. Not all recent sub-themes are listed in [Table 4.1](#) such as digitalisation which has been added to private sector development, while it is not clear where modern slavery fits.

According to all interviewees, thematic concentration is reported not to have been the main focus of attention in the aid concentration policy efforts. In addition, there have been few tools for operationalising thematic concentration and no clear instructions were provided to the aid administration on how to deal with thematic concentration, apart from increasing budgets for specific priority sectors. This is a direct and easy way for the government to ensure that shifts in political priorities can be reflected in practice, and where the implementing partners can adjust their own programming and applications if they wish to capture part of this budget increase. For some thematic priorities there are specific budget lines through which an important part of the funding for the specific priority is allocated, such as the budget line for humanitarian assistance. Also for some cross-cutting issues dedicated funding allocations and results frameworks were developed. However, in practice most thematic areas are funded via several different budget lines. This makes it difficult to discern the degree to which the Gov-

ernment actually allocates funding to particular thematic areas through the budget process. Another indication of priority setting is that only a few prioritised budget lines remained unaffected when in 2016 the government decided to allocate an important part of aid to in-country refugee costs. This suggests that operationalisation of thematic concentration via budget allocations was given limited attention. This is also reflected in [Figure 4.2](#) that basically shows continuity in the shares of aid disbursements to main DAC sectors from 1999–2018 with the exception of environmental protection).

### CHOICE FOR THEMATIC PRIORITIES

Literature indicates that the choice of donors for specific priority themes or sectors can be based on various arguments and criteria that affect the ultimate outcomes (see [Section 4.3](#) for theory of change on thematic concentration). The selection criteria include political priorities, arguments related to specific knowledge and expertise of donor countries i.e. comparative advantage arguments and, at partner country level, division of labour arguments and complementarity.<sup>54</sup> According to interviewees, the choice of Norway for specific priority areas or sectors has been based on

<sup>54</sup> IOB (2016), *The gaps left behind. An evaluation of the impact of ending aid*, p. 48

various criteria including political priorities, historical engagement of Norway, and comparative advantage arguments. Comparative advantage arguments are relatively new in the Norwegian aid administration and apply specifically to Knowledge Bank programmes such as Oil and Fish for Development that aim to use specific Norwegian knowledge and expertise to strengthen the competency and capacity of the public administration in Norway's partner countries. The relative stability of aid disbursed to key DAC sectors in [Figure 4.2](#) points at the importance of historical engagement and commitment to continue supporting priority areas.

In the case of health, politicians have further reinforced the long-term Norwegian focus on health. Norway was strongly committed to contribute to the health Millennium Development Goals (MDGs) and later to Sustainable Development Goal (SDG) 3 on health. Direct commitment and engagement of Norwegian politicians in the global health arena reinforced this commitment and led to providing strong support to global and multilateral health initiatives (see [Chapter 5](#) on partner choice and [Annex 7](#), health case study). [Figure A7.4](#) (in [Annex 7](#)) details the allocation of aid commitments within the health sector to seven aggregated DAC sub-sectors. It shows the increasing share of aid disbursed to basic and reproductive care from 10% in 1999 to more than



40% in 2018, in line with shifting political priorities. The decreasing share of aid for HIV/AIDS is in line with the evolving context. Not all political priorities such as child health are clearly reflected in the analysis, as also at sub-sector level there is no good match between DAC-sectors and sub-sectors and political priorities.

In Norway, political priorities and preferences of successive governments have not led to a major shift in the aid allocated to broad thematic priorities as reflected in the continuity of shares of disbursements to main DAC sectors. This is in sharp contrast with some other countries such as the Netherlands where – based on political and comparative advantage arguments – support to education and health was discontinued in 2012 and support was concentrated on productive sectors.<sup>55</sup> Nevertheless, there have been frequent changes in Norwegian priorities set by politicians at the level of sub-themes. Almost all interviewees gave examples of additional thematic priorities such as modern slavery, digitalisation, the oceans, people with disabilities. These new priorities were often added to the already existing broad thematic areas. There are different ways in which these new priorities are operationalised. The Knowledge Bank is addressing some

of these priorities and sets up new programmes such as Digitalisation for Development. Sometimes a separate call for proposals is organised such as for people with disabilities. In other cases, specific attention for a new sub-thematic priority area such as inclusive education or modern slavery is included in a general call for proposals for civil society. Even when a theme is formally not a priority such as water, through a specific large agreement like with the Green Climate Fund, water becomes a priority in practice. While new themes are being added to existing themes, previous priority themes do not disappear. In the past, governance was one of the main thematic priority areas and this is reflected in the overview of the most important sectors in [section 4.1](#). However, since 2017 it is no longer a main thematic area, while in terms of allocations and disbursements it continues to figure prominently. This shows that in practice there are more priority areas than indicated. Furthermore, adding new thematic priorities to the already existing priorities is felt by most interviewees to contribute to thematic fragmentation.

#### **OPERATIONALISATION OF THEMATIC AID CONCENTRATION FOR PRIORITY COUNTRIES AND NORWEGIAN CSOS**

The country case studies for Malawi and Afghanistan reflect the broad findings regarding the continuing focus on broad priority areas (see [Annexes 5 and 6](#)). As can be

expected, fluctuations in the shares of the priority areas over time are being noted. In Malawi, there is a discernible increase in the proportion of disbursements to education, rising from a negligible proportion of disbursements in 2013 to 30% of all disbursements by 2018. The share of health, however, has decreased since 2013, even though Malawi is the only country with a bilateral health portfolio. In Afghanistan, when excluding financing to the multi-sector Afghanistan Recovery Trust Fund (ARTF), the two main thematic areas are humanitarian assistance and government & civil society, which together are responsible for 70–80% of specific sector-delineated disbursements. ARTF funding represented 30–40% of all disbursements to Afghanistan from 2002 to 2018. Total disbursements to Afghanistan classified as multisector have accounted for 46% of disbursements since 2003 and 41% since 2013.

In principle, thematic concentration should be operationalised at partner country level through a reduction of the number of sectors in which each donor is active, based on division of labour and aid coordination agreements. The two country case studies show that Norwegian aid remained focused on at least four thematic areas plus some other crosscutting themes and sectors. Based on the country case studies, there is no evidence that thematic concentration has been operationalised, and this

<sup>55</sup> IOB (2016), *The gaps left behind. An evaluation of the impact of ending aid*, p. 48



was confirmed in interviews. Thematic concentration could be operationalised in the Proposisjon til Stortinget, which include tables on aid by sector and by country. A comparison of budget allocations in Afghanistan in 2019 and 2013 shows that allocations of more than NOK 10 million are spread across eleven sectors in the 2019 compared to only five sectors in the 2013. Also in Malawi aid is spread out over a relatively large variety of themes and no indications of operationalisation of thematic concentration are visible. In both case study countries government and civil society remains an important thematic priority, even though this is formally not a priority anymore since 2017.

In principle, a country strategy could be an appropriate tool for operationalising thematic concentration, but Norway did not prepare country strategies until recently. As the country strategies for Malawi and Afghanistan are not yet approved, the evaluation team did not have access to these documents to check whether thematic concentration is now operationalised.

In framework contracts with Norwegian CSOs there were a few efforts to reduce thematic fragmentation, but this was not done in the same consistent way as for geographic concentration. In one case, a CSO was required to increase the share of its framework resources going to a particular thematic field, which was also a main

thematic priority area. In another case a CSO was told to leave a thematic field even though the CSO saw this not as a thematic area but as part of their programmatic approach to addressing the needs of their beneficiary groups. These examples indicate that efforts to affect the thematic focus of CSOs were made, but not with a clear and consistent focus on thematic fragmentation.

There is to a large extent a natural division of labour between Norwegian CSOs based on their core values and mandates. Over time they may have developed niche skills such as Norwegian's People Aid, which is one of the leading de-mining NGOs in the world, Save the Children has paid increasing attention to violence against women and children, in particular girls, and so on. Thematic concentration is therefore often an integral part of what these organisations do and at which they are competent, and in what they intend to continue doing. Norad aimed to take the focus of each CSO into account in its decisions on framework agreements and thematic prioritisation. When Norad on occasion has demanded changes to thematic priorities set by the CSOs themselves, this has led to discussions and become a source of some resentment.

#### **OTHER POLICIES AND FACTORS AFFECTING THEMATIC AID CONCENTRATION**

With the reorganisation of Norway's aid administration

in 2004, management of the bilateral programmes was largely moved to the embassies, and issues such as sector programming and budget support were driven by the dialogue on the ground. As of 2009, as noted above, this authority was more and more handed back to the Ministry of Foreign Affairs (MFA).<sup>56</sup> One reason was Norway's increased focus on some thematic fields, as managing this from Oslo was expected to ensure more oversight of overall thematic support. Nevertheless, Ølberg (2017) stated that the aid management system appeared somewhat incoherent and overlapping at thematic, channel, country and organisational levels. With the new reorganisation, effective 1 February 2020, more aid management responsibilities have been transferred from MFA to Norad, including the responsibilities for most thematic budget lines.<sup>57</sup> The responsibility for the regional budget line remains with the MFA together with the responsibility for humanitarian assistance and specific areas such as peace and reconciliation. In general, the various reorganisations since 2009 have resulted in more centralised grant management for the thematic priorities with less shared grant management responsibilities between the MFA and Norad.

<sup>56</sup> Norad (2018), *Evaluation of Organisational Aspects of Norwegian Aid Administration*, 2018, p.18

<sup>57</sup> This recent reorganisation did not imply more transfer of management responsibilities from the embassies to Norad.

The health sector case study reflects these organisational changes as well. As most health partner country programmes were closed such as the large programmes in Mozambique and Zambia, while Malawi is an exception as there is still a bilateral health programme, specialised health staff moved back to Oslo. The increasingly multilateral programme is managed almost exclusively from Oslo with shared responsibilities for Norad and MFA. The health programme is now managed by a smaller number of staff than in the past. In line with the recent organisation, Norad has now become responsible for grant management of the health sector, while the MFA is responsible for Norway's representation in the boards of global funds and initiatives. This creates some new challenges as will be discussed in [Chapter 5](#). In addition, the regional budget line including allocations for priority countries for various thematic priorities is managed by the MFA, it is still not clear how consultation on specific thematic priorities can be done in the near future

Although changes in the organisation of the aid administration may affect thematic concentration, there is no clear direct link. Interviewees mention challenges in terms of consultation and coordination that require attention to further operationalise thematic concentration and realise potential positive effects of thematic aid concentration.

### 4.3 Effects of Thematic Aid Concentration

The specifics of the Theory of Change on thematic concentration in this evaluation are partly based on the international aid effectiveness agenda that evolved from 2002. Like the arguments for geographic concentration, the reduction of aid proliferation across sectors and themes – or the reduction of the number of sectors and themes a donor is engaged in – is assumed to lead to efficiency gains in terms of reduction of administration costs of donors and to improved aid effectiveness.<sup>58</sup> These efficiency gains are not very well articulated in the literature, but references to comparative advantages of donors in specific sectors are made. Through concentration on specific sector and themes donors could specialise in certain areas, which would lead to efficiency gains.

The theory of change on thematic concentration and the realisation of effectiveness and efficiency improvements is closely related to the assumption that donor coordination within partner countries will be improved. Especially thematic concentration in recipient countries has been

<sup>58</sup> IOB (2016), *The gaps left behind. An evaluation of the impact of ending aid*, p.46

Bigsten (2011), *The Aid Effectiveness Agenda: The Benefits of Going Ahead*.

given due attention as through a better division of labour among donors at country level, i.e. agreement on a limited number of sectors per donor,<sup>59</sup> transaction costs both for donors and for partner countries would be reduced. The comparative advantage argument, mentioned above, leading to specialisation would also improve aid management practices. This would lead to improved efficiency and effectiveness but was only partially investigated due to the limitations of this evaluation (See [Chapter 1](#)).

#### EFFECTS ON THE NORWEGIAN AID ADMINISTRATION

The analysis above indicates that there is no evidence that thematic concentration has taken place due to thematic concentration policy efforts, while there are some signs that point in the direction of thematic fragmentation. Thus, no direct effects of thematic concentration on the aid administration should be expected. This has been confirmed in interviews with the Norwegian aid administration, including the health case study.

Nevertheless, interviewees indicate that they perceive that the efficiency of grant management of the departments or sections handling specific thematic areas such

<sup>59</sup> EU (2011), *Code of Conduct on Complementarity and the Division of Labour in Development Policy*



as humanitarian assistance, education and health has improved as larger volumes of aid per staff member are managed. Although no concrete figures on staff numbers were available in documents, it has been validated by several interviewees. Nevertheless, this effect is more the result of partner and agreement reduction and organisation changes than of thematic concentration policy efforts according to interviewees. Furthermore, this effect cannot be generalised as responsibilities for other main thematic areas such as climate, environment and the oceans, and private sector development are rather dispersed. In general, the limited operationalisation of thematic concentration makes it difficult to assess any effects on the Norwegian aid administration. This was confirmed in the two partner country case studies, which did not show any significant effects of thematic aid concentration on aid management practices.

The increased fragmentation due to new sub-themes being added by politicians while not reducing others affects the Norwegian aid administration. With five broad thematic priority areas, four cross-cutting themes and many sub-themes it has been argued in interviews that complexity and workload have increased rather than decreased. Indeed, the continuous increase in sub-themes had some negative effects. As a matter of example, the Knowledge Bank has more staff per NOK disbursed than

other departments handling grants because they are managing technical assistance collaborations with Norwegian skills centres, largely public sector institutions. Within the Knowledge Bank and the wider aid administration there is much enthusiasm for this institutional cooperation model based on Norwegian comparative advantage. However, since its set-up in March 2018 with six programmes, the Knowledge Bank has had to address new priorities, leading to the establishment of four new programmes: Digitalisation for Development, Gender for Development, Agriculture for Development and, most recently, Oceans for Development. According to interviews, this has increased the burden on the staff substantially as the set-up of a new programme is labour-intensive. Other departments that had to address new political priorities that were added to the existing priorities faced similar challenges according to staff interviewed. On the other hand, it has been argued that through a so-called holistic approach the negative effects might be turned into positive effects on the aid administration. However, as the holistic approach is rather new, the evaluation team has not been able to collect sound information on any positive effects through the implementation of such a holistic approach. This finding on the challenges for the aid administration by adding of new priorities was validated in the workshop with MFA staff.

An unintended effect that was mentioned in interviews was that embassies, as part of their efforts to increase visibility, aim to provide direct support for new priorities, which has been referred to as 'raising the flag'. This support is often provided through signing new agreements with a multilateral organisation as regards earmarked funding on a specific theme in the partner country where they are active. This may contribute both to thematic fragmentation, but also to an increase in the number of agreements, as is discussed in the next chapter.

#### **EFFECTS ON IMPLEMENTING PARTNERS**

Norad, the Ministry of Foreign Affairs and select embassies have a long- working relationship with the largest Norwegian Civil Society Organisations (CSOs). Interviews and the validation workshop with CSOs indicated that their comparative advantages as implementing partners are recognised, and in general the Norwegian aid administration's expectations and demands on the various CSOs fit well with the strategic priorities of these CSOs. The aid administration has in general not tried to impose any substantive changes on the thematic areas in which the CSOs are active, rather leaving it to the CSOs themselves to adjust to the changes that take place on the ground. The thematic concentration as a directive force has therefore had only marginal effects on the vast majority of the CSOs.



## Partner and Agreement Reduction

This chapter provides partial answers to the three main Evaluation Questions regarding partner and agreement reduction:

Evaluation Question 1: To what extent has partner and agreement reduction been achieved?

Evaluation Question 2: To what extent did partner and agreement reduction policy efforts contribute to partner and agreement reduction?

Evaluation Question 3: What have been the effects of partner and agreement reduction on the Norwegian aid administration and on implementing partners?

In the literature on aid concentration and aid fragmentation, geographic and thematic aid concentration figure prominently, but this is not the case for agreement and partner reduction. Nevertheless, the aid effectiveness agenda was related to a reduction of the number of projects and the introduction of programmatic approaches and new aid modalities such as budget support. The Norwegian approach is quite specific in its focus on partner and agreement reduction with no direct relation to aid modalities.





### BOX 5. 1 PARTNER AND AGREEMENT REDUCTION MAIN FINDINGS

- There is very clear evidence of partner and agreement reduction. While there were more than 2,000 partners at the peak in 2012, there were about half that number (around 1,000 active partners) in 2018. The number of active agreements more than halved between 2007 and 2018 (from 4,800 to approximately 2,000 active agreements). The average agreement size quintupled from NOK 3 million in 1999 to NOK 15 million in 2018. The overall decline in number of partners is primarily due to a reduction in the number of partners with only one agreement.
- The reduction in number of partners and agreements started well before 2013 as the aid administration was so stretched that the workload of handling many agreements had to be reduced. The shift from bilateral aid to multilateral aid, from 2008 onwards, also helped considerably to reduce the number of partners and agreements.
- In 2013 the political platform, the 'Sundvolden Declaration', put aid concentration high on the political agenda and especially the operationalisation of partner and agreement

reduction was given due attention through setting of specific reduction targets. This put partner and agreement reduction at the core of Norwegian aid concentration efforts.

- Other policy efforts such as zero tolerance for corruption, the introduction of Results-Based Management and of the Resource Allocation Model for assessing civil society project proposals were additional to the aid concentration policy efforts and helped to reduce the number of partners and agreements, especially for civil society.
- There were quite some variations among departments and sections in the aid administration on how they operationalised partner and agreement reduction, which resulted in heterogeneous effects on the aid administration.
- Some groups of partners have been losing out in terms of the number of agreements and budgets, such as governments and CSOs in partner countries. For governments this might be due to the shift in focus from bilateral assistance to multilateral assistance, but it is likely that the

partner reduction policy efforts gave a further push to already ongoing changes. The increased attention to risk management and the zero tolerance for corruption reinforced due diligence requirements and may leave out smaller Southern CSOs.

- There is broad agreement that partner and agreement reduction have led to positive changes in the aid administration, including better risk management and results focus.
- While there is evidence of improvements of the efficiency of Norwegian aid, it is too early to draw conclusions on improvement of the effectiveness due to existing challenges for documenting development results. For the Norwegian CSOs the perceived main effects of having larger multi-year framework agreements rather than having many small agreements are improved predictability and flexibility.

**Scope:** Norwegian aid managed by the MFA/Norad excluding aid to refugees in donor countries.



## 5.1 Degree of Partner and Agreement Reduction

### SCOPE

The scope of partner and agreement concentration is not restricted to specific sectors or geographic areas. Therefore, the scope of the analysis of partner and agreement concentration is the same as the overall scope for this evaluation (i.e. all aid managed by the MFA and Norad excluding in-donor refugee costs).

### PARTNER REDUCTION

Figure 5.1 shows that the number of partners decreased substantially over the period. The evolution of the number of 'active' partners (i.e. engaged in an agreement with a financial transaction in a given year), developed from around 1500 partners in 1999 up to 2000 in 2012 and decreased to around 1000 in 2018. Figure 5.1 also shows that the average amount of aid disbursed per partner each year more than tripled over the period from around NOK 8 million in 1999 to more than NOK 30 million in 2018.

Figure 5.2 (next page) shows the changes in the shares of type of agreement partners over time.<sup>60</sup> In line with

<sup>60</sup> To simplify the analysis, some selected groups of partners were merged.

Figure 5.1 Evolution of Number of Active Partners (left axis) and Average Disbursement per Partner (right axis), 1999–2018

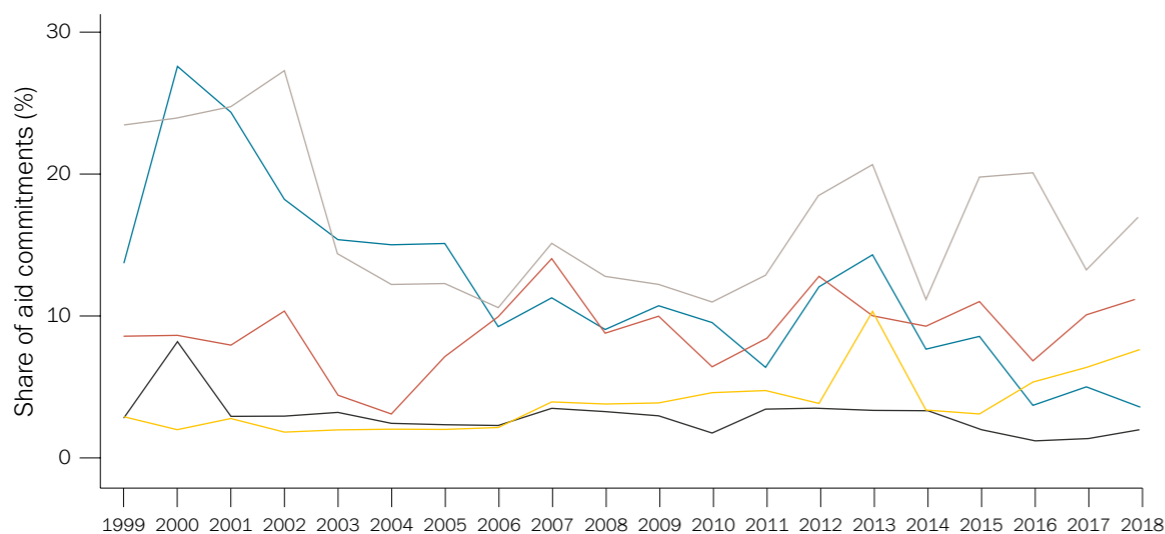


the increasing share of multilateral assistance (see Figure 2.3, page 28) the multilateral institutions constitute the most important group of partners with an average share of 55–60% from 2004 onwards. Multilateral organisations are not included in Figure 5.2. The Norwe-

The category 'public sector in developing countries' includes the original categories 'Public sector in developing countries' and 'Governments/ Ministries in developing countries', the category 'Private sector' groups the original categories 'Consultants', 'Norwegian private sector', 'Private sector in developing countries', 'Private sector in donor countries' and 'Other countries private sector'. The category 'PPPs and others' is created by joining 'PPPs', 'Public sector in donor countries' and 'Unknown'. The remaining categories correspond to the original ones.

gian NGOs and Norwegian public sector also constitute important partners with respectively 17% and 11% of total aid commitments in 2018. The share of aid committed via Norwegian NGOs declined sharply from 2002 to 2005, but recently seems to show a modest increasing trend (although the volatility of the data prevents from drawing a definitive conclusion). International NGOs follow with close to 10% of the total aid in 2018 and their share has also increased over time. However, the share of the public sector in developing countries shows a large decline as it dropped from more than 25% of aid commitments in 2000 to less than 4% in 2018.

Figure 5.2 Share of Aid Commitments by Group of Agreement partner, Excluding Multilateral Institutions, 1999–2018



■ NGO International  
■ NGO Local  
■ NGO Norwegian  
■ Norwegian public sector  
■ Public sector in developing countries

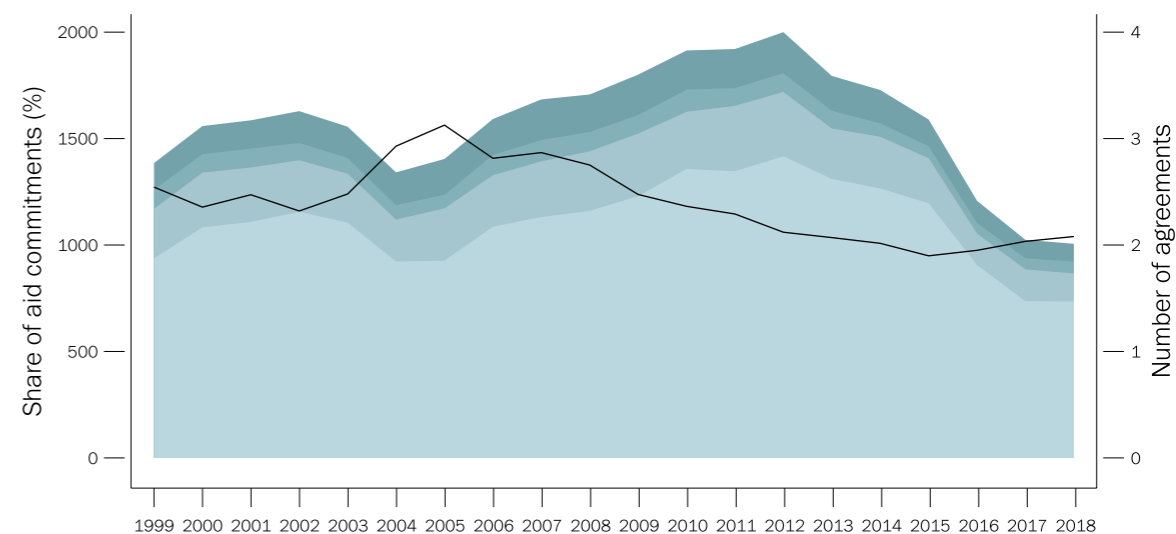
Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad)

Notes: Scope is the aid managed by the MFA or Norad excluding funds to refugees in donor countries. The classification of the group of agreement partners is detailed Section 5.1.

Figure 5.3 shows that the overall decline in number of partners is primarily due to a reduction in the number of partners with only one agreement.<sup>61</sup> The evolution of the number of agreements per partner shows that after an initial increase from 1999 to 2005, the average number of agreements per partner reduced from 3 to slightly below 2 between 2005 and 2015 and then remained constant until 2018 (see possible explanations in section 5.2).

<sup>61</sup> In this figure, the number of agreements by partner corresponds to the number of ongoing standard or/and framework agreements by partner.

Figure 5.3 Evolution of the Distribution of the Number of Partners by Number of Agreements (left axis) and of the Average number of Agreements per Partner (right axis)



■ Nb of partners with more than 3 agreement  
■ Nb of partners with 3 agreements  
■ Nb of partners with 2 agreements  
■ Nb of partners with 1 agreement  
■ Average nb. of agreements per partner

Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad.)

Notes: Scope is the aid managed by the MFA or Norad excluding funds to refugees in donor countries.

### AGREEMENT REDUCTION

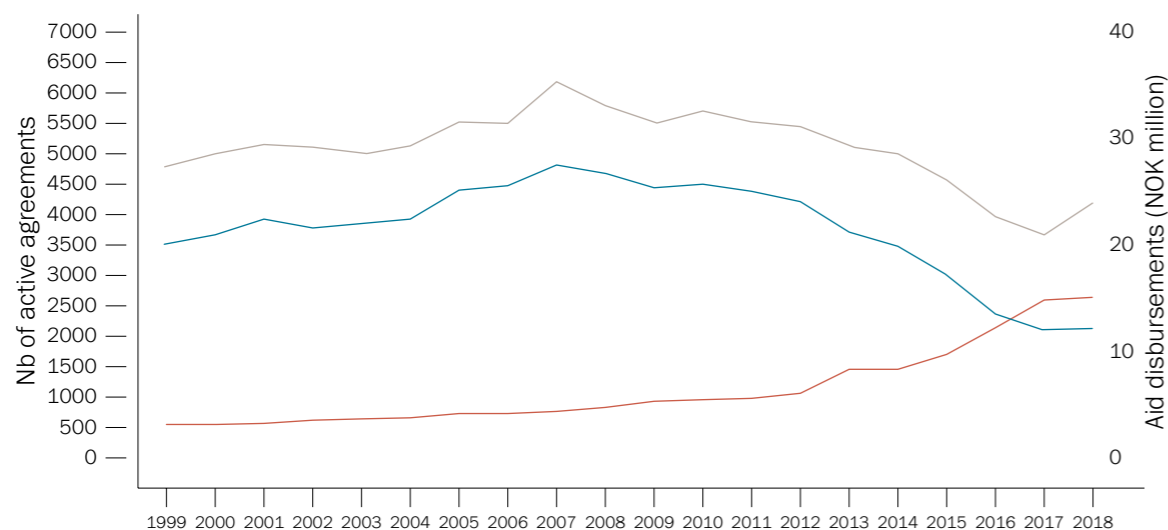
Figure 5.4 (next page) shows that the evolution of the number of ongoing (standard and framework) agreements each year is bell-shaped<sup>62</sup>. After an increase from around 3500 active agreements in 1999 to a peak of around 4800 agreements in 2007, it decreased consistently until 2018 when only 2000 agreements

<sup>62</sup> Figure 5.4 counts the number of agreement at the framework level: standards and sub-frame agreements within a framework agreement is counted as only one agreement.

were active. The average agreement size increased steadily from around NOK 3 million in 1999 up to just over NOK 15 million in 2018. This shows that the reduction of the number of agreements coincided with a large increase in the average size of agreements.

Accounting for both inactive and active agreements leads to similar findings. As explained above, the Norad aid database only records agreements with a financial transaction in a given year. This provides an incomplete picture as a substantial number of agreements are

Figure 5.4 Evolution of Number of Active Agreements (left axis) and Average Disbursements per Agreement (right axis), 1999–2018

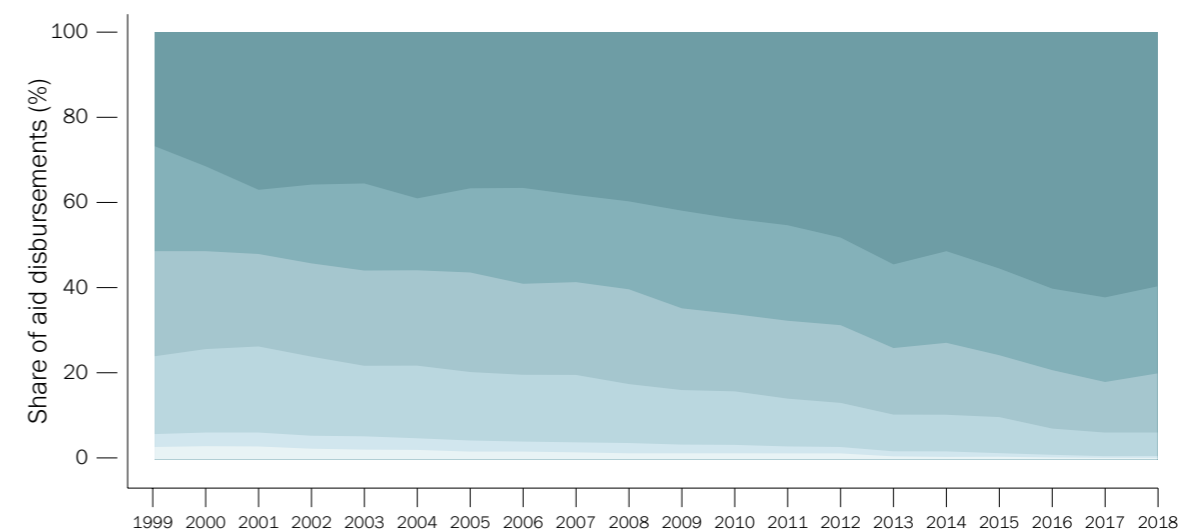


■ Nb. of (standard or framework) Agreements  
 ■ Nb. of agreements (incl. sub-frame)  
 ■ Average disbursement per agreement

Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad).

Notes: Scope is the aid managed by the MFA or Norad excluding funds to refugees in donor countries.

Figure 5.5 Evolution of the Share of Aid Disbursements by Size of Agreements, 1999–2018



■ agreements >100M  
 ■ 20M < agreements <100M  
 ■ 5M < agreements <20M  
 ■ 1M < agreements <5M  
 ■ 0.5M < agreements <1M  
 ■ agreement < 0.5M

Source: ADE's calculation based on the Norwegian aid statistics (MFA/Norad).

Notes: Scope is the aid managed by the MFA or Norad excluding funds to refugees in donor countries

“inactive” in the sense that no financial transaction is recorded in a given year. These inactive (or “ghost”) agreements are not yet closed from an administrative and legal perspective and require administrative action. According to the Unit for Grant Management at the MFA (based on the PTA [Plan – Tilskudd – Avtale] database), the total number of agreements decreased from around 7000 in 2013 to 3065 in 2018. This corresponds to a 57% decrease between 2013 and 2018, which is

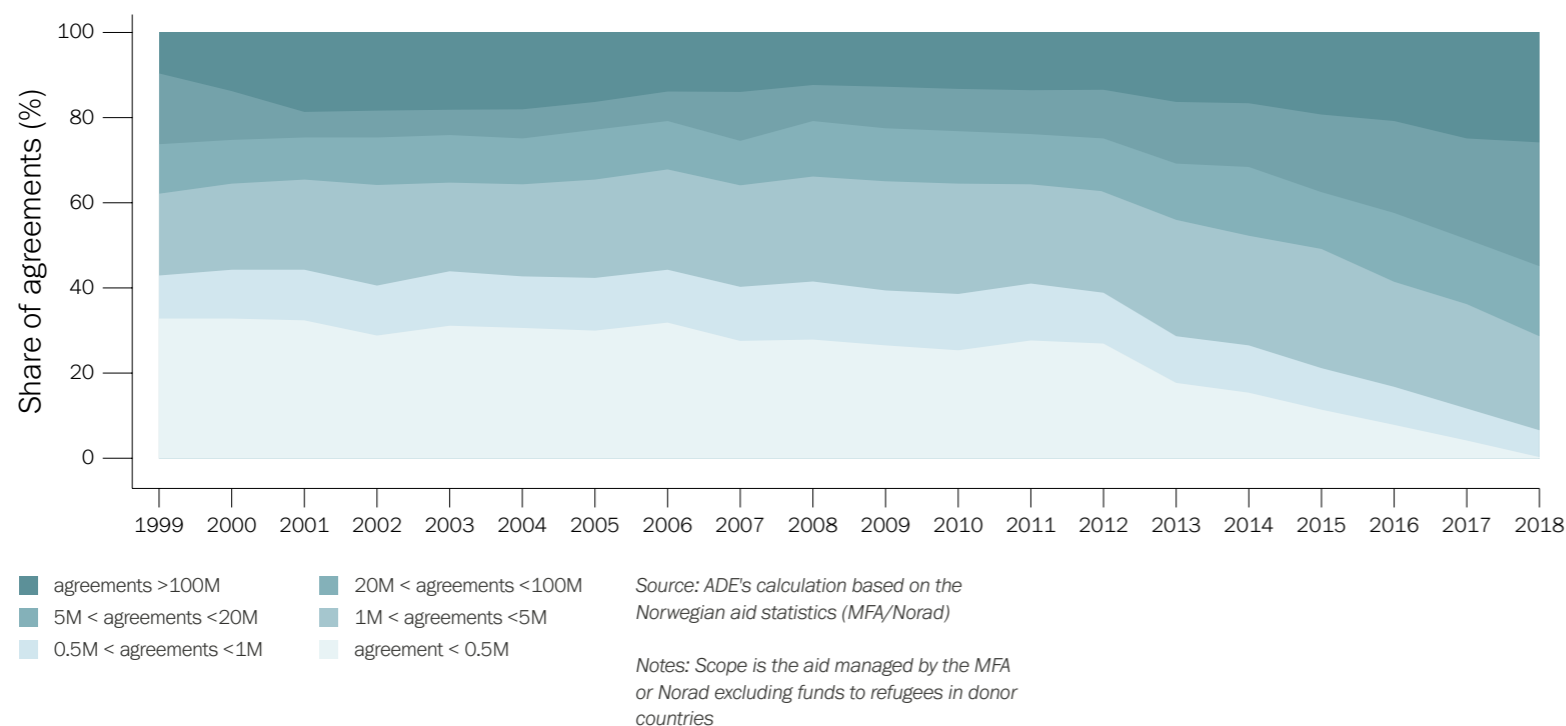
almost equal to the 58% documented over the same period when “active” agreements alone are considered.

Figures 5.5 and 5.6 (next page) show that the increase in the size of agreements is due to an increase in the share of disbursements above NOK 20 million, and in particular of agreements above NOK 100 million. The latter represents a bit less than 25% of total disbursements in 1999 (for 10% of agreements) against 60%

of disbursements in 2018 (for 20% of agreements).

Furthermore, agreements below NOK 0.5 million are almost inexistent in 2018 while they represented 40% of agreements in 2012 (around 1% of aid disbursements).

Figure 5.6 – Evolution of the Share of Agreements by Agreement Size, 1999–2018



The case studies (Annexes 5–8) also show in all cases a decrease in the number of agreements and an increase of the average disbursements (or commitments) per agreement. The health case study shows the important shift over time from classic bilateral support to the multilateral channel. Bilateral assistance was around 30% of total health sector aid until 2007, but then started falling to just under 20% at the end of the period, although the total amount still doubled. The multilateral channel increased rapidly to almost 80% of health disbursements in 2018 with a particular large increase of the support provided to two global funds

(see section 5.2 next page and Annex 7). For Norwegian Church Aid (Kirkens Nødhjelp), the number of agreements with Norad fell by about 20% from 2015 to the coming into force of the new civil society framework agreement in 2016. The average size of Norwegian Church Aid disbursements per agreement in constant NOK over the period 2009–2015 remained stable but increased by on average over 40% during the period 2016–2018 (see table A8.1 in Annex 8). This indicates that the average size of disbursements was not just due to a reduction in number of agreements but also a substantial increase in project budgets in real terms.

Table 5. 1 Targets for Agreement and Partner Reduction in Internal Memos and Letters of Allocation to Norad plus Norad Achievements, 2015–2019

	2015	2016	2017	2018	2019
<b>Internal Memos</b>	<b>Memo dated 04.12.2015:</b> MFA and Emb.: 25% reduction overall by the end of 2016  Norad: 25–30% reduction by the end of 2016  (based on 12.2013 numbers)	<b>Memo dated 08.02.2016:</b> Overall targets for MFA and Norad: reduce agreements from just over 6000 to less than 4000 by the end of 2016 <sup>1</sup>	<b>Memo dated 23.01.2017:</b> MFA reduce agreements by 20% and partners by 18% by the end of 2017  Norad reduction of agreements by 15% and partners by 10%  (Baseline numbers 31.12.2016) <sup>2</sup> :	<b>Memo dated 09.04.2018:</b> Target 2800 agreements by 01.05.2019 in the O3 Budget post  (Baseline is current number of 3310 agreements.)	<b>Memo dated 11.01.2019:</b> in the O3 Budget post, target is 2800 agreements by 01.05.2019  (Baseline is 3193 agreements on 01.01.2019)
	<b>Letters of allocation to Norad: targets based on 31.12.2013 baseline numbers<sup>3</sup></b>	25–30% reduction in agreements	15% reduction of agreements; 10% reduction of contract partners <sup>4</sup>	Maximum of 3300. <sup>5</sup> New target by end of 2018 is a total of 2800 agreements <sup>6</sup> New deadline 01.05.2019 with same target <sup>7</sup>	Ref to Letters of allocation 2018/2 and 2018/3 to reach the target of 2800 by 01.05.2019 <sup>8</sup>
<b>Norad annual reports: achievements</b>	19% agreement reduction in 6 months	30% agreement reduction from 1 June 2015 to 31 Dec 2016	7% increase in agreements; 5% reduction of partners	No clear figures provided: similar to 2017	NA

1 Internal memo dated 08.02.2016, p.1

2 Internal memo dated 23.01.2017, p.2

3 Internal memo dated 22.01.2016, justification of using the 31.12.2013 numbers as a baseline is «It was natural to start from 2013 (ie baseline 31.12.2013) because that's when the government came. »p.1 bullet point 1

4 These numbers for Norad are also reflected in the internal memo dated 23.01.2017 p.3

5 Letter of allocation 2018/1 dated 29.01.2018, p.13

6 Letter of allocation 2018/2, dated 02.07.2018, p.2

7 Letter of allocation 2018/3, dated 24.10.2018, p.2

8 Letter of allocation 2019/1, 18.03.2019 p.3

## 5.2 Contribution of Partner and Agreement Reduction Policy Efforts

### AGREEMENT REDUCTION

The figures presented in [Section 5.1](#) show that agreement reduction already started from 2008 onwards -probably due to the shift from bilateral to multilateral aid. From 2013, based on the political platform, the 'Sundvolden Declaration', which initially focused on geographic and thematic concentration in line with the aid effectiveness agen-

da (see [section 2.1](#), page 24), specific policy attention was also given to agreement and partner reduction. Initially the policy efforts and targets focused on agreement reduction, but later also reduction of number of agreements per partner and reduction of the number of partners were given attention. All areas of cooperation were affected without any exemptions. From 2015 onwards, targets were set for budget lines managed by the MFA and embassies and for Norad. [Table 5.1](#) shows that the targets were either set in percentages or in absolute numbers.

It should be noted that the formal targets refer to both “active” and “inactive” agreements as recorded in the government administrative system (PTA database), while our analysis is based on the Norad’s Norwegian aid statistics. Therefore, the figures reported by Norad and MFA regarding reductions of targets and agreements differ from the figures presented in [section 5.1](#). An overview presented in internal MFA memos<sup>63 64</sup> shows that from 1 June 2015 to 1 January 2017 there was a 32% decrease in active agreements, and an additional 20% decrease was realised from 1 January 2017 to 1 October 2017. The PTA category ‘agreements ended’ showed major changes, but this category is not included in our calculations.

The figures presented in [section 5.1](#) also show a clear decline in the number of partners and agreements, although there seems to be a stagnation or even upward trend in 2018. According to interviewees, this might be due to lower political attention to partner and agreement reduction recently.

Contrary to geographic and thematic concentration, the

63 Internal memo dated 05.01.2017, p.5

64 Internal Memo dated 05.10.2017, p.5

policy efforts for agreement and partner reduction were indeed further operationalised. Although there are many variations in operationalisation across departments and budget lines, some general measures were applied:

1. Specific efforts to formally end agreements that were not active anymore but were still in the PTA system (but not in the Norad aid statistics from Norad). These agreements are referred to as ‘ghost’ or ‘dead weight’ agreements. A special taskforce was set up to help departments, sections and embassies end such agreements. This meant that a large reduction in the number of agreements could be reported based on the PTA system, which is not reflected in the figures calculated for this evaluation based on the Norad aid database (i.e. Norwegian aid statistics).
2. Aiming for having larger agreements on average, which also includes multi-year framework agreements rather than many small annual agreements with the same partner.

Interviewees referred to the administrative termination of agreements as “picking the low hanging fruit”, after which the task became more complex. The data on inactive agreements (see [section 5.1](#)) reveals that

around one third of agreements in a given year require time of aid administration staff although no activities are funded. This suggests that despite the important efforts deployed to terminate “ghost” agreements, there is still quite some administrative work to be done on inactive agreements, although no precise information is available.

While closing inactive agreements was prioritised across the board, the extent to which different departments and embassies actively pursued larger agreements varied. This indicates that the partner and agreement reduction efforts were implemented heterogeneously across the aid administration.

By around 2008, it was clear that the costs of aid management were becoming untenable. Given the increase in aid and limited or no increase in staff, combined with decentralised aid management, the large number of small and scattered agreements was no longer manageable. Various steps were taken such as shift from bilateral to multilateral aid with larger multilateral agreements (see [Figure 2.3](#), page 28). At the same time efforts to streamline some of the portfolios, regional and thematic, began. These efforts continued over a longer period of time, such as phasing out smaller agreements. In the Western Balkans there were still



small Embassy funds, which created a high workload. Although these funds were closed, the portfolio still included a large number of agreements in 2013–14 when targeted efforts for agreement reduction were introduced. In addition to closing agreements that were no longer active, most departments made efforts to phase out small agreements and agreements that are isolated from a thematic or strategic perspective. According to interviewees, this was not done by terminating these contracts, but generally by not starting or continuing agreements of this type when they had expired. Some departments revised their portfolios based on a strategy where they phased out aid to specific countries where their efforts were scattered or dropped specific sectors. In these cases, agreement concentration went hand in hand with respectively geographic and thematic concentration. These strategies were pursued mainly by the smaller thematically focused sections or departments such as peace and reconciliation in the Ministry of Foreign Affairs, and later by the Knowledge Bank in Norad.

The bigger departments dealing with large volumes of aid – such as the then department for UN and humanitarian affairs in the Ministry of Foreign Affairs, the civil society department in Norad and the department for education and global health in Norad – focused

to a large extent on changing the type of agreements. According to aid administration staff interviewed, larger framework agreements with multilateral organisations and larger CSOs were introduced. While a number of CSOs had had framework agreements already in the 1990s, they were now becoming more comprehensive, and in particular as of 2014 became more rigorous in structure and also ambitious by encouraging former embassy projects to become integrated into these agreements. For humanitarian assistance these changes are recent, with such framework agreements with Norwegian CSOs only coming into being in 2020.

For multilateral aid, the average agreement size increased from 2008 onwards both for core funding and earmarked contributions, although the increase is more remarkable for the latter. Earmarked contributions are often channelled through various multi-partner funds related to specific thematic priority areas, such as health, education or climate change, or to specific countries, such as Afghanistan and Palestine. Embassies also make earmarked contributions to multilaterals, normally for specific projects but also for larger funds such as UNDP-managed election funds or local emergency funds after a natural disaster. For embassies, these funds make them visible and relevant locally while at head office level some see this as a continuation of aid

fragmentation and would prefer larger multi-year framework agreements with the multilateral organisations with possibly some local earmarking in addenda. This remains an open discussion given the different responsibilities and opinions across the aid administration.

### **PARTNER REDUCTION**

For the main thematic priority areas key multilateral partners have been selected as part of the strategic focus. In health, substantial funding has been allocated to the Global Alliance for Vaccinations and Immunisation (GAVI) and the Global Fund to fight Aids, Tuberculosis and Malaria (GFATM or, simply referred to as “the Global Fund”) in addition to funding of the United Nations Population Fund (UNFPA), the World Health Organisation (WHO), the Joint United Nations Programme on HIV/AIDS (UNAIDS) and others (see [Annex 7](#)). This focus on multilateral organisations and funds was part of the strategic orientation for this sector. The same applies to the education sector where a large share of funding has been allocated to the Global Partnership for Education (GPE), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and more recent initiatives such as Education Cannot Wait. For humanitarian assistance core funding of the World Food Programme (WFP), the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Of-





Office for the Coordination of Humanitarian Affairs (OCHA) and contributions to the Central Emergency Response Fund are large while for environmental management and climate change, particularly forestry, core funding to the United Nations Environment Programme (UNEP) and the United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD) are key.

One concern that has been raised is that large-scale funding by Norway of smaller multilateral organisations or programmes may create a dependency on Norwegian funding: 8% of UN-REDD funding from 2008 to 2020 is provided by Norway, for example.<sup>65</sup> Another concern is that even with larger multilateral organisations, there was a tendency to increase the number of agreements by funding an increasing number of trust funds.<sup>66</sup> Both on the donor side and within the multilaterals, there are now steps being taken to streamline

<sup>65</sup> <http://mptf.undp.org/factsheet/fund/CCFOO>, accessed on 19 March 2020, table on Contributions UN-REDD

<sup>66</sup> During the period 2012-2016, Norway contributed NOK 5 million or more to over 60 such funds administered by the World Bank and over 55 administered by UNDP. In addition came a number of one-off contributions under NOK 5 mill to smaller funds, often for particular technical assistance objectives. See U4 anti-corruption centre: <https://www.u4.no/publications/addressing-corruption-risks-in-multi-partner-funds>, pp. 4-5 ,

and reduce the number of these funds.

Concentration efforts targeting Civil Society Organisations (CSOs) has been more comprehensive by expanding the use of framework agreements with the objective to reduce the number of individual project agreements with Norad but also increasingly incorporate embassy projects. This was initially done in the form of specific addenda to the framework agreement, often with identifiable budgets, but increasingly these are now simply integrated into the larger agreement. In comparison to project agreements, the time horizon is now longer, budgets are larger, and agreements currently allow for more flexibility compared with project agreements and give CSOs more leeway to re-allocate funding between activities.

Another tool for partner reduction has been increased use of consortia instead of entering into agreements with single partners. Norway's International Climate and Forest Initiative (NICFI) is an example where international NGOs have formed consortia.

Partner reduction has also resulted in some groups of partners losing out, such as governments in priority countries. This might be due to the shift in focus from bilateral assistance to multilateral assistance. Moving

away from direct funding of governments in partner countries may not be a deliberate decision, but it is likely that partner reduction policy efforts gave a further push to already ongoing changes.

At the same time, Norad, MFA and CSO staff pointed at a decreasing role for Southern NGOs. This is not reflected in the quantitative analysis because local CSOs are normally sub-contractors who therefore are not captured in the database unless they are direct implementing partner on the ground.<sup>67</sup> There is an agreement, however, that this is happening largely due to the increased attention to risk management and zero tolerance for corruption, which reinforced due diligence requirements which are especially problematic for smaller Southern partners.

#### **OTHER POLICIES AND FACTORS AFFECTING PARTNER AND AGREEMENT REDUCTION**

The focus on agreement and partner reduction started already in 2008-09, while more formal policy efforts began in 2013. Main drivers in the Norwegian aid sys-

<sup>67</sup> The Norad aid database distinguishes Agreement partners – those who sign the formal agreement with the MFA, Norad or Embassy, and Implementing partners that may be designated as the body to implement, though usually they are the same



tem for partner and agreement reduction were the staffing cap (no expansion of staff even if the work burden increases) and the rapid increase of budget given the Norwegian commitment to provide 1% of gross national income as official development assistance. The shift towards more multilateral aid at the expense of bilateral aid from 2008 onwards was also based on deliberate decisions to reduce the number of partners and agreements.

In parallel to partner and agreement reduction efforts, other measures that aimed at improving aid management also contributed to partner and agreement reduction independently. These other efforts can be considered as complementary, and not a result of specific aid concentration policy efforts, as they would probably have been taken anyway:

- Zero tolerance for corruption:<sup>68</sup> In 2010, MFA introduced and reinforced this policy after some critical reports from the Auditor General and the embezzlement of money through the Management of Natural Resources Programme (MNRP) in Tanzania which Norway supported with NOK 300 million

<sup>68</sup> [https://www.regjeringen.no/en/dep/ud/about\\_mfa/zero\\_tolerance/id2623676/](https://www.regjeringen.no/en/dep/ud/about_mfa/zero_tolerance/id2623676/)

from 1994 to 2006. In response, MFA developed a zero-tolerance policy for financial irregularities, corruption and misappropriation of assets, also applied by Norad. Project partners are asked to describe corruption risk in grant applications and to report on results and possible incidents of corruption and misappropriation of assets in project reports. This means that in project proposals, due attention has to be paid to scrutiny of sub-grantees. As small Southern NGOs often do not meet the formal administrative requirements their formal role as grantee or sub-grantee of Norwegian aid appears to have diminished over time. This was reported in interviews and in the validation workshop with Norwegian NGOs.

- In 2014, the Norad civil society department introduced the use of a Resource Allocation Model (RAM) for assessing civil society tenders responding to calls for proposals, and the so-called RAM Light model based on 17 indicators was approved in August 2015. It was applied to all new multi-year agreements as of 2016 with annual project budgets over NOK 20 million. The RAM criteria required better prepared, more strategic and better justified proposals than was the case in the past. Consequently, the Civil Society Organisations

(CSOs) had to respond with more focused proposals that included less countries and fewer topics, which contributed to aid concentration even if civil society was exempt from geographic and thematic concentration.

- Stronger focus on Results-Based Management (RBM). Both in project preparation as well as in reporting there is more focus on RBM, even if there is still considerable room for improvement as indicated in the evaluation of RBM.<sup>69</sup> For NGOs, it was felt that the increased demands for better and more detailed reporting against a better specified results framework encouraged streamlined and focused programme in order to reduce reporting costs.
- For multilateral organisations, interviews with the Norwegian aid administration indicated that a stronger results focus is needed in the dialogue with multilateral partners. According to many interviewees insufficient information on results achieved through this channel is available despite various attempts to improve the dialogue in boards and via operational management.

<sup>69</sup> Norad (2018), *Evaluation of the Norwegian Aid Administration's Practice of Results-Based Management*, Norad's Evaluation Department.



- Improvement of the MFA grant management system and procedures: In 2013, the MFA started to make improvements to the grant management system such as introducing standard templates for agreements and refining the criteria for eligible partners to be funded. A stepwise approach was followed that gradually changed the culture of grant management within the MFA as was reported in interviews and in the validation workshop with MFA staff.
- Reorganisations and efficiency improvements within Norad: In December 2017, an efficiency review of Norad was conducted after the transfer of new large grant funds from the MFA to Norad earlier that year. The review found that Norad's operating costs had fallen from 6.6 % in 2016 to 4% in 2017.<sup>70</sup> The Norad management response to this review stated that five-year agreements on grant items, including civil society, as well as transition to multi-annual agreements through voluntary organizations financed from regional grants, will contribute to real efficiency and reduce administrative costs. This shows that aid concentration policy efforts and efficiency measures go hand in hand.

An interesting, unintended, contributing factor to partner and agreement reduction was the substantial decrease of regional and some thematic budgets to cover the costs of refugees from the Syria crisis in 2015–16. Several departments reported that these budget cuts helped them to refocus as this reduced their grant managerial burden. The reduced budgets gave room for a more strategic approach toward partner and agreement reduction

### 5.3 Effects of Partner and Agreement Reduction

The international aid effectiveness agenda focused on a change in aid modalities rather than on a reduction of partners and agreements, with a specific focus on recipient countries rather than donor countries. The evaluation's theory of change for the Norwegian reduction of agreements is based on the assumption of the Norwegian aid administration that each agreement entails a "fixed costs", i.e. a minimum administrative cost independent of the volume of the agreement. Examples include drafting agreements, contracts, ensuring compliance with regulations and so forth. For partners a similar assumption applies. Engaging and learning to know a partner takes time, and having fewer partners will reduce time spent on building

a relationship with these partners irrespective of the number of agreements per partner. The growing volume of Norwegian aid could therefore not be handled by the same number of staff if no changes were made to the number of agreements and partners. According to the theory of change, a reduction of the number of agreements – overall and per partner – and a reduction in the number of the number of partners would lead to reduced administration or transaction costs, and make larger volumes of aid manageable. In case all the gains are not invested in managing higher volumes of aid, this could free up resources for activities that would add value such as results-based management (RBM). In this way efficiency would be increased. The assumptions underpinning this theory of change are not based on literature but based on policy documents and in particular on interviews with the Norwegian aid administration.

#### EFFECTS ON THE NORWEGIAN AID ADMINISTRATION

The main effect on the Norwegian aid administration of partner and agreement reduction is that larger volumes of money can be handled by the same number or even fewer staff, which clearly represent efficiency gains. This was indicated by all interviewees in the Norwegian aid administration and validated in the workshop with aid administration stakeholders. An external efficiency

<sup>70</sup> KPMG (2017): Effektivitetsgjennomgang av Norad, Sluttrapport Utenriksdepartementet 17/4078



review of Norad confirms this effect.<sup>71</sup> Interviewees also stated that it made aid management simpler.

Most interviewees claim to spend less time on administrative handling of agreements, because they deal with a reduced number. However, actual time spent on various types of agreements and agreement management tasks (reviewing annual reports, financial reports, preparing and participating in annual meetings where these occur, etc.) has never been measured. Some believe that bigger agreements do in fact require proportionally bigger audits, warning systems or evaluation and monitoring costs, but what this means as a percentage of total budget is also not known. The assessments of the larger framework agreements take considerable time, but both MFA and Norad staff see major benefits when compared with having to reviewing many smaller applications. These positive perceptions of improvements of aid management practices could not be compared with insight into actual management practices as an analysis of actual management practices was not part of the evaluation design (see [Chapter 1](#) on limitations of this evaluation).

<sup>71</sup> KPMG (2017): Effektivitetsgjennomgang av Norad, Sluttrapport Utenriksdepartementet 17/4078

While extra time was spent on closing inactive agreements by a specialised team that assisted various aid administration departments, this temporarily increased the administrative burden. In the long run, the aim was to decrease the administrative burden although there is still one third of all agreements inactive, which require aid administration efforts. Indeed, the resources invested in managing the completion of agreements can be considered as “transaction costs” and cannot be easily reduced. Nevertheless, as the total number of agreements is reduced, also the efforts related to closing will be reduced.

In general, stakeholders in the aid administration perceived that fewer partners and fewer agreements per partner, contributed to an improved and more intensive dialogue with partners on issues such as risks and results. It should be added that the quality of risk and results management has not been assessed, and as such it is difficult to conclude with certainty that they have improved across the board. The time spent on dialogue with implementing partners also includes more time justifying decisions and dealing with issues related to the Light Resource Allocation Model (RAM light). This means that the time spent on dialogue covers different issues, which do not all add value. In addition, the time spent on dialogue and exchange is sometimes still per-

ceived to be insufficient as some departments remain quite stretched. This positive effect on the dialogue was mentioned in interviews with aid administration staff in Oslo but also by the Norwegian CSOs and at partner country level. As other partners have not been interviewed, the evaluation cannot draw any conclusions on the dialogue with other partners, notably with multilateral organisations.

Nevertheless, there is overall agreement that partner and agreement reduction have led to positive changes in the aid administration, which allows for better risk management and an improved results focus. While partner and agreement reduction were targeted and implemented across the board, the implementation varied across sections and departments. Staff in departments with a thematic focus and the Norwegian civil society department reported positive effects. However, in practice the evaluation was not able to establish how actual aid management practices changed, with some exceptions such as where multi-year framework contracts were introduced.

Given the variation in the way how aid is managed in different departments and thus how aid concentration is dealt with, the efficiency gains do not automatically translate into more time for activities that add value



such as improved strategic and/or results focus even though that is the explicit intention. Nevertheless, there are some departments, which argue that partner and agreement reduction helped them to reinforce their strategic and results. This means that aid concentration was not the sole determining factor, but at least it was complementary to other ongoing and new efforts to streamline policies and implementation of aid. While the qualitative analysis indicates that partner and agreement reduction led to improvements of the efficiency of Norwegian aid, it is too early to draw conclusions on improvement of the effectiveness (see [Annex 12](#)).

#### **SPECIFIC EFFECTS ON THE NORWEGIAN AID ADMINISTRATION IN RELATION TO MULTILATERAL AID**

Support to multilaterals has increased substantially over the last years (as demonstrated in [Section 2.2](#)). Since Norway only has a limited power on how and where multilateral contributions are spent, it is perceived by some interviewees that this increased support limits Norway's ability to control its aid allocation across geographical and thematic areas and monitor and assess the results. However, partner and agreement reduction has made it feasible to spend more time on dialogue with these organisations which is also perceived as an opportunity to improve Norway's ability to affect the aid allocation. Some interviewees are not

convinced that these shortcomings may be overcome by further intensification of the dialogue. Others do not share these fundamental concerns but do point at the challenges of a good dialogue with multilateral partners. Moreover, since Norad is responsible for grant management and the Ministry of Foreign Affairs in charge of the dialogue this also entails coordination issues.

As indicated in the evaluation of results-based management, there are still many challenges regarding the implementation of results-based management. In addition, in interviews with MFA staff it was mentioned that despite systems such as the Multilateral Organisation Performance Assessments Network (MOPAN) there is insufficient insight into the results of multilateral organisations as multilateral partners. Given the high share of Norwegian aid that is implemented by multilaterals this limits the ability of the aid administration to report on development results. This is also mentioned in the 2019 OECD DAC Peer Review: "As Norway shifts its model towards greater use of multilateral channels, it should develop a clear strategy for core and non-core allocations, aligned with an overall strategy for engagement with multilateral organisations. In addition, Norway could regularly review the overall balance between its core, earmarked and other bilateral funding based on evidence of their relative effectiveness. Stepping

Support to multilaterals has increased substantially over the last years. Since Norway only has a limited power on how and where multilateral contributions are spent, it is perceived by some interviewees that this increased support limits Norway's ability to control its aid allocation across geographical and thematic areas and monitor and assess the results.



up Norway's influence on boards to address challenges, while also seeking to limit instances where its new initiatives may contribute to duplication and fragmentation will be important if Norway continues to increase its use of these channels".<sup>72</sup> With the reorganisation that is effective from 1 February 2020 new measures have been taken to address this challenge.

#### EFFECTS ON IMPLEMENTING PARTNERS

For CSOs, the reduction in number of agreements in exchange for broader and more long-term framework agreements is largely appreciated. It has improved predictability and flexibility. In general, they now have a large programme budget which can, within reasonable bounds, be reallocated across activities, allowing for overall improved resource efficiency. The administrative costs of such reallocations are less than project-by-project revisions, which previously could take considerable time and thus cause problems with implementation.

Having longer term funding makes it easier to discuss long-term results with local partners. This would allow for engaging more easily in complex processes like capacity building since there is more time and thus such

processes do not have to be rushed.<sup>73</sup> An additional bonus is that there is a general overhead for the programme – the CSOs do not have to account for overhead use project by project but can allocate across the organisation as they see fit.

Effects on other implementing partners, including multi-lateral organisations, could not be analysed as this was outside the scope of this evaluation. Hence conclusions cannot be generalised to these partners.

**For civil society organisations, the reduction in number of agreements in exchange for broader and more long-term framework agreements is largely appreciated. It has improved predictability and flexibility.**

<sup>72</sup> OECD (2019), Development Co-operation Peer Reviews – Norway, p.55

<sup>73</sup> One example is the support to demining in Bosnia, where Norwegian People's Aid for 15 years got funding for demining operations but for the first 12 years these were only annual allocations, so the ability to help build the capacity of a local demining authority was limited. This was compounded by the fact that money was made available at different dates: some years becoming available in February, in others not till late May. This meant annual planning was messy, uncertainty caused anxiety among local staff who could not be certain that next year's grant would be given, when the money would come, how much and thus if they would have a job, etc.



## Conclusions and Recommendations

In this chapter conclusions and recommendations are presented, based on the findings presented in [Chapters 2 to 5](#) in line with the main objectives and design for this evaluation as presented in [Chapter 1](#).

### 6.1 Conclusions

It is important to situate the analysis of aid concentration in the evolving context of Norwegian aid. There is one overarching issue, which may be referred to as the aid management challenge. Aid budgets have grown continuously over the period from 1999 until today while staff levels have remained fairly constant or have even been reduced. This means that these two factors – increasing volume of aid and staff limitations - can be considered as the two key drivers for aid concentration. At the same time, the demands for improved quality of aid and results reporting have grown, leading to even more pressure on aid management staff. By concentrating Norwegian aid geographically and thematically, and reducing the number of partners and agreements, it was assumed that the increasing volume of aid could

be better managed, which would ultimately lead to better development results.

The main Conclusions relate to the answers to the four Evaluation Questions.

#### **Conclusion A: Limited geographic and thematic concentration**

**Between 2012 and 2017, Norwegian aid underwent an important concentration in terms of partners and agreements. Their numbers declined rapidly while the volume of aid increased. Aid is now provided through larger partners, with fewer but larger agreements. However, evidence suggests that no substantial geographic and thematic concentration was achieved.**

The answer to the first Evaluation Question: “To what extent has geographical, thematic, and partner and agreement reduction been achieved?” is mixed. The area of partner and agreement reduction shows very positive achievements. While there were more than 2,000 active partners at the peak in 2012, there were

only around 1,000 in 2018. In addition, the number of active agreements more than halved in ten years, from 4,800 agreements at the peak in 2007 to approximately 2,000 in 2018. With the steady increase in the volume of aid, this translated into an increase of the average agreement size (from NOK 3 million in 1999 to NOK 15 million in 2018). The increase in agreement size is also due to the introduction of multi-year framework contracts, which replaced many annual agreements with the same partner. This led to fewer agreements per partner. In addition, the number of partners decreased as the number of partners with only one agreement declined.

Norway is now providing aid to fewer countries. The number of countries receiving aid remained quite stable for a long period before it declined from 108 countries in 2013 to 88 in 2018. However, the share of overall Norwegian aid subject to geographical concentration declined from 48% in 2000 to 30% in 2013 to only 15% in 2017. This is primarily due to the shift from bilateral aid (down from 52% in 1999 to 37% in 2018)

to multilateral aid (up from 40% in 1999 to 55-60% in recent years). In addition, exemptions for geographical concentration apply to important types of aid such as civil society and humanitarian assistance, which reduce the scope for geographical concentration. Although civil society has been formally exempt from geographical and thematic concentration, the dialogue between Norad and some civil society organisations led to some reduction of the number of countries where they are active with Norad-funded activities.

For the period 1999-2018, Norway provided continuous support to five main DAC sectors: health, education, humanitarian assistance, governance and civil society, and environmental protection. Only the share of environmental protection increased substantially. The DAC sectors do only partially match with the Norwegian thematic priorities, which complicates the analysis of the degree of thematic concentration. The continuity in the shares of aid spent on these sectors over a long period of time do not reflect any change due to thematic concentration policy efforts since 2013. There are, however, some indications of increased thematic fragmentation owing to new sub-themes being added by politicians.

### **Conclusion B: No clear or consistent policy**

**There has been no clear consistent aid concentration policy covering all three areas of aid concentration. Policy efforts for geographical and thematic concentration remained limited and were hardly operationalised. Consistent policy efforts on partner and agreement reduction were developed and implemented, clear targets were defined and monitored. In this specific area of aid concentration, Norway has developed a unique approach. The main focus of aid concentration policy efforts has so far been on improving the efficiency of the Norwegian aid administration, together with other aid administration measures.**

The answer to the second Evaluation Question “Are the policy efforts consistent with the overall objective of the policy (effective and efficient management of aid, and ultimately more effective and efficient aid)?” is complex. The urgent need for aid concentration became apparent from 2008 onwards as the aid administration became much stretched. The recentralisation of Norwegian aid as of 2009, the increased importance of centrally-managed thematic budget lines and the increase in the multilateral channel at the expense of the bilateral channel, were important decisions that contributed to aid concentration on specific partners at an early stage, even though they did not specifically target aid concentration.

In 2013 the government's political platform, the 'Sundvolden Declaration' reinforced the focus on aid concentration. It emphasized the three types of aid concentration. While initially the focus still appeared to be on geographical and thematic concentration in line with the international aid effectiveness agenda, soon the focus shifted to partner and agreement reduction. The main policy efforts on partner and agreement reduction included setting of quantitative targets, formally ending agreements that were no longer active, and having larger multi-year framework agreements rather than many small different agreements with key partners such as multilateral organisations and Norwegian Civil Society Organisations (CSOs). However, policy efforts for geographical and thematic concentration such as lists of priority countries and definition of thematic priority areas, were not always operationalised and implemented in a consistent way. For example, different lists of priority countries succeeded one another (and sometimes overlapped), many exemptions applied, and these countries did not receive significantly higher budgets. The contents and number of thematic areas and cross-cutting issues have changed many times, but always remained very broad, with sub-themes being added. This negatively affected geographical and thematic aid concentration.



The aid concentration policy efforts specifically focused on improving the efficiency of Norwegian aid, which is reflected in the focus on targets set for partner and agreement reduction. Additional management measures to improve efficiency included the improvement of the Ministry of Foreign Affairs (MFA) grant management system and restructuring of the aid administration. The 2013 political platform (the 'Sundvolden Declaration') also emphasised the need for improved quality of aid and better results reporting. However, aid concentration policy efforts did not directly focus on improvement of the effectiveness of Norwegian aid. The reduction of partners and agreements contributed to the creation of conditions for improvement of the effectiveness of Norwegian aid, but additional measures such as the improvement of Results-Based Management are needed to achieve results.

Recently, aid concentration policy efforts appear to have been less high on the political agenda, which has led to some signs of increasing fragmentation.

There is no clear evidence that policy efforts for the three types of aid concentration reinforced each other, although departments addressing specific thematic priorities such as the Knowledge Bank and the section for peace and reconciliation managed to establish link-

ages between thematic priorities, selection of a limited number of priority partner countries, and reduction of partners and agreements.

### Conclusion C: Efficiency gains

The policy efforts towards partner and agreement reduction together with other measures have contributed to efficiency gains (i.e. larger volumes of money handled by the same number of, or fewer, staff). Implementation varied widely across aid administration departments, but some departments managed to implement aid concentration in line with their strategic goals.

There are also some indications of efficiency gains for Norwegian CSOs as implementing partners.

There are, however also some unintended negative effects such as the very low share of agreements with organisations in partner countries such as governments and Southern CSOs.

This Conclusion addresses the efficiency dimension of the third Evaluation Question: "To what extent is the policy likely to improve the effectiveness and efficiency of the aid administration's management of aid?" (The effectiveness dimension is addressed in the next conclusion).

All findings based on partner and agreement reduction point to positive effects on the Norwegian aid administration, in particular efficiency gains. Larger volumes of aid are handled by the same number of, or even fewer, staff. Other measures to improve efficiency such as improvements of the grant management system and restructuring also contributed to efficiency improvements. An extra task force was created to formally end inactive agreements, and whereas this temporarily increased the administrative burden of aid concentration, overall it did not negatively affect the efficiency gains that were achieved.

While the aid administration is probably spending more time on assessing the larger and more complex proposals for framework contracts, once the agreements are in place the aid administration has more time to handle fewer partners and larger agreements. This time is spent on more intensive dialogue with implementing partners, in particular Norwegian CSOs. It is not clear whether this intensified dialogue has affected the quality of aid management with more focus on development results. Furthermore, there is no evidence that transaction costs have shifted from the aid administration to CSOs. On the contrary, Norwegian CSOs and umbrella organisations report positive effects of the larger framework contracts.



These positive effects are related to increased predictability and flexibility of funding. Through the multi-year framework contracts, CSOs receive larger and more flexible amounts that can more easily be reallocated between interventions. Although they need to spend more time on preparation of proposals and on reporting requirements, the increased predictability and flexibility compensate for this extra time. Recently some CSOs have indicated that the further streamlining of processes is also beginning to generate real time savings in their own administrations.

For multilateral partners, the picture is less clear, although there appears also to be more intensive dialogue with some multilateral partners such as the global health funds. However, as with the CSOs it has not been possible to assess whether this intensified dialogue focused on better development results. Given the importance of the multilateral channel there are now increasing concerns within the aid administration that not enough information on results achieved by multilateral partners is available. Norway is aiming to be more actively engaged in the dialogue on results via board seats and participation in task forces, but the volume of money provided does not directly or necessarily ensure more influence. This issue is recently being given more attention.

There are some lessons to be drawn from specific departments and thematic programmes where aid concentration seems to have worked particularly well. It shows that when aid concentration efforts go hand in hand with a clear strategic policy as to which themes, countries and partners to focus on, positive effects are achieved that may go beyond efficiency gains. This appears to be the case for Knowledge Bank programmes, peace and reconciliation, and to some extent health.

Some groups of partners have been negatively affected by aid concentration such as governments and CSOs in partner countries. For governments this might be due to the shift in focus from bilateral assistance to multilateral assistance, but it is likely that partner reduction policy efforts gave a further impetus to already ongoing changes. Owing to the increased attention to risk management and zero tolerance for corruption, which reinforced due diligence requirements, the demands on smaller Southern CSOs – either as direct partners of Norwegian aid or as sub-contractors of Norwegian or international CSOs – have increased. This means either that they have disappeared as partners or as sub-contractors or that there may be a systematic shifting of overall implementation costs down the line to these first-line delivery actors.

**Conclusion D: Limited evidence on effects on results**  
The evaluation could not establish that efficiency gains realised in the aid administration as a result of aid concentration have already contributed to improved effectiveness or better development results.

This conclusion relates to the fourth Evaluation Question: “To what extent is the concentration policy likely to improve the results of aid (both with respect to effectiveness and efficiency)?”, as well as to the dimension of improved effectiveness of Norwegian aid in the third Evaluation Question. In line with the theory of change, aid concentration could improve the conditions for improvement of the effectiveness of Norwegian aid and ultimately lead to better development results.

This evaluation did not find any evidence that efficiency gains in the aid administration have led to improved effectiveness and better development results. It should, however, be realised that aid concentration is only one of the drivers for improving the quality of aid management. Interviewees did question whether aid concentration in itself can lead to improved effectiveness and better development results. They indicate that joint efforts and accompanying measures are needed such as the proper implementation of results-based management to realise overall improvements in effectiveness

of Norwegian aid. There are some other key challenges that still need to be addressed such as complex institutional arrangements leading to overlaps and inefficiencies that continue to affect the distribution of tasks and responsibilities in the aid administration and a still rather scattered results orientation. In addition, given the high share of aid via the multilateral channel more insight is needed into the results of the core and earmarked contributions to multilateral organisations.

## 6.2 Recommendations

Aid concentration will not necessarily lead to improved effectiveness or better development results, but this remains the ultimate goal. Therefore the focus of the recommendations is on joint efforts needed to achieve this goal. It is assumed that the management challenge of Norwegian aid will not change. Therefore, recommendations that will undoubtedly increase the workload for the aid administration are avoided to the maximum extent possible. At the same time the recommendations of this evaluation are meant to complement those of other recent Norad evaluations addressing how to improve the results of Norwegian aid, which is the long-term objective of the various reform processes.

### Recommendation 1

**Assuming that the aid management dilemma – increasing the volume of Norwegian aid vis-à-vis aid administration staff limitations – will remain binding, the aid administration should continue to pursue aid concentration, in particular partner and agreement reduction. Aid concentration should be operationalised in a governing document with clear and measurable goals.**

Given the management dilemma of Norwegian aid – i.e. increasing the volume of aid vis-à-vis strict staff limitations - there is a clear need to continue focusing on keeping the number of agreements and partners manageable. Signs of a recent increase in fragmentation due to a decrease in focus should be monitored carefully and countered.

The governing document should be based on an analysis of what has been achieved so far and of what has not been achieved. This evaluation can hopefully serve as a starting point. On this basis a choice of future goals should be made. If it is decided to still pursue all three types of aid concentration, specific goals need to be developed for each type of aid concentration, targets need to be set, and the policy efforts need to be operationalised (see Recommendation 2). The document should indicate how concentration can

contribute to improved effectiveness and better development results. This requires showing how concentration would free up resources to strengthen the quality and efficiency of aid management. The main challenge for the aid administration is to make use of the realised efficiency gains to focus more on results. Evidence of a better dialogue with implementing partners is a first step in that direction but is not sufficient. This requires additional measures such as results-based management that have been introduced. Various implementation challenges still need to be overcome. The additional measures and implementation challenges should also be addressed in the governing document.

Of course, an aid concentration governing document should not be developed in isolation but be linked to the overall policy objectives and Norwegian commitments to contribute to realising the SDGs. In this context, the aid administration should provide decision-makers with more robust analyses of the consequences of introducing new priorities, including options for removing or reducing existing priorities, so as to ensure successful implementation. The likely trade-offs from additions or changes to priorities should be explored and made as explicit as possible, so that decision-makers can balance the various considerations when finally making a choice. The principle of only adding new priorities if this

does not increase the administrative burden, for example by removing or reducing the importance of existing priorities, is used by some legislatures and is now “good practice” with some other donors.

### Recommendation 2

**The governing document on aid concentration should provide clear and precise instructions for operationalisation of the various types of aid concentration with a timeline for implementation and regular reporting and reviews.**

There are some good examples of tools that enhance the implementation of aid concentration that should continue to be implemented. This includes target setting for the number of partners and agreements at a decentralised level in line with the goals set for different programmes and thematic priorities. Lessons can be learned from departments and sections that managed to align aid concentration efforts with other strategic objectives. Also the introduction of multi-year framework contracts is promising as it provides implementing partners with more predictability and flexibility and reduces the number of (annual) agreements. This practice should be implemented widely both for civil society and for multilateral partners.

The development of a human resource plan in line with the priorities set is also fundamental to monitoring implementation with a view to achieving the policy objectives.

In addition, the aid concentration goals and targets should be included in the annual activity planning and decisions on funding allocations ('virksomhetsplaner' and 'fordelingsnotater'). This is a lesson from this evaluation, namely that this link was insufficiently established in the past for geographical and thematic concentration.

Inclusion in the annual planning and budget cycle allows agreement on clear timelines for implementation, regular reporting, learning and adjustment.

### Recommendation 3

**If Norway still wishes to pursue geographic and thematic concentration, policy choices with respect to a limited number of key priority countries and clearly defined thematic areas with limited changes over time should be made. The consistency of policy efforts for the three areas of aid concentration should also be articulated in the governing document.**

The scope for geographic concentration has become rather limited (15% of total Norwegian aid in 2018). Therefore, it can be questioned whether geographic

concentration should be pursued as a priority. If this is still the intention, geographic policy efforts should address these limitations. If priority countries are defined, then what this means in practice should be clarified, targets for budget allocations should be set and monitored, and coherent strategic plans including results framework should be developed. Aid administration staffing (including staffing at Embassies) should reflect priority country status.

This study indicated that thematic concentration can only be realised when policy efforts are further defined and operationalised. This means that thematic priorities should be consistently tracked over time. This requires that either thematic priorities are related to DAC sectors or that another means of tracking is introduced. All priority areas, including government and civil society (which is formally not a priority while it remains an important area for commitments and disbursements), should be clearly defined and monitored. At the partner country level - given the staff and scope limitations in Norwegian aid - consideration might be given to focusing Norwegian aid on not more than two sectors, excluding humanitarian assistance, which should be reflected in country strategies.



New choices on geographical and thematic concentration should include phasing-out or exit strategies for specific countries or themes. Various lessons have been learned on exit strategies within the Norwegian aid administration, but also from other donors.

#### **Recommendation 4**

**In line with overall aid concentration goals, targets and guidelines as laid down in the governing document, sufficient flexibility should be allowed for the aid administration in charge of specific thematic programmes and/or budgets to further operationalise aid concentration together with other aid administrative measures to achieve the best results and avoid unintended effects.**

As there is no 'one size fits all' there should be sufficient flexibility for aid administrations departments - within the overarching framework - to make their own choices on how best to approach concentration in a way that maximises results. This can be complemented with an insistence that all new strategies -whether they be country strategies or thematic programming strategies - include an explicit focus on how concentration will be used to improve workload management in the aid administration, without increasing the burden on implementing partners.

Although this study did not analyse in detail whether more efficient aid management by the Norwegian aid administration led to additional costs, down the aid delivery chain for implementing partners, this risk should be monitored. Especially the weakest and poorest-resourced partners – those that Norway intends to help and build up their capacities – might become burdened with additional transaction costs or benefit less from Norwegian aid. Within the context of multi-year framework contracts such as with multilateral partners and (consortia of) NGOs, consideration could be given to how best to accommodate the needs of Southern partners. This should be addressed in dialogue and in the monitoring of implementing partners.

#### **Recommendation 5**

**The consequences of the actual distribution between multilateral and bilateral assistance need further reflection in terms of aid concentration. The tensions between core funding and earmarked funding in respect of the overarching objectives such as strengthening the multilateral system, on the one hand, and reporting on development results to which Norway contributed, on the other, need to be recognised and choices need to be made.**

The multilateral system is constantly evolving in the direction of new developmental challenges and changing contexts. An instrumental part of these changes are the priorities of its financiers. Norway should make more explicit choices on when to provide core contributions and when to provide earmarked contributions in line with its aid concentration objectives. Strengthening the multilateral system is an explicit aim of Norway and can best be pursued both through core funding and through lobbying and advocacy, including making use of Norway's seats on the boards. In addition, Norway should select carefully the working groups and taskforces on which it wishes to be represented in line with funding priorities.

Core funding is preferably provided through multi-year framework agreements, which could also include some soft earmarking. The multi-year framework contracts should allow for sufficient predictability and flexibility in relation to the multilateral institution involved. They could also include requirements for reporting on specific earmarked contributions.



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World Bank Group Archives, The Pearson Commission

WRR (2010), Less pretension, more ambition: development policy in times of globalization, Dutch Scientific Council for Research.



## Annex 1 : Terms of Reference

### BACKGROUND

In 2013 the Norwegian government proposed a new policy to concentrate its development assistance<sup>74</sup>. The purpose of the policy is to allow for better follow-up and ensure better results through a more effective and efficient management of aid (p.93, MFA budget proposal for 2018–2019). Concentration was described in the budget proposal for 2019 as follows: 'Clear objectives and priorities are a precondition for effective development assistance. The Government wants to concentrate its efforts, both geographically, thematically and with respect to partners.'<sup>75</sup> The policy does not imply a reduction of the aid budget.<sup>76</sup>

74 The evolvement of Norwegian aid concentration policy is documented in budget proposals to the Storting, white papers such as the Common Responsibility for Common Future, White Paper no. 24 (2016-2017) and White Paper 17 (2017-2018) on partner countries. For an English summary see: <https://www.regjeringen.no/contentassets/217f38f99edf45c498befc04b7ef1f7e/en-gb/pdfs/stm201620170024000engpdfs.pdf>, debates in Parliament, summaries of which can be found at [stortinget.no](http://stortinget.no): Parliament discussion on the white paper on partner countries: <https://www.stortinget.no/no/Saker-og-publikasjoner/Saker/Sak/?p=72735> For White Paper no. 24 (2015–2016): <https://www.stortinget.no/nn/Saker-og-publikasjoner/Saker/Sak/?p=684>.

75 From the 2018-19 MFA budget proposal p.93: translated from «Tydelige målsettinger som angir klare prioriteringer, er en forutsetning for effektiv bistand. Regjeringen vil konsentrere innsatsen i utviklingspolitikken, både geografisk, tematisk og når det gjelder samarbeidspartnere.»

76 For information about the aid administration and how aid is managed,

Geographic concentration refers to channelling aid to fewer countries. In 2018 Norway defined 16 countries as partner countries<sup>77</sup> and issued a list of 85 countries eligible to receive aid. Thematic concentration refers to concentration of aid to five prioritised areas: health, education, private sector development, including agriculture and renewable energy, climate, environment and the ocean, and humanitarian aid. Partner concentration refers to both a reduction in the number of agreements with the same partner, and a reduction in the number of partners.

To achieve concentration, the aid administration has implemented targeted agreement reduction, introduced prioritised countries (countries that would receive a larger share) and published a list of countries that can receive aid (at all)<sup>78</sup>. In addition, administrative resources have been assigned in both the Ministry and Norad to end agreements that are no longer in effect, and (in the Ministry) to reduce the number of agreements with the same partner.

the Evaluation Department has published a [guide to the Norwegian aid administration](#) which can be accessed through [norad.no](http://norad.no).

77 Partner countries for long-term development include Ethiopia, Malawi, Mozambique, Nepal, Tanzania, Uganda, Ghana, Myanmar, Indonesia and Colombia, while partner countries for stabilisation and conflict prevention are; Afghanistan, Mali, Niger, Palestine, Somalia and South-Sudan.

78 Albeit with some thematic areas being exempted from this list.

The link between the concentration policy and better results appears to go through either: a) a decrease in transaction costs which frees up resources that can be used for improved management, or; b) the act of prioritisation which could make the organisation's objectives clearer, and which may improve management for results. In addition, concentration efforts can reduce partners' transaction costs, for example by partners having fewer but larger, agreements with the Norwegian aid administration. This could also apply to countries with bilateral aid agreements with Norway.

### PURPOSE

The purpose of this evaluation is to provide the Ministry of Foreign Affairs, the Ministry of Climate and Environment, and Norad with information about whether existing concentration efforts have led to more effective and efficient management of aid and whether it is likely that these changes have improved development assistance. It will also aim to identify if there are areas where the policy could be improved.



Suggested improvements could inform a decision about whether to continue, intensify or more comprehensively implement the concentration policy. Changes can be implemented through work with the aid budget, when new grant scheme rules are developed and through human resource management.

The evaluation aims to contribute to both accountability and learning.

### USERS

The intended users of the evaluation are:

- the Ministry of Foreign Affairs, in particular the leadership, the Human and Financial Resources Department<sup>79</sup>, the Department for Economic Relations and Development<sup>80</sup>, and other departments and sections managing aid;
- the Ministry of Climate and Environment;
- Norad, in particular the Department for Quality Assurance, and departments and sections in Norad managing aid.

<sup>79</sup> In particular the Section for Finance and Organisational Management

<sup>80</sup> In particular the Section for Grant Management

- Implementing partners, other donors and multilaterals.

### SCOPE

The subject of the evaluation is the Norwegian concentration policy from 2013–2019, although previous concentration efforts from 2000 provide important context. Lessons from comparator agencies can be used to discuss relevance.

Only aid managed by the Ministry of Foreign Affairs (including embassies) and Norad is included<sup>81</sup>. The aid administration refers to staff working with official development assistance at the Ministry of Foreign Affairs (including embassies) and Norad.

The evaluation will limit itself to documenting how the policy has been implemented (in terms of documenting agreement reduction, country and thematic focus, and partner reductions/reductions in the number of agreements with partners), how this has come about, and how/whether the concentration policy has improved management of aid and is likely to improve results.

<sup>81</sup> This would include funds from the Ministry of Climate and Environment's funds that are managed by Norad.

While we have assumed that the link between the aid concentration policy and aid results goes through transaction costs (costs incurred through entering into or managing an aid agreement without adding anything to the aid project/programme), and improved quality of management, the evaluation team can also consider whether the policy has other consequences for results.

While the evaluation will not calculate numerical changes in transaction costs, information about changes in transaction costs can be gleaned from interviews with staff based on changes in the agreement mix (both with respect to quantity and composition as some types of agreements may be more demanding to manage) and human resource availability.

Interviews with staff can shed light on how/whether management has changed in response to concentration. It may also be relevant to assess whether concentration efforts have led to a shift in human resources, both in terms of increased specialisation and number, to prioritised areas.

Effects on aid can be discussed based on changes in transaction costs, management quality and existing literature. Measured changes in the quality of aid is outside the scope of the assignment.



**Transaction costs**<sup>82</sup> In this evaluation ‘transaction costs’ are defined as costs incurred through entering or managing an aid agreement without adding anything to the aid project/programme. Different types of transaction costs include search costs, bargaining and decision costs, and policing and enforcement costs. For the aid administration, search costs may include identification of partners and types of aid projects that could be funded. Bargaining and decision costs may include costs related to entering into an agreement with partners, decision documents, processing applications for decisions, and the use of legal and procurement expertise. Policing and enforcement costs refer to monitoring and evaluation with the sole purpose of preventing abuse of funds and mismanagement. Clearly some of the activities just mentioned, such as monitoring and evaluation, could also improve the projects and programmes (in which case they would not represent a transaction cost). Transaction costs are necessary to implement aid projects to prevent abuse and misuse

82 This section relies on “LAWSON, A. 2009 Evaluating the transaction costs of implementing the Paris Declaration. Concept Paper submitted by Fiscus Public Finance Consultants to the Secretariat for the Evaluation of the Paris Declaration, November”. see page 8 for a definition of transaction costs. That said transaction costs is a common term within the field of transaction costs economics and is normally discussed in terms of the costs of operating the economic system. See for example North, D. C. (1992). Transaction costs, institutions, and economic performance, ICS Press San Francisco, CA.

of funds and ensure improved management and learning. The term is nevertheless useful here, because it constitutes a link between the concentration policy and effective development.

#### OBJECTIVES

- A. Document policy implementation and changes in concentration of aid (thematic, geographic, with respect to partners and in the number of agreements).
- B. Assess the effect of the policy on the effectiveness and efficiency of the Norwegian aid administration’s management of aid.
- C. Discuss how concentration efforts can affect results (the effectiveness and efficiency of aid).
- D. Suggest areas for improvement with the intention to inform a decision about whether to continue, intensify or more comprehensively implement the policy.

#### QUESTIONS

##### RELEVANCE

1. Are the policy tools consistent with the overall objective of the policy (effective and efficient management of aid, and ultimately more effective and efficient aid)?

##### EFFICIENCY AND EFFECTIVENESS

2. To what extent is the policy likely to improve the effectiveness and efficiency of the aid administration’s management of aid?
3. To what extent is the concentration policy likely to improve the results of aid (both with respect to effectiveness and efficiency)?



## APPROACH/METHODS

### THEORY-BASED EVALUATION

The evaluation approach shall be based on a theory of change for how concentration efforts contribute to more effective and efficient aid. The theory of change should specify the impact pathway from policy to results, as well as the required causal links for policy to improve results (aid effectiveness and efficiency). In addition, the theory of change should describe external conditions and explore unanticipated results.

The change mechanisms shall be informed by knowledge from existing relevant literature and evaluation, including evaluations of other agencies' concentration efforts.

The theory of change shall guide data collection. Quantitative and qualitative data should be collected to test both the theory of change and the underlying assumptions. Choice of methods and proposed strategy for undertaking the evaluation shall be grounded in this theory.

All concepts included in the theory of change shall be defined.

A common weakness of qualitative methods to test causality is confirmation bias. To avoid this, underlying assumptions, including assumptions about adverse effects, should be spelled out and accompany the hypothesis of change. The evaluation team should also test alternative explanations for observed outcomes. The inception report should specify how this will be done.

### QUANTITATIVE MEASURE OF CONCENTRATION

To measure aid concentration, it is suggested to use descriptive statistics as well as methods from economics which are traditionally used to measure inequality, such as the Theil Index. See annex to these terms of references. A benefit of the Theil index over other methods is that it allows for a decomposition of sources of fragmentation. The Theil index should be developed for all areas of concentration, when possible.

### DATA COLLECTION

While it is suggested that data will be collected using four research methodologies, the list is not exhaustive. Data collection and analysis need to be adapted to the revised theory of change.

- a) A desk review of documents. For example, a review of relevant budget proposals since 2013

until today, focusing on concentration<sup>83</sup>; white papers such as White Paper no. 24 (2016–2017) and White Paper no. 17 (2017–2018); letters of allocation and other management dialogue between the Ministry of Foreign Affairs and Norad; guiding documents specifying implementation of concentration, grant scheme rules<sup>84</sup>, the grant management manual (old and new), and other relevant official documents identified through staff dialogue. Relevant evaluations of/research on concentration efforts in other countries, evaluation of/research on the Paris declaration, and literature on management and aid transaction costs. Some official documentation must be accessed through archive<sup>85</sup> searches (only in Norwegian, need to be accessed from Oslo).

83 These exist only in Norwegian and the Ministry of Foreign Affairs' budget proposals can be accessed here: <https://www.regjeringen.no/no/dokument/prop/id1753/>

84 MFA is responsible for grant scheme rules. Some of these can be found on; <https://www.norad.no/tilskudd/sok-stotte/regelverk-for-norads-tilskuddsordninger/> while others can only be accessed through the MFA's intranet.

85 Embassy archives, if relevant, need to be accessed from the country in question. The ministry, Norad and embassies have separate archives. Obtaining access will take between 3 and 4 weeks.



- b) Descriptive statistics (display trends in the number of recipient countries and the number of agreements from 1962 to 2018, using 10-year intervals from 1962–2000; display trends in the size of agreements from 2013–2018; measurement of aid fragmentation using the Thiel index<sup>86</sup> at sector/sub-sector level, country-sector level, and for partners from 2013–2018; display trends in the number of objectives for each sector from 2013–2018).
- c) In-depth interviews with key staff<sup>87</sup>. It is expected that a wide array of individuals involved in grant management in the MFA and Norad, as well as users of the evaluation in the MFA and Norad will be interviewed. In addition, interviews with staff in comparator agencies and partner agencies may

be conducted. It is expected that interviews are conducted in person.

- d) Validation workshop of findings. When the evaluation team has developed preliminary findings, these findings can be validated in workshops with staff.

The evaluation team may propose alternative methods that respond to the purpose and objectives in this Terms of Reference in other ways than those set out above, demonstrating comparable rigour and ability to respond to the evaluation questions.

### PHASES OF THE EVALUATION

The inception phase will include a visit to MFA and the Norad headquarters in Oslo, including a mapping of issues mentioned in these Terms of Reference, a review of existing relevant literature and an initial mapping of relevant documents and literature.

At the end of the inception phase, the evaluation team will prepare an inception report elaborating on the ToR, describing how the evaluation will be carried out, refining and specifying expectations, methodology, roles and responsibilities, and time frames.

The inception report should also include a literature review and the proposed theory of change. In addition, all tools including broad interview guides that are to be used in data collection shall be submitted.

The implementation phase will include in-depth interviews, targeted archive searches/other online databases, and analysis. All Norad/MFA archival searches will have to be conducted in Oslo and the evaluation team should plan for at least two weeks for such searches. The implementation phase will also include validation workshops in Oslo.

During the finalisation phase a draft report and draft recommendations will be discussed with the management in the MFA and Norad to allow for feedback before the final report is published and discussed in a public seminar in Oslo.

### DELIVERABLES

The deliverables consist of the following outputs:

- a) Draft inception report, including all data collection tools. After circulation to the stakeholders, the Evaluation Department will provide feedback.
- b) Final inception report to be approved by the Evaluation Department

<sup>86</sup> The Thiel Index is employed to measure inequality. This makes it well suited for measurement of aid fragmentation. See also EBA report 3, 2015; Concentration difficulties? An analysis of Swedish aid proliferation. The strength of this index is that fragmentation can be decomposed into different sources. If justified, other methods can also be used, such as the Herfindahl index. See Chapter 6 on Inequality Measures in the World Bank Poverty manual: <http://siteresources.worldbank.org/PGLP/Resources/PMch6.pdf>.

<sup>87</sup> Even though these will be in-depth, a broad interview guide must be developed. A strategy for ensuring accuracy, ethical conduct and data analysis should be made explicit in the tender and inception report. Accuracy can be ensured by recording and transcribing interviews.



- c) Mapping of concentration report (descriptive statistics, with explanatory text)
- d) Workshops to validate findings (in Oslo).
- e) Draft report and an evaluation brief. All underlying data, such as transcripts, shall be made available to the Evaluation Department upon request.
- f) Workshop to discuss the draft, including recommendations with stakeholders.
- g) Final report not exceeding 50 pages excluding summary and annexes, and final evaluation brief.
- h) Presentation at a seminar in Oslo.

All reports shall be prepared in accordance with the Evaluation Department's guidelines and shall be submitted in electronic form in accordance with the progress plan specified in the tender documents or in the approved inception report. The Evaluation Department retains the sole rights with respect to distribution, dissemination and publication of the deliverables and all underlying data, including transcripts.

### CONDUCT OF THE EVALUATION

All parts of the evaluation shall adhere to recognised evaluation principles and the OECD Development Assistance Committee's quality standards for development evaluation, as well as relevant guidelines from the Evaluation Department.

It is expected that the evaluation is carried out according to accepted research and evaluation ethics and the evaluation shall be undertaken with integrity and honesty and ensure inclusiveness of views. The rights, dignity and welfare of participants in the evaluation should be protected. Anonymity and confidentiality of individual informants should be protected unless otherwise agreed. Ethical considerations shall be documented throughout the evaluation processes.

The evaluation will be managed by the Evaluation Department in Norad. The evaluation team will report to the Evaluation Department through the team leader. The team leader shall be in charge of all deliveries and will report to the Evaluation Department on the team's progress, including any problems that may jeopardise the assignment. The Evaluation Department and the team shall emphasise transparent and open communication with stakeholders. Regular contact between the Evaluation Department, evaluation team and stakeholders will allow

for discussion of any issues arising and ensure a participatory process. All decisions concerning the interpretation of these Terms of Reference, and all deliverables are subject to approval by the Evaluation Department.

The team should consult widely with stakeholders pertinent to the assignment. In some evaluations, staff from the Evaluation Department are present during interviews/discussions, subject to the team leader's approval. This might also be discussed for this evaluation.

Stakeholders will also be asked by the Evaluation Department to comment on the draft inception report and the draft final report. In addition, experts or other relevant parties may be invited to comment on reports or specific issues during the process. The evaluation team shall take note of all comments received from stakeholders. Where there are significant divergences of views between the evaluation team and stakeholders, this shall be reflected in the final report. Quality assurance shall be provided by the institution delivering the consultancy services prior to submission of all deliverables. Access to archives and statistics will be facilitated by Norad and stakeholders; however, all searches will have to be conducted by the evaluation team.





## Annex 2: List of People Interviewed

The number of participants or interviewees in each Section or Department is given in parenthesis.

### STAKEHOLDER MEETING PARTICIPANTS

#### Ministry of Foreign Affairs (5)

Section for Development Policy (1)

Section for Budget and Coordination (3)

Section for Grant Management (1)

#### Norad (3)

Statistics Section (1)

Results Management section (1)

Aid Management Section (1)

### LIST OF INTERVIEWEES

#### Government

#### Ministry of Climate and Environment (1)

Collaboration with multilateral partners (1)

#### Ministry of Foreign Affairs (10)

Section for South East Europe (1)

Section for Humanitarian Affairs (1)

Regional Horn of Africa and West Africa (1)

Section for Peace and Reconciliation (1)

Section for Southern and Central Africa (1)

Department for Multilateral Cooperation (1)

Section for South Asia and Afghanistan (1)

Section for Budget and Coordination (2)

Section for Grant Management (1)

#### Norad (7)

Section for Environment and Food Security (1)

Department for Quality Assurance/ Statistics Section (1)

Fish for Development, The Knowledge Bank (1)

Health Section (1)

Aid Management Section (1)

Senior management, Norad (1)

Senior management, The Knowledge Bank (1)

#### Civil Society Organizations (14)

Evidence and Learning Programme, Save the Children Norway (1)



International Programme, Save the Children Norway (1)

Programme Development, Norwegian People's Aid (1)

Strategic Solutions and Partnerships, Norwegian Church Aid (1)

Health, Norwegian Church Aid (1)

SIVSA, Norwegian Church Aid (1)

Climate, Norwegian Church Aid (1)

East Africa, Norwegian Church Aid (1)

Policy and Society, Norwegian Church Aid (1)

Senior management, Digni (1)

Senior management, Digni (1)

Senior management, FOKUS (1)

Senior management, Atlas Alliansen (1)

International Programme Section, Norwegian Red Cross (1)

## VALIDATION WORKSHOPS

### Civil Society Organisations (on 09.03.2020) - 5 participants

Senior management, Save the Children Norway (1)

External organisation and politics, Norwegian People's Aid (1)

Programmes, Funding and Partnerships, Norwegian Church Aid (1)

Senior management, Digni (1)

Senior management, Atlas Alliansen (1)

### Ministry of Foreign Affairs & Norad (on 10.03.2020) - 8 participants

#### Ministry of Foreign Affairs (8)

Section for UN Policy (1)

Section for Humanitarian Affairs (1)

Regional Horn of Africa and West Africa (1)

Section for Grant Management (1)

Human and Financial Resources Department, Finance Section (1)

Section for budget and coordination (2)

Section for Grant Management (1)

#### Norad

Staff from Norad was invited but did not participate.



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Annex 4 – Portfolio Analysis

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## Acronyms and Abbreviations

AMOR	Avdeling for Metode Og Resultater
ARTF	Afghanistan Reconstruction Trust Fund
CPA	Country Programmable Aid
CRS	Credit Reporting System
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DFID	Department for International Development
DFR	Draft Final Report
ECW	Education Cannot Wait
EU	European Union
FR	Final Report
GAFTM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GAVI	Global Alliance for Vaccines and Immunizations
GFF	Global Financing Facility
GNI	Gross National Income
GPEDC	Global Partnership on Effective Development Cooperation
ICAI	Independent Commission for Aid Impact
ICRC	International Committee of the Red Cross
IOB	Institute of Development Policy
IOM	International Organization for Migration
IR	Inception Report
LDC	Least Developed Country
LIC	Low Income Country



LMIC	Low- and Middle-Income Country	ToR	Terms of Reference
LOTFA	Law and Order Trust Fund for Afghanistan	UDI	Norwegian Directorate of Immigration
LTD	Long-term Development	UMIC	Upper Middle-Income Countries
MCE	Ministry of Climate and Environment	UN	United Nations
MDG	Millennium Development Goals	UN - REDD	United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation
MFA	Ministry of Foreign Affairs	UNDP	United Nations Development Programme
NCA	Norwegian Church Aid	UNHCR	United Nations High Commissioner for Refugees
NGO	Non-Governmental Organization	WB	World Bank
NICFI	Norway's International Climate and Forest Initiative	WFP	World Food Programme
Norad	Norwegian Agency for Development Cooperation	WHO	World Health Organisation
Norec	Norwegian Agency for Exchange Cooperation		
NPA	Norwegian People's Aid		
NRC	Norwegian Red Cross		
OCHA	(United Nations) Office for the Coordination of Humanitarian Affairs		
ODA	Official Development Aid		
ODI	Overseas Development Institute		
OECD	Organisation for Economic Co-operation and Development		
PTA	Plan - Tilskudd - Avtale (Electronic tool for registration and follow-up of financial and contractual obligations related to each grant)		
RBM	Result Based Management		
SCP	Stabilisation and Conflict Prevention		
SDG	Sustainable Development Goals		



All reports are available at our website [www.norad.no/evaluation](http://www.norad.no/evaluation)

## Former Reports from the Evaluation Department

<u>2020</u>	<u>2018</u>	
3.20 Blind Sides and Soft Spots: An Evaluation of Norway's Aid Engagement in South Sudan	13.18 The Norway-India Partnership Initiative Phase II: Impact Evaluation of Five Interventions	7.18 International tax agreements and domestic resource mobilisation: Norway's treaty network with low-income countries in Africa
2.20 Evaluation of the Norwegian Aid Administration's Approach to Portfolio Management: Norwegian Agency for Development Cooperation	12.18 Evaluation of Organisational Aspects of Norwegian Aid Administration	6.18 Country Evaluation Brief: Mali
1.20 Norwegian Development Assistance to Private Sector Development and Job Creation	11.18 UNGP, Human Rights and Norwegian Development Cooperation Involving Business	5.18 Country Evaluation Brief: Tanzania
	10.18 A Trusted Facilitator: An Evaluation of Norwegian Engagement in the Peace Process between the Colombian Government and the FARC, 2010–2016	4.18 Evaluation of the Norwegian Aid Administration's Practice of Results-Based Management
<u>2019</u>		3.18 Country Evaluation Brief: Haiti
1.19 Evaluation of Norway's Multilateral Partnerships Portfolio The World Bank and UN Inter-Agency Trust Funds	9.18 Civil society under pressure: Synthesis study of evaluations of Civil Society Organisations' democratisation and human rights work in Southern and Eastern Africa	2.18 Country Evaluation Brief: Ethiopia
Making Evaluation Work for the achievement of SDG 4.5 Equality and inclusion in education	8.18 Evaluation of Norwegian Efforts to Ensure Policy Coherence for Development	1.18 From Donors to Partners? Evaluation of Norwegian Support to Strengthen Civil Society in Developing Countries through Norwegian Civil Society Organisations



- 2017**
- 11.17 Country Evaluation Brief: Myanmar
- 10.17 Country Evaluation Brief: Nepal
- 9.17 Realising Potential: Evaluation of Norway's Support to Education in Conflict and Crisis through Civil Society Organisations
- 8.17 Norway's International Climate and Forest Initiative: Lessons learned and recommendations
- 7.17 Real-time evaluation of Norway's International Climate and Forest Initiative. An evaluation of empowerment of indigenous peoples and forest dependent local communities through support to civil society organisations
- 6.17 Monolog eller dialog? Evaluering av informasjons- og kommunikasjonsvirksomhet i norsk bistands- og utviklingspolitikk
- 5.17 Country Evaluation Brief: Palestine
- 4.17 Country Evaluation Brief: Malawi
- 3.17 Country Evaluation Brief: Somalia
- 2.17 How to engage in long-term humanitarian crises – a desk review
- 1.17 The Quality of Reviews and Decentralised Evaluations in Norwegian Development Cooperation
- 2016**
- 8.16 Country Evaluation Brief: Mozambique
- 7.16 Country Evaluation Brief: Afghanistan
- 6.16 Country Evaluation Brief: South Sudan
- 5.16 Evaluation of Norway's support for advocacy in the development policy arena
- 4.16 Striking the Balance: Evaluation of the Planning, Organisation and Management of Norwegian Assistance related to the Syria Regional Crisis
- 3.16 Real-Time Evaluation of Norway's International Climate and Forest Initiative. Literature review and programme theory
- 2.16 More than just talk? A Literature Review on Promoting Human Rights through Political Dialogue
- 1.16 Chasing civil society? Evaluation of Fredskorpset
- 2015**
- 10.15 Evaluation of Norwegian Support to capacity development
- 9.15 Evaluation series of NORHED: Evaluability study
- 8.15 Work in Progress: How the Norwegian Ministry of Foreign Affairs and its Partners See and Do Engagement with Crisis-Affected Populations
- 7.15 Evaluation of Norwegian Multilateral Support to Basic Education
- 6.15 Evaluation Series of NORHED Higher Education and Research for Development. Evaluation of the Award Mechanism
- 5.15 Basis for Decisions to use Results-Based Payments in Norwegian Development Aid





- 4.15 Experiences with Results-Based Payments in Norwegian Development Aid
- 3.15 A Baseline Study of Norwegian Development Cooperation within the areas of Environment and Natural Resources Management in Myanmar
- 2.15 Evaluation of Norway's support to women's rights and gender equality in development cooperation
- 1.15 Evaluation of the Norwegian Investment Fund for Developing Countries (Norfund)

## 2014

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- 8.14 Evaluation of Norway's Support to Haiti after the 2010 Earthquake
- 7.14 Baseline. Impact Evaluation of the Norway India Partnership Initiative Phase II for Maternal and Child Health
- 6.14 Building Blocks for Peace. An Evaluation of the Training for Peace in Africa Programme
- 5.14 Evaluation of Norwegian support through and to umbrella and network organisations in civil society

- 4.14 Evaluation Series of NORHED Higher Education and Research for Development. Theory of Change and Evaluation Methods
- 3.14 Real-Time Evaluation of Norway's International Climate and Forest Initiative: Synthesising Report 2007–2013
- 2.14 Unintended Effects in Evaluations of Norwegian Aid
- 1.14 Can We Demonstrate the Difference that Norwegian Aid Makes? Evaluation of results measurement and how this can be improved

## 2013

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- 5.13 Real-Time Evaluation of Norway's International Climate and Forest Initiative: Measurement, Reporting and Verification
- 4.13 Evaluation of Five Humanitarian Programmes of the Norwegian Refugee Council and of the Standby Roster NORCAP
- 3.13 Evaluation of the Norway India Partnership Initiative for Maternal and Child Health

- 2.13 Local Perception, Participation and Accountability in Malawi's Health Sector
- 1.13 A Framework for Analysing Participation in Development

## 2012

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- 9.12 Evaluation of Norway's Bilateral Agricultural Support to Food Security
- 8.12 Use of Evaluations in the Norwegian Development Cooperation System
- 7.12 A Study of Monitoring and Evaluation in Six Norwegian Civil Society Organisations
- 6.12 Facing the Resource Curse: Norway's Oil for Development Program
- 5.12 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Lessons Learned from Support to Civil Society Organisations
- 4.12 Evaluation of the Health Results Innovation Trust Fund



3.12 Evaluation of Norwegian Development Cooperation with Afghanistan 2001–2011

2.12 Hunting for Per Diem. The Uses and Abuses of Travel Compensation in Three Developing Countries

1.12 Mainstreaming disability in the new development paradigm

## 2011

10.11 Evaluation of Norwegian Health Sector Support to Botswana

9.11 Activity-Based Financial Flows in UN System: A study of Select UN Organisations

8.11 Norway's Trade Related Assistance through Multilateral Organizations: A Synthesis Study

7.11 Evaluation: Evaluation of Norwegian Development Cooperation to Promote Human Rights

6.11 Joint Evaluation of Support to Anti-Corruption Efforts, 2002–2009

5.11 Pawns of Peace. Evaluation of Norwegian peace efforts in Sri Lanka, 1997–2009

4.11 Study: Contextual Choices in Fighting Corruption: Lessons Learned

3.11 Evaluation: Evaluation of the Strategy for Norway's Culture and Sports Cooperation with Countries in the South

2.11 Evaluation: Evaluation of Research on Norwegian Development Assistance

1.11 Evaluation: Results of Development Cooperation through Norwegian NGO's in East Africa

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18.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative

17.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Tanzania

16.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative.

Country Report: Indonesia

15.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Guyana

14.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Democratic Republic of Congo

13.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative. Country Report: Brasil

12.10 Evaluation: Real-Time Evaluation of Norway's International Climate and Forest Initiative (NICFI)

11.10 Evaluation: Evaluation of the International Organization for Migration and its Efforts to Combat Human Trafficking

10.10 Evaluation: Democracy Support through the United Nations

9.10 Study: Evaluability Study of Partnership Initiatives



- 8.10 Evaluation: Evaluation of Transparency International
- 7.10 Evaluation: Evaluation of Norwegian Development Cooperation with the Western Balkans
- 6.10 Study: Evaluation of Norwegian Business-related Assistance Uganda Case Study
- 5.10 Study: Evaluation of Norwegian Business-related Assistance Bangladesh Case Study
- 4.10 Study: Evaluation of Norwegian Business-related Assistance South Africa Case Study
- 3.10 Synthesis Main Report: Evaluation of Norwegian Business-related Assistance
- 2.10 Synthesis Study: Support to Legislatures
- 1.10 Evaluation: Evaluation of the Norwegian Centre for Democracy Support 2002–2009



# EVALUATION DEPARTMENT

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