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ANNEX 5

Evaluation of Norway's Anti-Corruption Efforts as part of its Development Policy and Assistance

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Case Study

I. Country Case Study: Somalia

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Norad
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I. Country Case Study: Somalia

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List of Abbreviations

AC	Anti-Corruption
ASI	Adam Smith International
DFID	Department for International Development
EU	European Union
FGC	Financial Governance Committee
FGS	Federal Government of Somalia
HIPC	Heavily Indebted Poor Country
GDP	Gross Domestic Product
IDI	INTOSAI Development Initiative
IDP	Internally displaced people
IFF	Illicit Financial Flows
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
JPLG	Joint Programme for Local Governance
MAF	Mutual Accountability Framework
MFA	Ministry of Foreign Affairs
MoU	Memorandum of Understanding
MPF	Multi-Partner Fund (World Bank)
MPTF	Multi-Partner Trust Fund (UN)
NGO	Non-governmental organisation
NIS	Nordic International Support
NRC	Norwegian Refugee Council
Norad	Norwegian Agency for Development Cooperation
OAG	Office of the Auditor General
ODA	Official Development Assistance
OfD	Oil for Development
OECD DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
SDRF	Somalia Development and Reconstruction Facility
SMP	Staff Monitored Programme
SFF	Special Financing Facility
SSF	Somalia Stability Fund
TI	Transparency International
UK	United Kingdom
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
UNODC	United Nations Office on Drugs and Crime
USA	United States of America
ZTP	Zero-tolerance policy

1. Introduction

1.1 Purpose

This country case study evaluates Norway's Anti-Corruption (AC) efforts in Somalia over the review period (2010-19) across all four AC categories, namely:

- (1) Upholding the principle of zero tolerance for corruption in Norwegian development assistance;
- (2) AC as a cross-cutting issue, seeking to avoid corruption resulting from Norwegian development assistance;
- (3) AC as a distinct component of Norwegian development assistance, both through programmes/projects and through partner dialogue; and
- (4) Strengthening international norms and standards against corruption, including prevention of Illicit Financial Flows (IFF).¹

Norway's official development assistance (ODA) has increasingly been allocated to fragile states. These face a unique set of circumstances, often characterised by high-level and systemic corruption, links with global terrorism, and – from a development point of view – a limited availability of eligible partners. Some of the factors justifying the choice of Somalia as a country case study was the steady increase in Norwegian ODA allocated to this country over the review period as well as the broad range of sectors and partners characterising Norway's aid portfolio in this country.

1.2 Methodology

The case study assesses AC efforts from a country-level perspective, based on an analysis of the Somalia context. The findings of the case study are drawn from a thorough triangulation of evidence, using different data collection methods and sources. The evaluation team travelled to Kenya/Nairobi and Somalia/Mogadishu in the week commencing 6 December 2019 to meet with a range of stakeholders, including Government Ministries, donors and multilateral agencies, non-governmental organisations (NGOs), and independent experts. Follow-up interviews were conducted by phone after the visit (see full list of people met and bibliography in Annexes 1 and 2).

The following programmes and/or partners constitute the main sample for the case study²:

- All Norwegian humanitarian assistance received by the **Norwegian Refugee Council (NRC)** (Flyktninghjelpen) under its Global Partnership Agreement with Norway;
- All Norwegian assistance received by the **Nordic International Support (NIS) foundation**; a Norwegian NGO, which the Norwegian Ministry of Foreign Affairs (MFA) helped set up in 2011-12, and which has since become an important partner;
- The **Special Financing Facility (SFF)**, an innovative bridge facility led and administered by the Norwegian MFA in 2013-14 to support the federal government;
- The **Somalia Stability Fund (SSF)**, which has been administered by the Norwegian MFA since its launch in 2012, with the United Kingdom (UK) Department for International Development (DFID) as agreement partner and Adam Smith International (ASI) as implementing partner;
- The **United Nations (UN) Multi-Partner Trust Fund (MPTF)**, which is managed by the United Nations Development Programme (UNDP), and which obtained renewed support in 2018; and

¹ See Terms of Reference.

² These programmes and/or partners were selected using the following selection criteria: (i) coverage of partners (ii) coverage of sectors (iii) strength of evidence, including access to key stakeholders and level of documentation received during data collection

- The **World Bank Multi-Partner Fund (MPF)**, which Norway has supported since its launch in 2015, and which obtained renewed support in 2018.

1.3 Limitations

The case study has some limitations in scope and in methodology.

In terms of the scope, the following limitations should be noted:

- The case study focuses only on Norway's support to Somalia as a federal state. The earmarked support to member states, including Somaliland and Puntland, is not covered; and
- The case study does not take into account the significant proportion of Norwegian (unallocated) aid money channelled to Somalia through multilateral channels.³

In terms of methodology, the following limitations should be noted:

- The evaluation team had limited time in Nairobi, Kenya (where the Norwegian Embassy and other key stakeholders are based) and in Mogadishu, Somalia⁴;
- The evidence on the state of corruption, Public Financial Management (PFM) and other issues over the review period remains partial, with some reports commissioned by donors declared confidential; and
- Access to reliable information remains a challenge in Somalia, a country that is often subject to rumours and conspiracy theories. As a result, the team has paid particular attention to triangulation of evidence through the use of credible sources.

1.4 Structure of the Report

Section 2 provides an overview of the context, pointing to key developments in the state of corruption and the aid landscape over the review period.

Section 3 presents the main findings of the case study, articulated around selected themes, with clear reference to the evaluation questions.

Based on these findings, Section 4 presents the case study's conclusions and recommendations.

2. Context

2.1 Overview of the Somalia Context

Somalia is a fragile state that has been ravaged by two decades of civil war from 1991 to 2011 following the ousting of president Siad Barre after 22 years' rule. While the country's situation has gradually improved since then, many challenges persist, including high corruption and security risks.

³ These include all global and regional funds in Norway's aid statistics database (that have "unallocated" listed under the recipient country category <https://norad.no/en/front/toolspublications/norwegian-aid-statistics/?tab=ge>

⁴ The team split its time interviewing UN and NGO representatives at the airport compound and visiting government officials outside.

On the **political and security front**, the review period started with the withdrawal of the terrorist jihadist fundamentalist group Al Shabaab from Mogadishu in 2011. The year 2012 marked the end of the Transitional Federal Government established in 2004 with support from the UN, the African Union, and the USA, leading to the adoption of Somalia's provisional constitution, the swearing-in of parliament and the indirect election of president Hassan Sheikh Mohamud.

Limited parliamentary elections were held again four years later, in October-November 2016, with the new parliament electing Abdullahi Mohamed Farmajo as President in 2017. Initial plans to hold general elections were not pursued due to the overall security situation, the absence of the necessary legislative and institutional preparations and a lack of political will.⁵ Instead, Parliamentary seats were allocated according to a 4.5 formula, giving equal shares to the country's four "major" clans and a half-point to a cluster of "minority" clans. General elections were envisaged for 2020, although some delays are expected. The judicial system in Somalia – as defined by the constitution – is not operational yet, with the population largely relying on customary and Islamic sharia courts.

Meanwhile, the country's security situation remains complex and volatile. Al Shabaab and other smaller armed rebel groups have continued to operate throughout South-Central Somalia and north-east Kenya, often targeting members of parliament and top government officials. At least 76 people were killed by a vehicle bomb in Somalia's capital in the latest assault in December 2019. The African Union Mission in Somalia has been deployed in the country since 2007 with a force of 22,000, with the UN Security Council extending its mandate for the 7th time in 2019.

Somalia is one of the poorest countries in the world. According to World Bank estimates⁶, **poverty** affects 60 % of the population in Mogadishu, between 49 % and 63 % in Somaliland, and 71 % in the settlements of internally displaced people (IDP). Somalia faced its worse famine in 25 years in 2011, with a death toll estimated at 260,000, half of which were children⁷. Half of the population (6 million) is estimated to have faced food shortage during the 2017 drought.

Agriculture is the main livelihood for the majority of the population, with livestock accounting for 93 % of export earnings according to World Bank estimates.⁸ The economy is largely informal. The country is also heavily dependent on development aid and remittances (see below).

Oil prospects in Somalia are significant. Seismic surveys conducted by two British companies, Soma Oil & Gas and Spectrum Geo, suggest that Somalia may have offshore oil reserves as high as 100 billion barrels. If proven, this could propel Somalia to the fifth place on the list of countries with the largest oil reserves in the world (with Kuwait). Somalia may also have significant onshore oil reserves.

The Petroleum Bill was passed in the Lower and Upper Houses in 2019 and approved with the signature of the President in January 2020. In 2019, the country announced its first licensing round for 15 blocks. This announcement reignited tensions with Kenya, which called back its ambassador. The two countries have been in conflict over maritime borders for more than a decade, despite early mediation from Norway and the international community.⁹

⁵ https://eeas.europa.eu/sites/eeas/files/eu_eem_somalia_final_report.pdf

⁶ World Bank (2018), Federal Republic of Somalia, Systematic Country Diagnostic.

⁷ <https://news.un.org/en/story/2013/05/438682-somalia-famine-killed-nearly-260000-people-half-them-children-reports-un>

⁸ op.cit

⁹ The issue is now with the UN Convention for the Law of the Sea

The **diaspora** has become an intricate feature of Somalia's political and development landscape since Barre was ousted. The country relies heavily on remittances, which are estimated at USD 1.2 billion a year, or double the amount of ODA.¹⁰ Remittances are said to be the primary source of income for two thirds of the urban population and to fund 80 % of start-up capital for all businesses.¹¹ In the absence of a formal banking sector, money is transferred through money transfer operators known as 'Xawala'.

Norway has close ties with the diaspora elite returning to Somalia. Some top government officials (former and present) hold dual nationalities, including Norwegian. The former Prime Minister, Hassan Khaire¹², holds a Norwegian passport; he worked with the NRC before joining the oil company Soma Oil as company director.¹³ Other government officials with dual Somalia-Norway nationality include the former Speaker of the House, the former Minister of Education, and the former Director General to the Ministry of Petroleum. The newly appointed and incumbent Central Bank Governor is also from the diaspora, having lived in Norway and the UK for most of his adult life.¹⁴

2.2 Corruption Issues in Somalia

Somalia has been ranked bottom of the Corruption Perception Index prepared by Transparency International (TI) every year since 2006. As summarised by U4, *"corruption in Somalia affects virtually every aspect of the society: from public officials' misuse of public goods for private gain and the solicitation of bribes in exchange for basic services to the clan-based patronage networks used to obtain employment and political appointments"*.¹⁵

Grand corruption scandals were frequent under Mohamud's federal government – the most infamous one is from 2013, involving the Central Bank and the use of asset recovery (see Box 1).

Box 1: Asset recovery and the use of the Treasury account: the 2013 corruption scandal

In their 2013 report, the UN Monitoring Group on Somalia and Eritrea, under a section entitled "Public Finance Management and corruption", estimated that some 80 % of withdrawals from the Central Bank were made for private purposes and not for the running of Government, with the Group referring to the Central Bank as a "giant slush fund". In response, the federal government took some remedial actions and sacked the then Central Bank governor.

The country was rocked by another corruption scandal a few months later, after the newly appointed Central Bank Governor resigned, citing political interference and fear for her own life. In a public statement, the Governor explained that she had refused to sanction a contract between the government and a US law firm involved in the recovery of frozen assets overseas. In addition to involving extortionate legal fees (30 % of all assets recovered), the contract reportedly allowed for the recovered assets to be directly transmitted into the custody of the Somali president and

¹⁰ <https://www.worldbank.org/en/news/press-release/2016/06/10/world-bank-makes-progress-to-support-remittance-flows-to-somalia>

¹¹ Somali Money Transfer Association (SOMTA) as quoted in

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/283826/SAFER_CORRIDORS_RAPID_ASSESSMENT_2013_SOMALIA_UK_BANKING.PDF,

¹² By the time this report was completed, the prime minister Hassan Khaire resigned after a no confidence vote from parliament in July 2020

¹³ https://en.wikipedia.org/wiki/Hassan_Ali_Khayre <https://norad.no/en/front/countries/africa/somalia/>

¹⁴ The appointment of the new Central Bank governor ended months of speculation that a British national and former World Bank executive, (who also played a lead role in developing and supporting the SFF) would hold the position following a change in the constitutional arrangements – from various sources, including:

<https://www.garoweonline.com/en/news/somalia/somalia-mps-approve-law-allowing-a-foreigner-to-lead-central-bank>.

<https://allafrica.com/stories/201904050769.html>; <https://www.africaintelligence.com/ion/power-brokers/2019/01/25/nigel-roberts-appointment-becomes-constitutional-issue,108341815-art>

¹⁵ U4 Expert Answer, Somalia: Overview of corruption and anti-corruption, December 2017

prime minister. This corruption scandal caused a public outcry and coincided with the May 2013 Somalia Conference in London, when donors renewed their pledge to support the federal government.¹⁶

The **2016 limited elections** were also marred by corruption, widely recognised during the interviews. According to an interviewee from the European Union (EU) mission “*many instances of corruption, fraud and manipulation were reported but not addressed*”.¹⁷ The BBC reported that some candidates offered bribes of up to USD 1.3 million to secure votes.¹⁸

No significant cases of corruption have been reported in the international press since President Farmajo was elected, although rumours are rife.¹⁹ As put by one member of the international community, when talking about the risk of corruption at the top, “*it is very difficult to know for certain, it would be unwise to exclude its possibility*”.²⁰

The **army** is another public institution often accused of corruption, despite recent donor-funded efforts to clean the army payroll and address the misuse of food rations (see section 3.4).

The risk of **aid diversion** is well known in Somalia. From 2010 to 2016 the UN Monitoring Group on Somalia and Eritrea reported in detail how “*a variety of sophisticated strategies*” involving third parties, staff and NGO partners was used “*to attract, control and divert*” humanitarian assistance.²¹

There is also wide recognition (including among donors) that the response of NGOs to the 2011 drought was poorly managed and led to corruption cases as reported in the local and international press.²² In response, the NGOs have significantly strengthened their safeguard mechanisms over the years, allowing them to provide a more coordinated and efficient response to the 2017 drought (see section 3.1).

The risk of corruption in Somalia have also been linked to the country’s **oil prospects**. Some of these allegations have been raised against Norway, the UK and the USA, as countries, because of their commercial offshore oil interests in the maritime waters of Somalia and Kenya. The accusation against Norway dates back from its involvement in 2009 in mediating a memorandum of understanding (MoU) between Kenya and Somalia on the future steps to resolve their maritime dispute.²³ ²⁴As recently described by the International Court of Justice²⁵, “*the MOU unexpectedly became the subject of acute controversy within Somali media and political circles [...] Norway was*

¹⁶ Interviews during the field visit hinted that the donor community had pre-empted the findings of the UN report

¹⁷ https://eeas.europa.eu/sites/eeas/files/eu_eem_somalia_final_report.pdf

¹⁸ <https://www.bbc.co.uk/news/world-africa-38105023>

¹⁹ The election of Farmajo coincided with the UN Monitoring Group on Somalia and Eritrea stopping its reporting against PFM and corruption related issues.

²⁰ The UN Monitoring Group on Somalia and Eritrea stopped reporting extensively on PFM and corruption related issues from 2018

²¹ UN, UN (annual) *Reports of the Monitoring Group on Somalia and Eritrea pursuant to Security Council resolution 2244 (2015): Somalia*. 2011-2014

²² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3829375/>

²³ Comment by the Norwegian Embassy in Nairobi: Oil – our comment on the Inception report not reflected. We still question why the report refers to speculations instead of the intention behind our engagement in the OFU program. Referencing allegations and speculations without also making reference to the highly political context and the interests involved is below what should be the standard of an evaluation.

²⁴ Team leader’s response: The evaluation is based on credible sources – UN Monitoring Group and International Court of Justice. Not mentioning such allegations would go against the evaluation team’s independence. We don’t make any links with Oil, for Development which is treated separately in the report.

²⁵ International Court of Justice, *Maritime Delimitation in the Indian Ocean (Somalia v Kenya)*, *Preliminary objections of the republic of Kenya Pursuant to Article 79 of the Rules of Court*, Volumes I & II, 7 October 2015

*portrayed as an enemy of the Somali people. Threatening messages [were] sent to the Norwegian Embassy in Nairobi, [...], resulting in the closure of the Norwegian embassy in Nairobi for several days in May 2009”.*²⁶

A few years later, in 2013, the UN Monitoring Group on Somalia and Eritrea reported a potential conflict of interest between Norway’s oil interests and its support to the establishment of an Exclusive Economic Zone in Somalia, which Norway’s Minister of International Development publicly denied. It is also worth noting that in August 2015, Soma Oil and Gas, a UK company, was investigated by the UK Serious Fraud Office, after the UN Monitoring Group had accused the oil company of “*appearing to fund systematic payoffs to senior ministerial officials*”.²⁷ The Serious Fraud Office closed its investigation in December 2016, citing insufficient evidence of corruption.

2.3 Somalia’s AC Agenda

The previous and incumbent federal governments have both made public commitments to AC. In the 2013 London conference communiqué, the former government set out its determination to tackle corruption and establish a transparent and effective PFM system through a four-year plan. The government also took some actions in response to the central bank scandal in 2013 (see Box 1).

The incumbent government has won the seal of approval of the international financial institutions, with the country qualifying for debt relief under the Heavily Indebted Poor Country (HIPC) initiative at the time of finalising this case study (see section 2.4, page 13). The government has successfully completed three consecutive Staff-Monitored Programmes (SMP) with the International Monetary Fund (IMF) since 2016, with the fourth SMP covering reforms focusing on mobilising revenues, strengthening PFM, enhancing financial sector stability, and strengthening compliance with the framework for anti-money laundering/combating the financing of terrorism.

Under the Mutual Accountability Framework (MAF) (2017) (see Box 4 on page 13), the government committed to developing its AC legislation. This bill was developed and approved by the Lower House of Parliament in 2017, and (belatedly) by the Upper House in September 2019. At the time of finalising this case study, the government remained committed to ratifying the UN Convention against Corruption (UNCAC) (see the Global Case Study) and had plans to launch an AC strategy and to establish an AC Commission by end-2020.

2.4 Norway’s Development Assistance in Somalia

The goal of the Norwegian development assistance in Somalia is to contribute to peace, stability, democratic development, economic reforms and poverty reduction. Its objectives, as described in the 2015-18 Somali strategy, are:

- To promote political stabilisation, good governance, human rights and democratic values;
- To promote peace and reconciliation, to protect civilians, and to fight terrorism, organised crime and piracy;
- To respond to humanitarian crises; and

²⁶ While these allegations and speculations were made in a highly political context, the evaluation team considers that it would be wrong to overlook those issues in this report, given the use of evidence coming from credible international sources (UN Monitoring Group and International Court of Justice) and the reputational risk that this poses to Norway and other donor countries.

²⁷ The former Prime Minister was a company director in Soma Oil until he resigned in February 2017 to take up his new position.

- To contribute to inclusive economic growth, job creation and social development.

The Norwegian MFA, which (like other donors) operates from Nairobi, Kenya, was in the process of completing a new strategy for cooperation with Somalia in 2019.²⁸

Norway's ODA to Somalia totalled NOK 3,364.6 million for the period 2010-18 (see Figure 1). Norway was among the four largest bilateral donors from 2010 to 2015, along with Sweden, the UK and the USA.²⁹

Figure 1: Norway's ODA, 2010-2018³⁰



As shown in Figure 1, Norway's ODA doubled in 2011 to respond to humanitarian needs. It experienced another significant increase from 2013, when the SFF was launched to support the federal government (see Box 2). The Norwegian support continued to increase in the following years to exceed NOK 500 million a year under the incumbent government.

Box 2: Norway's Special Financing Facility (SFF)

In 2012, Norway announced its decision to support the Federal Government of Somalia (FGS) with a Special Financing Facility - a temporary bridge facility aimed to channel assistance to FGS to contribute to their recurrent costs and to provide capital financing for selected local development initiatives and national priorities.

The SFF included three components:

1. Support to FGS salary payments;
2. Support to selected small-scale local development initiatives; and
3. Enhancing the FGS's PFM capacity.

The SFF was the pilot initiative to help donors start using country systems. As summarised in the concept note *"the SFF will play an important role in advancing PFM reform by pioneering new government systems wherever possible and providing the first on-budget vehicle through which donors can channel financial contributions to the Government of Somalia"*.

According to aid statistics, the Norwegian support to the FGS amounted to a total of NOK 33.8 million in 2013 and NOK 40.9 million in 2014, before the SFF was absorbed by the newly-established World Bank MPF in 2014. This is small, when compared with the original pledge of USD28 million, equivalent to NOK 250m at the time

²⁸ This new strategy was not made available to the team.

²⁹ Christian Webersik (2019), op. cit.

³⁰ <https://norad.no/en/front/toolspublications/norwegian-aid-statistics/?tab=geo>

In 2018³¹, 53 % of Norway's assistance was channelled through multilaterals, with the bulk of the remaining 47 % going to NGOs, mostly Norwegian. Norway operates across all priority sectors, including good governance, emergency assistance, education, and economic development and trade (primarily food security).

In 2015, Norway also responded positively to a government request for peer-to-peer support under its **Oil for Development (OfD)** programme. A mapping exercise was carried out from 2016-18, and the OfD Steering Committee approved for the planning of an OfD programme in June 2018. The planning was still ongoing at the time of finalising this case study.

In 2018, the Norwegian Government announced that additional funding would be channelled through the World Bank's MPF. In a press statement, the Norwegian Minister of International Development, Nikolai Astrup, said: *"This additional contribution from Norway signals our recognition of the considerable progress the Somali authorities have made in bringing the country together, [...] This contribution reflects our confidence in the country's institutions. The reform momentum is bringing tangible dividends to the country. This is the time to advance on the back of the gains we have collectively achieved and to sustain progress towards peace and stability"*.³²

In late 2019, the Norwegian Government announced plans to provide a short-term bridging loan to Somalia worth NOK 3,135 million in 2020 to clear Somalia's debt arrears to the World Bank (later reimbursed with the proceeds of a Development Policy Grant).³³ Italy, the UK and EU followed suit by helping the country clear its arrears to IMF and the African Development Bank.

An overview of donor assistance to Somalia is provided in Box 3. (next page)

³¹ excluding "unallocated" envelopes from the global and regional funds. See 1.3.

³² <https://www.worldbank.org/en/news/press-release/2018/10/12/norway-contributes-nok-450-million-to-multi-partner-fund-in-somalia>

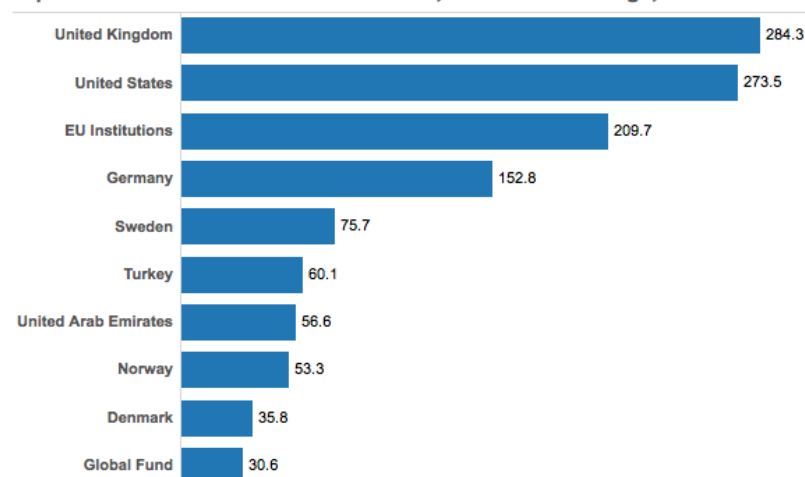
³⁴ OECD DAC development assistance statistics <https://www.oecd.org/countries/somalia/aid-at-a-glance.htm>

Box 3: ODA in Somalia

According to estimates by the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD DAC), net ODA in Somalia amounted to 39.3 % of the country's Gross Domestic Product (GDP) in 2017. Total ODA disbursements to the country hovered around USD 600-700 million a year in 2011-16, before doubling to USD 1,255.12 million in 2017; the year when the new government was installed.

Top ten donors in Somalia, 2016-17 ³⁴

Top Ten Donors of Gross ODA for Somalia, 2016-2017 average, USD million



Today, the UK, the USA and the EU are the largest donors to the country (see figure above). In 2019, the EU announced its first State Building Contract with Somalia, covering budget support worth EUR 100 million. Turkey and the United Arab Emirates have also become significant donors over the years.

Over the years, the donor community and government have developed an extensive donor architecture to ensure donor coordination and alignment to government priorities (see Box 4).

³⁴ OECD DAC development assistance statistics <https://www.oecd.org/countries/somalia/aid-at-a-glance.htm>

Box 4: Donor coordination in Somalia

The donor community (including Norway) and the newly installed government signed a New Deal Compact in Brussels in September 2013. This New Deal Compact paved the way for the establishment of the Somalia Development and Reconstruction Facility (SDRF), a platform for the government and development partners to achieve greater alignment to the country's National Development Plans, reduce aid fragmentation and increase Somali ownership.

The SDRF aid architecture includes a Partnership Forum, which is headed by the Prime Minister and UN Special Representative of the Secretary General and meets bi-annually, and a Steering Committee, which meets regularly in Mogadishu and is co-chaired by the Deputy Prime Minister and the agency head of an international partner.

In 2017, the new government and the donor community signed a new Partnership for Somalia, which retains the key elements of the New Deal Compact, but seeks to provide clearer milestones using a rolling annual Mutual Accountability Framework.

Importantly, this new Partnership commits donors to gradually increase the use of country systems, as the government continues to make progress on PFM reforms. ³⁵

At the time of finalising this case study, it was announced that Somalia had successfully qualified for debt relief under the HIPC initiative, with the IMF and the World Bank commending the country for its successful reform efforts. As a result of the HIPC initiative, the country's debt is due to decline from USD 5.2 billion in end-2018 to USD 557 million in net present value once it reaches the HIPC Completion Point in about three years.

3. Norway's AC Efforts as Part of its Development Agenda in Somalia

3.1 The Zero-Tolerance Policy in Somalia: Focus on Partners

This and the following subsection respond to the evaluation questions *Q5: How has Norway operationalised its zero-tolerance policy? Has it reduced the risk of aid misuse?* and *Q6: How has the zero-tolerance policy positively or negatively affected Norway and its delivery partners' risk tolerance and risk management processes?*

Norway's choice of partners

The Norwegian MFA requires all its delivery partners to commit to a **zero-tolerance policy (ZTP)**. A review of the selected grant agreements by the evaluation team shows that ZTP requirements are not yet uniformly applied across all partners. For example, the grant agreement with UNDP (renewed in 2018) includes a full section on fraud and corruption, while the agreement with the World Bank (also renewed in 2018) does not. Another difference was found between NRC, which is required to publicly report on all alleged cases of corruption under its global partnership agreement with the Norwegian Agency for Development Cooperation (Norad), and NIS and other NGOs, which are not subject to the same requirement. These differences are explained in part by the different contractual arrangements in place (some are with the Norwegian MFA, others with Norad), and in part by the different templates negotiated with multilaterals from the headquarters in Oslo, with some being more ZTP-compliant than others (see ZTP case study).

Besides its work with multilaterals (see below), Norway has primarily worked with well-established Norwegian and international NGOs and other humanitarian organisations to deliver its aid in Somalia. This includes humanitarian assistance organisations, such as the NRC, but also the Norwegian Red Cross, the Adventist Development Relief Agency and the Norwegian Church Aid.

³⁵ The aid architecture was revised at the time of completing this report in June 2020.

The Norwegian MFA had also helped to set up a new organisation, NIS, at the beginning of the review period. Founded by former NRC staff, including Norway's former Special Envoy to Somalia, NIS's first success was to deliver streetlights to Mogadishu's main road with Norwegian funding in 2013. The Norwegian MFA has also used the organisation to contract consultants to help develop and monitor the SFF after the government picked NIS as their preferred partner.

Norway's decision to support a new organisation came with some risks, both fiduciary and reputational.³⁶ However, the organisation was based in Mogadishu and benefited from direct access to the government, which Norway saw as a strength. Furthermore, Norway's first grant to help set up the organisation was small.³⁷ This approach paid off in subsequent years, as NIS quickly grew into a full-fledged organisation with adequate internal policies and control mechanisms in place. By 2018, NIS had become the largest recipient of Norwegian aid to NGOs in Somalia. It has also expanded its operations to other fragile countries, including Mali and Myanmar, and receives funding from the UK and the EU as well.

NGOs commitment to – and operationalisation of – ZTP

All NGOs met during the country visit were forthcoming with information on their approach to ZTP. They had all invested significant efforts in building local staff capacity and strengthening control mechanisms over the years. The good practices include extensive and regular staff awareness and AC training, due diligence in the selection of suppliers, unannounced spot checks, external auditing, quarterly risk mapping, well-publicised whistleblowing mechanisms, in-house investigations and segregation of duties (for example between engineers, auditors and M&E officers). These good practices have also been confirmed by TI (2016).³⁸ Many of the NGOs receiving Norwegian funding have moved their headquarters from Nairobi to Mogadishu or Hargeisa during the last 4-5 years, which has in turn facilitated a more regular and direct oversight of their activities.

Importantly, many Norwegian NGOs use direct implementation, which makes them less dependent on third-party contracting compared to other implementing partners, such as ASI, which relies on an extensive network of contractors to carry out its work throughout Somalia. As a result, ASI, which is based in Nairobi, has needed to develop extensive safeguard mechanisms over the years to select their partners and ensure transparent procurement.

Some NGOs also consider that new aid delivery mechanisms – notably the use of cash transfers – have been helpful in minimising the risk of aid diversion. Only mixed evidence could be found to support this claim, however, drawing from some recent evaluation reports³⁹ and selected interviews with stakeholders, when fraud schemes surrounding the use of mobile phones for cash transfers were discussed.⁴⁰

In terms of reporting, some NGOs put more efforts into documenting cases of financial malpractice than others, with NIS, ASI and the NRC providing three contrasting examples: NRC is the only NGO that publicises all its alleged cases of corruption in Somalia (and elsewhere). ASI provides a detailed

³⁶ See for example: <https://www.bistandsaktuelt.no/nyheter/2016/bygde-egenkapital-med-bistandskroner/>

³⁷ The first decision documents regarding Norway's support to NIS were not found in the archive.

³⁸ Transparency International (2016), Collective Resolution To Enhance Accountability And Transparency In Emergencies , Southern Somalia Report

³⁹ NRC, Global Cash Evaluation, February 2019 (covering Somalia, Ethiopia and Iraq); Somalia Inter-Agency Cash Working Group (2018) Evaluation of the 2017 Somalia humanitarian Cash-Based response Commissioned by the Somalia Inter-Agency Cash Working Group

⁴⁰ There is no national ID system in place in Somalia.

account of alleged financial malpractice in its annual report, while NIS does not.⁴¹⁴² This variation in practice partly stems from the different contractual arrangements⁴³ and partly from the organisations' culture and ways of working.

During the evaluation period, only one case of corruption involving Norwegian aid in Somalia was brought to the attention of the Norwegian Foreign Service Control Unit (see ZTP case study).

The impact of ZTP on risk and NGO's risk tolerance

In their **risk matrices**, all the NGOs consider fiduciary risk in the country to be high, falling to significant or moderate when mitigated by safeguard measures.⁴⁴ There is, however, limited evidence to assess the extent to which the NGOs' operationalisation of ZTP has indeed reduced the risk of aid misuse in a significant and lasting way: as put by one stakeholder, fighting aid diversion in Somalia is nothing less than an "endless game", as those engaged in corruption develop new tactics to circumvent or coopt new safeguard measures put in place by NGOs and other partners.

All partner NGOs operating in Somalia have an inherent appetite for risk. It is in fact because of their appetite for risk and their capacity to deploy rapidly in challenging areas that donors, including Norway, select them to support their interventions.

Overall, security concerns are the main reason why some NGOs decide not to intervene in some parts of Somalia. Their main preoccupation is to protect their staff; many organisations have seen some of their colleagues killed in terrorist attacks. Second to this is the concern that the fiduciary risks may be too high, and that the existing safeguard mechanisms may not be sufficient to prevent aid diversion. However, most cases of suspected corruption in Somalia only involve small sums, which the NGOs can easily pay back. This is further illustrated by the NRC's approach to corruption cases in Somalia (see Box 5).

Box 5: The NRC's response to corruption cases in Somalia

In June 2013, widespread corruption allegations against one of the NRC's field offices appeared in the local media. The subsequent investigation concluded that no evidence of corruption could be found, but that there was a breach of compliance with the NRC's beneficiary selection procedures, that the selection process of implementing partners was weak, and that the overall programme management should have been stronger. According to the NRC, all these processes have now been strengthened. In the ensuing years, the following cases of alleged corruption/financial misconduct were reported in Somalia:

- Looting of nutrition supplies and furniture from a nutrition centre. All efforts were made by the local partner and the NRC's international partner to recover the items but in vain. This resulted in the loss of materials worth USD 1,186. The donor has processed this according to their counter-fraud/loss rules, which resulted in a write-off (2015).
- Forged receipts and participant lists by a service provider contracted for three months to conduct Housing, Land and Property information sessions in Somaliland. The NRC and the beneficiaries did not suffer any loss since the forgery was discovered before anything was paid (2015).
- Stolen antennas. An investigation was launched and proved that the antennas were stolen, but it was not possible to prove who did it. The theft was reported to the police. Due to the age of the items there was no actual financial loss (2017).

⁴¹ In its 2017 progress report to the Embassy, for example, NIS states that "*no cases of corruption have been reported to have impacted on the programme significantly*"

⁴² Comment by the Norwegian Embassy in Nairobi: On the difference on NGO reporting public; it should be added that the criteria for reporting suspected cases of corruption to the donors are the same for all partners. It is only the part on reporting in public that differs.

⁴³ MFA made a special requirement to the 5 big Norwegian organisations on public reporting in 2013. Other organisations do not presently have the same requirements

⁴⁴ In its risk framework, which it monitors on a quarterly basis, ASI, for example, considers SSF's fiduciary risk to be high, falling to moderate after mitigation. This risk typically tends to fluctuate, moving upward then downward, as alleged corruption cases are opened and closed and/or new remedial measures are introduced throughout the year.

- A case of aid diversion after the NRC received a complaint from a village resident that the village committee had requested all clients to contribute USD 25 from the NRC assistance per household. The investigation proved that the allegations were correct. The case was reported to all relevant government authorities for corrective actions. There was no financial loss as the NRC managed to reclaim the money from the village committee and paid it back to the affected beneficiaries (2017).
- Misuse of funds by a local partner. The investigation discovered that 15 reported beneficiaries from Information, Counselling and Legal Assistance services could not confirm receiving assistance or were non-verifiable. The total loss is estimated at USD 1,650 (2017).
- External fraud (not investigated by the NRC). The NRC was informed of an external fraud case, in which a former casual worker had falsely claimed to be working for the NRC and allegedly requested and received USD 10,000 from a family for a borehole at their farm. The case was reported to the local police (2017).

Source: NRC website.

Working with multilaterals

The Norwegian MFA provides a significant share of its funding in Somalia through UN organisations and the World Bank. Using the UNDP as an example, the evaluation team finds some good evidence that the UN organisations are committed to transparency. The UNDP is second after the Asian Development Bank in the Publish What you Pay's International Aid Transparency Initiative.⁴⁵ The UNDP publishes reports on AC efforts through the work of the Office of Audit and Investigations and in the form of an annual report of the disciplinary measures taken.^{46 47} However, these reports only provide global statistics and no country-specific information.

A relevant issue at the UNDP office in Somalia concerns its limited capacity assessments for implementing partners and insufficient field verification visits (in large part owing to their onerous cost).⁴⁸ In response, the UNDP has tried to start addressing these issues through the use of a third-party monitoring system from June 2015 – in effect contracting out some of its oversight function. The United Nations Country Team in Somalia has also adopted an enterprise risk-management framework and has since 2011 had an established **Risk Management Unit**, the main mandate of which is to provide risk-management services to the international aid community. More analysis on UNDP's approach to ZTP is available in the ZTP case study.

3.2 The Use of Country Systems, Link with ZTP and Spill-Over Effects

A key aspect of Norway's approach to delivering aid in Somalia has been to support and use the country's own systems – first through the SFF, then through the World Bank's MPF.

Norway is often cited for its legacy in using country systems in Somalia.⁴⁹ As put by D Honig et al (2017) concerning the SFF: *"When Norway signed the USD30 million grant agreement with the Federal Government in December 2012, it was with the view that this pilot should serve as a catalyst for greater Use of Country System and that the project itself should over time be scaled up by multilateral partners."*⁵⁰

⁴⁵ <http://www.publishwhatyoufund.org/the-index/2018/>

⁴⁶ https://www.undp.org/content/dam/undp/library/corporate/Transparency/OAI_Annual_Report_2018.pdf

⁴⁷ https://www.undp.org/content/dam/undp/library/corporate/Transparency/2018_UNDP_Annual_Report_on_Disciplinary_Measures_EN_V02.pdf

⁴⁸ For example, in 2016, the UNDP Independent Evaluation Office noted with some concerns that the United Nations Office for the Coordination of Humanitarian Assistance (OCHA) could not *"provide assurance that the money it spent in Somalia as part of the Common Humanitarian Fund was used for the intended purposes"*.

⁴⁹ WB (2017) use of country systems,

⁵⁰ Dan Honig and Sarah Louise Cramer, strengthening Somalia's Systems Smartly: a country systems risk benefit analysis, World Bank and UN, December 2017

Norway's decision to launch the **SFF** clearly shows that Norway is willing to take risks. For example, a first challenge faced by Norway's SFF was how to transfer money to the government without using xawalas.⁵¹ However, this was to a large extent a calculated risk, as the SFF had an extensive governance and operational apparatus, consisting of a Financial Agent responsible for making the payment (Deloitte), a monitoring agent (first PwC, then Abyrint), and a financial management unit and temporary implementation unit (run by NIS).

These safeguard measures came at a price: according to the team's own calculation, the consultancy cost of developing and managing SFF during the two years totalled an estimated NOK 27.6 million (a significant amount, albeit less than the one reported in the press). The safeguard measures were nonetheless necessary to ensure that Norwegian aid money would not be misused. According to various sources, SFF was largely successful on this front.

The facility was designed with support from the World Bank and was later absorbed by the World Bank's MPF in 2014. This not only allowed the Norwegian funding to continue and other donors to participate, but also meant that the SFF could take advantage of already well-established (and hence cheaper) World Bank fiduciary and procurement systems. As well as using its own fiduciary, procurement and complaints mechanism systems, the World Bank has also put in place some additional safeguard mechanisms, some of which are inherited from the SFF. These include, among others:

- **Third party monitoring** with Abyrint. With local staff on the ground, Abyrint provides significant monitoring, assurance and advisory support regarding the recipient-executed portfolio of MPF projects, generating recommended actions to the World Bank as well as targeted capacity-building support to the government.
- **The Financial Governance Committee (FGC)** is an innovative World Bank-executed initiative launched in 2013. The FGC has a unique dual function of providing reassurance to the international community and supporting PFM (procurement) reforms in the country.

Today, the MPF remains the primary channel through which international donors are using country systems in Somalia. All in all, MPF's governance and operational apparatus is much reduced compared to the one employed by SFF in 2013. While this may be justified by government commitment to PFM reforms, the inherent risk of using country systems in Somalia remains high, reduced to significant after mitigation.

SFF and the World Bank's MPF projects' contribution to PFM reforms (with a focus on AC) is analysed in section 3.4. Using country systems can also potentially lead to other spill-over effects. This is briefly analysed in Box 6 below.

Box 6: Use of country systems in Somalia – risk-benefit analysis

A recent report produced under the auspices of the World Bank entitled *Strengthening Somalia's Systems Smartly: a country systems risk benefit analysis* argues that while using country systems in Somalia remains risky, the fiduciary, operational and reputational risks must be balanced against its potential benefits, which include incentivising dialogue and reform and strengthening government legitimacy and accountability, an important element for state building.^{52 53}

Using a corruption and AC lens, conducting such risk benefit analysis in a country like Somalia could end up being inconclusive for the following two main reasons:

⁵¹ Using xawalas could have risked Norway to be in breach of anti-terrorist regulations.

⁵² Honig et al (2017) Op. cit.

⁵³ The use of country systems is also mentioned in The New Deal for Engagement in Fragile States endorsed at the Busan Fourth High Level Forum on Aid Effectiveness in 2011.

The potential benefits mentioned in the World Bank study are likely to remain partial or take place in the (very) long-term (see section 3.6), while the (fiduciary) risks associated with using country systems are immediate. As put by one donor stakeholder, “using country systems is useful to identify where the leaks are and where they should be addressed”. Addressing these leaks, however, may take time and will certainly require further government commitment to reforms. Having the right safeguard mechanisms to mitigate against fiduciary risk is hence key.

D Honig et al (2017) in part demonstrates the potential benefits of using country systems through the use of counterfactuals, namely that bypassing country systems can undermine the legitimacy of the state. While the evaluation did come across two instances where the use of country systems may have helped the (federal or local) governments to build legitimacy,⁵⁴ the extent to which this may contribute to peacebuilding and state building remains uncertain in view of the continuous suspicion of corruption involving top-level government. The risk of doing harm is not sufficiently considered.

3.3 Operationalising AC as a Cross-Cutting Issue

This section responds to the evaluation question *Q7: How has Norway’s approach to AC as a cross-cutting issue been operationalised?*

NGOs that sign a grant agreement with Norway are contractually committed to promoting AC as a cross-cutting issue. According to the grant management manual (also referred to as the Grant Management Assistant)⁵⁵, this involves minimising the risk of projects having unintended negative effects on the cross-cutting issues. Yet this do no harm practice is not well operationalised and poorly understood and reported by Norway’s delivery partners.⁵⁶

The Norwegian MFA/Norad’s own understanding of a do no harm approach – when it comes to applying it to individual AC projects – is also limited⁵⁷: For example, in its grant agreement with the NRC, Norad requires the organisation to *“identify, assess and mitigate any potential negative effects that the project may have on the environment, gender equality and human rights, while mitigating the risk of corruption and other financial irregularities”*. In this statement, AC is not treated separately from the other cross-cutting issues.

The evaluation team notes that the donor community and NGOs operating in Somalia are highly familiar with as well as in principle committed to pursuing a **do no harm approach** in the country. However, this approach is mostly used, or referred to, to address the risk(s) of a project distorting the local economy (humanitarian assistance) and/or fuelling local conflict (peace building), not to address the risk of the project perpetrating corrupt practices in the country.

Instead, NGOs and the donor community have a tendency to see the risk aid of fuelling corruption as a collective long-term problem, which they cannot address individually. They treat corruption as an external risk, which is outside their control and influence and can affect their performance negatively. As a result, this risk is very rarely internalised by NGOs and partners in their risk management strategy.⁵⁸

⁵⁴ Under SFF, the government was able to demonstrate that it could pay salaries to civil servants. Elsewhere, in Jubbaland, community funds were channelled and disbursed through the Jubbaland Ministry of Finance under an SFF project. As reported by members of the local community: “Jubbaland government disbursing funds for project through the treasury account not only has brought positive opinion, that has also eliminated corruption and suspicion for the money to be syphoned or misused.” (ASI 2019 Annual report)

⁵⁵ Grant Management Manual. V04 Guide to assessment of results and risk management, including cross—cutting issues. Final version 06.06.17; and revised 2019 version.

⁵⁶ NRC and NIS, for example, were found to use the section on cross-cutting issues in their annual report solely to explain and reiterate their commitment to ZTP. These sections do not provide any information on the risk of do no harm in relation to corruption in Somalia and, with it, possible risk mitigation measures.

⁵⁷ One recommendation coming from the Embassy was that more guidance on AC as a cross-cutting issue should be made available for fragile states, not just for individual projects but also at a more strategic level (see list of recommendations).

⁵⁸ The only example found by the evaluation team falls under ASI’s definition of **reputational risk**, which it describes as “*SSF is viewed as practising favouritism e.g. in relation to partner selection, allocation of resources to federal member states, etc*”.

This is the case despite the fact that there is wide recognition that aid in Somalia has contributed to creating or perpetuating corrupt practices in the country. During their visit to the country, the evaluation team was given the example of “designer IDPs”, whereby the local population, notably farmers, decide to disguise themselves as IDPs to gain better access to food and services. According to some NGOs, designer IDPs could constitute a significant share of the IDP population in Somalia. This example is a good illustration of how humanitarian assistance is not only prone to aid diversion but also can generate lasting perverse incentives within local communities. Another important risk is that humanitarian assistance is diverted to serve private/specific clan interests, which goes against the humanitarian principles of impartiality, neutrality and independence.

It is also worth mentioning that the risk of fuelling corrupt practices in the country is not just linked to NGO work but also to donor partnerships with the government through the use of multi-donor trust funds and country systems (see section 3.4).

Until 2017, Norway’s grant management also committed Norway’s delivery partners to “*identify and seek to reinforce **positive effects** with regards to anti-corruption and other cross-cutting issues*”.⁵⁹ The evaluation team did not come across any examples of NGOs including such programmatic AC elements in their humanitarian work. However, they did find some examples of good practices in the UN MPTF as discussed in Box 7 below.

Box 7: Inclusion of AC elements in the UN MPTF

Norway has supported two projects under the UN MPTF with positive AC elements over the review period:⁶⁰

- The **Public Capacity Development** (2010-18) initially included some (potentially) relevant activities until the PFM component was dropped in 2014, reflecting findings from an evaluation and further consultation with donors.
- The **Joint Programme for Local Governance (JPLG)** (phase 1 and 2) – under Outcome 2: *Local governments have the capacity to deliver equitable and sustainable services, promote economic development and peace* – aims to promote local government accountability and transparency, notably through strengthening community consultation and their engagement in planning and budgeting processes.

With support from the UNDP JPLG, participatory budgeting mechanisms have been put in place in selected member states (including Somaliland, Puntland and South West). There is also some evidence that JPLG has supported relevant government policy and guidelines on PFM, some referring to public finance transparency and accountability.

The other UN MPTF interventions supported by Norway focus more broadly on promoting inclusive political processes. Most have occasionally included some specific training activities on AC-related issues (such as work ethic, transparency, role of institutions) targeted at government officials and parliamentarians.

Source: UN MPTF annual progress reports, www.jplg.org

3.4 Support to PFM Reforms and Likely Contribution to AC

This section responds to the evaluation question *Q2: What channels, programmes, institutions, partners and countries have been prioritised to drive Norway’s AC efforts as part of its overall development policy and assistance?* and *Q9: How relevant, effective and sustainable have Norway’s*

⁵⁹ op. cit Grant Management Manual. V04 Guide to assessment of results and risk management, including cross-cutting issues. Final version 06.06.17; and revised 2019 version.

⁶⁰ While its funding is not earmarked, Norway selects interventions that are of particular relevance to its country strategy, which it monitors under each grant agreement. As shared by the Embassy, the list of interventions that Norway has supported through the MPTF are as follows: Interventions that Norway has supported through UNDP since 2018 are: Joint Programme for Local Governance (JPLG; Constitutional Review Project; Electoral Support Project; Joint Programme for Human Rights; Enablers Project (includes support to the Risk Management Unit); Parliament Support; Support to Aid Management and Coordination Project (includes Aid Architecture, Mutual Accountability Framework) Interventions that Norway supported through UNDP 2013-2018: Joint Programme for Local Governance (JPLG) ; Constitutional Review Project; Parliament Support Project; State Formation Project; Enablers Project; Rule of Law (Access to Justice, and Civilian Police); Community Security Project; Public Capacity Development/ SIDP; Local Economic Development (LED); Support to 2016 Elections

AC-specific programmes and projects been in fighting corruption levels in Norway's partner countries?

The evaluation defines AC as a distinct component in all programmes and projects that either seek to fight corruption head-on and/or promote transparency, integrity and accountability. Norway sees its **support to PFM** reforms as its main entry point to fighting corruption in the country. In recent years, its support – through the World Bank MPF and support to the Office of the Auditor General (OAG) – has increasingly focused on promoting public finance transparency and accountability, which falls under the evaluation's definition of AC as a distinct component.

SFF provided intense on-the-ground support to build the capacity of the country PFM systems – some focusing on public finance transparency, such as support to developing biometric verification for salary payments.

Under the Effective and Accountable Government Pillar, the World Bank's MPF includes four projects with entry points to AC:⁶¹

- The PFM Reform Programme;
- The Recurrent Cost and Reform Financing project (formerly SFF);
- Support to the Financial Governance Committee; and
- The SCORE project, the objective of which is to strengthen Central Bank supervision and regulation.⁶²

More specifically, under Phase 1 (2013-16), the PFM reform programme included a component to “Strengthen controls for fiscal discipline, transparency and accountability”, which aimed at making public financial management and procurement more transparent and comprehensive (including through the establishment of a Single Treasury Account). Phase 2 (2016-18) included a component to strengthen the role of the OAG and the Public Account Committee to make the government more accountable for the use of public funds.

Also relevant are activities falling under the Recurrent Cost and Reform Financing project, which include support to biometric registration and procurements for the army.

Since 2015, Norway has also started providing direct support to the **Auditor General** in Somalia through the INTOSAI Development Initiative (IDI).⁶³

During the last year, there has been some discussion among donors, including Norway, to support the implementation of UNCAC and the establishment of an AC Commission (see the Global Case Study). However, at the time of the country visit in December 2019, donors and experts alike were generally of the opinion that establishing an AC Commission may not be the right fit for Somalia, as this comes with a risk that the AC Commission becomes politicised, starting with the appointment of its members. This in part explains donors' reluctance to support the project proposal by the UNDP/UN Office on Drugs and Crime (UNODC).⁶⁴

⁶¹ Support to federal government only

⁶² Elsewhere, in Somaliland, the MPF supports the Civil Service Strengthening Project, which has a component on human resource management, focusing on integrity issues (through for example the introduction of code of conduct and civil service sanctions management policy and procedures). The WB programme is also providing support to the Puntland Public Accounts Committee.

⁶³ <https://www.idi.no/en/idi-cpd/bilateral-support-programme/bilateral-projects/somalia>.

⁶⁴ The UNDP MDTF has supported a few projects with a distinct AC element over the years. This includes, for example, the UNDP Strengthening Institution Project, which has provided support to the Puntland Good Governance and Anti-Corruption Bureau (PGGAB). Most of these projects, however, received no support from Norway, outside those mentioned in Box 7.

Relevance

All the above-mentioned projects with AC as a distinct component are **highly relevant** to the Somalia context and closely aligned to government priorities. Working through the World Bank's MPF, and to a lesser extent through the UN MPTF, donors have helped shape the government's PFM reform agenda over the years. The donors' increased focus on promoting public financial accountability and transparency is also recognised as key to both state-building and peacebuilding. As put by the World Bank (2018), *"The country's fragility trap is driven by a historical absence of trust in formal institutions, exacerbated by conflict, and endemic corruption, underlining the central importance of sustained reforms in public finance accountability and transparency"*.⁶⁵

Effectiveness: support to PFM reforms

Norway's support in Somalia has evidently helped the federal government make progress with PFM reforms. More specifically on AC, Norway has contributed to strengthening public financial accountability and transparency in two main areas:

- **Support to OAG.** Norwegian support has allowed OAG to start auditing the federal government's financial statements and provided it with capacity building to meet International Organisation of Supreme Audit Institutions (INTOSAI) standards. An important milestone was reached in 2019, when the Auditor General (appointed since 2014) published his first audits of the financial statements of the federal government of Somalia⁶⁶, with these audit reports receiving extensive press coverage. The OAG has also conducted security sector institutions audits as part of its audit programme. Other external factors have also contributed to this success, with notably the appointment of a new Auditor General in 2014 and the parliamentary approval of a new Audit Bill in 2015 making the OAG more independent.
- **Simplification of procurement systems** (under Phase I of the PFM reform programme). The most significant support has come from the FGC, which has worked closely with the Interim National Procurement Board and supported the drafting and operationalisation of the 2016 Procurement Act. The FGC recommendations also led to the re-tendering of key concessions, for example for the port, airport and Somalia National Army rations contract.

As discussed in section 3.2, the use of country systems – combined with hands-on capacity building – is also likely to have helped create more government momentum for reforms. The pace of PFM reforms, however, has overall remained slow. It took more than five years for the OAG to publish its first audit reports of federal government finances. Parliament has yet to pass long-awaited legislative reforms. According to the World Bank⁶⁷, FGC recommendations are sometimes bypassed, and procurement practices still lack transparency.

The above shows a positive contribution by Norway towards increased public financial transparency and accountability in Somalia – an important achievement in support of the country's AC efforts.

Effectiveness: improvement in PFM systems

Over the review period, PFM in federal Somalia has been strengthened, albeit from a low point of departure: at the beginning of the review period, the federal government had barely functioning PFM systems, which lacked basic financial data.⁶⁸ In a recent internal note to donors, the country

⁶⁵ World Bank, *Federal Republic of Somalia, Systematic Country Diagnostic*, 2018.

⁶⁶ <https://oag.gov.so/audit-reports/>

⁶⁷ World Bank, *Federal Republic of Somalia, Systematic Country Diagnostic*, 2018.

⁶⁸ For example, in 2011 an "Audit Investigative Financial Report 2009-2010" (AIFR). indicating significant discrepancies between the PFM Unit, Office of the Auditor and Accountant General (OAG) and TFG budgets, that suggested financial mismanagement, misappropriation,

continued to score low across all PFM dimensions, using a “proxy” Public Expenditure Financial Accountability (PEFA) methodology, with progress nonetheless being made on two dimensions: PI Budget reliability and PVII External scrutiny from 2016 to 2019.

However, the OAG reports also highlight continuous weaknesses in the state of federal government public finances. Covering 20 ministries and agencies in federal Somalia, the report noted, among other things, the absence of bookkeeping, the lack of internal audits, off-budget expenditures as well as poor and opaque procurement in various government departments. The OAG also reported that USD 18 million – from the European Union (USD 3.7 million), Saudi Arabia (USD 13.9 million) and the UN (USD 0.5 million) – were kept “offshore” instead of being deposited in the Single Treasury Account at the Central Bank, and that there was no independent audit trail regarding Turkey’s USD 20 million cash donation. The government has since disputed the report’s findings, providing further documentary evidence on these transactions (see section 3.5).⁶⁹

Effectiveness: likely contribution to AC

More sustained efforts from governments and donors are needed to promote public financial transparency and accountability. At present, despite gains in core PFM systems, Somalia remains at the bottom of TI’s corruption perceptions index. Unless PFM systems are significantly improved, it is unlikely that donor support in this area will visibly contribute to reduce the risk of corruption in the country.

Sustainability

The case of Somalia serves as a reminder that strengthening PFM systems takes time, and that sustained and concerted efforts are needed from authorities as well as donors to make lasting positive changes. While the incumbent federal government has remained committed to PFM reforms and the AC agenda, the policy context in which it operates remains highly complex, with the lack of trust in state institutions and vested interests by many state and non-state actors in continuing institutional weaknesses contributing to undermine the country’s reform efforts.⁷⁰ In this context, there is a risk that PFM reforms may not be accelerated or deepened, as recently recommended by the IMF following the country’s qualification for the HIPC initiative.

3.5 AC and Policy Dialogue

This section responds to the evaluation question *Q4: How has Norway effectively used dialogue to support AC in partner countries?*

Norway has direct access to top government officials in Somalia, including the Prime Minister from 2017 to 2020. Its dialogue with government has been regular and high-level, through both bilateral and multilateral channels. There is limited evidence to indicate that corruption issues were discussed during these meetings.⁷¹

concealment and/or professional negligence. According to the World Bank report (**May 2012**), 68% of government revenues remained unaccounted for around the same period.

⁶⁹ Office of the Auditor General, Audit of the Financial Statements of the Federal Government of Somalia for the Financial Year ended 31, December 2018, 2019; Office of the Auditor General, Consolidated Compliance Audit Report on Non-security sector entities for the Financial Year ended 31, December 2018, 2019.

⁷⁰ DFID progress reports, World Bank country diagnosis, stakeholders interviews.

⁷¹ Recently the Somalia prime minister paid a visit to Oslo in 2018, while the Norwegian Foreign Minister travelled twice to Mogadishu in 2017 and 2019. The ambassador and head of cooperation in Nairobi also meet with top government officials, incl. Ministry of Finance, on a regular basis. The semi-annual reports produced by the Embassy do not specify if corruption was discussed during these meetings.

Under the global aid architecture (see Box 4), the issue of corruption has only been discussed occasionally. Until 2017, the extent to which the dialogue process established under the Compact Partnership has led to “real” policy discussion (let alone on AC) has been questioned.⁷² Under the new Partnership, the Mutual Accountability Framework for 2017 and 2018 included some government actions to push for AC legislation, but this focus on AC was not retained in 2019.⁷³

Instead, most corruption-related discussions seem to have taken place at a technical level and have focused on indirect AC actions (such as support to oversight) through relevant projects under the World Bank’s MPF, and to a lesser extent the UN MPTF.

Importantly, donors have also failed to react to new evidence of public finance mismanagement, such as those reported in the last OAG reports. This is somewhat surprising, given that some of the evidence on malpractice relates to the use of donor money. In its management response to the OAG report, the government explains that the donor funds had intentionally been kept outside the Single Treasury Account in their corresponding bank account in Turkey as part of a “fiscal buffer” established by the government following an agreement with the IMF. However, this has not been confirmed by the IMF or other donors.

4. Conclusions and Recommendations

4.1 Conclusions

In conclusion, Norway’s AC strategy in Somalia has included both explicit and implicit elements, which can be characterised as follows:⁷⁴

On the ZTP, the case study finds that NGO partners have strengthened their risk mitigation and grant management practices in Somalia over the last decade. This achievement can partly be attributed to donor pressure (not just from Norway) and partly to the NGOs’ response to aid scandals. The extent to which these practices have helped reduce the risk of aid misuse in a significant and lasting manner remains uncertain, however.

With SFF, Norway has been at the forefront of using country systems to promote PFM reforms. SFF was a success and demonstrated that using country systems – when combined with the right safeguard mechanisms and capacity building support – can not only help reduce the risk of aid misuse but also help to promote PFM reforms. However, the benefits of using country systems should not be over-played: unlike its successor, the World Bank’s MPF, SFF came with an extensive governance apparatus and support to capacity building, and while mitigating the risk of aid misuse requires immediate actions, PFM reforms remain a slow and long-term endeavour.

Norway’s main contribution to AC has by far been its support to the OAG – one of the two integrity pillars to promote public financial transparency and accountability. Notably, the publication and press coverage of the OAG 2019 audit reports can be considered an important step towards transparency and accountability, to which Norway has contributed.

⁷² <https://www.odi.org/publications/10786-new-deal-somalia-independent-review-somali-compact-2014-2016>

⁷³ It is also worth noting that none of the donors met during the country visit mentioned the 2017 and 2018 MAF as an example of successful AC dialogue.

⁷⁴ This section responds to the evaluation question *Q1 What has been Norway’s explicit and implicit strategies for preventing and fighting corruption?*

Elsewhere, the do no harm approach to AC as a cross-cutting issue – as envisaged in Norway’s grant management assistant – has not been mainstreamed and remains poorly understood by staff and delivery partners. In contrast to other cross-cutting issues, such as gender,⁷⁵ the only instances where NGOs and UN organisations were found to have stopped an intervention was in response to – rather than to prevent – corruption.⁷⁶ This lack of a do no harm approach poses a particular challenge in a country like Somalia, where aid has been found to create or perpetuate corrupt practices in the country in the past, and where aid diversion is sometimes referred to as part of Somalia’s “business model”.⁷⁷

Concerning policy dialogue, Norway has benefited from direct access to the government. This dialogue – whether through bilateral or multilateral channels – has mostly focused on broad issues related to good governance (including PFM) and state accountability, however, and corruption has only been openly discussed on very few occasions with the incumbent government.

Finally, it is important to note that over the review period, Norway has continued to face a high reputational risk in Somalia, linked to alleged political interference to serve commercial interests in the oil sector.⁷⁸ This is addressed as part of the recommendations (see recommendation 4).

4.2 Recommendations

Based on its findings and conclusions, the case study makes the following recommendations to Norway in Somalia:

- 1. Norway MFA in Oslo and in Somalia should promote joint donor efforts to operationalise their ZTP against the risk of aid misuse. This should start by harmonising its grant agreements with partners and promoting public reporting of all alleged corruption cases.**

When interviewed, NGOs provided ample reassurance that their cases of corruption did not involve Norwegian aid money. However, all the NGOs in Somalia use the same safeguard mechanisms irrespective of the source of funding. This makes the risk of misuse of Norwegian aid just as high as that for other donors. The move to a programme-based approach (also increasingly used by NGOs), where Norwegian aid money is no longer earmarked, also provides a strong rationale for developing collective approaches to ZTP and risk mitigation, as also recommended by TI.

Norway in Somalia could also take the lead in calling for more frequent public reporting of all alleged corruption cases in the country involving donor money. The reporting of alleged corruption cases in Somalia is presently low. At the moment, not all NGOs are required to make their corruption cases public; on the multilateral front, UN agencies only report global figures, which leaves an important knowledge gap on their handling of corruption allegations in Somalia. Given the high risk of aid misuse in the country, this lack of reporting was touted by donors (including the Norwegian Embassy) as a source of discomfort rather than a success story. As reported in the press and

⁷⁵ Donor stakeholders met during the country visit provided the example of the World Bank, which decided not to intervene after gender-sensitive issues were identified.

⁷⁶ The UNDP 2016 evaluation report (op.cit), for example, noted that in Puntland where the level of corruption used to be quite high under the previous cabinet, UNDP had frozen cooperation with several government units due to a number of embezzlement cases.

⁷⁷ See notably reports from the UN Monitoring Group.

⁷⁸ The UN Monitoring Group raised concerns over potential conflict of interest in June 2013, noting “*there is a potential conflict of interest between Norway’s oil concerns and its support for the establishment of an exclusive economic zone that would almost certainly lead to a modification in Somalia’s maritime boundary in favour of Kenya*”. These allegations have continued in the following years and shared with the evaluation team in repeated occasions and from various sources during their country visit.

discussed during interviews, there is also still a possibility that some aid agencies may accept some forms of corruption (such as facilitation payment to Al Shabaab) as a necessary evil to continue their business and save lives.⁷⁹

- 2. Norway in Oslo should provide more dedicated advisory support to Embassies on how to implement AC efforts in fragile states, from a project, portfolio and strategic perspective. This should include more guidance on the do no harm approach and the use of safeguard mechanisms, such as third-party monitoring.**

There is no dedicated team or staff working on AC efforts in fragile states, notwithstanding Norway's renewed commitment.⁸⁰ In the strategic framework for Norwegian efforts in fragile states and regions, it is highlighted that Norway will contribute to fighting corruption in fragile situations, among other approaches through improved financial management and strengthening of institutions that prevent corruption, development of fair tax systems and combatting IFF.

The unique and complex set of circumstances that characterise Somalia and other fragile states and regions also call for dedicated guidance on how to operationalise ZTP and AC as a cross-cutting issue, starting with third-party monitoring (already the subject of discussion among donors in Somalia) and do no harm.

- 3. Norway in Somalia should continue to support public financial transparency and accountability in Somalia by making it a more explicit component of its support to AC efforts. This support should not only materialise through its development assistance, but also through Norway being more vocal and providing additional support to independent diagnosis.**

Norway sees its support to PFM reforms as its main entry point to AC. A more explicit and better articulated approach – focusing on Norway's contribution to public financial transparency and accountability – is needed further to demonstrate the causal links between PFM and AC.

Norway should also more visibly encourage public scrutiny of government finances, by publicly reacting to new evidence emerging from oversight institutions, notably the OAG. The government and other donors should also start planning a first comprehensive PEFA assessment, which should be made public and used as a baseline to measure PFM progress.

In its new Partnership framework with Somalia, the World Bank puts particular emphasis on sustaining efforts to promote public financial transparency and accountability as a way to both strengthen PFM and to fight corruption. Therefore, there is an opportunity for Norway in Somalia to work closely with the World Bank on this issue.

- 4. Norway in Somalia should advocate for a broader definition of Mutual Accountability under the country's aid architecture, and, in so doing, encourage donors to step up their commitments towards more balanced partnership, greater coherence, and, transparency.**

The partnership between donors and the federal government of Somalia under the Mutual Accountability Framework – only commits donors to provide development assistance to the country. This narrow definition of mutual accountability is at odds with the Beyond Aid agenda and the Busan

⁷⁹ <https://www.bbc.co.uk/news/world-africa-25295821>; <https://edition.cnn.com/2018/02/12/africa/somalia-al-shabaab-foreign-aid-intl/index.html>

⁸⁰ MFA, *Strategisk rammeverk for norsk innsats i sårbare stater og regioner*, 2017

Partnership agreement⁸¹, which commits donors to more balanced partnerships, greater coherence and more transparency, in particular.

Under the Busan Partnership, donors, including Norway, have committed to working in partnership with state and non-state actors. Civil society, the media, parliament and other oversight institutions all have an important role to play in holding the government accountable on AC-related issues in Somalia. Besides providing continuous support to the OAG and, through the World Bank's MPF, the public account committee, Norway MFA, with Norad, should also consider expanding its support to civil society organisations that have a role to play in monitoring and advocacy.

Promoting transparency is all the more important in a country like Somalia, where rumours are rife and Norway (along with the UK and the USA) has faced continuous allegations of collusion between political and commercial interests in the oil sector. Notably, Norway should provide more regular information on its OfD programme, which started in Somalia three years ago, but is still in the planning phase. It should also keep track of any accusations made in the local and international press, and remain committed to launching a full investigation, should these accusations be substantiated and come from credible sources.

5. Norway in Somalia and Oslo should exert some caution when reporting progress in Somalia. Notably, a corruption and political economy lens should be used when assessing the potential benefits of using country systems and promoting PFM reforms as the main entry point to AC.

Over the last 3-4 years, the donor community has given its seal of approval to the incumbent federal government in Somalia. With support from Norway and other bilateral donors, the country has now cleared its external payment arrears with multilaterals, with the country now qualifying for substantial debt relief under the HIPC initiative.

Caution should nonetheless be exerted when portraying Somalia as a success story. Claims that the benefits outweigh the risks when using country systems should be further substantiated, in view of the slow and partial progress made on PFM reforms, the country's continuous ranking as the most corrupt country in the world by TI, and the limitations (and costs) of using additional safeguard mechanisms in a country with reduced access due to security issues. A do no harm lens is also needed: in a country like Somalia, the use of country systems could promote government legitimacy, but also undermine it if the government is accused of public theft.

6. Norway in Somalia should take advantage of its direct access to top government officials in Somalia to take the lead and develop, with other donors, a more structured and comprehensive approach to policy dialogue on AC, covering transparency, integrity and accountability issues, UNCAC and money laundering.

Donors may remain reluctant to discuss corruption openly with the government. Maintaining regular policy dialogue on issues related to transparency, integrity and accountability could be encouraged as part of a broader AC agenda. These issues should be made central to the new Partnership and the yearly Mutual Accountability Framework.

As also discussed in the Global Case Study, UNCAC could also be used as an entry point to discuss AC with the Somali authorities. As the country comes to ratify the UNCAC, issues related to the country's lack of a formal judiciary system will need to receive donor attention. In addition, the country has frequently been associated with issues related to money laundering in relation to tax havens and the use of offshore accounts. As part of its AC strategy, Norway in Somalia should

⁸¹ <https://www.oecd.org/dac/effectiveness/49650173.pdf>

therefore make more explicit reference to the global AC agenda, and notably the Resolution on Vast Quantities of Assets, which Norway in Oslo has actively supported.

Annex 1: List of People Consulted

1. Adam Spilld, Danish embassy, Nairobi
2. Albert Soer, Portfolio Manager Effective Institutions, UNDP Somalia
3. Danielle Naranjilla, Head of Partnerships, World Food Programme, (by email)
4. David Robinson Anti-corruption advisor based in Nairobi, UNODC
5. DG Souleymane, Ministry of Finance
6. Faisal Ahmed, Ministry of Finance
7. George Nuanuga, Adam Smith International, Somali Stability Fund
8. Gunvor Skancke, Development Counsellor, Kenya & Somalia, Norway MFA
9. Jan-Petter Holtedahl, former Counsellor Somali Affairs, Norway MFA; Norad
10. Jama Yassin, Nordic International Support Foundation
11. Jarat Chopra, former UN Coordinator– UN Security Council Somalia and Eritrea Monitoring Group
12. Jean Ives Bonzi, Coordination Officer, Strategic Partnership Unit, Integrated Office of the UN Resident Coordinator for Somalia
13. Jens Peter Dyrbak Danish embassy, Nairobi
14. Joakim Gundel, former WB staff.
15. Jocelyn Mason, UNDP Resident Representative
16. Kjersti Lindoe, Oil for Development secretariat, knowledge bank, Norad
17. Liban Obsiye, the Policy Coordinator at the Office of the Finance Minister in Somalia.
18. Louis Oliver, head of governance team, EU delegation
19. Marit Marie Strand, Department for Economic Development, Gender and Governance Section for Development Strategy and Economic Governance, Norad
20. Matthias Mayr, World Bank MPF office, Nairobi
21. Dr Mahad Mohamed, Somali Federal Ministry of Justice and Judiciary Affairs
22. Mohamed M. Ali Auditor General in Somalia
23. Monica Blaaid, Programme Officer, Somalia, Norway MFA
24. Minyu Mugambi, ADRAS
25. Narve Nub Kveseth Rotwitt, Civil society department, Norad.
26. Nina Berg, Danish embassy, Nairobi
27. Oliver Chevreau, SSF, Adam Smith International, Stability Fund
28. Petra Smitmanis Dry, Head of Development Cooperation, Somalia Section, Embassy of Sweden
29. Raqiya Ahmed Ga'al, Nordic International Support Foundation
30. Shamsa Birik, Programme Officer, Somalia, Norway MFA
31. Vishalini Lawrence, Adam Smith International, Stability Fund
32. Victor Moses, Norwegian Refugee Council, Somalia

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Case Study

II. Thematic Sector Case Study: The Health Sector

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II. Thematic Sector Case Study: - Health Sector

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1. Introduction

1.1 Background and purpose

In this case study we examine how Norway's Anti-Corruption (AC) policies translate in practice in its development assistance to the health sector, specifically *global health assistance*. This is one of the five sectors prioritised by the Norwegian Parliament (the other four being Climate/Environment, Education, Humanitarian assistance and Private Sector Development/agriculture/renewable energy). The overall purpose of this evaluation, set in the study's Terms of Reference, is '*to contribute to strengthening Norway's AC policies and practices within its overall development policy*'. We use our findings of how Norway is implementing its AC policies in this sector to suggest how Norway can improve. Other actors in Norway and abroad are another of the intended audiences of the report; we examine how the global health multilaterals are addressing corruption issues, thereby achieving improved development outcomes.

Health was chosen as one of the two sectors examined (the other being Climate/Environment) because it has long been a priority for Norway. Furthermore, the bulk of Norway's assistance in health is channelled through multilateral organisations: 79% in 2018. Increasingly routing aid through multilaterals is a deliberate policy direction for Norway, so health is a good sector through which to test out how Norway gains - or does not gain - assurance on AC through these channels.

1.2 Methodology

The health sector case study is centred on the approach to corruption and the anti-corruption mechanisms in place at three of the largest health multilateral channels: Global Alliance for Vaccines and Inoculation (GAVI), Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund or GF), and the World Health Organisation (WHO).

Documents reviewed include audit reports, investigation reports, Board minutes, Finance Committee minutes, Strategies and plans, country performance reports and so forth. Several bilateral health projects were also reviewed: Relevant project documents were downloaded from MFA and NORAD archives. Finally, one health project in which AC was the principal purpose of the project was examined: there weren't any others of any substance in health in the evaluation period. The case study makes reference to the Problem Driven Adaptive Framework (PDIA) (Andrews et al 2015), as a way to follow how the sector has adapted to corruption concerns and corruption-related obstacles to improved health performance.

The team interviewed 34 people, several more than once, in Oslo, Bergen, Geneva and Washington DC.

1.3 Structure of the report

In Chapter 1, after an overview of corruption in the health sector and the corruption problems in the sector, the report reviews the big-picture health context: the major trends in the sector that are relevant for AC, the characteristics of each of the principal health multilaterals in relation to AC, the trend with bilateral partners and the current direction of AC in health. Chapter 2 sets out our findings, answering the 'Evaluation questions' that were given to the team.

In Chapter 3 we present our conclusions and recommendations for Norway, including a possible new framework through which Norway can better operationalise AC as a cross cutting issue. Because the mechanisms for health assistance are now so global and so interconnected, action on a larger scale -

not just by individual countries like Norway - is also needed to effect useful change on health AC. Accordingly we also present our proposals for strengthening international health assistance.

2. The Context

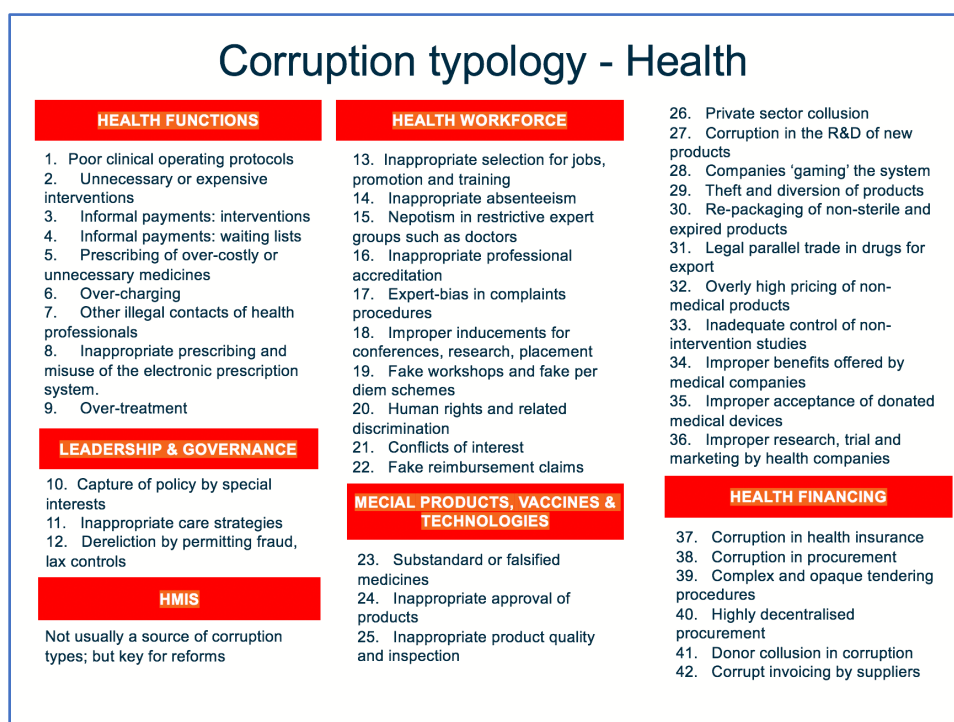
2.1 The scale and nature of corruption in health

Scale. The costs of corruption in health are high. World Bank suggests that 20-40% of all health spending is lost to waste and abuse (World Bank 2019). WHO estimates that US\$415bln was lost to health care fraud and abuse in 2008 out of total spending of US\$5.7trln (Gee and Button 2015), whilst IMF estimates that US\$ 455bln was lost to healthcare fraud and abuse in 2013 (IMF 2016). Corruption costs many thousands of lives, from 140,000 child deaths each year (Hanf et al 2011), to hundreds of thousands of other lives lost because citizens are required to pay cash for services which they cannot afford to take up (WHO 2015). Such Out-Of-Pocket payments are the principal funding source for Health Ministries in poor countries, but they are also a fertile source of corruption.

Nature of the problem. For country health ministries, corruption problems are one of the major barriers to improved health outcomes. The problems include *health workforce* issues such as absenteeism for health staff, which can be a third or more; *health function* issues such as unnecessary or overly expensive clinical interventions; *health products* issues such as excess spending on medicines, falsification of medicines, or purchase equipment that does not help outcomes but rewards the doctor recommending it; and *health governance* issues such as permitting the continuation of lax controls. A more recent trend in corruption problems has been in *Health Management Information Systems (HMIS)*, such as corrupt falsification of data so as to obtain additional funding or disguise failure. A normative list of the corruption problems typically encountered in national health systems is shown below (CurbingCorruption 2019).

For donors, the most direct corruption problem is the diversion or misuse of donor funds, generally caused by poor governance and poor financial controls.

For health multilaterals whose mission is the eradication of specific diseases, like GAVI and Global Fund, the corruption issues will be as much disease and health-intervention-specific as context specific: the patient pathway for a TB patient will always have the same elements. Similarly, a

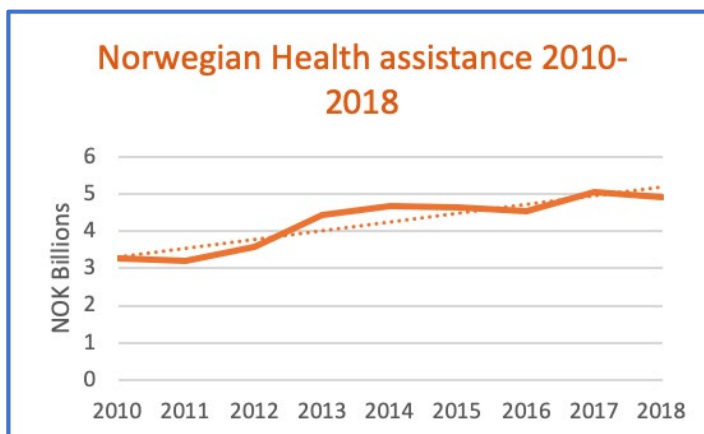


bednet campaign will always require the same steps, largely regardless of country. Guidance in defining and tackling health corruption issues in-country is where normative organisations have a leading role to play, such as WHO through their Health System Strengthening (HSS) capabilities or World Bank which, though not normative as such, is influential through its advisory capacity and engagement at political and institutional macro level.

2.2 Norway's assistance in the health sector

Norway provided NOK 4.9 billion in assistance to the health sector in 2018. Large in Norwegian aid terms and on a per-capita basis, this funding has risen steadily during the last decade (see chart; NOK expressed in money of the day).

NOTE: The data on health assistance in the chart has been assembled from the NORAD database by adding together funding listed as being to the 'Health' sector, together with funding to several of the health multilaterals that is separately categorised within the 'Multilateral' sector.



The bulk of this health assistance - 79% in 2018 - is channelled through multilateral organisations. Though Norway's total contribution to the WHO (1.24% of WHO's budget of \$6.1 billion), is smaller than major donors like the USA (15.05%) and the Gates Foundation (12.7%), Norway is one of the most generous nations providing non-specific core funding.

The principal multilateral partners through whom NOR health aid is channelled are GAVI, UNICEF, Global Fund, World Bank, WHO and UNAIDS. Channelling Norwegian health assistance through multilaterals in preference to bilateral channels is a trend that has been building steadily through the decade, rising from 59% in 2010 to 79% in 2018. This has been an active Norwegian policy, driven by several factors: 1) the desire to actively help to build and strengthen the international order, 2) the need to limit grant management resources in MFA and NORAD in response to Parliamentary budget pressures, and 3) by the perception that corruption risk – or fiduciary risk – is better managed by the multilaterals than by Norway in bilateral relationships with individual partners. This multilateral-centric policy is central to Norway's approach to corruption risk in health; it has had both beneficial effects and disadvantages, examined later in this report.

2.3 Norway's engagement with the health multilaterals

Norway is actively engaged with all three of the health multilaterals in the case study, through staff working full time on health assistance in MFA Oslo, the Norwegian Permanent Mission to the UN in Geneva and in NORAD, plus engagement with WHO from the Ministry of Health (MOH). We noted, however, that the base agreements between Norway and each of the three multilaterals are surprisingly hard to locate. Despite several requests, the evaluation team was not successful in finding this document for any of these three multilaterals.

With **GAVI**. MFA and NORAD (Health section) have been heavily engaged with GAVI for many years. Norway has rotating formal representation on the 28-member main GAVI Board, in the seat for 'Norway/Netherlands/Sweden'. This is currently filled by Sweden, with Norway as the alternate. We understand that responsibility for representing Norway on this Board moves back from NORAD to the new Section for Global health, Education and inclusion in the Sustainable Development Department in MFA as from Feb 2020. Norway has formal representation on the Programme &

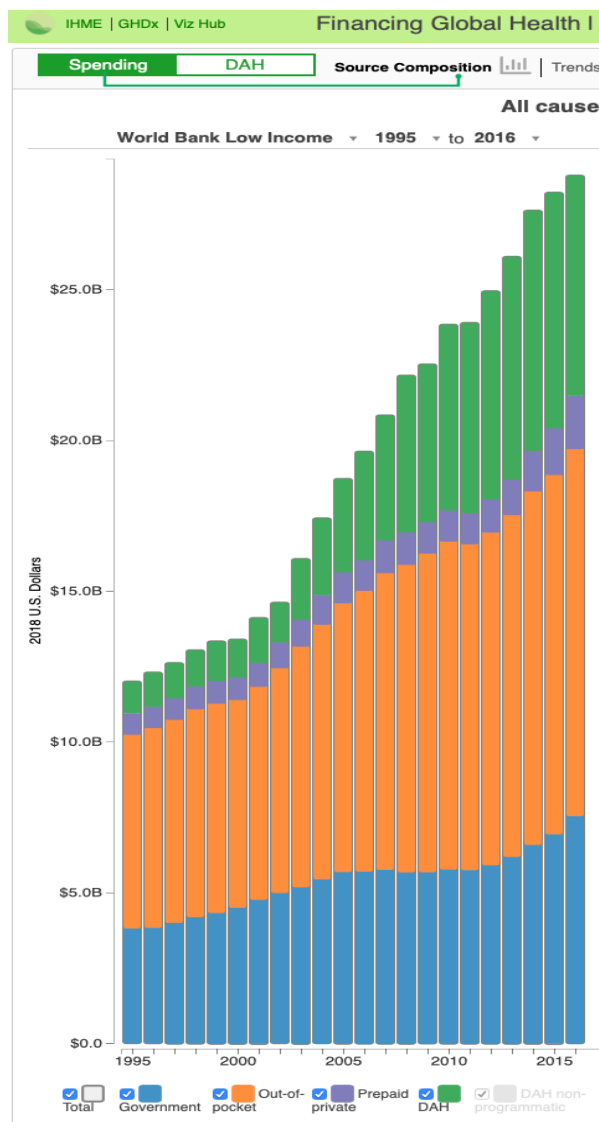
Policy Committee (by NORAD's Health Section). Norway is also present on the GAVI Audit & Finance Committee (by NORAD's Department for Quality Assurance). The Norwegian Permanent Mission to the UN and other international organisations in Geneva has occasional engagement, through its Minister-Counsellor for Health issues. GAVI also receives occasional visits from other MFA/NORAD sections such as the Foreign Service Control Unit (FSCU).

With Global Fund. Norway has considerable informal engagement with Global Fund, through NORAD Health Section, MFA staff and the health Minister-Counsellor at the Norwegian UN Mission in Geneva. Regarding formal representation, there is one main Board seat for the 'Point Seven' constituency of nations (countries that are committed to reaching the 0.7% aid level: Norway, Sweden, Netherlands, Ireland, Luxembourg and Denmark). Norway, through the NORAD Director General, held this position from 2017-2019, and it will now rotate round the other Point Seven countries. We understand that responsibility for representing Norway on this Board will move to the Sustainable Development Dept in MFA as from Feb 2020. Norway is not currently on any of the three Board Committees (Audit and Finance Committee, Ethics and Governance Committee, Strategy Committee). Global Fund also received a visit from the MFA Foreign Service Control Unit FSCU in 2016.

With WHO. WHO is different from other two multilateral organisations, as it is a UN membership organisation where all nations are members; which has implications for governance and interaction. Norway is currently not a member of the board but is an active participating member state in both the World Health Assembly, the Executive Board and the Programme Budget and Administration Committee to the Board. WHO received a visit from the MFA Foreign Service Control Unit FSCU in 2016. Norway is one of the countries that

most strongly supports the WHO and as such it has the capability to have significant impact in encouraging anti-corruption reforms. This is part of its long-standing commitment both to global health assistance and to supporting the global architecture of the UN and related organisations. For example, Norway's Director General for UN Affairs in MFA, just prior to the WHO Health Assembly in May 2019, emphasised that *"We value WHO's global leadership role in setting normative standards, and the important role in assisting countries in health crises. The normative function is what separates WHO from other organizations and funds engaged in health at country level. We expect WHO to continue to communicate clearly about evidence-based interventions, on the basis of its normative mandate. Norway will help to protect WHO's normative mandate and defend it when necessary."*

The head of delegation of Norway to the World General Assembly is usually the Minister of Health. Both the Ministry of Health, coordinated by its Section for International Cooperation and the Ministry of Foreign Affairs prepare and coordinate Norway's participation in governing bodies



meetings as well as in informal processes throughout the year with substantial contributions from the Institute of Public Health, the Directorate of Health and NORAD. Norway's financial contribution to WHO comes from the aid budget and the Programme Cooperation Agreement between WHO and Norway is signed by the MFA, where the responsibility for WHO lies with the Section for Global Health, Education and Inclusion as per February 2020. Norway's UN Mission in Geneva has a Global Health team, comprising of one Minister-Counsellor (from the MFA), one Counsellor (from the Ministry of Health) and one intern that dedicate a substantial amount of their time and resources to the follow-up of WHO.

Health staff in MFA and NORAD have direct engagements with WHO on Norway's three health priorities (Mobilising for women's and children's rights and health, reducing the burden of disease with an emphasis on prevention and promoting human security through health), as well as on other issues.

2.4 Global trends in health assistance that will change AC priorities

The structure of development assistance shapes how corruption manifests itself in the sector. The most prominent feature of this structure in health is the global scale of health-specific multilateral organisations. Some of the big trends in Development Health Assistance (DAH) that will influence AC efforts in health are noted below.

Spending on health in low income countries is rising rapidly. The graph above shows this rising trend, (IHME 2019). The large rise from 2003 - 2013 was driven in part by the rise in Development Assistance in Health (green bars).

Direct payments by citizens are the largest part of health funding, larger than aid. The graph also makes clear the dominant and rising scale of direct contributions by citizens, termed Out of Pocket Expenses or OOP (orange bars). OOP spending is larger than either DAH or Government spending and is continuing to rise. The payments are often unaffordable for citizens, discouraging the poor from taking up the services. Improper requests from officials and medical staff for direct OOP payments are also a major corruption problem for most country health organisations. There is also considerable work needed to transfer from OOP to tax and social insurance funding.

Health assistance (DAH) stopped rising in 2013 and has been roughly constant since then. This factor is one driver of the efficiency transformation of the WHO and to a greater awareness of the need to address corruption issues in order to improve health outcomes.

In-country health spending is expected to rise for decades to come, led by OOPs. OOP funding, government funding and private sector funding in low income countries are expected to increase for decades to come. These non-donor funding streams contain significant corruption risk, and rising funding usually means rising corruption risk.

2.5 GAVI and its approach to AC

GAVI is an alliance of multiple partners, sourcing funding from donors, the private sector and via other financing mechanisms from the capital markets (usually guaranteed by donor pledges). GAVI's secretariat, based in Geneva, is a relatively lean organisation of some 300-permanent staff, and GAVI is not present on the ground in-country. Instead, Gavi relies on country-based delivery systems - supported by WHO, UNICEF, civil society and other partners with widespread field presence - to help the national Ministry of Health to deliver the programmes.

Gavi's largest expenditure is for vaccine procurement (\$1.2 billion in 2018, two thirds

of annual spending) but, because UNICEF purchases almost all the vaccines and does so centrally, this is a relatively low corruption risk. Technical assistance and cash support for the purposes of strengthening country health systems (\$318m, GAVI 2018 annual report) is a high-risk area. Even though total cash grant disbursements have been on an upward trajectory, disbursement has been slowing down, in part due to risk reduction requirements (GAVI 2018d, item 2.26).



Leadership approach in relation to AC

Main Board: The GAVI Board operates in many ways that are positive in respect of transparency and assurance: 1) The current Board Chair is well known for her strong stance on anti-corruption; 2) The Board contains both independent members and representation from Civil Society; 3) The Chair of the audit and finance committee is also a member of the main board; 4) The Board minutes and the supporting papers are published; 5) Possible conflicts of interests of Board members are raised and acted on, insofar as they are declared (GAVI 2017d, Item 15.5).

The topic of 'corruption' does not appear directly in the Board (review of Board minutes for 2019, 2018 and 2017), but the GAVI-chosen equivalent - misuse - does appear. For example, in November 2017: *"The Board confirmed that there is zero tolerance for misuse and that it is important to recognise donor's concerns in relation to fiduciary risk. The Board also emphasised, however, that it is critical to Gavi's mission that we build the capacity of the government systems and use these systems wherever possible. Therefore, the Board members acknowledged the difficult challenge in getting this balance right."*

Board Committees: The key Board decisions are largely made in two of the Committees of the Board. The first is the *Programme and Policy Committee (PPC)*. The PPC is the core decision-making engine of GAVI, providing 80% of the reasoning and draft decisions that the Main Board approve. However, it does not discuss corruption, nor propose any item on this topic for the Main Board. Only a single reference to corruption was found in any of the PPC Minutes for the three-year period 2017-2019, 2018; It was related to UNICEF's pooled procurement of vaccines in middle income countries (GAVI 2018c, Item 8.9). Many interviewees observed that the PPC members are from health backgrounds, and, like health professionals generally, do not feel themselves qualified to talk about corruption.

The second key Committee is the *Audit and Finance Committee (AFC)*. There are six AFC-meetings during the year of which two are in-person full-day sessions, two others in connection with Board meetings and two by teleconference. Papers are out for each agenda point, usually two weeks before meeting. Usually either one of the Gavi CEO or deputy CEO attends the AFC-meetings. From a

review of the AFC minutes and the submissions (both of which are public), the discussions seem to be substantive and of high quality.

However, the AFC is the mirror image of the PPC - the members are largely finance and audit people, whose view of corruption is almost solely about financial control and financial responsibility. This is not 100%: for example, the Ghanaian Minister of Health is on the AFC, as is a civil society member. Though the GAVI bylaws partially constrain the competence profile of the Committee members, the institutionalisation of this finance/fiduciary conception in the GAVI Committees seems to be a significant flaw in GAVI's governance. In a private sector context, an audit committee that comprised only finance or audit people would be regarded as deficient. One interviewee commented that some INGOs are rebranding their audit committees as 'oversight committees' as a way to change their focus and to address this concern.

Board strategy. The major strategic direction for GAVI is set in their upcoming 'Phase V', which sets GAVI's strategy for the period 2021-2025 (GAVI 2019i). It is summarised below:



The strategy contains two themes that do connect with AC, though indirectly: supporting country health systems and promoting domestic public resources to improve efficiency. However, the evaluation team noted that related strategy discussions do not focus on the AC aspects of these except in passing, for example in noting with concern the corruption trade-offs between working through partners and working through in-country systems. Yet, in practice, GAVI already works largely through partners WHO and UNICEF, rather than through in-country systems. This is an example of a tricky topic being repeatedly raised but not being developed through to action. The evaluation team understands that it is an ambition of Gavi 5.0 to engage country systems more.

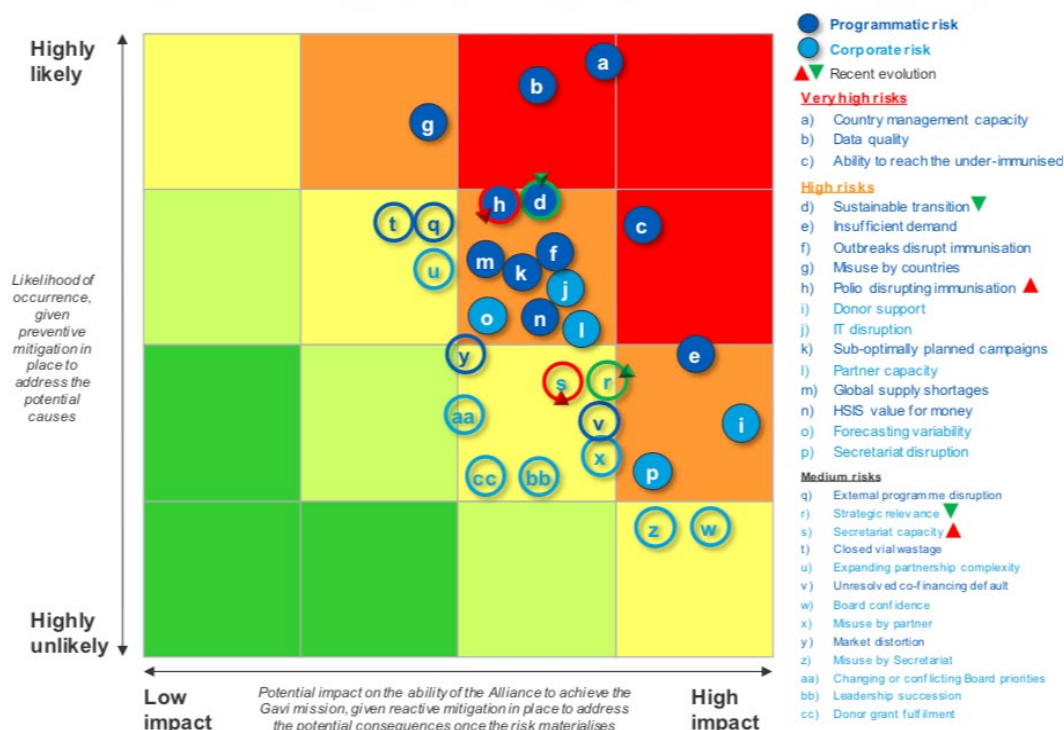
Organisation openness on corruption. GAVI staff are open to talk about corruption issues. However, one area of concern is that GAVI's commendable stress on 'good news' comes with some indications of complacency and downplaying of fraud corruption issues: evidence includes the use of 'misuse'; having only a single investigator; presenting tricky issues to the AFC but not resolving them, as noted above; the lack of investigations arising from audits; half-hearted and failed attempts to improve the transparency of WHO as delivery partner. At Board level, interviewees commented that the main Board suffers from high turnover and some members feel there is not a culture of challenge. This was also noted in the Board itself (GAVI Board, June, 2019, item 2.5) but without resolution.

GAVI AC mechanisms and processes

Risk assessment and management. GAVI addresses risks in a more serious and structured way than a few years ago, a change noted by many interviewees. It has a head of risk who sits on the executive committee, and its risk heat maps are well developed, as in the 2019 risk diagram below (GAVI 2019c). Nonetheless, the evaluation team had several concerns. 1) Several of the risks seemed to be permanently 'outside risk appetite' which suggests that the remedial measures are not adequate; 2) We could not see how well the framework was being operationalised at country level and indications were not positive. A recent GAVI audit, for example, found that the country programme capacity assessments, a key GAVI control, were not effective; 3) The AFC has asked for some time for GAVI to conduct more counter-fraud work and fraud risk assessments, but these have not materialised yet, nor is it realistic with a single investigator. Gavi did a "refresh" of a fraud risk

assessment in autumn 2019 of the one made originally back in 2015/2016 at the establishment of the A&I unit.

Alliance top risks ranked against likelihood and impact 2019 residual risk exposure, taking into account existing mitigation



Country risk-mitigation mechanisms. Despite not being present in-country, GAVI has a substantial array of in-country financial safeguarding mechanisms - see box below.

Fiduciary agent: Usually embedded within government systems to manage Gavi risks through approval/validation of grant expenditures. Typically, Gavi contracts FAs in conjunction with another agency e.g. Global Fund. A capacity building component would usually be included in its scope of work. E.g. in DRC, Madagascar, Malawi, Uganda.

Monitoring agent: Party providing external assurance of programme implementation and management, but which can be focussed towards financial assurance only. E.g. in Ghana, Kenya, Mozambique, Ethiopia.

Management agent: An alternative UN partner or external agency (not a Gavi Alliance partner) which acts as lead implementer taking responsibility for delivery of results and managing risks and overseeing the activities of implementers. Would typically cover both programmatic and fiduciary responsibilities. Currently under discussion for PNG.

Project Management Unit: Used where fiduciary risk is very high yet there is a desire to remain within government systems. This enables Gavi to obtain reasonable assurances on grant spending whilst developing sustainable capacity in governments. Can become a parallel (unsustainable) approach if not set up appropriately. Potential for cost efficiencies if shared with other agencies, such as the Global Fund. E.g. Malawi, Burundi, Afghanistan, Eritrea.

Common funding mechanism: Designed to reduce fragmentation and ease pressure on the country of dealing with multiple donors. Can mitigate risk by combining resources and working through a common governance structure. Can also be more cost efficient as costs are spread over a larger fund. Less transparency over spending can be a problem when results show under-achievement. E.g. Ethiopia, Nepal, Bangladesh, Pakistan, Niger.

Audit capability. The Audit & Investigations Department reports to the Board through AFC. All audits are made public. The GAVI audit function has expanded since from a single person to 13 persons, comprising internal audit (3 staff), programme audit (7 staff), and investigations/counter-fraud (1 staff). Pressure to make these improvements has come in part from Norway. The audit team has been externally reviewed recently and regarded positively, being rated at the top level of "generally conformant". (GAVI 2020a).

The evaluation team reviewed five GAVI audit reports: two internal audits (Grant Monitoring Process 2017, Expanded Partners 2018) and three programme audits (Cameroun 2019, Rwanda 2018, Bangladesh). The internal audits focused on the normal function of audit: provision of assurance on the effectiveness of controls. The three programme audits identified ways the delivery programmes could be improved, together with identification of misused money; GAVI requested and achieved repayment from the Health ministry in each case. The audit team seems fully capable based on this limited overview.

The deliberate non-focus on corruption noted earlier is also evident in the GAVI audit reports. Across the five audits examined by the evaluation team, the word 'corruption' was not mentioned in any of the audits.

Investigation capability. There is a single investigations person, responsible both for doing investigations and for a range of other tasks. Since 2012 there have only been four external investigations that the evaluation team could identify (Madagascar 2018, PNG 2017, Cote D'Ivoire 2012, Cameroon 2012). The explanation given was that GAVI did not see the effectiveness in doing investigations, because their broad concept of 'misuse' enables them to demand repayment should misuse be found, without any directing of accusations. Some interviewees in GAVI also commented that a preventive approach to AC - which they believe is encouraged by a programme audit approach rather than an investigations approach - is more development-friendly, as after-the-fact and unplanned for misuse findings can cause major disruptions to programmes.

Recovery of misused funds. GAVI has reclaimed 99% of funds judged to have been misapplied, to a total of \$35.4mln in the period since 2009 (GAVI 2019a).

In-Country implementation through WHO and UNICEF. Since GAVI is not present in-country, all its work is channelled through entities in-country. These may be the national Ministry of Health, or INGOs, but is most commonly done through other multilaterals, principally WHO and UNICEF. In the case of WHO, GAVI passes large sums of money to WHO for specified in-country implementation. According to WHO's analysis of financial flows (WHO 2019j), GAVI was the third largest contributor to WHO funding in 2018-2019 (after the USA and the Gates Foundation), contributing \$ 370 million, 8.18% of the voluntary contributions to WHO's budget (the total WHO budget, which includes country-assessed contributions, is \$5.6bln as of Q4/2019; see WHO (2019k)). Just under two thirds of GAVI's contribution goes through WHO's Africa and Eastern Mediterranean regions.

GAVI depends on WHO and UNICEF to follow through on possible corruption and fraud issues, where the issue is within its own purview. Where the multilateral is doing the work on its own account, which we are informed is typically 2/3rds of the time, GAVI does not have any right to examine any possible problem, under the 'one audit' rule. Where the multilateral is itself contracting a third party, about 1/3rd of the time, GAVI does have the right to ask what investigations have been done and to see a copy of the investigation report. However, the evaluation team was informed that this rarely happens in practice. Furthermore, GAVI may be completely unaware that there have been fraud allegations, even if WHO has investigated them. GAVI has also pressed for closer working between the GAVI audit team and WHO/UNICEF audit teams. Now, 2-3 years after first raising the topic, we understand that GAVI and WHO have still not advanced beyond considering a pilot.

2.6 Global Fund and its approach to AC

The Global Fund is designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. The fund raises and invests US\$4 billion a year to support programs in more than 100 countries.

Organizational Risks	Risk Levels			
	Current Risk Level	Proposed Risk Appetite	Proposed Target Risk Level	Proposed Indicative Timeframe for Achieving Target Risk
In-Country Supply Chain	●	●	●	4-5 years
Program Quality	●	●	●	4-5 years
Strategic Data Quality and Availability	●	●	●	3 years
Grant-Related Fraud & Fiduciary	●	●	● ↘	N/A
Procurement	●	●	● ↘	N/A
Accounting and Financial Reporting by Countries	●	●	● ↘	N/A
Grant Oversight and Compliance (at PR Level)	●	●	● ↘	N/A
Quality of Health Products	●	●	● ↘	N/A
Foreign Exchange	●	●	●	N/A

● - Very High	● - High	● - Moderate	● - Moderate/Low	● - Low
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The major organisation risks are shown in the Main Board risk chart for 2018 above together with the organisation's appetite for that risk. (GF 2018c). The risks of fraud and corruption are high at the Global Fund, given the large sums of money that are being invested and the high corruption risks in many of the countries.

Leadership and organisation in relation to AC

Board Committees. The quarterly Audit and Finance Committee (AFC) is a substantive committee. It lasts two full days, detailed sessions all of each day. Turnout from the Executive Team is regularly good: the CEO and Head of Country management and grant management, Head of risk and Heads of audit and investigation are routinely present. Each agenda session lasts one hour, always with pre-papers and time beforehand to review them, usually two weeks. All decisions are done through formal votes, with clear decision points. Interviewees who attend (including outside members) comment that there is also a lot of work done between AFC members before the meetings to do the legwork.

Organisation openness on corruption. Besides the formal evidence of openness – transparency of agendas and minutes and submitted documents, publication of most documents, huge volumes of material on the website, etc - staff at Global Fund are more open when talking about corruption risks and issues. Several interviewees commented on this and that this degree of openness is unusual in health organisations (it is also the case at GAVI).

AC Policies, organisations and structures

Policy to Combat fraud and corruption. Global Fund's Policy to Combat Fraud and Corruption (PCFC) is a recent development, dating from November 2017 (GF 2017a). It is a substantive, quality document. The policy is clear not only on the fiduciary requirement for Zero Tolerance but also in the way that it highlights corruption's capability to impede the achievement of health outcomes and the need for good anti-corruption measures as part of strengthening health systems. This policy is, however, ahead of the current reality, which is still focused largely on fiduciary responsibility.

This policy document has the potential to be directly useful also to Norway's own processes as it is clear on what is needed to mainstream AC as a cross-cutting issue.

Safeguarding mechanisms – Global Fund has a sophisticated set of mechanisms for monitoring integrity and diversion risks. Besides the Country Coordinating Mechanisms, they have independent monitoring groups in-country - Local Fund Agents (LFAs). There is an additional safeguarding policy for high risk countries, where in addition they have Fiscal Agents (FAs). The only issues relate to unclear roles between them - some OIG reports show that the respective roles of the LFA/FA/CCMs are not that well defined. A recent example was in DRC, where corruption occurred: there was collusion, roles and responsibilities were also not clear.

Grant management. Global Fund has a detailed and extensive Financial Grant Management Manual, current as at December 2017. A recent OIG audit of the grant process (2018a) concluded positively as follows: *"As reported to the 40th Global Fund Board by OIG in November 2018; despite grant funds going to some of the most challenging operating environments in the world, our work in 2018 so far continues to show that the enhancements of financial controls in Global Fund programs over the years have significantly contributed to a decrease in large cases of fraud and unsupported transactions, and have helped achieve substantial impact in communities most in need."*

Recovering improperly spent funds from countries. Like GAVI, Global Fund prides itself on the clarity and swiftness with which it is able to recover money spent on prohibited practices. This includes recoveries from countries who might otherwise be expected to resist recovery, such as Nigeria and Cameroon. This is important, as the difficulty of recovering funds and the possible damage to important relationships, is sometimes used as a justification for not energetically pursuing recovery of funds. Global Fund has reclaimed \$109mIn over the period 2013 to 2018, a recovery rate of 98% (Global Fund 2019j).

Audits, Investigations and Whistleblowing

The Office of the Inspector General (OIG) comprises two groups, an audit team and an investigations team. The OIG is independent of the rest of GF and reports direct to the Board, through the Board Committee for Audit and Finance. All OIG investigations and audits are made public, available on the Global Fund website, [here](#). OIG is located at Global Fund's offices, but access to the OIG floor is restricted to suitably authorised GF staff.

Audits. There is an audit team of 18. A desk review of three recent audits indicated solid audit practice (Global Fund Grants to Zambia (GF 2017c); Global Fund Risk Management Processes (GF 2017d); Managing Ethics and Integrity at the Global Fund (GF 2019h). Audit also audits the quality of services provided, challenges that constitute a risk to the Global Fund's aim of sustaining the gains already achieved. For example, OIG reviews found that HIV diagnosis is not consistently performed in line with national guidelines, which could result in misclassification of patients; for example, in Myanmar, 38% of the facilities visited by the OIG did not test in accordance with approved HIV testing guidelines.

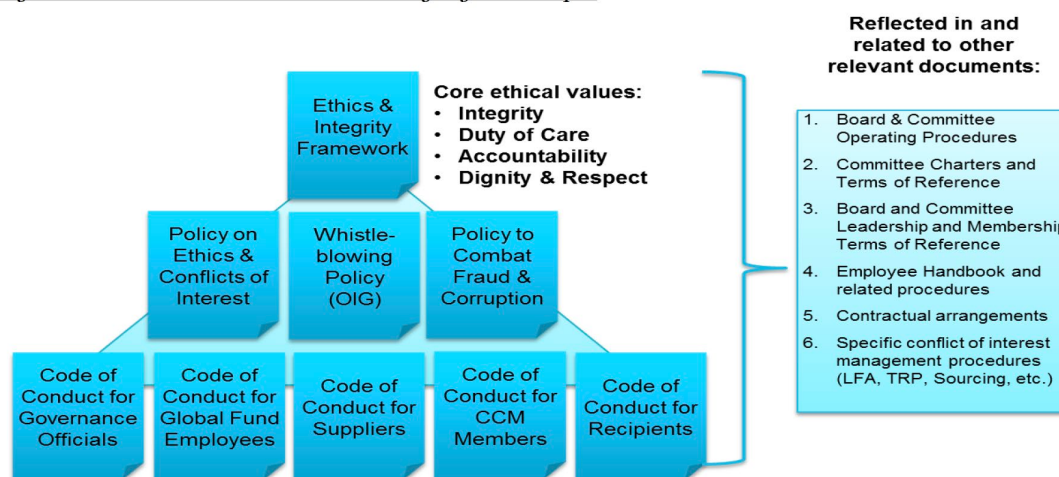
Investigations. The Head of Investigations at Global Fund manages a team of 20, comprising 18 investigators plus analysts and forensics. They do 20 'full' investigations per year and 40 'oversight' investigations per year. Some of the Global Fund implementers also have their own investigative capacity, e.g. Save the Children, OIG charges them with the local investigation and follows up with

them with further investigation if it is a larger issue. OIG see investigations as being particularly important because they enable Global Fund to get to the root causes of the corruption and thereby to propose and implement meaningful reforms. Examples were given of a transport procurement fraud in DRC, which had consequences for how all NGOs were being managed by Global Fund; of phishing attacks in Senegal, with broad implications for Global Fund operations in other countries; and of systemic fraud in Sierra Leone.

Thematic reviews. OIG carries out proactive ‘Thematic Reviews’ each year, which are not investigations but are reviews by OIG Investigations of trends and possible trends. Such thematic reviews are a proactive way both of obtaining strong assurance and of raising the bar across other organisations.

Ethics. The Chief Ethics Officer and the ethics office are relatively new additions to the Global Fund integrity structure. The incumbent, the first, was appointed in January 2016. He and his team see their mission as being establishing all the elements of the ‘ethics landscape’ across Global Fund, as outlined in the diagram below.

Figure 1: The Global Fund Ethics and Integrity Landscape?



It was the Ethics Office that led the process of developing the Policy against fraud and corruption, discussed above. The ethics office was itself the subject of an internal audit by OIG in 2019 (GF 2019c), which concluded that *"while ethics and integrity risks are reasonably managed at the Board and Secretariat level, significant improvement is required in addressing issues relating to suppliers and implementers."*

2.7 WHO and its approach to AC

WHO defines itself as the ‘Global Guardian of Public Health’, ‘working for better health for everyone everywhere.’ It is a specialised agency of the UN, comprising 7000 staff, with their HQ in Geneva, six semi-autonomous regional offices and 150 country offices. Funding is USD 6.2 billion p.a. as at 2018-2019 (WHO 2019I). Being a UN agency, the governance is more elaborate than in Global Fund or GAVI. For the purposes of this case study, WHO comprises two quite different spheres of activity: its normative role and managing delivery programmes in-country. In respect of AC, Norway has a strong interest in both roles.

Normative role: WHO is the global leader on health. Chancellor Merkel, for example, has described WHO as the “only international organisation that enjoys universal political legitimacy on global health matters (Kickbusch et al 2017), though this global legitimacy has come under some pressure recently following the Covid 19 health crisis. Norway is similarly strongly supportive of WHO’s normative role.

On AC, however, health interviewees commented that WHO has been largely silent on corruption issues, with discussion and engagement discouraged. However, there are two recent signs of change:

1) **UNHLM**. In the recent Political declaration of the high-level meeting on Universal Health Coverage, held in October, 2019, the Heads of State approved Resolution 74/2, which contained the following paragraphs regarding fighting corruption and strengthening transparency and accountability in health: *"Recognize that fighting corruption at all levels and in all its forms is a priority and that corruption is a serious barrier to effective resource mobilization and allocation and diverts resources away from activities that are vital for poverty eradication and sustainable development, which may undermine efforts to achieve universal health coverage"* and *"Build effective, accountable, transparent and inclusive institutions at all levels to end corruption and ensure social justice, the rule of law, good governance and health for all."* Though this statement represented the commitment of national leaders to implement the declaration in their own countries, health interviewees also regarded these statements as highly significant in the particular culture of the WHO secretariat, though they are so recent that they have not yet percolated through the organisation. Many interviewees, inside and outside WHO, told the evaluation team they want to see change.

2) **Global Network on Anti-Corruption, Transparency and Accountability in Health Systems (GNACTA)**. The Health Systems Strengthening (HSS) group in WHO HQ has been working on increasing collaboration between health organisations engaged on anti-corruption, transparency and accountability (ACTA) initiatives. They have proposed establishing a global network, called GNACTA (WHO 2019a,b,i). The idea behind GNACTA is to foster increased coordination and collaboration among stakeholders and raise global awareness and enhance accountability for ACTA in health. It is also intended to bridge the research-to-practice divide, across disciplines and stakeholder groups, and draw learning from other sectors. It is focused on achieving national ACTA capacity in the health sector through key partnerships (e.g. MOH, Civil Society, Anti-corruption bodies, donor alignment, etc) and citizen engagement, very important as nations transition away from development aid. GNACTA is intended to be catalytic, combining the ACTA work of WHO, UNDP, the Global Fund as well as NGO partners. It is built on the idea of a public health approach to anti-corruption rather than a punitive approach, which aligns with WHO's mandate. A public health approach involves better defining and measuring the problem in different contexts, deep dives into determining the cause or risk factors for the problem, determining how to prevent or ameliorate the problem, and implementing effective strategies on a larger scale and evaluating the impact.

Programmatic role. WHO is not only a normative organisation. WHO also programmes and assists countries to implement programmes. Partly this delivery role is in response to new areas of focus, such as countering the Ebola disease or the increasing WHO response to emergencies. But it has also been driven by the trend for donors to stop giving core funding, tying their funding to particular deliverables. Though Norway is one of the few nations that continues to support core funding to WHO, it is aligned with other donors in providing most of WHO's funding, 79% in 2018-2019, through 'Specified voluntary contributions', rather than through unrestricted funding (WHO 2019k).

Leadership and organisation in relation to AC

WHO Oversight Committee. One Committee, the Independent Expert Oversight Advisory Committee (IEOAC), has a direct role on corruption and AC, though the role is only advisory. The IEOAC is comprised of 5 independent experts, in their individual capacity, to advise the Programme, Budget and Administration Committee, and, through it, the Executive Board, in fulfilling their oversight advisory responsibility and, upon request, to advise the Director-General on issues within its mandate. It meets twice per year. IEOAC *"reviews the effectiveness of, the Organization's internal and external audit functions"*, and provides advice to WHO Board committees on WHO's financial statements and the adequacy of internal controls and risk management. The IEOAC does hear first-hand from country offices, as in the latest meeting in Congo and Rwanda (WHO 2019l). However, in

the opinion of the evaluation team, the performance of the IEOAC does not provide adequate external assurance, for the following reasons: 1) It is advisory; 2) The IEOAC Minutes provide limited insight. For example, the December 2019 minutes comment that *“The Committee noted the increase in the General Management cluster of the Office’s overall control effectiveness from 51% in 2015 to 73% in 2018”*, a statement which interviewees noted does not provide insight (WHO 2019f). 3) Recommended actions are generic, along the lines of ‘senior management should be attentive to this topic; 4) Senior management of WHO do not present to the IEOAC, as advised to the evaluation team.

Organisation openness on corruption. External interviewees familiar with WHO noted the poor culture of compliance, the lack of sanctions for non-compliance, the autonomy of country offices on integrity matters, and the limited scrutiny from regional offices or HQ. Evidence included the limited audit capabilities of WHO country offices and the limitations of WHO’s own Office of Internal Oversight Services (IOS) and the lack of reporting about fraud concerns to partner organisations, or even to WHO head office. As in UN organisations elsewhere, the capabilities of WHO’s IOS focuses on wrongdoing by UN officials rather than on programmatic actions or outcomes. The evaluation team noted three items indicating change: the Secretary General’s speech of October 2019 already referred to and the GNACTA proposal, though few interviewees were aware of these, and the pressure for reforms from Norway, such as in working to strengthen the WHO Audit capability.

WHO executive leadership: None of the Interviewees familiar with WHO but not staff members were aware of anyone in or near the top management levels of WHO identified with overall responsibility for WHO’s AC framework. Interviewees within WHO referred the team to WHO’s 2015 Accountability Framework, the role of the Chef de Cabinet, and the direct responsibility of the Director General. Such lack of senior structure, together with the concerns noted in the previous paragraphs, fails to provide assurance of intent: there needs to be effective senior management ownership and oversight structure to give management effect to required changes.

AC-relevant Policies, mechanisms and processes

IOS. WHO’s oversight capability is embodied, as in all UN organisations, in the Office of Internal Oversight Services (IOS). Based at WHO HQ in Geneva, IOS comprises ten auditors plus one vacancy, four investigators plus the head, a coordinator, two support staff and several fixed term consultancy positions. IOS covers all three levels of WHO – country offices, regional offices and HQ. IOS has been strengthened in recent years, in part following prompting by Norway. It is nonetheless a very small organisation to provide assurance for such a large complex organisation, which also has such a large and diverse array of country offices.

Audits. During 2018, IOS carried out country integrated audits (Liberia, Ethiopia, Somalia, Myanmar, Nigeria, Chad, Afghanistan, Ukraine, Yemen), regional/HQ integrated audits (Family Health Cluster Africa, Internal Controls at Europe, Immunisation programme SE Asia, Malaria Programme at HQ) and a number of operational audits on internal processes. 76% of the 21 audits carried out in 2018 are rated as ‘partially satisfactory’ (WHO 2019f). WHO audit reports are not published. Though it is possible for members of the governments of Member States to read the reports, this is very tightly constrained. Whilst WHO comments that the full audits are detailed and unredacted, interviewees who have accessed IOS audits were not reassured. One example of lack in clarity that was quoted several times was the use of percentages to give evidence of internal controls, without explanation of the underlying weaknesses.

Investigations. The investigations function of IOS investigates allegation of suspected misconduct reported to IOS, such as “fraud, corruption, collusion, theft, sexual exploitation and abuse, workplace and sexual harassment, retaliation, and other acts or omissions, which are contrary to the general obligations of WHO staff and other personnel”. The office received 148 such cases in 2018

(189 in 2017). The 2018 cases were mostly fraud by WHO staff (55), failure to comply with professional standards (38) or harassment/sexual harassment (35). There were five reported corruption cases (WHO 2019e, Table 3, p16). We were informed that the investigation function also investigates concerns they have revealed through the internal audit, in addition to what is being reported to them, but we did not see examples. IOS leaves smaller corruption concerns to Regional or Country office staff but does not separately follow up.

According to the 2019 report of the Internal Auditor: "The Office assesses and investigates allegations of suspected misconduct reported to the Office, such as fraud, corruption, collusion, theft, sexual exploitation and abuse, workplace and sexual harassment, retaliation, and other acts or omissions, which are contrary to the general obligations of WHO staff and other personnel. .. The receipt of "reports of concern" is the first step in a comprehensive investigation process conducted by the Office to consider the allegations reported. All reports of concern are reviewed by the Office Intake Committee to determine whether the matter falls within the mandate of the Office and is investigable. When needed, a preliminary review assesses whether there are sufficient grounds to initiate a full investigation".

According to interviewees both inside and outside WHO, it is rare for IOS to launch such investigations arising in country offices: the only one of note being of Yemen, following the issue surfacing in other public fora. Interviewees comment. IOS leaves smaller corruption concerns to Regional or Country office staff, without following them up.

A review of IOS by Ernst and Young (EY) last year (2019) was assessed IOS's capabilities positively, awarding them a best-in-class rating, but also supported a significant strengthening of IOS capacity and resources. WHO's Programme, Budget and Administration Committee of the Executive Board (PBAC) in January 2020, including Norway, supported the strengthening of the investigation function. IOS is also regarded as effective in the most recent Multilateral Organisation Performance Assessment Network (MOPAN) report on WHO for 2017-2018 (MOPAN 2019, p 89). For the evaluation team, however, this gave limited reassurance because MOPAN does not cover corruption risks in country offices.

IOS makes its own assessment of risks. These are internally focused. As at May 2018, the principal risks are: Fraud/ corruption/ misconduct, Business continuity, Security (IT and physical and operational), and long-term obligations/liabilities. Given the modest resources in IOS, though, coverage of each risk is low. This risk assessment is distinct from the one carried out by the Risks Department.

Compliance, Risk Management and Ethics (CRE). The CRE department, established in 2013 comprises three units respectively in charge of the compliance and risk management framework (4 staff), the ethics framework (4 staff) and the framework of Non-state actors (6 staff). WHO's ethical framework comprises principally a code of ethics and professional conduct, policies on whistleblowing, protection against retaliation, and on the prevention of sexual exploitation and abuse. The department is focused on building up stronger accountability and compliance actions across the three levels of WHO. (WHO 2019h, Paras 18-23).

Risk assessment. A risk management committee was set up by WHO in 2018 to support the Director-General. The Committee is responsible for updating WHO's Principal Risks which are publicly available on the WHO websites. As at May 2018, the principal risks are: Financing of the Programme Budget 18-19, WHO Health Emergency Programme, Polio transition, Fraud/ corruption/ misconduct, Business continuity, Security (IT and physical and operational), and long-term obligations/liabilities. The full risk register is not public but the Secretariat reports on its most critical risks: see for example Para 13 of the CRE report (WHO 2019h). This notes that *"Most of the critical risks were identified within the following areas: "lack of sustainable funding for programmes", "lack of clear roles and responsibilities and/or lack of organization-wide coherence in WHO", and "insufficient security (staff and premises)".* The professionalisation of WHO's risk management is

regarding by interviewees as having improved significantly, but the evaluation team finds that it falls well short of those of GAVI and Global Fund in respect of risks in country operations.

WHO and the 12 global health organisations promoting the 'Global Action Plan (GAP) for 'stronger collaboration, better health'

Norway was part of a drive, together with Germany and Ghana, to press WHO and the major health multilaterals to strengthen collaboration among multilateral organizations to accelerate country progress on the health-related Sustainable Development Goals, because the world is currently not on track to achieve the SDG Health goals. The resulting Action Plan 'Stronger collaboration, better health' was produced in 2019 by 12 multilateral health organisations and launched in September 2019. (WHO 2019d).

This plan is about areas for health cooperation and acceleration and it also has several elements relevant to AC. It refers to greater efficiency and effectiveness in their operational and financial strategies (page xxi); alignment and better sharing of knowledge and data regarding audits of country recipients of finance, to avoid duplication and to improve the effectiveness of risk management and detection and prevention of errors and fraud (page xxii); and for risk and assurance approaches to address corruption in global health. The 12 sponsoring organisations of the GAP commend the modest proposal developed by UNDP, WHO, Global Fund and others to set up a 'Global Network on Anti-Corruption, Transparency and Accountability in health Systems (GNACTA)', (page xxii).

The evaluation team recommends that Norway support GNACTA politically and perhaps financially; that Norway encourages the GAP organisations to use their core/flexible funding for setting up GNACTA, especially given that they commend the proposal in their own plan; and encourages the GAP organisations to press for a larger GNACTA work plan, as it is currently very small in scale.

The 'One audit' principle of UN agencies

WHO's 'one audit' rule states that "The UN Financial Regulations give the UN's external auditors, the UN Board of Auditors, the exclusive right to audit the accounts and statements of the UN" and that comparable principles apply to the specialized agencies of the UN system (WHO 2005). It thus prevents other organisations auditing the UN. Despite repeated challenge, the UN affirms this principle, as here for example in 2005. Many interviewees in this evaluation comment on the difficulty or impossibility of gaining assurance about corruption risks and anti-corruption capabilities from WHO. However, the One-audit rule is less 'black and white' than it seems. One interviewee commented that its main use was as a 'red herring' by groups that want to be left alone.

There are two situations when it is permissible under UN rules to do additional reviews or audits. The first is if the UN's audit function, i.e. IOS in Geneva, agrees that it is a good thing to do, then it can happen. This does happen, for example, in the discussions that led to the WHO signing up to the standards being set by the International Aid Transparency Initiative (IATI). Second, agreement can also be reached at country level. If Donors are determined to require oversight such as an annual external audit and WHO agrees to this, then a local external audit can be commissioned by WHO. It is similarly a negotiation, because the donor has to be ready not to use WHO if WHO is determined not to agree. This situation applies to all UN agencies, not just WHO. In the health domain it also applies, for example, to UNICEF and UNAIDS.

3. Norway's assistance in Health - Findings

These findings are structured in line with the Evaluation Questions (EQ) set in the terms of reference for this study.

3.1 Setting international norms and standards in health (Evaluation Questions 1,2,3)

In health, there are no specific international initiatives driving AC policy or practice. The lack of such initiatives in health is one of the findings of this case study: the two noted in this evaluation are the support for Aidspan (See box in Section 3.7 below) and the recently proposed GNACTA initiative (See Section 1.7 above). There are, on the other hand, strong pressures from donors for attention to fiduciary risk and financial control and it is this pressure that sets the norms on AC in health. Norway has been one such donor.

Here for example, is the Norwegian MFA Director General for UN Affairs in October 2019 before the WHO and Norway bilateral annual meeting: *"Solid internal control, strong risk management and robust risk and compliance culture is crucial... More focused efforts in enhancing internal controls at country office, especially in challenging operating environments, will be crucial, to help mitigate situations such as the one we have seen for the operation in Yemen. ... A strong voice from the top, and leaders walking the talk, is crucial in achieving a strong compliance culture... We expect UN organizations to vigilantly detect and professionally handle irregularities and misconduct and apply appropriate sanctions. This is important for results achievement, credibility and the reputation of the organization. We expect to see accountability mechanism to be put in place at management level, including through training and awareness raising. There is no success without good ethics."*

3.2 Dialogue on AC in Norway's health assistance (EQ 4)

Interviewees noted that Norway was usually not a strong voice in the decision-making committees and meetings of these bodies. Where it does engage, it is on financial control and risk mitigation aspects of AC. Several interviewees commented that Norway was perceived as 'punching below its weight' on AC matters. For example, the evaluation team found that NORAD was closely engaged with GAVI and its core mission, but that it did not have appreciable input on corruption issues or concerns. Similarly, the presence of Norway on the Board of Global Fund in 2017-2019 was not seen to have led to appreciable input in respect of AC.

As a result, ***it is the health multilaterals who effectively operationalise the norms and standards on AC.*** Their focus on the fiduciary approach, looking after donor funds through strong financial control, reflects the predominant AC approach at present in Norway's health assistance. It has had some significant benefits, notably in driving Norway's health partners - state, multilateral, bilateral and local - to develop or strengthen their financial control mechanisms. But the focus on AC as strong financial control has also brought disadvantages in health. These include: 1) reduction in working through in-country health systems, choosing instead to rely on multilateral partners as the delivery channel; 2) Requirements for documentation and control systems that are too onerous for smaller health partners, preventing them from being able to be used; 3) By equating control/compliance with the maximum number of documents to be issued and approved, it encourages 'intelligent' misuse of the controls and conscious avoidance of them; and 4) Over-focus on financial control does not help and often hinders health delivery.

Partly as a result, AC in health is currently a marginal topic in comparison with Norway's priorities for health assistance and AC is treated incoherently within NORAD and MFA. There is no common approach or document on 'lines to take' in the multiple international health fora and with partners, and AC topics are distributed across different sub-sections in MFA and NORAD

Issues such as the loss of long-term engagement and knowledge-transfer with health ministries through over-use of multilaterals, the changing risk balance on in-country delivery options, the need to build competence on tackling corruption-related barriers to health delivery, and major in-country corruption issues such as in Out-Of-Pocket payments (OOPS) are all going undiscussed. These are core issues for health delivery, ones where Norway could be making a major contribution worldwide.

One way to start to address this one-sided focus on ZTP would be for a working policy document on 'AC in health assistance' to be created by MFA and NORAD health staff. Ways to address the limited expertise on health-specific corruption issues could be for NORAD/MFA to have a full-time health AC person and for Norway to build up an expert health AC group.

This issue is larger than 'just' Norway, affecting as it does the approach of GAVI, Global Fund and WHO, as well as the other funders of those organisations. There is an urgent need for a multi-agency response. One possibility is for Norway to propose that the 12 signatory agencies to the GAP should establish a task force to develop and advance AC norms, guidance and methodologies on AC in health.

3.3 Multilateral responses to Norway's zero-tolerance policy in health (EQ 5,6)

As already noted above, health multilaterals are the vehicles through which the norms on AC in health are set and operationalised. They in turn have been responding to pressures from donors, Norway amongst them. However, the OECD in its 2019 review of Norway notes that *"There is no evidence that the upward trend in multilateral financing has resulted in any efficiencies in corruption risk management. In some instances, it has rendered Norway ill-placed to effectively track corruption risk management responses."* (OECD 2019b, p53). In this case study we have examined that conclusion in respect of the three health multilaterals.

The evaluation team found that the strong risk management mechanisms that GAVI and Global Fund have put in place are evidence that multilaterals have responded actively to donors, putting in place heavy safeguarding mechanisms in the last five years. The benefits of a strong adoption of this approach in strengthening controls and in limiting aid misuse are commented on elsewhere. The fact that health assistance is being delivered at scale in very difficult, conflict affected countries such as DRC without being overwhelmed by corruption is an astonishing achievement of the international health community.

On the other hand, the evaluation team finds that WHO provides much less assurance. The oversight committee, Independent Expert Oversight and Advisory Committee (IEOAC), has only an advisory role; the audit and investigation teams are very small; audits are not published; WHO country offices do not report frauds or concerns, nor investigate them, unless they choose to; The evaluation team was unable to identify anyone in the upper echelons of WHO holding overall responsibility for AC, nor anyone with a similar role for risk management.

On the plus side, the desire to change this situation has recently been expressed by WHO top leadership. The existence of the Compliance, Risk and Ethics department (CRE), and the strengthening of IOS are signs in the right direction, as is the fact that Norway is clearly pushing on this agenda.

3.4 Operationalising AC as a cross-cutting issue (EQ 7)

Norway's Grant Management Assistance (GMA) manual requires cross-cutting issues are assessed in all grants and projects in the grant management cycle (NORAD 2017). The original way that this was phrased, until 2016, was for the applicant to cover both potential negative effects and to consider how to integrate anti-corruption into the project. This changed significantly in 2016, because the requirements proved difficult to implement in practice. After a review by MFA in August 2015, the requirement was limited in the Grant Manual 2017 and updated further in 2019, to avoiding possible negative impacts from corruption, and for this be evaluated within the risk assessment process. The main risks more specifically associated to AC relate to the way programmes/ projects could inadvertently *"create or perpetuate corrupt practices or structures in the project, local community, region or country"*. The risk mitigation measures identified in the manual are then mostly to do with strengthening the project's systems, starting with financial control, code of conduct for staff and closer monitoring. The need for proactive components on anti-corruption could also be considered if the applicant wished, where relevant.

The evaluation team finds that this revised cross-cutting requirement has also not been taken up, with the pressure on the multilaterals being entirely on ZTP and financial control.

These findings are in line with OECD's 2019 peer review of Norway. OECD conclude that "*Managing cross-cutting issues is a work in progress. Norway's previous efforts to implement cross-cutting themes – human rights, women's rights and gender equality, climate and environment, and anti-corruption – yielded limited results. As a result, Norway has shifted to a "do-no-harm" approach, integrated into its risk management processes. While this has helped streamline Norway's efforts, the implications of do-no-harm are not well understood by partners or staff, and Norway will need to assess its effectiveness. Focusing on "do-no-harm" also potentially limits Norway's opportunities to do good, by actively pursuing positive outcomes on priority issues where appropriate and possible.*" (OECD 2019b, p20-21).

There are some signs of change here. 1) Global Fund is aware that an exclusive focus on Zero Tolerance has significant disadvantages to AC and to health delivery. The GF is currently exploring better ways to manage AC in a number of pilot projects that are, effectively, exploring a more cross-cutting approach to AC. 2) In a proposal developed by Global Fund and WHO and supported by many others, staff concerned that the cross-cutting approach - especially a focus on tackling corruption as a barrier to health delivery - needs rethinking, has developed into the GNACTA proposal, as discussed earlier in Chapter 1.7.

A proposal how Norway can re-design the cross-cutting approach is given in Chapter 4, Section 4.4.

3.5 AC with bilateral health partners

The main focus of this case study is on the health multilaterals and their approach to AC. However, Norway also has long-standing health engagement through bilateral partners, some NGOs and some directly with country institutions. The evaluation team has examined AC practice in bilateral funding of Health Research Institutes and University Health Research organisations.

NORAD has two major such programmes. These fund 50 institutes/universities in countries in the global south, 11 of them being in the Health Sector. The objectives are to educate more and better researchers, for the partner institutions to produce more research by their own staff, and to build the capacity of the research management and the financial management of each institute. Over the years of support, as the institutes systems get stronger, NORAD will gradually move to direct funding of the institute. Gradually, the 50 universities have taken over their own reporting, with 46 of them having done so to date over a 30-year period. The ones still being managed through Northern institutes are in DRC, Myanmar and Congo. NORAD has experienced two significant problems so far, both in Tanzania. In one case the agreement was stopped, and NORAD entered into a new agreement with other partners. The other case is still being worked through, with disbursements having stopped. In cases where all the paperwork is good but the reality is poor, then NORAD have regular detailed meetings on financial capacity with the financial managers, plus annual meetings to discuss the audit reports in detail, and separate meetings. NORAD has evolved a very detailed system for reporting, for example requiring separate bank accounts for the project and special ledgers for each project. NORAD has spent a lot of time and built a lot of capacity. The Armauer Hansen Research Institute (AHRI) in Ethiopia is one such project. Norway (and Swedish SIDA) have funded AHRI for 50 years. AHRI is now capable and stand-alone, with 300+ staff, but NORAD still remains close to advise and assist. For example, AHRI has recently developed an Ethics department and a whistleblowing capability.

Norway's work with health research is the most striking example seen by the evaluation team in terms of 'doing good' in respect of corruption risks – working patiently and closely with the organisations, sometimes over 25-50 years, until their financial systems and controls are of high quality.

Another major area of bilateral health work has been with Malawi. Though Malawi was the location of one of the largest corruption cases that Norway has experienced - 'Cash-Gate' - the bilateral

health engagement has continued and now includes a range of mitigation interventions including, for example, a separate funding channel. This bilateral engagement is beyond the scope of this case study though and has not been followed further.

3.6 Resources, flexibility and learning in Norway's health assistance (EQ 8)

This is a negative story: Norway's health assistance capabilities have not had specialist AC support on AC; General AC support is available but has not been much used by NORAD Health Section or the Health officials in MFA; The purely financial interpretation of AC, and the lack of knowledge/interest in AC as a mechanism to improve health outcomes, has not been challenged or examined.

There is a real need for more competence, more responsibility and an active approach to work better on how best to reduce and/or remove corruption problems in health delivery. Norway's approach to AC in health has not been coherent. At a minimum, there is a need for a policy document that pulls together the AC strategies, directions and 'lines to take' for all MFA Oslo, NORAD Health and Embassy people to use. The evaluation team also believe that, due to the scale and complexity of Norway's health assistance and the lack of knowledge about AC, a dedicated AC resource is required within the health sphere. This conclusion is recast as a recommendation in Chapter 4.

3.7 Norway's specific AC contributions in health - relevance, effectiveness and sustainability (EQ 9,10)

Norway has no sizeable projects in the health sector that are specifically on anti-corruption as a 'distinct component'. Only three projects were identified in the NORAD database for 2010-2018, all small: Aidspan, an international NGO whose mission is to reinforce the effectiveness of the Global Fund by serving as an independent watchdog of the Fund and its grant implementers; Capacity building in the public health sector of Moldova; and a U4 seminar on corruption in health in Malawi where CMI stood for the content of the seminar (paid by U4). The box below reviews Aidspan:

Aidspan – An NGO performing oversight of the Global Fund

Aidspan is a non-profit organization, based in Kenya, "whose mission is to reinforce the effectiveness of the Global Fund to Fight AIDS, Tuberculosis and Malaria by serving as an independent watchdog of the Fund and its grant implementers." Established in 2002 it had significant impact in its early years, for example "Aidspan and two partners developed and refined the Equitable Contributions Framework: an equation that proposed the optimal size of the contribution from each donor country to the Fund based on its relative wealth. This approach was eventually adopted by a number of advocacy groups and by the Fund itself, in a modified form". Norway has funded Aidspan from 2008 to date, at an average of NOK 1.7 mln p.a. Norway is the largest funder, along with the Government of the Netherlands, GIZ, Irish Aid and the Open Society Foundation. We reviewed ten Aidspan reports dating from 2012 to 2019. The reports mostly take the form of an informed commentary on global fund operations. They do touch regularly on integrity issues, such as weaknesses reported in 2013 of Global Fund's Country Coordination mechanisms (CCMs) in managing conflicts of interests. As Global Fund matured, Aidspan started to review related institutions, such as the role of Supreme Audit Institutions. Global Fund interviewees made the comment that Aidspan was no longer really playing the watchdog role. The evaluation team has the same opinion.

This lack of funding of direct anti-corruption projects in health is odd, given the high priority that Norway places on health assistance and Norway's strong commitment to the topic of AC. But it is explained by the health community's understanding of AC as fiduciary control. There is one current proposal for an AC-specific health project (GNACTA, see Chapter 1.7), which the evaluation team suggests should be supported by Norway. But it also underlines the need for a stronger, higher level approach to Norway's efforts, national and international, on AC in health.

3.8 Unexpected results from ZTP and AC as a cross cutting issue in health (EQ 11)

The Zero Tolerance approach has led to several positive results: GAVI and Global Fund are showing that it is realistic to work effectively and at scale in high risk high corruption countries without loss of funds. **However, the ZTP now needs review and rebalancing.** The ZTP issues in this sector context are: 1) Unwanted corruption risk transfer by multilaterals to others further down the delivery chain; 2) Excess compliance requirements, as documented by Global Fund themselves in examining the reasons for non-compliance in recipient countries, leading to wilful non-compliance and reduced achievement of outcomes and perhaps increased corruption; and 3) Diverting attention from corruption problems impeding outcomes. The problems of ZTP in overburdening INGOs are dealt with separately in the ZTP case study.

One of the other positive results of ZTP - which is not really unexpected but seems to have been rather forgotten - is that operationalisation of ZTP has in reality been manifested by big and often successful efforts to build the financial capacity and controls of NGOs. Norway's work with health research institutes is an example seen by the evaluation team in terms of 'doing good' in respect of corruption risks – working patiently and closely with the organisations, sometimes over 25-50 years. The objectives are to educate more and better researchers, for the partner institutions to produce more research by their own staff, and to build the capacity of the research management and the financial management of each institute. There are similar examples from the Climate and Environment sector case study.

There have not been 'unexpected results' from the cross-cutting approach. Though the principle of 'mainstreaming and 'cross-cutting' are generally welcomed, operationalisation has not been well understood within health nor more generally in Norway and the do-no-harm concept is only rarely operationable at project level. The core ideas behind the need for a cross-cutting approach is, however, sound and suggestions are made for how to re-design this for the future.

3.9 Overall coherence (EQ 12)

Organisational coherence. Norway subdivides its management of health assistance into many small pieces. It also shuffles the roles between MFA and NORAD, and between sections within each organisation. The effect is exacerbated by other health professionals at embassies such as Geneva, and the separate role of the MOH. Issues that are not directly 'health', such as health AC and health governance, *'are addressed only at the margins'* in the words of one interviewee. This also means that important AC-related negotiations – such as to update the framework agreement with WHO on integrity matters, or of finding ways to avoid the limitations of the one-audit rule, are being addressed in isolation, without prioritisation across Norway's health sections in NORAD and MFA.

Policy coherence. Norway's approach in health has been coherent on Zero Tolerance. However, it has not been coherent on the cross-cutting aspects of AC, nor on corruption as one of the major barriers to improving health outcomes; nor on where excess focus on AC and corruption risk might lead to overall harm, such as in using partners for in-country delivery rather than delivering through country health systems. This is more than just a matter of policy coherence: the Health professionals within MFA and NORAD tend to the common health narrative that AC is a finance matter, for someone else to take care of.

These issues are relatively easily addressed, if the will is there, through clear allocation of roles, responsibilities and ownership of AC policy and alignment.

4. Conclusions and recommendations

The conclusions and recommendations below refer to how Norway can strengthen the way that it operationalises AC in Health. Because the mechanisms for health assistance are now so global and

so interconnected, action on a larger scale - not just by individual countries like Norway - is also needed to effect useful change on health AC. This evaluation thus also suggests several ways that the global health assistance community might move in this direction, encouraged and supported by Norway.

4.1 AC in health is treated by Norway as a ZTP issue only. A broader approach is needed

This fiduciary approach, looking after donor funds through strong financial control, is the predominant AC approach at present in Norway's health assistance. It has had some significant benefits, notably in driving Norway's health partners - multilateral, bilateral and local - to develop or strengthen their financial control mechanisms. But the focus on AC as strong financial control has also brought disadvantages in health. These include: 1) reduction in working through in-country health systems, choosing instead to rely on multilateral partners as the delivery channel; 2) Requirements for documentation and control systems that are too onerous for smaller health partners, preventing them from being able to be used; 3) By equating control/compliance with the maximum number of documents to be issued and approved, it encourages 'intelligent' misuse of the controls and conscious avoidance of them; and 4) Over-focus on financial control does not help and often hinders health delivery.

Partly as a result, AC in health is currently a marginal topic in comparison with Norway's priorities for health assistance and AC is treated incoherently within NORAD and MFA. There is no common approach or document on 'lines to take' in the multiple international health fora and with partners, and AC topics are distributed across different sub-sections in MFA and NORAD

Issues such as the loss of long-term engagement and knowledge-transfer with health ministries through over-use of multilaterals, the changing risk balance on in-country delivery options, the need to build competence on tackling corruption-related barriers to health delivery, and major in-country corruption issues such as in Out-Of-Pocket payments (OOPS) are all going undiscussed. These are core issues for health delivery, ones where Norway could be making a major contribution worldwide. **Recommendations:**

- **One person should have overall responsibility for AC policy and operationalisation matters across the health sector.** This person could be the Head of MFA health or NORAD health.
- **A working policy document on 'AC in health assistance' should be created by MFA and NORAD health staff** that brings together all relevant aspects of corruption and AC in health within a single document, clarifying MFA and NORAD responsibilities, giving 'lines to take' and related guidance for both formal and informal interventions. It should be used by all those active in health assistance and held by the Chief of Health in either MFA or NORAD. MFA and NORAD should review together how they approach AC in health in preparing this policy document.
- **Norway should build up an expert health AC group.** The purpose would be to build up necessary health AC expertise for all those working in Norwegian global health assistance - MFA Health, MFA Embassies, MOH and Norad Health and NORAD AC knowledge management - building a permanent knowledge management capability so that the expertise is both current and sustainable. It could be based, perhaps, around the health AC specialist in U4.
- **Norway should also make more use of the U4 capability in Bergen.** 1) It should require health staff to undertake the U4 online health corruption course. 2) All Embassies with significant global health assistance should request a headquarters/U4 visit to assess capability on health anti-corruption.
- **NORAD/MFA should have a full-time health AC person.** Because global health assistance is large, complex and full of sector-specific corruption concerns, centralised governance/AC people will not be able to materially assist. Instead, NORAD/MFA Health should have a full-time person on AC. This person will be the coordinator and monitor of all activities related to

AC and good governance in health assistance. That person would advise on which issues should be pressed and at what level in the multiple health forums. He/she would also serve as the day to day manager of the health AC policy and the objectives/talking points document.

- **Norway should propose that the 12 signatory agencies to the GAP should establish a task force to develop and advance AC norms, guidance and methodologies on AC in health.** The GAP is new and has yet to function as a vehicle for collaborative action. Advancing AC norms, guidance and methodologies should be one of the natural tasks of the 12 signatory agencies to the GAP, as a natural cross-organisational way to advance leadership on AC that can then be taken up normatively by WHO. The development of such norms and guidance are still in their infancy in the international health sector.

4.2 A broader international understanding of corruption in health is needed

Corruption also significantly impedes health service delivery activities, health access, the quality of data and ultimately health outcomes; concerns that cannot be addressed in the 'fiduciary' approach. The AC solutions to those barriers lie elsewhere, in examining and solving the corruption risks in the relevant delivery activities. This focus is necessary for achieving the sustainable development goals for health (SDG3). This was recognised by interviewees as a looming issue for global health.

Norway's position as a respected major player in global health assistance and its known stance on AC means that it is well placed to offer assistance. **Recommendations:**

- **Norway should make improving AC in global health the fourth of its health assistance policy priorities.** Norway's health priorities are 1) mobilising for women's and children's rights and health, 2) reducing the burden of disease with an emphasis on prevention and 3) promoting human security through health. Norway's commitment to health assistance is noted and appreciated worldwide; The country's commitment to AC is equally well known and appreciated. Making the subject one of Norway's priorities would be in line with these global roles and be as large a contribution to improving global health as any specific medical priority. The international health community would welcome a donor such as Norway taking such a lead.
- **Support and expand the GNACTA proposal.** There is a small but commendable proposed project on anti-corruption in health, originating from WHO, Global Fund, UNDP and the other organisations that make up the signatories to the Global Action Plan. This is the 'GNACTA' project to establish a Global Network of those engaged in Anti-Corruption, Transparency and Accountability across the health sector – in-country, multilaterals, universities, NGOs etc. Whilst this small project will not 'solve' the AC issues, it will start the process of building a community of practice. We recommend that Norway support GNACTA politically and perhaps financially; and that Norway encourages the twelve signatory organisations to use their core/flexible funding for setting up GNACTA, especially given that they commend the proposal in their own plan.
- **Assist WHO in developing a leading role on AC.** It is imperative that the health community works with WHO to help make this happen. The evaluation team heard from many interviewees, both inside and outside WHO, both centrally and in-country, of their desire that WHO take up this topic and develop a strong, constructive model of how best to address corruption, and to develop guidance, competence and education of a comprehensive nature on this topic. The evaluation team found that there are people, mostly working in the member state health systems (e.g. in Afghanistan, Moldova, Tunisia, Ukraine), who are very active and energetic on this topic and could help build such a role for WHO. We recommend that Norway raise this topic with WHO at the highest levels, and that Norway take a pro-active role together with WHO in advancing this topic.

4.3 Strategic re-thinking by Norway and by multilaterals on ZTP is needed

Three related trends related to in-country capability have significant corruption-related causes and consequences: 1) Multilaterals are increasingly using others to deliver services in-country, in part due to corruption risk fears; 2) The increasing trend of national health systems being funded largely by OOPS risks a new wave of corruption that is not currently being monitored; 3) As health multilaterals extend their delivery chains to reach smaller at-risk groups, so the value for money declines as each intermediate organisation takes its share.

Recommendation: Same as in Section 4.2 above.

4.4 Requirements on 'AC as a cross cutting issue' are confused in health. A new design is suggested

The idea behind the 2016 NORAD update of the Grant Management Assistant (GMA) manual on how the cross-cutting nature of corruption should be addressed - by a thorough risk assessment - has not worked well in practice, even though the concept is recognised and welcomed (see the Survey results in the Synthesis report for more detail) . The requirement is treated largely as a 'box to tick' with health bilateral partners, while health multilaterals are given the benefit of the doubt that they have good systems. AC is a cross cutting issue and is important for improving health outcomes. Corruption infiltrates not only financial management, but also strategic decision-making, governance, public health systems, programme quality. Norway should affirm that corruption is a programme and mission risk and prioritize the prevention, detection and response to advance global health. Corruption does indeed need assessing as a cross-cutting issue, but in a different way from how NORAD currently implements it.

Recommendation: Norway MFA/NORAD should develop and implement an improved crosscutting methodology focused on how anti-corruption advances impact. A specific proposal is made below.

Updating Norway's approach on the x-cutting aspects of AC - suggestion

The evaluation team suggests that Norway could operationalise its policy on Anti-Corruption in the following way:

1. A new over-arching policy statement on AC

Global Fund's policy statement could be adapted to read as follows: Norway recognizes that corruption, in all its forms, is a threat to the effort to improve health outcomes for all. 1) It diverts funds, medicines and other resources away from countries and communities in need, corroding public health institutions reducing trust essential to the international community's operation; 2) It is a barrier to the quality and quantity of health interventions needed to save lives, limiting impact; and 3) it facilitates inequitable outcomes, even where unintended, and human rights abuses.

2. A more sophisticated approach to corruption prevention, detection, and response

- *Safeguarding health funds through Zero Tolerance.* Fiduciary responsibility focused on financial control; with adaptation to constrain the way that over-application is creating negative impacts. There is work currently underway at Global Fund which is exploring how a better model of fiduciary controls could achieve this objective without losing the gains made so far. This can be thought of as an *input control*.
- *Advancing impact through removing corruption-induced barriers to health delivery.* This activity is focused on health processes, *improving outputs and outcomes*. It requires attention to the particular corruption issues that are most constraining of results, and attention to building delivery effectiveness and efficiency. It is this part of the AC agenda that is almost completely absent from Norway's approach at present.

- *Improving integrity, transparency, accountability.* There are many projects where this is an implicit objective - such as in improving the design of health IT systems and in public health budgeting.
- *50:50 emphasis in grant management on including impact improving measures and on financial control/ zero tolerance.* The balance at the moment is more like 5% to 95%.

3. Paying attention to unintended corruption consequences.

This element of the guidance is to cover the common situation where, despite generally good intentions, the results are so poor that people see corruption in the whole conception. This includes a) 'Do no harm' especially in relation to fragile countries, where the result is likely not just to be corruption but increased insecurity and/or renewed conflict; b) Poor Value for Money and increasing use of intermediary organisations, who do deliver services but at increased costs; the deliverer also has to take on the risks of corruption (this use of intermediaries is sometimes referred to as 'Flipping'). Citizens come to see this as a western device to enlarge all the intermediary organisations, and in local eyes and the local language this is easily seen as corruption. c) Increased intermediation riven by corruption risk concerns yet leading to perverse outcomes. 4) Unjust effects. Large organisations can be poor and politically unwilling to bring services to marginalised communities such as sex workers and persons living with HIV/AIDS. Such outcomes are rightly seen as inequitable, and inequity is interpreted as corruption in most country-understandings of corruption.

4.5 Assurances on AC from health multilaterals are mixed and a source of concern

The evaluation team found mixed results concerning the extent to which Norway can gain assurance from the Health multilateral partners examined. Global Fund is good, GAVI is good but with some concerns, WHO provides limited corruption risk assurance.

Furthermore, funding that passes through several intermediate health organisations carries greater corruption risks. In particular, where delivery passes in this chain through a UN health multilateral, adequate assurance is not being obtained. If Norway is to gain assurance, this situation needs to change, especially where the UN agencies function more to assist in-country delivery than as normative organisations. **Recommendations:**

- **Norway should require significant improvement in AC assurance in delivery of in-country services,** as well as working within WHO Governing bodies to strengthen AC policies. This could perhaps be incorporated into the WHO transformation plan, and/or as part of the 12-organisation GAP.
- **Norway should make public its agreements with each multilateral.** The evaluation team is concerned that it is actually normal for the core MFA and NORAD framework agreements not to be public. This concern extends to such agreements as there are between one multilateral that is in turn passing funds through another (as GAVI does through WHO and UNICEF). These agreements, and any/all related side letters, should be publicly available. This is both to enable resolution of any non-cooperation and to ensure that there are no hidden agreements.
- **Norway should require evidence of cross-cutting AC performance from health multilaterals.** Norway should set out what it expects to see from multilaterals in order to be assured that they are adequately robust on AC. Norway should require partners to present an AC performance framework. This would show indicators of the effectiveness of the AC measures, along with indicators of corruption (e.g. ineligible/irregular expenditures), operational efficiency (e.g. absorption, cost efficiency) and programmatic quality (e.g. meeting performance targets, results of quality surveys).

4.6 Norway's heavy prioritising of funding through multilateral partners carries risks

- **Recommendation: Norway should agree a minimum floor to the proportion of funding to be channelled through bilaterals each year.** Norway should draw back from moving to 100% health funding through multilaterals, as seems to be the trend today, because there is enduring value in retaining a proportion of bilateral funding. Despite the need for a higher level of resourcing in NORAD and MFA, this evaluation has highlighted the good, sustained results obtained by patient capacity building in priority countries, and by the better value for money obtained. A floor at, say, 25% or 30% of health funding would ensure a critical mass of support within NORAD and MFA for bilateral health efforts.

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Case Study

III. Thematic Sector Case Study: Climate & Forestry

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List of Abbreviations

AMAN	Association of Indigenous People of the Archipelago
CGD	Center for Global Development
CIFOR	Centre for International Forestry Research
CLUA	Climate and Land use Alliance
GGGI	Global Green Growth Institute
KLD	Norway Ministry of Climate and Environment, Oslo
KPK	Indonesian Corruption Eradication Commission
LoI	Letter of Intent between Indonesia and Norway, May 2010
MOEF	Indonesian Ministry of Environment and Forestry
NICFI	Norway's International Climate and Forest Initiative
PDIA	Problem Driven Iterative Adaptation
REDD+	Reducing emissions from deforestation, forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in countries
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNODC	United Nations Office of Drugs and Crime
UNOPS	United nations Office for Project Services
WALHI	Indonesian acronym for Friends of the Earth Indonesia
WEF	World Economic Forum
WRI	World Resources Institute
ZTP	Zero Tolerance Policy

1. Introduction

1.1 Background and Purpose

Climate/Environment is one of the five sectors prioritised by the Norwegian Parliament (the other four being Health, Education, Humanitarian assistance, and Private Sector Development/ agriculture/ renewable energy). The Norwegian government supports global efforts to reduce destruction of tropical forests, with the aim of halting greenhouse gas emissions from deforestation and forest degradation. Norway's major programmes of climate support are its contributions to the Green Climate Fund (NOK 1.6 billion, 2015-2018), and the large multi-country programme called *Norway's International Climate and Forest Initiative* or NICFI, of which support for Indonesia is a major part. NICFI is managed by the Ministry of Climate and Environment (KLD) in Oslo and disburses NOK 3 billion per annum¹. Norway disbursed NOK 4.3 billion in 2018 in this sector².

Corruption in the climate/environment sector affects broad communities of people through accelerated climate change and involves large amounts of money – vast quantities of assets – being misappropriated. Management of resources such as forestry require strong systems to prevent corrupt permits, illegal logging and other forms of corruption. The same goes for managing fisheries in bountiful marine ecosystems. The harm this causes to the environment, society, and people living in poverty is immense. This part of the evaluation study is focused on anti-corruption in one major climate change initiative: preventing destruction of tropical forests in Indonesia.

The purpose of this evaluation, as set in the study's Terms of Reference, is *'to contribute to strengthening Norway's AC policies and practices within its overall development policy'*.

1.2 Methodology

The Case study is built around interviews with personnel and institutions in Jakarta and Oslo, plus additional interviews in Bergen and the USA, corroborated with project documents and external analyses. Interviews in Jakarta have been held with seven stakeholder groups: 1) Members of the government, notably the Ministry of Environment and Forests; 2) Anti-Corruption and Law Enforcement groups and experts, including Commissioners from the Indonesian Corruption Eradication Commission (KPK) and UNODC; 3) Forest and Climate Research Institutes, such as World Resources Institute (WRI), and the Center for Global Development (CGD); 4) Multi-stakeholder groups such as Global Green Growth Institute (GGGI) and Kemitraan; 5) NGOs and forestry/climate activist groups such as Auriga, Madani and Walhi; 6) Two other development agencies also active in forestry in Indonesia, DFID and USAID; 6) Multilateral agencies involved in forest improvement and funded by Norway, including UNODC, UNOPS and UNDP. Interviews in Oslo have been with the NICFI team in the Norwegian Environment Ministry and with Norad. There was one weakness with this interview stratification: several of the requested meetings with government officials in Jakarta proved not to be possible: with the AG's office, with the National Police, with the close colleagues of the Environment and Forests Minister and of the Home affairs Minister. This meant there was some over-representation of NGOs. In total, discussions have been held with 54 individuals in 34 meetings.

¹ <https://www.regjeringen.no/en/topics/climate-and-environment/climate/innsiktsartikler-klima/climate-funding/id2345197/>

² This figure, for 2018, is approximate. It is taken from the Norad database for General Environment Protection (Sector 410), NOK 3.35 billion, then adding in spending categorised as 'multilateral' for those multilateral entities seen to be working only on environmental matters, NOK 0.96 billion. An alternative data source for total spending is "development climate finance", used for Norway's reporting under the UN Climate Convention. This includes climate mitigation and adaptation, as well as multilateral contributions. In 2018 Norway's development climate finance in total was 7.4 billion NOK.

Documents reviewed included audit reports, investigation reports, strategies and plans, country performance reports and so forth. Bilateral projects were reviewed through relevant project documents downloaded from MFA and Norad archives.

The case study examines how Norway engages on AC in Indonesia, both indirectly and directly. It covers the following three layers of AC activity:

- 1) AC as a cross cutting issue: examining corruption issues and how they are being addressed, both for good and for the avoidance of harm, at project level. This includes the many corruption issues that impede the achievement of reduced deforestation.
- 2) AC as a distinct component: Implementing projects that have AC as a main purpose
- 3) Strategic integration of AC: Integrating direct and indirect AC measures into the design of the portfolio, in order to reduce deforestation in Indonesia.

1.3 Structure of the Report

Chapter 1 sets out the context of forestry in Indonesia, the efforts underway to reduce deforestation and the corruption issues that are intrinsic to this challenge. We also summarise Norway's assistance through its partnership with the Indonesian government in this chapter. In Chapter 2 we set out our findings, organised according to the evaluation questions set in the Terms of Reference. In Chapter 3 we present our conclusions and recommendations.

2. The Context

2.1 Preventing Deforestation

Norway's NICFI initiative, led by the Norwegian Ministry of Climate and Environment, has established a series of partnerships with key forest countries. NICFI has a broad mandate: to contribute to the inclusion of REDD+ under the UNFCCC; to contribute to early actions for measurable emissions reductions from deforestation and forest degradation; and to promote the conservation of primary forests, due to their particular importance as carbon stores and for their biological diversity. As an overarching goal, all these efforts should promote sustainable development and the reduction of poverty. The text below, an extract from Norway's NICFI website³, encapsulates how corruption issues are integrally connected with the challenge to reduce deforestation:

"Destruction of forests threatens millions of people who depend on forests for their subsistence. Many of these people are among the world's most vulnerable. In spite of many efforts to reduce the problem, deforestation continues at an alarming rate. 13 million hectares of forests were lost every year between 2000-2010, according to estimates by the UN Food and Agriculture Organization (FAO). Deforestation and forest degradation cause huge emissions of greenhouse gases. 24 per cent of total man-made greenhouse gas emissions come from forestry and agriculture, according to the Intergovernmental Panel on Climate Change (IPCC). The drivers of deforestation are many and vary among countries and regions, but there is one common denominator: It is currently more profitable, at least in the short term, to convert a forest to other uses than to leave it as a natural ecosystem".

The core concept of NICFI, to change the economic logic from deforestation to favouring the global climate, is to reward outcomes - reductions in deforestation - rather than to fund reform efforts.

³ <https://www.regjeringen.no/en/topics/climate-and-environment/climate/climate-and-forest-initiative/kos-innsikt/hvorfor-norsk-regnskogsatsing/id2076569/>

Earlier forestry management experience, especially supported by the German Development Agency GIZ over decades, had found that input measures to strengthen forestry management had not been effective in reducing deforestation⁴. The results-based approach had been one of the recommendations from the Paris Declaration on Aid Effectiveness in 2005: *"Donors commit to link country programming and resources to results"* (OECD 2005, Para 45).

NICFI has the following broad objectives:⁵

- To ensure that the United Nations Framework Convention on Climate Change (UNFCCC) is an effective tool for reducing emissions.
- To contribute to early actions for measurable emission reductions from deforestation and forest degradation.
- To promote the conservation of primary forests, due to their particular importance as carbon stores and for their biological diversity.

NICFI currently operates in 9 forest locations: Brazil, Indonesia, Colombia, Guyana, Peru, Liberia, Ethiopia, Vietnam, Tanzania, Mexico and the Congo basin (the Partnership with Mexico ended in 2015, and Vietnam in 2016).

NICFI fits within a larger framework of global action on climate change, generically termed 'REDD+'. REDD+ is an acronym for *"Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries"*. REDD+ is not simply an issue of improved forest management, but a fundamental development choice: The climate change mitigation potential of REDD+ must offer a more attractive and viable development option than the destructive uses of the forests. Participating countries pursue several distinct strategies:

- Enter partnerships with private sector. The aim is to secure deforestation-free supply chains and encourage a low-carbon development path.
- Enter large-scale partnerships with key forest countries. The aim is to prove that real action on a national level is possible.
- Contributing to the design and establishment of an integrated architecture of multilateral REDD initiatives to help ensure broad and early progress on REDD+.
- Financing NGOs, research institutes and civil society organizations to provide analyses, pilot projects and demonstrations supporting the REDD+ negotiations and learning through field experiences.

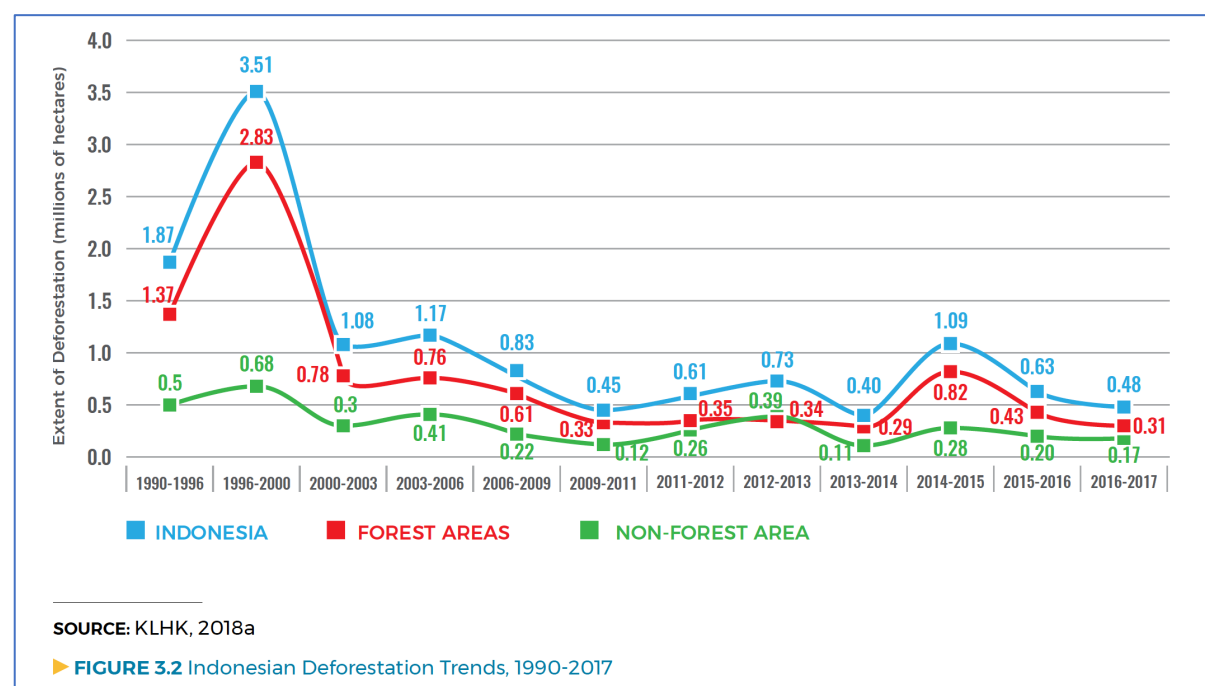
2.2. The State of Indonesia's Forests

Indonesia is a large country of more than 270mln people, almost the same population as the USA. Many of its provinces and islands have larger populations than most countries. The land is largely - 63% - covered by tropical forest. The 120mln hectares of forest land comprises production forest (69mln ha), conservation forest (22mln ha) and protection forests, which have watershed functions (30mln ha). Approximately 12% of the forest total is represented by peatlands (15mln ha), which are especially important for CO2 emissions.

⁴ CGD (2018)

⁵ <https://norad.no/en/front/thematic-areas/climate-change-and-environment/norways-international-climate-and-forest-initiative-nicfi/norways-international-climate-and-forest-initiative/>. NICFI's strategic framework was subsequently revised in January 2020 (see diagram on page 13)

The trend in deforestation is shown in the graph below (from MOEF 2018, p29). The two peaks illustrate the uncontrolled economic logging period of the 1990s, and increased deforestation due to the major forest fires of 2014-2015.



Forests - for timber - have been a major driver of Indonesia's economic development for decades. However, the economic contribution has declined along with the performance of forest management, particularly since the implementation of regional autonomy policies. The government has for some years been taking active measures to increase the sustainability of the forests, including a moratorium on new permits in primary forests, control over peatlands and improved fire control and management. Many mechanisms of monitoring are now in place, especially through high resolution satellite imaging. Indonesia now has a mandatory system for forest certification, which has allowed Indonesia to be the first country in the world to complete a certified timber trade agreement with the EU. Norway has been a major supporter of these changes, supporting the Indonesian government to shift away from management of timber production to management of forest lands.

2.3. Corruption in Indonesia

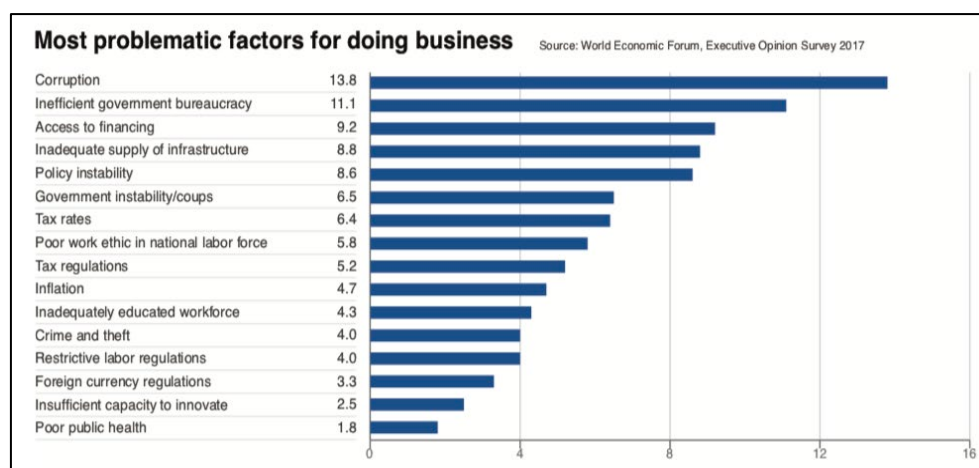
Indonesia was ranked 85th out of 180 countries in Transparency International's Corruption Perceptions Index 2019. Its score of 40/100 represents an improving trend, from 28/100 in 2010 and much lower before then.

The end of the era of President Suharto in 1998 led on to a successful transition to democracy, new AC laws were enacted, such as on the Eradication of criminal acts of corruption (1999) and the country was one of the early signatories of UNCAC (2003). Besides such measures, the improvement in the CPI is ascribed to the effectiveness of the Indonesian Corruption Eradication Commission (KPK). Established in 2003, KPK is consistently rated as the most trusted of Indonesia's state institutions having successfully prosecuted many cases of high-level corruption, though its powers have been severely curtailed by new laws passed in 2019.

More recently, since 2019, the corruption reform climate has deteriorated. The leadership of KPK has been changed for candidates regarded as being weaker than their predecessors, the formal powers of KPK have been severely curtailed, and the reform pressure on Parliamentarians has been correspondingly reduced.

This changed political climate, and how the deforestation work might be affected, was an active point of discussion in almost all the interviews.

Corruption is still the most problematic factor for doing business in Indonesia according to the World Economic Forum (WEF 2018; see bar chart opposite).



2.4. The Nature of Corruption and Anti-Corruption in Indonesian Forestry⁶

The forestry sector (Indonesia). Within forestry, corruption is manifest in the rampant illegal logging of tropical forest, corrupt issuance of permits and licenses (including for palm oil concessions⁷), and illegal peatland destruction by forest fires. All interviewees in Indonesia were asked what they saw as the major corruption problems in preventing deforestation. Their responses, largely similar, can be summarised under the following eight categories

- 1) Corrupt granting of permits and licenses
- 2) Illegal logging: Illegal encroachment onto protected land areas
- 3) Corruptly changing land categories: Improperly taking advantage of boundary ambiguities; Improperly adjusting the spatial plan, so desired development areas are excluded from protection.
- 4) Evasion of environmental requirements: e.g. failure to do an EIA, failure to implement an EIA, failure to manage the area properly, failure of fire control & management
- 5) Violation of land rights
- 6) Corruption in law enforcement: police inaction, police complicity, under-resourcing of law enforcement in natural resource ministries; failure to investigate and/or prosecute; bribing of judges in natural resource cases
- 7) Undeclared conflicts of interests: between companies, government and politicians
- 8) Impunity: Sanctions not being effective

⁶ Comment by the Norwegian Embassy in Jakarta: We note that the text focuses on logging for timber. Palm oil production is the main driver of deforestation in Indonesia, and it would therefore strengthen the text to highlight palm oil when discussing deforestation in Indonesia (e.g. page 8, first paragraph). Overall, the text skews towards the pulp, paper, and forestry industry. This might be due to the terms used. "Forest management" and "forestry" has strong connotations to timber-pulp-paper, and the use of these terms are in some places confusing (e.g. "[...] NGOs in forest management [...]", page 10). If palm oil, or conversely protection of forests in a broader sense, is included when the study uses these terms, we suggest that alternative terms are used, or that that this is explicitly defined. On the other hand, if palm oil is excluded from the study, this should be defined up front and explained

⁷ See for example: <https://news.mongabay.com/2019/12/indonesia-palm-oil-permits-bribes-corruption-kpk/>

These problems are exacerbated by the previously devolved nature of Indonesian governance: central level, provincial level (34 provinces, ranging in population from 620,000 to 43 million⁸) and district level (7000 districts), each having their own autonomy and powers over the forests in their area. The scope of sub-national authorities on forest is now the same, except for provinces with special autonomy status. According to Law No 23 of 2014 on Sub National Government the (power and) responsibility for management of forest area lies with the central and provincial governments. There was a transitional period of two years before the law came into force, but obviously was not adequate to address all issues of re-centralization.

Corruption Prevention

In tackling corruption in Indonesia's forest lands, there is a network of prevention and enforcement mechanisms. There is a full range of laws in place, which are mostly well regarded by interviewees, so that what is legal and illegal is clearer than before. The Ministry of Environment and Forests is the Ministry primarily responsible. They undertake a wide range of activities, many of which also serve to prevent and limit corruption in forestry (See MOEF 2018).

There are major efforts underway to clarify the exact locations of concessions, permits and land ownership. These include a major government ambition to align around a single, authoritative map of the country, called the 'One map' initiative. This is important because there are multiple maps in use in Indonesia, with each Ministry having their own. As a result, there is continued ambiguity around land boundaries and permit boundaries, with the related corruption potential, and corresponding reluctance to surrender authority to another map. The Government of Indonesia finished the first step of the One-map policy in 2019, whereby all thematic maps were collected from the various ministries and national institutions. The next question is how this process will be taken forward in the provinces and communities where real overlaps and conflicts exist. See explanatory articles by WRI⁹ and the Jakarta Post¹⁰.

There are sophisticated networks of international NGOs, institutes, research organisations and donors that work to provide essential data, policy suggestions and policy analysis. These organisations are very alert to the corruption issues. As one of the interviewees put it: *'The corruption in forests is everywhere, so you have to deal with it in many ways, all the time.'*

The government has also taken initiatives in relation to 'social forestry', to enable local stewardship of forests by indigenous groups who live in place, often without legal documentation, and who are better at managing the forests sustainably than outside groups. See for example explanatory articles by Asia Sentinel¹¹ and CIFOR¹².

Finally, there are many NGOs, large and small, working to prevent deforestation. Some NGOs will work directly on corruption issues, for example leading investigations, bringing forward cases, or exposing corporate networks behind apparently unconnected logging and pulp-mill companies: see one such example of concealed corporate control below, from Auriga (2018). Most of the NGOs in forest management, however, work on their particular climate mission, engaging indirectly rather than directly on corruption.

⁸ https://en.wikipedia.org/wiki/Provinces_of_Indonesia

⁹ WRI Understanding Indonesia's OneMap initiative. [Here](#).

¹⁰ Indonesia launches One Map policy to resolve Land Conflicts. December 2018. [Here](#).

¹¹ Indonesia's social forestry program. May 2018. [Here](#).

¹² The future of social forestry in Indonesia. April 2019. [Here](#).

The diagram is a complex network graph with nodes and edges. The nodes are color-coded: red (e.g., PT Surya Hutani Jaya, PT Bina Duta), green (e.g., PT Bina Daya Bentala, PT Bina Hutani), yellow (e.g., PT Borneo Manggala Utama, PT Cahaya Indah Lestari), and grey (e.g., PT Bina Duta, PT Bina Hutani). The edges represent relationships between these entities, forming a dense web of connections. The nodes are labeled with names, often starting with 'PT' (Persero Terbatas), indicating they are Indonesian companies. The network is highly interconnected, with many nodes having multiple incoming and outgoing edges. The layout is somewhat circular, with nodes distributed around the perimeter and in the center. The edges are thin black lines, some of which are thicker or have different colors (blue, green) to highlight specific relationships. The overall structure suggests a complex organizational or industry network.



Law enforcement

Indonesia's law enforcement consists of the Indonesian National Police, the Attorney General's office, the Law Enforcement arm of the Environment and Forest Ministry, and the Corruption Eradication Commission (KPK). Of these, only the Ministry's law enforcement group is dedicated to forest law enforcement. This MOEF group, actively supported within the Ministry, is stronger than its equivalent in other ministries. Headed by a Director General, about 1000 people strong including forest ranger groups, it has the authority to issue administrative sanctions, and to undertake both civil and criminal investigations. This group is well regarded, but too small to police Indonesia's forests effectively.

The police are much larger, some 470,000 strong, and are present at all levels of Indonesia, provinces, districts and villages. However, in the views of interviewees, they have limited focus on forests and environmental crime, being seen as engaged on more traditional crimes with little training or knowledge of environmental crime. Nonetheless, in other specific areas, for example on Counter Terrorism and in countering illegal fishing, interviewees commented that the police have shown the capability to become quickly effective in a new area.

2.5. Norway's Engagement in Indonesia

Indonesia and Norway entered into a climate and forest partnership in May 2010. Norway committed up to one billion USD in the period up to 2020, in order to support Indonesia's efforts to reduce greenhouse gas emissions from deforestation and degradation of forests and peat. The partnership has provided support to policy and institutional development and to the implementation of policies and measures aiming at reaching Indonesia's ambitious climate targets. The cooperation aims at establishing a framework where Indonesia can receive financial contributions for verified emission reductions at the national level. This includes support to the establishment of a national funding mechanism and a system to monitor, report and verify emissions. The first payment from Norway to Indonesia under the results-based financing was agreed in 2019 and is scheduled to take place in 2020, once Indonesia agrees the appropriate channel, following a major drop in forest loss in 2017 compared with the historical average¹³.

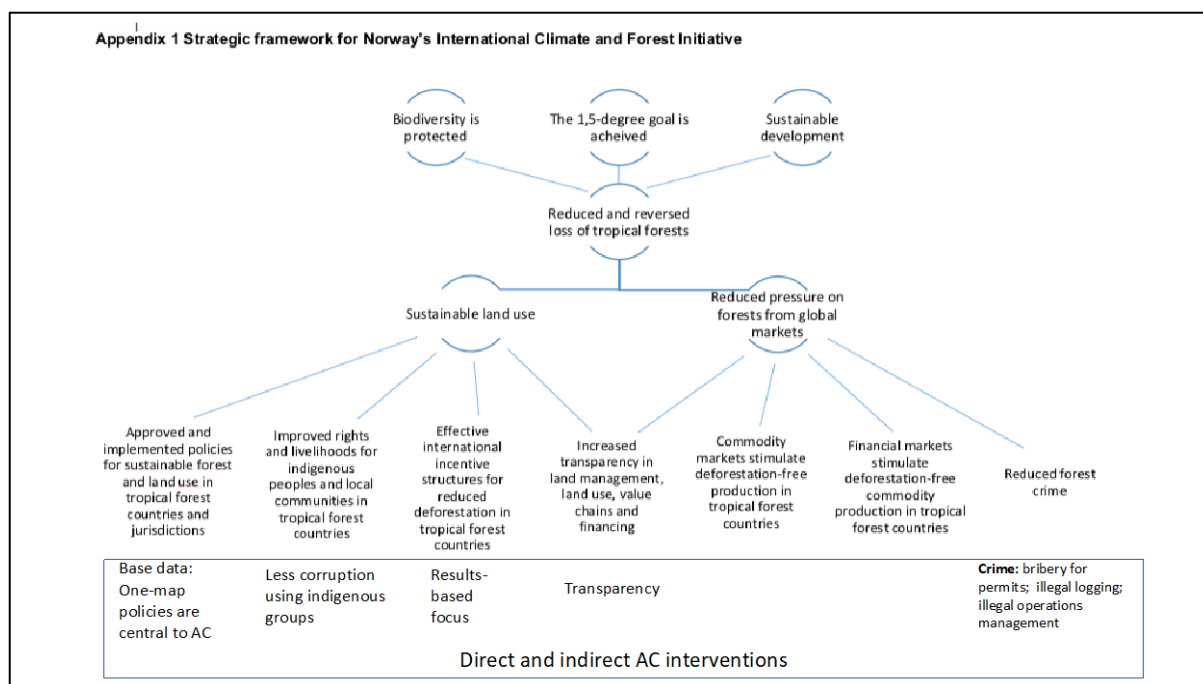
The funding of Norway's engagement on preventing deforestation in Indonesia flows through five routes:

- 1) **From KLD Oslo direct to major grantees:** These entities may have NICFI projects in several countries, including Indonesia. Examples include the World Bank; Global Green Growth Institute (GGGI), a multilateral organisation headquartered in South Korea; World Resources Institute; and UNODC, Interpol and Rhipito - the LEAP project against forest crime.
- 2) **From KLD Oslo to the Norwegian Embassy to grantees in Indonesia:** Examples include the Global Green Growth Institute (GGGI); Kemitraan; Auriga; World Resources Institute Indonesia; UNOPS, the UN project management organisation for support to the Peatlands Restoration Agency; UNODC for forest crime; World Bank MDTF on land use management; Co-funding agreement with DFID Indonesia; FAO Indonesia for technical input on forest monitoring; improving soil carbon management through the Center for International Forestry Research Indonesia (CIFOR).
- 3) **From KLD to Norad, direct to grantees in Indonesia:** Examples include WALHI (Friends of the Earth in Indonesia) and AMAN (Alliance of Indigenous Peoples of the Archipelago).
- 4) **From KLD to Norad to Norwegian and international NGOs and then to Indonesian grantees:** Examples include Rainforest Foundation Norway, WALHI, who were funded by Norad through Rainforest Foundation Norway, Forest Peoples Programme and EIA - the Environmental Investigation Agency.
- 5) **From KLD to international NGOs and foundations and then to Indonesian grantees:** Examples include the Climate and Land Use Alliance and the Accountability Framework Initiative of the Rainforest Alliance.

It is common for the same organisations to fund work in Indonesia through more than one of these mechanisms.

Another way of looking at the Norwegian AC interventions is to map the general type of AC intervention against the broad NICFI objectives, as in the diagram below:

¹³ Indonesia reduces deforestation, Norway to pay up. [Here](#)



Source: <https://norad.no/globalassets/filer/nicfi/nicfi-strategic-framework.pdf>. Reference to direct and indirect AC interventions added by the evaluation team

This makes clear that both direct AC interventions, such as those projects with the MOEF, with UNODC and with activist NGOs tackle one set of corruption problems, whilst indirect interventions, such as supporting the development of the One-Map initiative and of increasing transparency in land management, address other corruption problems.

3. Findings

Our findings below are structured in the order of the questions ('EQs') set for this evaluation.

3.1 Explicit and Implicit Strategies for Preventing and Fighting Corruption (EQ 1)

Preventing deforestation, on the large scale faced by Indonesia, involves finding solutions to a wide range of problems in which corruption is one of the main drivers.

The heart of Norway's strategy is its results-based financing approach, formalised in the Letter of Intent between the two countries in 2010. There are two distinct elements of strategy here.

- The first is that results-based financing is not 'aid' but an agreement between two countries in which one will reduce greenhouse emissions, desirable by the whole world, whilst the other, Norway will reward that behaviour with finance. This sets the relationship as an equal partnership. Whether results-based financing DOES work is still a disputed question: though it seemed to have worked in Brazil 2008-2018. The Norwegian embassy thinks it does work, based on their experience so far in Indonesia – *the way the political dialogue shifted after the Norway pledge is quite substantial*. In relation to AC, because so much of deforestation is about corruption, the agreement legitimises discussion of the subject between the two partners.
- The second strategic element is the Letter of Intent document. In it, Norway and Indonesia have agreed a wide range of measures that are of an AC nature - strengthening law enforcement, clarifying disputed boundaries, etc. This means that AC actions are not grounded in a donor 'doing good', but in a jointly agreed partnership that is explicit about preventing illegality.

For Norway, the corruption issues are central to the design of their assistance. For some of these, solutions do not lie in directly tackling the corruption but in building solutions that prevent the corruption. A major example is the way that Norway is supporting the better mapping of the unclear land and concession boundaries. Conversely, for other problems, the better solution lies in directly tackling the corruption problems. Examples include Norway's support for the Law Enforcement Directorate of the MOEF, and Norway's funding of UNODC to provide expertise in fighting forest crime.

Addressing these corruption factors, indirectly or directly, requires a high degree of strategic thinking: they are hard issues to work through, with no guidance from forest or anti-corruption experience available from elsewhere. Further, because corruption issues are always politically sensitive, addressing them in ways that maintain or build support with the host nation requires a high degree of political acumen.

We find that Norway, in the form of the NICFI team in Jakarta plus the NICFI leadership team in Oslo, is aware of the strategic dimension of this complex set of corruption-related problems. As one interviewee put it: *"Unless we are thinking about corruption at systems level, we are not going to have an impact in reducing emissions"*. Interviewees in these two groups focused on building the anti-corruption capacity of their partners to effect larger change. For example: *"AC is in the design of our bilateral partnerships, embedded in the tasks we are trying to perform. Our main goals are governance and policy reforms, building capacity, enforcement and transparency (e.g. making concession data available to the public). This initial phase of building up capacity can be short or many years. In the early years of REDD there were few CSO's with experience of holding people to account and related skill sets. There are lots now."*

The evaluation team confirmed this finding: the NGOs and federations of NGOs whom we interviewed are much better than some years ago on accountability, transparency and AC capabilities. These included WALHI (WALHI is Friends of the Earth Indonesia, and also a federation of 483 local organisations focused on social justice, environmental sustainability and accountability), AURIGA (a forestry anti-corruption NGO) and Kemitraan (a governance and democratisation offshoot of UNDP and the World Bank 20 years ago, now implementing many small forest projects).

In answer to Evaluation Question 1, Norway is using explicit and implicit anti-corruption strategies, both advantageously, in developing solutions to the barriers to reduced deforestation.

Historical perspective on the AC aspects of the climate strategy

In the period 2006-2008, interviewees informed the evaluation team that Norad had become increasingly negative about the poor success rate of traditional approaches to anti-corruption. One consequence of this was the support for tackling Illicit Financial Flows (IFF); see the Global Norms case study for more on this. The development of Norway's approach to IFF was very influential (as well as controversial), and it acted in support of re-thinking about why climate projects were stalling, notably the Brazil Rainforest Fund, in which the funding was parked, unspent, because no transparency existed. With the more aggressive approach of Erik Solheim as Environment and Development Minister from 2007, this evolved into the payment-by-results NICFI initiative.

3.2 The Channels and Partners that Norway Uses and the AC Effectiveness of Each (EQ 2)

Norway is working through a wide range of channels, institutions and partners:

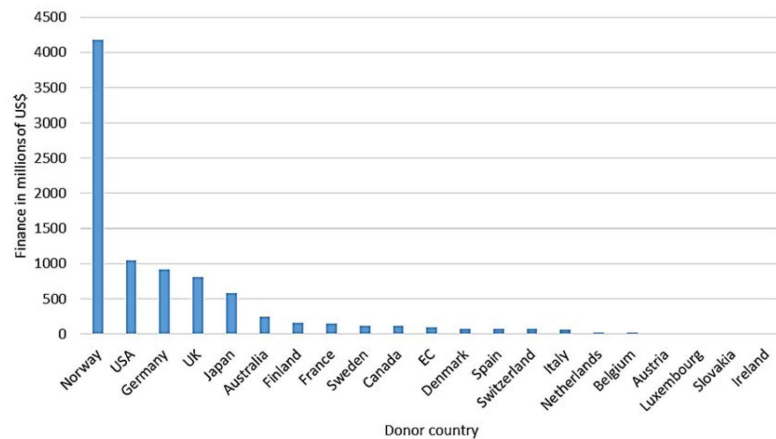
- Supporting government entities with logistical and technical support (e.g. MOEF law enforcement directorate, and the Peatlands Restoration Agency)
- Providing capacity building and training, e.g. for Supreme Court Judges and for forestry crime officers
- Using large multilateral agencies, like World Bank

- Bilaterally, using intermediary Institutes and NGOs, e.g. GGGI, who in turn commission others
- Directly supporting federations of NGOs and small NGOs

It has taken time for Indonesia to develop its own Environment Fund to channel Norwegian funding, other channels that both Norway and Indonesia trust, such as UNOPS, have been chosen to help support Indonesian set priorities under the partnership.

Norway is also using NGOs as 'programme managers', whereby the intermediary NGOs funnel funds through to other entities: Examples include GGGI and Kemitraan.

Figure 5: Donor country pledges for REDD+ for the period 2006-2014



Source: Compilation of public sector reported data from the REDD+ Partnership Voluntary REDD+ Database and ODI and HBF Climate Funds Update covering REDD+ financial commitments for 2006 to 2014.

In answer to Evaluation Question 2, Norway is choosing to use a wide range of channels, programmes, institutions and partners to drive Norway's AC efforts in preventing deforestation. These extends from directly working with Governments, as with law enforcement in MOEF, through to neutral bodies that manage a portfolio of sub-projects, such as UNOPS, through to activist anti-corruption NGOs such as Auriga. The evaluation team finds this to be an approach that is well thought through and is widely admired by stakeholders.

3.3 International Initiatives Driving Norway's Strategy and its AC Efforts (EQ 3)

REDD+, the initiative out of which NICFI came, is almost entirely a global, international story, one in which both Norway and Indonesia have played a leading role from the beginning. REDD+ grew in part out of concern about illegal logging, with the first ministerial level meeting on Forest Law Enforcement and Governance (FLEG) being held in Indonesia in September 2001 (CGD 2016, p334).

Norwegian NGOs, e.g. Rainforest Foundation, had been prominent in raising awareness of rainforest issues since 1989 and, once combined with Norwegian government political will from 2007, Norway became the leading funder among the rich nations championing REDD+ (see graph).

Do no harm: Once the REDD+ debate had embraced the idea of a results-based donor mechanism (a recommendation of the Paris Declaration on aid effectiveness 2005), part of the international discussion moved on to the potential for unintended harm. Initially centred on the risks to the rights of indigenous forest communities, donor agencies were also concerned that results-based funding would exacerbate poor governance (CGD 2016, p383).

Corruption and poor governance considerations have thus been integrally connected with climate change and deforestation discussions for more than two decades now. This helps to explain how the subject of corruption risk is an automatic part of the discussion, as this evaluation team has found in discussions with almost all interviewees.

Do good: In the AC language of this evaluation, almost all the Norwegian NICFI initiatives are seeking to 'do good' in relation to corruption. However, this is a misleading and patronising phrase, because what the projects are seeking to do is to **improve outcomes**. 'Doing good' in the Grant Management Assistant (GMA) manual is presented as an optional extra, to be decided according to the partner and the circumstances: here, improving the outcomes is the core objective of the whole engagement.

In answer to Evaluation Question 3, the main international initiative driving Norway's partnership in preventing deforestation in Indonesia is the UNFCCC. In relation to anti-corruption, the most direct is UNCAC, whose second cycle review has been helpful for Indonesia in identifying legal gaps and acting as the firm basis for the Indonesian AC law and the corruption prosecutions by the KPK.

3.4 Norway's Use of Dialogue to Support AC in Indonesia (EQ 4)

Norway is in regular discussion with the Government, principally with the responsible MOEF, on both the direct and indirect AC actions being undertaken (See Section 2.1 above). This dialogue with Indonesia is founded on the Letter of Intent of 2010, whereby the two countries established a climate change partnership¹⁴.

Interviewees noted that the importance of building up Indonesian civil society was built into this dialogue from the original Lol: Both countries agreed to give all relevant stakeholders, including indigenous people, local communities and civil society the opportunity of full and effective participation, and to be fully transparent regarding financing, actions and results. The stakeholders were also to be involved in the governance structure of the funding instrument. Norway continues to be active in regularly convening the NGOs and other stakeholders to advance the national understanding of good governance and accountability, seeing this as a core part of their dialogue with the country to improve capabilities.

Other evaluations also comment on the effectiveness of the relationship between Norway and the Indonesian Government over past years (Norad 2017, Conclusion 4; Norad 2014, xxiii).

In answer to Evaluation Question 4, Norway has engaged in regular dialogue with Indonesia on AC. This has covered AC as a cross cutting issue, AC as a distinct component and especially on corruption as one of the major issues stopping deforestation. Norway has actively used multilateral agencies to help in this dialogue, currently using UNODC and UNOPS. It is to be commended for requiring good performance from them, and for being prepared not to recontract with agencies where performance lags behind. The dialogue with the government is closely coordinated with the other donor agencies in the country.

Norway has actively used Problem Driven Iterative Adaptation (PDIA) as a way to combine dialogue with frequent analysis of how changes in the political and economic climate affect the deforestation work. The box below summarises this.

Problem-Driven Iterative Adaptation – Norway in Indonesia

The NICFI team has adapted the portfolio in response to the problems that arise and the opportunities that present themselves. This applies as much to AC-related activities as to forest and peatland management activities. This approach represents a ToC that closely resembles PDIA (Andrews et al 2015):

Breaking down and sharing the problems: Norway periodically brings groups of their Indonesian partners into a single meeting and demands that they share their challenges so that the best partner may be used for the task, regardless of the formal arrangements. The NICFI Indonesia team also have close links to and strong support from the NICFI leadership team in KLD in Oslo. It was clear from the interviews that Oslo and Jakarta were operating as 'one team'.

Identifying and following opportunities: The way Norway has increased emphasis on strengthening law enforcement to find, investigate and prosecute forest crimes is a notable example of this, following the appointment of a highly active Director General of Law Enforcement.

¹⁴ Letter of Intent between the Government of the Kingdom of Norway and the Government of the Republic of Indonesia on "Cooperation on reducing greenhouse gas emissions from deforestation and forest degradation". [Here](#).

Politically astute adaptation: The NICFI team have meetings every few weeks with their partners, which are not about project tracking or management, but about discussion of current social trends and politics. This way, they have their own 'rolling' political economy analysis.

Humility: Many interviewees referred to the 'humble' way in which Norway asks how they can best assist as clearly appreciated by the Indonesians. Many interviewees commended Norway for doing this in a way that was not only energetic, but also aligned with Indonesian sensibilities: routinely asking for the input of their partners and offering the assistance that the partner felt they needed.

3.5 Norway's Zero Tolerance of Corruption Policy in Indonesia (EQ 5,6)

The NICFI team in Norway's Indonesian embassy strongly supports the ZTP policy and they confirm that they follow the Grant Management Assistant (GMA) manual in assessing potential partners. There has previously been criticism of Ministry of Climate and Environment's assessments of the risks of fraud and corruption (Auditor General of Norway 2018), notably in Brazil, though the Storting's response was positive towards NICFI. The evaluation team reviewed 26 recent Indonesia NICFI project documents from the Norad database. These indicated active attention to the quality of the risk assessments being carried out.

However, the NICFI team commented that the high levels of compliance, audit and risk paperwork were demanding of time and required expertise that they did not feel they possessed, such as assessing audit reports. Norad and KLD should identify ways to reduce this.

When negotiating the larger agreements from Oslo, NICFI interviewees note that zero tolerance is not a separate topic at this top level, being more of a standard clause. Nonetheless, interviewees comment that corruption issues do come back to them, noting that the multilaterals could be very frustrating in the long time they take on corruption questions, and that they are sometimes not effective, such as in not following up a whistleblower. One NICFI interviewee commented at being alarmed at the lack of attention by the multilaterals to corruption issues.

3.6 Norway's Operationalisation of AC as a Cross-Cutting Issue (EQ 7)

In its Grant Management Assistant (GMA) Manual, Norad suggests that AC as a cross-cutting issue be dealt with using a sector lens, to reflect the specific challenges related to corruption in this sector. All projects are also required to mitigate against the risk of negatively affective AC in the beneficiary countries (*do no harm*), and projects in priority sectors may have some AC elements, implicit or explicit, in their design, which go beyond a "do no harm" approach to actively pursue positive AC outcomes.

The evaluation team noted that NICFI are active in examining projects and partners for their approach to AC as a cross cutting issue. One NICFI interviewee in Jakarta said that for new partners: *"We ask them to demonstrate how the design of the programme is not harmful on corruption and how it might assist the AC agenda."* Speaking independently with NGOs that partner with Norway confirmed this. We also observed this in the decision documents for two of the partners, where AC was a substantive and explicit part of the risk assessment, and where the relevant section of the Decision Document on AC as a cross cutting issue was fully completed. This was the case even in projects where corruption was a rather peripheral issue. The project completion document for a book project noted that *"By enhancing understanding of and support for results-based instruments, the project helped build awareness of the potential for results-based instruments to reduce corruption in development assistance programs. Results based funding for REDD+ avoids the risk that development assistance may be misused."* (CGD 2018).

Jakarta NICFI interviewees made several observations about problems with the Grant Management Assistant (GMA) manual requirements:

- Norad provides little guidance on the cross-cutting requirements
- Norad Quality Assurance (QA) is focused on ZTP only
- The 1-2 governance/AC experts in Norad are helpful, but they are split so many ways that there is a limit to how much they can get involved or be knowledgeable on deforestation corruption issues
- NICFI Indonesia's emphasis is on assessing the partner at the initial stage; they recognise that they are less focused on AC cross-cutting issues once the partnership is operational, and are not well qualified to assess audit reports
- The Grant Management Assistant (GMA) manual guidelines are at project level, and this level of analysis can lead to the wrong actions. They had an example of projects for peat restoration and burning, which passed all the grant requirements, but all these projects would have failed because there was no supportive law. Hence Norway Jakarta did not undertake any such projects until Indonesia had passed a suitable regulation that stopped all peat destruction. NOR agreed that once the regulation was signed, NOR would contribute \$25mIn; follow up actions could lead to another \$25mIn, depending on progress.

The most important observation, from both the evaluation team and the NICFI interviewees, was that the NICFI team sees success in limiting or removing corruption-related obstacles as central to their strategy for preventing deforestation. The Grant Management Assistant (GMA) approach to AC as a cross-cutting issue does not get close to the deeper way AC needs to be, and is being, integrated into the design of the overall strategy and the NICFI portfolio.

There is evidence that Norad's climate /civil society team are also active in reviewing how much cross-cutting AC issues are addressed. Here for example, in a technical review of WRI's project, they write: "*Cross-cutting issues are addressed, but they are insufficiently integrated in the proposal. Little information is provided on how these cross-cutting issues will be operationalised. How will they collaborate and involve key stakeholders? WRI should further and more systematically integrate the objectives of fighting corruption.*"¹⁵

In answer to Evaluation Question 7, Norway in Indonesia has been diligent in the last two years in operationalising the Grant Management Assistant (GMA) manual's AC cross-cutting requirements and in being attentive to Do-no-harm concerns. Prior to that there had been compliance deficiencies as noted by the Auditor General Report (2018). On the other hand, Norway Indonesia has been much more active than the manual 'requires' in its attention to tackling corruption as a barrier against improving outcomes.

For NICFI, the desired outcome is clear reducing greenhouse gases by a quantifiable amount – and it is equally clear that many of the barriers to achieving this outcome are corruption-related or politically-related ones. In this respect, Norway Indonesia is doing more than other donor agencies, who are more hesitant on the results-based approach and more hesitant in working in the more political domain that is needed to address corruption issues. Indonesia has in the time of the partnership introduced three types of moratoria, against logging, against peat exploitation and against the expansion of palm oil concessions. These moratoria have each improved governance on their list of measures that need to be taken by different levels of government.

3.7 Resources and Flexibility Regarding Norway's Approach to AC (EQ 8)

¹⁵ Internal Norad document, Technical Review of the WRI project, 2016.

The NICFI team in Jakarta has adequate resources and funds for their work, including for paying full attention to the ways that corruption acts as a barrier to reducing emissions from deforestation. The team is also able to operate with great flexibility.

For example, once it became clear the Director General for Law Enforcement in MOEF - the first one ever - was highly capable, Norway increased the resourcing of the Director General's team and provided additional technological capabilities.

In answer to Evaluation Question 8, a distinctive feature of the NICFI work is that it is staffed by people who not only deeply understand environment and climate issues but who are also well attuned to the corruption issues that constrain achievement of results. There is an expertise gap in specialist AC knowledge: the two experts in Norad are well appreciated but are spread much too thin to be able to give more than occasional guidance. There is also a large resourcing burden that comes with the ZTP requirements. The burden falls entirely on the technical officers as they have no finance or controller resource to assist. It means they have to read and judge audit reports, for example, whilst not having the expertise to do so. Regarding the evolution of the AC approach, there has been a huge evolution: from thinking that a hands-off approach might be possible - the programme being results-based not input or capacity-based - to the realisation that because so much of the logging was illegal, so the initiative would have to really focus on tackling the illegalities. As a result, the AC thinking is now broad and sophisticated, extending throughout the strategy and the design of the portfolio. This approach stands out on its own, it is more strategic and sophisticated than thinking on AC in MFA or Norad.

3.8 AC-Specific Engagements – Relevance, Effectiveness, Sustainability (EQ 9,10)

As mentioned in Section 1.1, Norway is using direct AC approaches as well as indirect AC approaches for reducing deforestation. In the evaluation, the team reviewed four of the programmes that have direct AC components:

i) Support for MOEF Law Enforcement operations

At the time of signing the Letter of Intent between the two countries in 2010, Norway was explicit that the Ministry (MOEF) should have a specific unit dedicated to law enforcement: "*Enforce existing laws against illegal logging and trade in timber and related forest crimes **and set up a special unit to tackle the problem.***" (Letter of Intent text Phase 2, para c. clause iii). This project was thus hard-wired into the partnership between Norway and Indonesia from the start, an approach that makes it long-term sustainable. Evidence of serious intent on the side of Indonesia, actively supported by Norway, was cemented by the Minister's decision to put a top-level civil servant (a Director General; 1st echelon grade) in charge of the law enforcement unit. This makes the unit more relevant and more effective than the equivalent units in other Ministries (e.g. in Ministry of Mines - 3rd echelon; in Ministry of Agriculture - 3rd echelon). The unit has led 1180 field operations to date, leading to 1098 administrative sanctions, 26 civil cases, 748 criminal cases, and assisted 181 police operations.

The effectiveness of this measure is enabled by financial support for the DG Law Enforcement, with a Programme Manager for the project sat in the Director General's office, and a dedicated Operations Centre for tracking the permits and concessions (see photo of operations centre screen below, showing timber, palm oil and mining concessions in East Kalimantan).

There is close communication between the DG's office and the Norway NICFI team, ensuring that close and effective relationships are maintained.

ii) Support to UNODC to provide training on law enforcement, investigations and prosecution to Indonesian officers

This project is also in line with the 2010 Letter of Intent, which committed the parties to develop national level capacity building and law enforcement (Letter of Intent Phase 2, introduction to para VII). As with the DG law Enforcement work above, anchoring the support in the Letter of Intent is a powerful way to ensure sustainability of the support. UNODC also follows the UNCAC peer reviews:

the most recent 2nd one focused on corporate criminal liability, with new regulation in 2016 and six corporate prosecutions to date, and new regulations on beneficial ownership. Norway has been closely involved in supporting law enforcement capability building with UNODC since the LOI in 2010.

The current forestry programme is more recent, from 2018. For them, the core driver is sustainability - that they always work in a close and transparent partnership with the Indonesian MOEF, and so agreement with MOEF has to precede any increase in law enforcement support. Centred on the four provinces that have the most remaining forest cover, the programme has a specific focus on AC, including assessment of corruption, the way the license operations are conducted, and the way that supervision of the license proceeds. By way of example, the permit for a single logging shipment was being used for 1200 shipments in West Papua. The scale of the problem is illustrated by the need to control all the ports off each island, as this is not the case at present, and there is no legal control at all on private ports. The project also shows up the direct AC purpose of improving the maps and the permit spatial coordinates, as in some provinces, e.g. East Kalimantan, there are two sets of conflicting maps, one for coal mining, one for forestry. This project is directly relevant to Norway's mission.

The need for larger scale law enforcement is massive, and projects such as this one with UNODC are too small to have a substantive effect. In discussions with the NICFI team in Jakarta, they are well aware of the law enforcement limitations and the need for greater scale.

iii) Support to NGOs Auriga and WALHI that are active in exposing cases of corruption in deforestation, peat burning and other forest crimes

Once again, Norway bases its AC initiatives on the Letter of Intent. In this case, Norway was clear that it would always support civil society, as an essential part of delivering the REDD+ strategy: The Letter states "*implementation of the province-wide REDD+ strategy...engaging all relevant stakeholders, including indigenous people, local communities and civil society..*" (Letter of Intent Phase 2, para d, sub section i). To this effect Norway supports a wide range of NGOs, and the authority conveyed by the LOI helps to ensure sustainability. Some of these are working on general forest support issues - such as clarifying data and boundaries, which will work to reduce corruption indirectly; others are working on supporting indigenous people; and other NGOs such as AURIGA and WALHI who are supplementing the very modest capability of official law enforcement by taking civil society action to expose illegal deforestation. Interviews with both these organisations indicated that these NGOs were effective in their mission, to the point of being an occasional source of friction with the MOEF. Norway is active in building up the financial control capability of these NGOs; for example, WALHI was funded for many years through the Norwegian NGO Rainforest Foundation, who was responsible for strengthening WALHI's financial controls. WALHI has just 'graduated' to being funded directly by Norway, having reached a sufficient level of financial control capability. At the same time, the NGOs interviewed requested greater support from Norway in building up regional platforms for their views to be better heard.

iv) Older AC-specific initiatives

There are also several older AC-specific projects that were related to REDD+ initiatives but were directed at all the NICFI partner countries, not just Indonesia. Funded through Norad, these were the following:

- **REDD+ integrity project.** Addressing governance and corruption challenges in schemes for Reducing Emissions from Deforestation and Forest Degradation. This U4 Report aims to add nuance to discussions on how donors might approach challenges of governance and corruption with special reference to REDD schemes. It offers a state-of-the-art review of literature on REDD, forest governance, and corruption, and draws evidence from fieldwork in three countries either embarking or about to embark on their path towards REDD implementation. U4, 2011-14, NOK 4.5mln.

Interviewees familiar with this project note that it was deemed highly relevant, and that it contributed to some extent to a more systematic approach to addressing corruption in Norad. Norad held two seminars to follow up and discuss implications, but no major new knowledge was conveyed. It was meant to look at specific corruption issues that could occur in REDD+ work. However, REDD+ is not very different from other work in the natural resource management sector when it comes to corruption, and the conclusions felt unconvincing. So, it was only partly effective in terms of impact on Norad's work. The sustainability must be seen as weak, as reports tend to be forgotten in the wake of ever new tasks and approaches.

- **Making REDD+ work for people and the planet: accountability.** The REDD+ Accountability Project will stimulate governments to put in place accountability mechanisms that will make REDD+ programs more responsive to the needs of rural people. Partner: WRI, 2013-15, NOK 58mln. No information in Indonesia on performance.

The REDD+ accountability project was deemed very relevant, but like the first one it had limited long term impact, but only as one among many sources of information when assessing and monitoring project implementation. Sustainability was deemed by interviewees to be low. The Norwegian Office of the Auditor General (2018) noted that "The purpose of these analyses was to build up knowledge and understanding concerning administration of the governance and irregularity risk in REDD+ at national level, and provide advice on how the administration could relate to this risk." (Auditor General 2018, p55).

- **Building Anti-Corruption measures in REDD.** The PAC REDD project sought to ensure that REDD payments meet their intended objectives by having forestry related government agencies receptive to transparency initiatives, and a civil society capable of monitoring integrity in REDD mechanisms. Transparency International, 2010-2014, NOK 24mln.

Also deemed (by one interviewee only) to have had limited impact and sustainability.

Thus, in answer to Evaluation Question 9, Norway Indonesia's recent specific AC programmes are relevant, effective and sustainable. This was not true in earlier pan-country AC programmes and demonstrates an evolution in learning by the larger NICFI team.

3.9 Strengthening International Norms and Standards (EQ 10)

Norway is a major global player in climate change and in preventing deforestation. The evaluation team thinks that the way NICFI's thinking has evolved in relation to tackling corruption in deforestation - from traditional thinking in 2007 that led to the stalled Brazil Fund, to the sophisticated portfolio approach of today with both direct and indirect AC approaches being deployed, also has the potential to be setting standards internationally.

3.10 Unexpected Results from ZTP and AC as a Cross-Cutting Issue in Indonesia (EQ 11)

The principal observation for the evaluation team is that AC mechanisms, direct and indirect, are central to the design and evolution of the NICFI programme in Indonesia. This is partly a function of the results-driven objective of the NICFI mission, which drives the whole team and requires a strong focus on AC. But it is also a tribute to the way of thinking in NICFI, because they have internalised AC as a core and necessary part of what has to be done in tackling change. The evaluation team finds this to be an example of good practice in Norwegian development assistance, and of how best to integrate the cross-cutting nature of corruption within a larger objective.

4. Conclusions and Recommendations

4.1 A Results-Based Approach to AC has been Integrated into the NICFI Indonesia Programme

The NICFI team in Indonesia has thoroughly integrated thinking about corruption issues and anti-corruption mechanisms into its strategy and portfolio of programmes for preventing deforestation. This approach has been helped by the logic of results-driven assistance

Recommendation: No recommendations for KLD. For recommendations relevant for other sectors, see 4.8 below.

4.2 ZTP is Being Well Applied by NICFI, but it is a Burden

ZTP compliance is highly demanding of staff teams in Embassies. It also requires expertise that Embassy staff feel they do not possess, such as assessing audit reports.

Recommendation: Norad and KLD should identify ways to reduce the workload required of ZTP compliance and to provide expert resources capable of assessing ZTP compliance and the related evidence.

4.3 Gaps in NICFI AC Coverage

There were two main areas where the evaluation team thought more should be done on AC.

1) The current level of engagement is well below what is needed to be effective. The police have a reputation as being one of the less trusted organisations in the country (MPs are the least trusted) and they do not prioritise environmental crime, being seen instead to focus on money laundering, terrorism and traditional crime. Nonetheless, they can clearly be very effective if the incentives are right. The evaluation team heard two such examples: the way that the forest fires stopped once President Jokowi made it clear direct to his top police and military commanders that this had to happen; and the way that the police have rapidly upped their capability on Counter-Terrorism (with Australian support).

2) The other gap relates to support for provincial forestry and AC NGOs. Many interviewees noted Norway's good interventions in this area, but were keen to see much more, especially in relation to giving those NGOs a better platform from which to present their findings and develop collective solutions.

In addition, Internally, NICFI needs to assess partners once the partnership is operational, not just at the outset (See 3.6)

Recommendations:

- NICFI should explore ways to work more with the Indonesian National Police.
- NICFI should explore ways to build better platforms from which provincial AC NGOs can present their findings and develop collective solutions
- NICFI should continue to assess partners once the partnership is operational, not just at the outset (See 3.6)
-

4.4 Thinking on AC is Being Challenged and Regularly Updated by NICFI

The NICFI team have evolved the portfolio in response to the problems that arise and the opportunities and present themselves. This applies as much to AC-related activities as to forest and peatland management activities. The way that they are going about strengthening law enforcement to find, investigate and prosecute forest crimes, is a notable example of this. The evaluation team also noted several internal examples of this approach:

- They periodically bring all the partners into a single meeting and demand that the partners share out the challenges so that the best partner is used for the task, regardless of the formal arrangements.
- They have meetings every few weeks with their partners which are not about project tracking or management but about discussion of the current social trends and current politics. This way they have their own 'rolling' political economy analysis.
- The 'humble' way in which Norway asks how they can best assist is clearly appreciated by the Indonesians. Several expressed this forcefully in the interviews.
- The NICFI Indonesia team have close links and strong support from the NICFI leadership team in KLD Oslo. It was clear from the interviews that Oslo and Jakarta were operating as 'one team'.
- The recent deterioration in the national anti-corruption climate has been regularly discussed and its implications debated with the NICFI partners.

Recommendation: No recommendations for KLD. For recommendations relevant for other sectors, see 4.8 below.

4.5 The GMA methodology of 'AC as a Cross-Cutting Issue' Misses the Real Problems

In respect of Norway's formal anti-corruption requirements, the NICFI team are working in line with the Grant Management Assistant (GMA) manual requirements on AC as a cross-cutting issue. They are doing this diligently, with both bilateral and multilateral partners. Nonetheless, these cross-cutting requirements are not clear. In particular, the current requirements also de-emphasise NICFI's main 'cross-cutting' focus, which is on tackling those corruption issues that prevent results from being achieved. The specialist AC help available in Norad is too small to offer anything more than passing assistance on AC as cross-cutting. There was also no useful additional guidance to be had from Norad, with the implication that there is no deeper knowledge. The result is that taking account of AC as a cross cutting issue, as currently operationalised, is not a useful exercise.

Recommendation: The way in which the NICFI team have thoroughly integrated AC thinking into their strategy, taking on board the *intent* of AC as a cross cutting issue should be adopted by Norad for future use, adapted as needs be.

Recommendation: The Grant Management Assistant (GMA) manual could first outline the hierarchy of corruption and anti-corruption mechanisms:

- 1) Zero Tolerance properly implemented
- 2) AC as a cross cutting issue
- 3) AC in relation to the real corruption problems that are preventing improved outcomes
- 4) AC as a strategic design factor for the overall relationship in the country

Then a series of exploratory questions relating to the corruption problems could be asked: How will corruption issues prevent us, or limit us, from reaching the desired outcome at strategic level, for each thematic area of the initiative/portfolio? And in each particular project or sub-project within the portfolio? Where do we need to be instituting projects or actions that will help 'solve' the problem in front of us, and might indirectly also serve to reduce corruption? Where do we need to be taking more direct anti-corruption or other enforcement action that will help 'solve' the problem in front of us? The questions can usefully be subdivided into direct measures and indirect measures, and into strategic level outcomes and project level outcomes.

An outline of a similar approach is also provided in the Health Sector Case Study, Chapter 3.

4.6 The Norwegian Climate Partnership with Government is Explicit on AC Support

The strategic heart of the AC thinking is the partnership of equals between Norway and Indonesia, in which transparency, support for NGOs and support for tackling forest crime are explicit.

Recommendation: Such 'letters of intent' between equals could be a possible approach for Norway in other situations as the world moves 'beyond aid', and possibly as a basis for the export of AC expertise from the Knowledge Management group at Norad.

Many interviewees commended Norway for the way that they were doing this in a way that was not only energetic, but also aligned with Indonesian sensibilities: humble, routinely asking for the input of their partners, offering the assistance that the partner felt they needed.

The approach adopted by NICFI represents a theory of change that closely resembles Problem Driven Iterative Adaptation (PDIA) (Andrews et al 2015). This quote from Andrews et al could almost be about NICFI: *The most vexing problems in the public sector are simultaneously logistically complex, politically contentious (i.e. implementing them generates potentially hostile resistance), have no known solution prior to starting, and contain numerous opportunities for professional discretion. Often, such meta problems need to be broken down into smaller and more manageable problems around which support can be mobilised and ultimately solved. It requires taking calculated risks, embracing politics and being adaptable (thinking strategically but building on flexibility). Crucially, one needs the humility to accept that we do not have the answers and to accept, discuss and learn from failure.*

4.7 Comparison with AC in the Health Sector

Norway's work in the Climate & Environment Sector, as examined in this Indonesia case study, has one major parallel with Norway's work in the Health sector: both are well aware of the ZTP requirements of their projects, highly attentive to them and they are actively operationalised. This is especially evident in the emphasis placed by Norway on building up the financial control capabilities of the smaller NGOs.

But there are also significant differences:

- Norway Indonesia is not dealing with the larger multilaterals, so does not have to review whether those multilaterals are behaving well on ZTP or not (though this issue does occur in partners funded via NICFI Oslo).
- Norway Indonesia and NICFI Oslo have brought AC thinking into the heart of its strategy and portfolio, with good results. This contrasts with health, where the subject is seen as being related only to misuse of donor funds.
- Apart from ZTP, Norway Indonesia is focused on real corruption problems - those which act as barriers to achieving the desired outcomes. In health, there has been little focus on corruption problems that impede outcomes, except for some recent thinking at WHO and Global Fund.
- Norway Indonesia makes the AC subject 'discussable' with partners and with Government. The team makes it a distinct part of almost all projects, devotes regular meetings with partners to discussion of the current political economy trends, and actively explore with government the boundaries of what may or may not be possible.

4.8 Recommendations for Other Sectors Based on the Above Conclusions

From Conclusion 4.1:

- Norad should review how high levels of technical expertise (environmental, in this case), matched with considerable AC experience gained in the field, can be built up in other priority sectors.

From Conclusion 4.4:

- Other sectors and Embassies could periodically bring their partners into a single meeting and demand that the partners share their challenges so that the best partner is used for the task, regardless of the formal arrangements.
- Other sectors/Embassies could build their own 'rolling' political economy analysis via frequent meetings of groups of partners with the Embassy.
- As the world moves 'beyond aid' formal partnerships like the NICFI Norway/Indonesia one could be used as a model; in which AC aspects such as transparency, support for civil society and direct working with police on corruption matters are explicit in the agreement.
- Norway should consider adopting a PDIA approach to AC once the projects are operational.

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List of people interviewed

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2. Collie F. Brown, Country Manager, UNODC
3. Matthew Burton, Director, Environment office, USAID Indonesia
4. Kenney Cetera, Forest legality Junior analyst, WRI Indonesia
5. Drew Engel, Adviser, Forestry crime prosecution, UNODC
6. Fredrik Eriksson, formerly Norad and U4
7. Mohammed Fadli (Aday), Sustainable landscape officer, GGGI
8. Rannveig Formo, NICFI, Norwegian Ministry of Climate and Environment
9. Adam Gerrard, Forest Officer, UN-REDD, FAO
10. Nurul Ghufro, Commissioner, Corruption Eradication Commission (KPK)
11. Amanda Glassman, Vice President, Centre for Global Development (CGD), USA
12. Ane Broch Graver, Policy Director, NICFI, Norwegian Ministry of Climate and Environment
13. Nadia Hadad, Strategic Development Director, Madani
14. Noor Hidayati (Yahya), Executive Director, WALHI
15. Insa Imarifa, Environment management specialist
16. Zil Irvan, Office of strategic planning, Corruption Eradication Commission (KPK)
17. Timothy Jessop, Peatland Development adviser, GGGI
18. Marianne Johanssen, NICFI, Norwegian Embassy, Jakarta
19. Jolanda Jonkhart, Fund and country manager, UNOPS Indonesia
20. Vegard Kaale, Ambassador, Norwegian Embassy, Jakarta
21. Janeen Madan Keller, Centre for Global Development (CGD), USA
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23. Syafira Pyri Larasati, Cooperation specialist, Corruption Eradication Commission (KPK)
24. Mads Lie, Policy Director, NICFI, Norwegian Ministry of Climate and Environment
25. Lars Lunde, Head of section on Forestry, Climate and the green economy, Norad
26. Alexander Marwata, Commissioner, Corruption Eradication Commission (KPK)
27. Mayang Meilantina, Senior officer, GGGI
28. Len Milch, Senior engineering adviser, UNOPS
29. Henry Muryanto, Deputy Chair, Commissioner, Corruption Eradication Commission (KPK)
30. Palula Nainggolan, Corruption Eradication Commission (KPK)
31. Dian Novianthi, Head of Anti-Corruption Education, Corruption Eradication Commission (KPK)
32. Dian Patria, System assessment specialist, Corruption Eradication Commission (KPK)
33. Agus Prabowo, Forestry crime project, UNDP Indonesia
34. Anggalia (Anggi) Putri, Knowledge Management Manager, Madani
35. Ahmad Qisa'i, Head of Programmes, Kemitraan
36. Stephen Rudgard, Country Representative in Indonesia and Timor Leste, FAO
37. Rasio Ridho Sani (Pak Roy), Director General for Law Enforcement, Ministry of Env't & Forestry
38. Sujsnarko, Head, PJKAKI, Corruption Eradication Commission (KPK)
39. Dewi Suralaga, Country representative, CLUA
40. Laode Syarif, Executive Director, Kemitraan
41. Jason Seuc, Deputy Director, Environment office, USAID Indonesia
42. Anna Christina Sinaga, Head of Forestry crime project, UNDP Indonesia
43. Lili P Siregar: Commissioner, Corruption Eradication Commission (KPK)
44. Abdul Situmorang, Forestry crime project, UNDP Indonesia
45. Latifa Sitadevi, Forest and land use associate, GGGI
46. Farah Sofa, DFID partnership adviser, DFID Indonesia
47. Siska Susanti, Programme Officer Anti-Corruption, UNODC
48. Yonata (Joey) Syarief, Operations Manager, GGGI
49. Lisetta Trebbi, NICFI, Norwegian Embassy, Jakarta
50. Dewi Tresya, Legal specialist, WRI Indonesia

51. Benjamin Tular, Team leader sustainable landscapes, GGGI
52. Arief Wijaya, Forest and Climate Change senior adviser, WRI Indonesia
53. Aled Williams, U4 Senior Adviser, Norway
54. Maria Wowro, Procurement manager, UNOPS Indonesia

Case Study

IV. Zero-Tolerance Case Study

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IV. Zero-Tolerance Case Study

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Acronyms and abbreviations

AfDB	African Development Bank
CBFF	Congo Basin Forestry Fund
CHRISC	Christian Sports Contact
DFID	Department for International Development
DRC	Democratic Republic of Congo
EQ	Evaluation Question
EUR	Euro
FIU	Fraud and Integrity Unit
FSCU	Foreign Service Control Unit
HQ	Headquarter
IACD	Integrity and Anti-Corruption Department
KRIK	Kristen Idrettskontakt
MEPD	Ministry of Economic Planning and Development
MFA	Ministry of Foreign Affairs
MK	Malawi Kwacha
MOPAN	Multilateral Organisation Performance Assessment Network
NGO	Non-Governmental Organisation
NIF	Norwegian Olympic and Paralympic Committee and Confederation of Sports
NOK	Norwegian kroner
Norad	Norwegian Agency for Development Cooperation
NPA	Norwegian People's Aid
OAGN	Office of the Auditor General of Norway
OAI	Office of Audit and Investigation
OECD	Organisation for Economic Cooperation and Development
QA	Quality Assurance
RAM	Resource Allocation Model
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USD	United States Dollar
WHO	World Health Organisation
ZTP	Zero-Tolerance Policy

1. Introduction

1.1 Background and Purpose

The case study looks at how the Zero-Tolerance Policy (ZTP) is being implemented. The objective of the ZTP is to detect and sanction any type of corruption that involves Norwegian funds.

The case study provides the main source of evidence and analysis for Evaluation Question 5. In addition, the case study presents findings and analysis that are relevant to the evaluation findings on mapping (EQ1, EQ2, EQ3), impact on risk tolerance (EQ 6), cross-cutting issues (EQ7), learning/adaptive management (EQ8), unintended consequences (EQ11) and overall conclusions (EQ12, EQ13), which are not explicitly highlighted here, but which feed into the synthesis report.

1.2 Structure of the Report

The following chapter presents the methodology of the report, including justification of case studies and limitations. The third chapter presents factual findings, including a summary of cases studies. The fourth chapter discusses and chapter 5 presents conclusions and recommendations. The annex provides more detailed descriptions of the four corruption cases selected and of the UNDP comparative study.

2. Methodology, Including Limitations

The case study approaches the analysis of the ZTP from three different angles:

1. First, the study considers the preventative work done through the grant management system, including the work on due diligence against corruption and anti-corruption as a cross cutting issue. This is done through interviews and a document study of the policies, guidelines and templates for contracts and agreements.
2. Second comes the key focus of the study, which is the enforcement of the ZTP through the investigation and prosecution of reported cases of corruption and economic malfeasance. This is based on two sets of data.
 - a. To analyse the overall implementation of the ZTP, the evaluation **maps the complete set of reported cases in the evaluation period**. This has been done through the collection of reports from Foreign Service Control Unit (FSCU) and Norad's Fraud and Integrity Unit (FIU).
 - b. To get more detailed insight into the implementation, the evaluation has done a **purposive sampling of 4 cases of reported corruption**. The cases cover a range of countries and types of partners:
 - The East African Cup/Christian Sports Contact (CHRISC) case in East Africa implemented by five Norwegian NGOs.
 - The Congo Basin Forest Trust Fund (CBFF) programme implemented by the African Development Bank (AfDB).
 - The Model for the Malawi Growth and Development Strategy, a project implemented by the Malawi Ministry of Economic Planning and Development (MEPD).

- NPA Country Programme in Somalia.

3. Finally, the evaluation adds a comparative perspective through a brief review of the systems and their implementation of ZTP in one of Norway's main multilateral partners, UNDP.

A note on the sampling methodology is presented in Annex 4.

3. Findings

In this chapter, we will first give a brief overview of the policy context and institutional structure of Norway's ZTP. After this, we will present the findings according the three angles of approach presented above.

3.1 The Policy and Institutional Structure of Norway's Zero-Tolerance Policy

The Ministry of Foreign Affairs' (MFA) "Guidelines for dealing with suspected irregularities in the Foreign Service" outline the principles for receiving reports on financial irregularities and corruption, and for the system of investigating and sanctioning proven cases. This is what is commonly referred to as the Zero-Tolerance Policy. The definition of economic mismanagement includes "corruption, embezzlement, misuse of funds, fraud, theft, accounting violations, favouritism or nepotism, or other abuse of position in connection with the funds provided by Norway."¹

The guidelines are implemented by the MFA's FSCU and Norad's FIU. The guidelines state a zero tolerance for financial irregularities and set out a process for how to respond to reports of suspected corruption.² MFA and Norad operate within the same guidelines, which are approved at the ministerial level (by the ministers). The MFA's FSCU collects information from Norad for inclusion in the annual reporting. As further explained by the FSCU and FIU, the FSCU is an organ of MFA with a three-fold mandate taking independent decisions in its own capacity. Handling of cases of financial irregularities within the grant management cycle is but one of its responsibilities. The FIU on the other hand is not an organ within Norad, but a function embedded within its division responsible for quality assurance (AMOR). Norad is also the main cooperating partner with Norwegian civil society through another division (SIVSA). As such, the FIU can only make recommendations to Norad's Director-General, hence the need to summarize each case before a decision can be made. However, in the FSCU the Inspector General has the mandate to decide in the cases pertaining to the MFA.

It is interesting to note that there is no clear consensus on what the term ZTP refers to. The FSCU stresses that the ZTP not only refers to enforcing anti-corruption regulations, but also entails preventative measures that include due diligence in the

¹ MFA (2019). "Guidelines for dealing with suspected financial irregularities in the Foreign Service," updated 11 December 2008.

² FIU's guidelines are based on the MFA guidelines, with minor adjustments to reflect differences in contractual and institutional obligations.

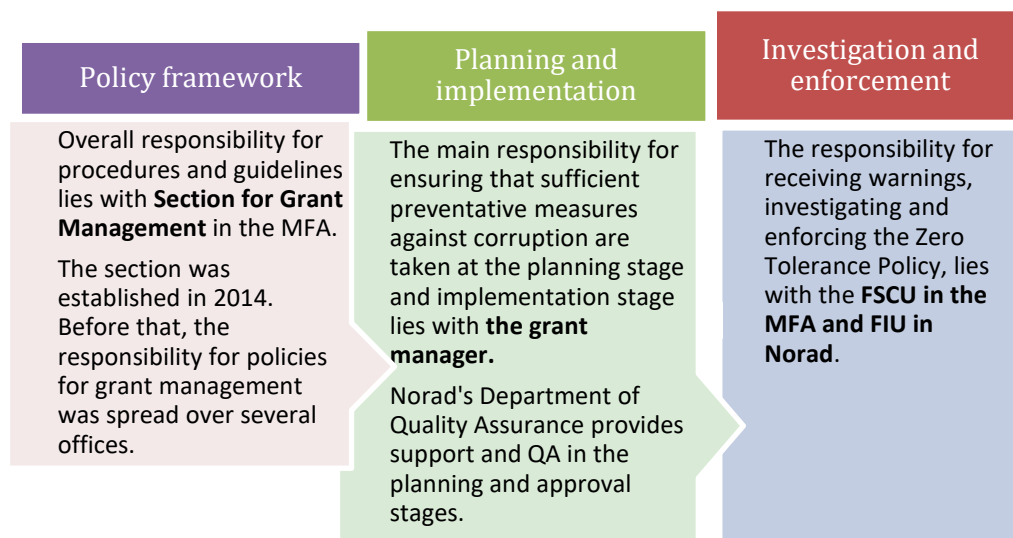
planning and allocation process, as well as the process of grant management in the implementation of projects and programmes.³

Most respondents in the MFA, Norad and civil society refer to the MFA Guidelines as the ZTP. The MFA website presenting the Guidelines also has zero tolerance in the title. For the purposes of this case study, we will use the wider definition used by FSCU, to also include the preventative dimension of anti-corruption as part of the ZTP.

Another point of disagreement involves the objective of the ZTP. The FSCU, in interview, were concerned to stress that the objective of ZTP is to protect Norwegian funds from misuse, and that it does not include the reduction of corruption in partner countries. Norad's FIU, on the other hand, were equally concerned with stressing that protecting Norwegian funds is "part and parcel" of Norway's strategy of reducing corruption in partner countries.⁴

The understanding of zero tolerance is relevant due to the question of who has the overall responsibility for its implementation, including the coordination between preventative and deterrent measure. Although there is continuous ad-hoc communication between the various actors, there are no established mechanisms for assessing implementation, and it is not clear who has the overall responsibility for either the ZTP nor of Anti-Corruption generally.

It may be useful, therefore, to break the policy process down into three main parts to see where the responsibility for the ZTP lies. These parts consist of the policy framework, planning and implementation, and investigation and enforcement. The two former referring to preventative measures, and the latter to deterrence.



³ Wikipedia defines due diligence as "the investigation or exercise of care that a reasonable business or person is expected to take before entering into an agreement or contract with another party, or an act with a certain standard of care."

⁴ Comments from FIU on an earlier draft of this report.

The case study focuses on the first and last element. The middle one, allocation and implementation, is captured in more detail in the sectors and country case studies, although there are also important elements of this captured under the four sample corruption cases.

3.2 Policy Framework

Throughout the evaluation period, Norway has worked to strengthen the systems in place for preventing misuse of Norwegian aid funds. These systems address checks and risk assessments against corruption at the various stages of the process of planning and approving projects.

The approval process considers the following elements of project proposals/documentation:

- Risk assessment
- Cross-cutting issues, of which anti-corruption is one of four

In addition, all new partners must have an extended partner's assessment for projects over NOK 5m, where the partner's systems for financial management, control and reporting are assessed.

Risk assessments

The responsibility for ensuring that the projects document a sufficiently sturdy due diligence rests with the section in the MFA or Norad administering the grant. Additional Quality Assurance (QA) is provided by Norad's section for grant management.

In 2014, the MFA established its own section for grant management. Whereas Norad's section for grant management retained the responsibility for operational QA, the MFA section for grant management took on the responsibility of overseeing and strengthening the system of grant management for Norwegian aid.

Prior to the establishment of the MFA section for grant management, the responsibility for the system of grant management was with a Grant Management Unit in the Ministry's Finance Section where the first manuals for grant management were developed. Since its establishment, the present section for grant management has led a comprehensive review of the MFA Grant Management Assistant (previously Grant Management Manual), as well as having done a comprehensive review and updating of formats for agreements and contracts.

There is evidence that the application of risk assessment was not functioning well at the beginning of the evaluation period. The Office of the Auditor General of Norway (OAGN) investigated 25 anti-corruption projects that were operational in the 2008 – 2014 period (OAGN 2015). The investigation did a systematic assessment of the project cycle for each of the projects, including the risk assessment conducted as part of the approval process. According to the Auditor General, for the 25 projects investigated, 21 "largely or completely failed to meet the requirements for identifying, assessing and managing risk" (OAGN 2015: 10-11).

Since the OAGN's report was published in 2015, most of the systems then in place have been reviewed. The recommended formats for risk assessments have been made more explicit, but it is not clear to what extent this has led to more thorough

assessment of risks. A review done of the documentation of 28 projects as part of the inception phase of the evaluation found that only three project documents gave substantive coverage of corruption in their risk assessments.⁵

The assessments of project proposals, particularly for grants to Norwegian civil society, have become far more structured. There is now a systematic assessment with scoring on civil society applications, a system by the name Resource Allocation Model (RAM) light. There is therefore little doubt that the process for due diligence of civil society grants has become more robust.

There is a mandatory requirement to conduct a partner assessment for all grantees doing projects over a certain sum. The partner assessments are the responsibility of Norad. The partner assessments can provide important checks on the quality of the systems of partners, not least in terms of systems and capacities of financial management.

Cross-cutting issues

Each project is also assessed on cross-cutting issues. The process for this is defined by the Grant Management Assistant. The 2017 update (V04), gave a more detailed and systematic approach to this.

In 2015, Norad introduced a new and more structured system for fund applications for NGOs. This was based on Danida's "Resource Allocation Model", which they started using in 2014 to process applications from the largest civil society organisations (CSOs). Norway's version was simplified and was known as RAM light up until 2017, but has since been referred to as RAM.

In the RAM system of applications, applicant Non-Governmental Organisations (NGOs) are required to answer questions about their organisations and programmes. The applications are then scored for each of the parts of the application, and the outcome of the application is decided by the score. In addition, there are a number of minimum requirements that need to be met, and these include that "the applicant's financial management is adequate to prevent, identify and follow up financial irregularities" and that there is an adequate assessment of risk.⁶ This process has brought about more rigour in the application process.

Since its introduction in 2015, there have been consultations with Norwegian NGOs which have contributed to four rounds of revisions of the system, which has led to a simplification of the process.

The MFA did an internal assessment of the effectiveness of the system for cross-cutting issues in 2015.⁷ The assessment was done by the MFA Section for Grant Management. Referring to an earlier review conducted by Norad's section for quality

⁵ "Anti-Corruption as a cross-cutting issue: Desk review of 28 mainstream NORAD projects across six sectors", annex to the Inception Report.

⁶ Norad (2019). "Ram model v.5", approved version 7.6.19.

⁷ «Tverrgående hensyn i norsk bistand,» (Crosscutting issues in Norwegian development cooperation), Section for Grant Management, 28.08.2015.

assurance, it observes that the aid administration has experienced the requirements for considering cross-cutting issues as difficult to comply with.

The assessment also refers to a review of other donors' practices of crosscutting issues (Danida, DFID and the World Bank).⁸ This review concludes that although there are different practices, all reviewed donors have policies that require addressing cross-cutting issues in programming but struggle to translate this in practice. Also, the review concludes that there is little documented effect of mainstreaming cross-cutting issues. It is also relevant to note, that none of the reviewed donors addressed anti-corruption as a cross-cutting issue.

The MFA's internal assessment concluded that the value of requiring consideration of cross-cutting issues in programming should be weighed against the risk of burdening the aid-administration with requirements that are too onerous. The assessment therefore recommended that the primary goal of considering cross-cutting issues should be risk management. In other words, considering cross-cutting issues should first and foremost be about reducing risks within projects – "do-no-harm". Projects should not, however, be required actively to address cross-cutting issues as part of its objectives, as in seeking to reduce corruption or gender discrimination. This is what is referred to as "do good". The implementation of the recommendations was subsequently criticised in an Organisation for Economic Cooperation and Development (OECD) review:⁹

Norway's previous efforts to implement cross-cutting themes – human rights, women's rights and gender equality, climate and environment, and anti-corruption – yielded limited results. As a result, Norway has shifted to a "do-no-harm" approach, integrated into its risk management processes. While this has helped streamline Norway's efforts, the implications of "do-no-harm" are not well understood by partners or staff, and Norway will need to assess its effectiveness. Focusing on "do-no-harm" also potentially limits Norway's opportunities to "do good" by actively pursuing positive outcomes on priority issues where appropriate and possible.

MFA staff interviewed suggested to the evaluation team that crosscutting issues are primarily politically motivated and questioned their usefulness. The argument was made that the needs fulfilled by cross-cutting issues, were already covered by the risk assessment. It was also cited as a weakness, that the approach to crosscutting issues was not calibrated according to size of budget, meaning that the requirements were the same for small projects of less than NOK 100,000 as for larger projects of above NOK 100 million.

3.3 ZTP's operationalisation: focus on contractual arrangements

In this section we will look at the contractual arrangements for the two types of partners that make up the biggest share of Norwegian development assistance, NGOs and multilateral partners.

⁸ "Hvordan jobber andre med tverrgående hensyn? Kartlegging av Dfid, Danida og Verdensbanken» (How do others work with crosscutting issues? Mapping of Dfid, Danida and the World Bank.

⁹ OECD (2019), OECD Development Co-operation Peer Reviews: Norway 2019, OECD Development Cooperation Peer Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/75084277-en>.

NGOs

The contractual templates for NGOs provide clear provisions for the enforcement of the ZTP. According to the contractual template for NGOs, the 2016 version:

*The Grant Recipient shall inform Norad immediately of any indication of financial irregularities in or related to the Project. The Grant Recipient shall provide Norad with an account of all the known facts and an assessment of how the matter should be followed up, including whether criminal prosecution or other sanctions are considered appropriate.*¹⁰

As we can see, the trigger point for instigating a process might be considered low. It is probably fair to state that there would be few projects in corruption prone areas where there would not be “any indication of financial irregularities.”

Under the section “Breach of agreement” it is stated that financial irregularities include when “the use of the grant has not been satisfactorily accounted for”.¹¹ The requirement of adequate financial reporting is standard contractual practice.¹² None of the respondents consulted in this evaluation have suggested that this is not necessary. The issue here is the nature of sanctions when the grantee is not available to provide adequate financial documentation. This is explored further in the discussion of the factual findings.

Until recently, the rule regarding instances of misused funds was that the grant manager would have to refund the loss to the MFA and ensure that all planned project activities would be implemented as planned. This, in effect, meant that the partner organisation might have to repay twice the lost amount. In some cases, the partner organisation would recover the lost amount from its partner. There is, however, no available statistics on the occurrence of such instances. Also, even in cases where the Norwegian NGO does manage to reclaim the funds from its local partner, that would mean the local partner would have to find the funds to repay, even if they had already been spent on activities and not properly accounted for, or misappropriated by unfaithful employees.

In December 2018, the FSCU issued new *Guidelines for dealing with suspected irregularities in the Foreign Service*, which replaced the previous guidelines from March 2011.¹³ According to the new rules, the grantee is now only required to repay the money to the project, provided that the following conditions are met:

- The organisation detected and reported the case itself;
- The malfeasance has not been shown to be the result of significant weaknesses in the organisation's systems and procedures; and
- The organisation has taken measures to preclude a repetition.

¹⁰ Norad (2016a). Standard General Conditions Norwegian and Non-Norwegian NGOs. Grant Management Regime I and II. PartII: General Conditions applicable to grants from the Norwegian Agency for Development Cooperation,” s15.4, p. 8.

¹¹ Ibid, s 17.3 a), p. 9.

¹² This was pointed out by FIU in comments to an earlier draft to this report.

¹³ Both the [2011 version](#) and the [2018 version](#) are available on the MFA website.

These procedural changes followed many years of protests and lobbying from Norwegian NGOs, but the FSCU stresses that this did not influence them. The FSCU states that they made the changes on the basis of their own assessment of the need for legal sanctions, while also creating incentives for fund recipients to establish sound routines for internal controls.

The Norwegian civil society's lobbying on the ZTP has been coordinated through a civil society Anti-Corruption (AC) Working Group. The AC Working Group agrees that the latest revision is a step in the right direction, but maintains that it has had little practical effect. This is confirmed by the latest annual report from FIU, which shows that in 2019, only NOK 22,202, out of a total of NOK 18,4m, was paid back to the project.¹⁴ The main reason given for cases not to qualify under the above conditions, was that the cases had been reported too late. In the report, FIU stresses that any suspicion of financial irregularities must be reported immediately. In other words, if the organisation starts looking into matters, and try to deal with them on their own, without reporting them to Norad, they will not qualify under the new provision. In November 2019, the civil society AC Working Group submitted a letter of concern to the MFA regarding the implementation of the ZTP. They list seven concerns:

1. The practice works against the "leave no one behind" agenda, as it provides disincentives to partners with weak organisations in vulnerable areas.
2. The practice does not sufficiently consider the interest of vulnerable target groups. A freeze in funding and claims for repayment can have a severely negative impact.
3. The ZTP does not provide a fair share of the risk of operating in high risk areas.
4. There is missing proportionality in the response. There is little or no differentiation according to the scale and severity of the irregularity (e.g. is it fair to claim repayment of funds that have been stolen by external actors?).
5. There is a skewed implementation of the ZTP in that by far most of the cases opened deals with NGOs, who only manage a relatively small share of the aid budget.
6. The practice provides few incentives for whistle-blowers. They risk losing jobs and salaries as reactions tend to be very punitive.
7. The practice provides a drain on resources. Not only for compensation, but for administering and investigating cases.

These issues will be further discussed in the following sections.

Multilateral partners

Multilateral agencies mostly continue to reserve the right to do their own investigations, although potentially important changes have been made in the contractual arrangements. The evaluation looked at the templates for contracts with three of Norway's main multilateral partners, UNDP, UNICEF and WHO. Another issue highly relevant to the ZTP is the extent to which it is captured in the standard contracts and agreements for various types of partners.

At the start of the evaluation period, the agreements with the three agencies were based on Framework Agreement templates from 2003. None of those made any reference to an anti-corruption policy. The only mention of corruption, for all the agreements, was in the final Article where there was a provision committing the agency to "immediately inform Norway of any illegal or corrupt practice in any

¹⁴ Norad (2020). Varslingsteamets Årsrapport 2019.

activity financed under the framework agreement.” There was no mention of repayment of funds that were affected by such illegal or corrupt practice. In 2015, a new template was agreed for UNDP and UNICEF, and in 2016 for WHO. These had the following significant additions.

- All agreements have a mutual commitment to “a zero tolerance for fraud, corruption and any other financial regularities”
- All agreements include provision where Norway reserves the right to withhold disbursement in case of credible allegations of corruption or financial irregularities.
- UNDP and UNICEF commit to informing the FSCU of any investigation into prohibited activity, and share information, including “details of any recovery of funds”
- WHO makes no such commitment to sharing information.
- All agencies agree to return funds recovered due to prohibitive conduct.

This means, that the rules of the game changed significantly in the middle of the evaluation period. A question that is asked in the following sections, is if this has made a measurable impact.

Norway’s Guidelines for dealing with suspected financial irregularities in the Foreign Service also provides that:

The Foreign Service is to work to ensure that multilateral organisations, global funds and programmes, and other international partners establish satisfactory systems for the prevention, detection and follow-up of financial irregularities. The Foreign Service Control Unit is to be kept informed about the work being done by these actors in this area. Cooperation agreements must be put in place to ensure that cases of suspected financial irregularities involving funding from Norway are reported to the Foreign Service Control Unit (MFA 2019).

The key instrument for monitoring the robustness of the multilateral organisation is the Multilateral Organisation Performance Assessment Network (MOPAN).¹⁵ This is an OECD-hosted instrument that does periodic reviews of multilateral organisations and provides systems assessments at corporate level. It’s based on surveys of members states’ opinions (mostly diplomats and aid staff) and expert reviews of documentation. It provides assessments of 12 key areas, and 59 sub-areas. One of the sub-areas asks whether “Policies and procedures effectively prevent, detect, investigate and sanction cases of fraud, corruption and other financial irregularities.”

Over the years, various sections of Norway MFA have had access to relevant committees and board meetings in international organisations and take part in the decision-making processes, some related to ZTP (see also the global health case study). For example, the section in the MFA responsible for multilateral affairs informed the evaluation team that they use their influence as board members of several of the major multilateral organisations and global funds to push for stronger systems to address corruption. They listed as a key achievement in this regard, a policy shift in several major organisations, including UNDP and WHO, to commit to making their internal audit reports public. This was in 2012/2013.

¹⁵ For information on MOPAN, see - <http://www.mopanonline.org/ourwork/ourapproachmopan30/>

FSCU has in the meantime engaged regularly with Audit and Investigation units for a broad range of multilateral organisations, notably UNDP's Office of Audit and Investigation (OAI); the Office of Internal Oversight Services and the Joint Inspection Unit of the United Nations System in the UN Secretariat,

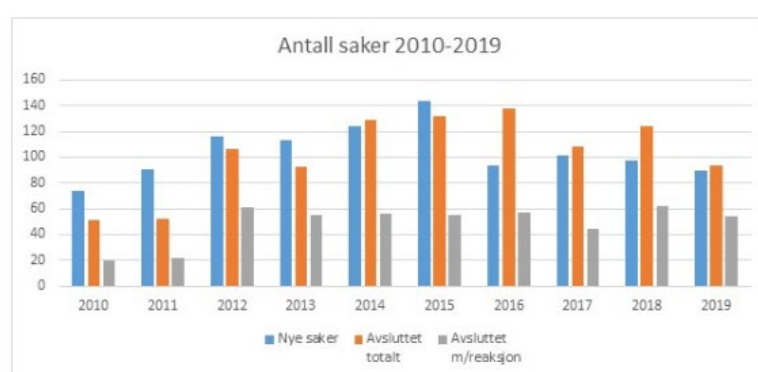
Nevertheless, there is no established process in the MFA or Norad for a coordinated assessment of the risk of corruption for Norwegian funding of the multilateral organisation at a systemic level. Each grant does go through a standard process of due diligence, which includes a risk assessment for financial irregularities, but as argued above (see section 3.2), these assessments often do not cover such risks in depth, and even when they do, the identified risks are not always addressed (as shown in the Congo Basin case study, below).

3.4 ZTP's operationalisation: focus on investigations and sanctions

In this section, we present a statistical analysis of cases of economic mismanagement reported and closed in the evaluation period. This is based on the quarterly and annual reports published on the MFA website.¹⁶ To the extent possible, attempts have been made to aggregate the information and classify it according to agency responsible, year, type of partner, type of incident, geographic area, and funds repaid.

The FSCU's annual report from 2019 shows that there was a steady increase in the number of reported cases from 2010 up to 2015, from just over 60 a year to more than 140.¹⁷ In the last four years, it has dropped to below 100 again. At the same time the number of cases that have resulted in measures taken is at 59 cases in 2019 and has remained stable after 2012. Therefore, while there has been an increase in the first years of the evaluation period, up to 2012, there has been no strong trend since then.

Figure 1. Statistics of reported cases to the Central Control Unit in the MFA



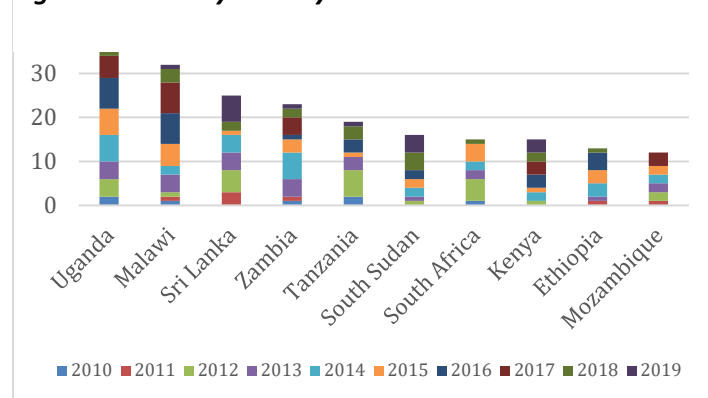
Source: FCSU Annual Report fo 2019 (*Rapport om økonomiske mislighetsaker 2019*)

As shown in Figure 2, Uganda and Malawi are the countries with the highest number of reported cases in the period 2010 - 2018, with 44 and 32 each, respectively. Sri Lanka, Zambia, Tanzania, South Sudan, South Africa follow, all have between 15 and 25 cases each.

¹⁶ See [Rapporter om økonomiske mislighetssaker](#) ("Reports of economic irregularities" - the webpage is not available in English).

¹⁷ The statistics include cases concerning MFA, Norad, Norec, and until 2017, Norfund.

Figure 2. Cases by country: 2010-2019

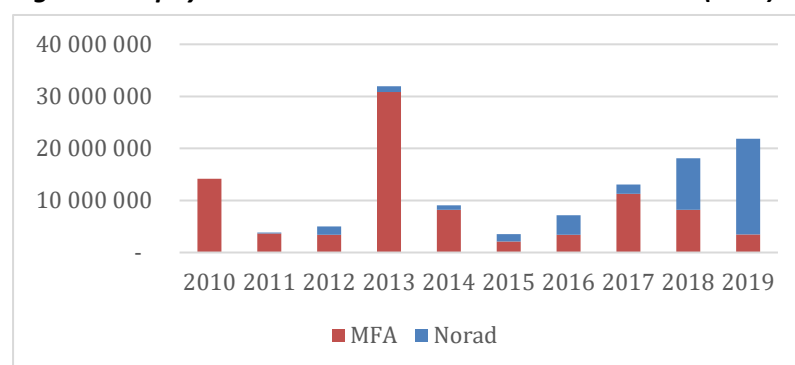


Source: FSCU, Quarterly report on cases of financial irregularities 2010 – 2019 and Norad quarterly reports

In Figure 3, we see the total sums repaid to the MFA and Norad in the evaluation period. As we can see, there is not a strong trend in the total sums repaid, but there is a relative increase in the amounts paid to Norad, as compared to the MFA. The highest total repayments were in 2013, which is in large part explained by the repayment of almost NOK 23 million from the Government of Uganda, following a corruption

scandal involving a fund managed by the Prime Minister's Office. A large part of the 2019 repayment is made up of a total repayment of about NOK 10,5 million connected to the CBFF programme, which is discussed as a case in this report.

Figure 3. Repayments to the MFA and Norad: 2010-2019 (NOK)



Source: FSCU, Quarterly report on cases of financial irregularities 2010 – 2019 and Norad quarterly reports

Perhaps the most interesting statistics are on the type of agreement partner in affected projects. As seen in Figure 4, by far most reports relate to projects administered by Norwegian NGOs. Few cases relate to bilateral agreements managed by government partners,

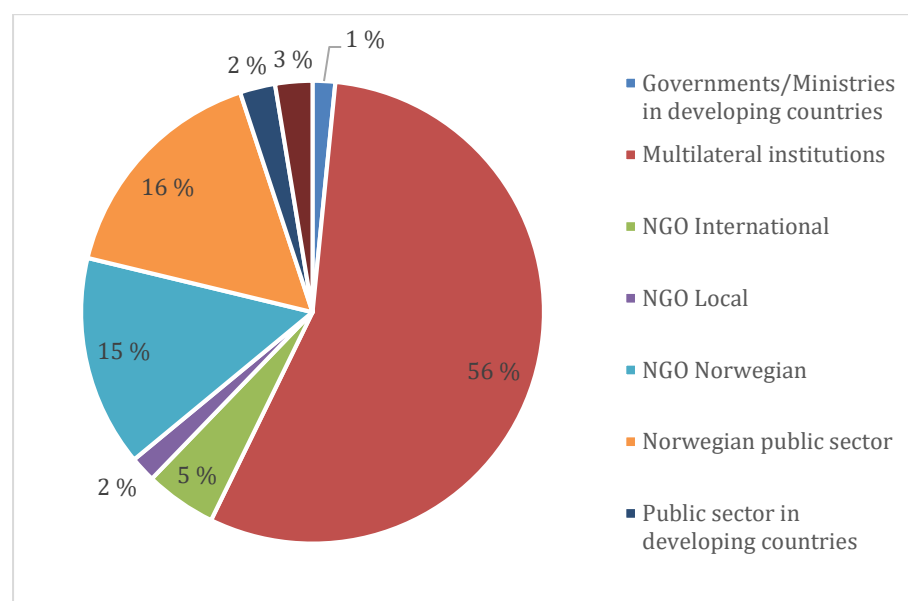
and fewer still by multilateral partners. A total of 65% of all cases reported by the MFA and Norad relate to grant agreements with Norwegian NGOs. Contracts implemented by local NGOs, make up 10% of cases, while international NGOs make up a further 8%. This means that a total of 83% of all corruption cases dealt with by the MFA and Norad, relate to contracts with NGOs.

Figure 4. Number of cases of financial irregularity by type of partner

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total	%
Norwegian NGO	14	14	27	30	33	35	40	28	51	44	316	65 %
International NGO	1	1	7	2	4	4	4	8	4	5	40	8 %
Local NGO	1	1	11	6	9	5	7	0	4	3	47	10 %
Embassy	0	3	4	2	3	6	1	2	1	0	22	5 %
Multilateral	1	0	7	5	4	3	1	0	1	2	24	5 %
Bilateral	3	3	3	8	4	2	4	6	1	5	39	8 %
Total	17	22	59	53	57	55	57	44	62	59	485	

These figures make for an interesting comparison with the distribution of Norwegian aid per partner, presented in Figure 5. Norwegian NGOs deal in total with 15% of the Norwegian aid budget, while being involved in 65% of the cases followed up by the Central Control Unit. 56% of Norwegian aid is channelled through multilateral institutions. Most of these, however, are beyond the direct mandate of Central Control Unit, as the contracts of these agreements almost always stipulate that the institutions themselves will deal with any reports of suspected corruption or other grievances. As we have seen, however, they are meant to share information on cases with FSCU and make repayments where relevant. The other key groups of recipients are Norwegian public institutions (ministries, directorates and agencies, other than the MFA or Norad, delivering aid projects), southern and international NGOs and Government partners in developing countries.

Figure 5. Total Norwegian aid in 2018 by partner



Source: Norad database (*Bistand i tall*)

The statistics presented above provide several insights and observations:

- After an increase in the first years of the evaluation period, the numbers of reported cases and cases with sanctions have been fairly stable.
- By far the most cases reported by FSCU and FIU have Norwegian NGOs as implementing partners.
- Although the largest share of Norwegian development assistance now goes through projects delivered by multilateral institutions, they generate a very small share of the cases of economic mismanagement that are reported by FSCU and FIU.

3.5 Case Studies

In this subchapter, we present the main findings from the four selected cases of reported economic mismanagement, and our case study of UNDP. For a fuller description of each case, see Annex 4.

1. Malawi – Ministry of Economic Planning and Development (MEPD)¹⁸

The case relates to a cooperation agreement between Statistics Norway and the Malawi MEPD. The Norwegian MFA and the Government of Malawi have cooperated in the field of statistics and macroeconomics since 2003. This included a collaboration between Statistics Norway and MEPD.

The Malawi National Audit Office audited the project for the financial years 2010/2011 and 2011/2012 and delivered an unqualified audit opinion. For some years, there had been unanswered queries raised regarding undocumented expenditures in the annual meeting. This was noted by the Embassy's financial controller, who was hired by the embassy in 2013. On the recommendation of the financial controller, the embassy ordered an independent audit for the financial years ending 30 June 2012, 2013 and 2014, which reported unverified, unsupported and unauthorised expenses worth Malawian Kwacha (MK) 37m, or about NOK 500,000, which were approximately 57% of the expenses.

Continued discussions between the Embassy and the Ministry resulted in an agreement that the now Department of Economic Planning and Development, would refund MK 9 million in three instalments, while still contesting MK 7 million. After a drawn out process the payment was made, and the case was closed in November 2011.

The following factors are noted from this case:

- The case has to do with undocumented expenditure, with no allegation of concrete cases of corruption.
- It related to issues that most likely had been ongoing for several years before it was reported.
- The case was initiated due to an independent audit, which was recommended by a new financial controller. It appears that prior to the hiring of a financial controller, there was not sufficient capacity at the embassy to understand the significance of the shortcomings in the accounts. Particularly since the project had received unqualified opinions from the National Audit Office.
- It was a drawn-out affair to claim repayment from the government, which took considerable capacity.

2. AfDB – Congo Basin Forestry Fund (CBFF)¹⁹

This case relates to a large programme originally implemented by the AfDB with financing from Norway and the Department for International Development (DFID), each contributing the equivalent of NOK 500 million. The programme is a fund that provides backing to projects in support of sustainable forestry run by governments, civil society and international organisations.²⁰

¹⁸ The case study is based on case documentation from FSCU, and interviews with case officers.

¹⁹ The case study is based on documentation from FSCU and FIU. As well as interviews with FSCU, FIU and case officers.

²⁰ The case is covered in Norad's Norwegian language publication *Bistandsaktuelt*, which provides factual and investigative reporting on cases relating to Norwegian aid: "[11 mill. tilbakebetalt etter mislighold i skogprosjekter i Kongobassengen](#)" ("11 million NOK repaid following financial mismanagement in forestry projects in the Congo Basin"), *Bistandsaktuelt*, 30 October 2019.

The program experienced operational problems from the onset. The CBFF was the object of several investigations by Norway. In 2013, the management of CBFF was moved from the MFA to Norad. Norad's FIU picked up the case in 2015. Investigations documented a wide range of financial malpractice, including failure to follow procurement regulations, too high remuneration, missing documentation on expenses, failure to do due diligence of grantees, etc.

The allegations of mismanagement included a project implementation unit that had been originally set up by the World Bank, and which had World Bank salaried officials. The leader of this unit received a bonus for every project approved on top of an already high salary. There was an implicit assumption that since it was the World Bank, then systems would be strong. As the investigation report showed, this was not the case. Several of the embassy and case officials interviewed, commented that there is a tendency not to question the capacity and integrity of World Bank and UN offices.

FIU commends AfDB for responsible and open follow up of the case. In 2017, the Bank issued a claim to the Government of the Democratic Republic of Congo (DRC) for repayment of misused funds. Following strong pressure from the Bank, the Government made repayments of a total of EUR 1.197.492 by the end of the year. The contract between Norway and AfDB did not include a provision that any misused funds should be repaid. An agreement was nevertheless made, that the Bank would repay the donors the share of their funding affected by corruption. The Bank subsequently repaid Norway Euro 741.409, and the rest of the recovered sum to DFID, in accordance with the donors' share of funding of CBFF. The following factors are noted from this case:

- There were weaknesses in the due diligence conducted for the programme. The high risk of corruption had been noted, but there had not been any assessment of AfDB's capacity and policies for handling the risk. Moreover, there was no follow up from Norway to assess and mitigate risks after the start of the project.
- It took a long time from the first concerns were registered till there were concerted efforts to investigate and handle the case. It was obvious already in 2011 that there were signs of corruption and/or financial mismanagement, but Norway and the implementing partners did not initiate a forensic audit till 2015. The set-up involving donors, the Bank, a Fund Management Agent and the CBFF, made for long and fragmented lines of communication that were not conducive to timely implementation of control.
- The fact that one project implementation unit was linked to the World Bank seems to have given false assurance of integrity.
- AfDB was more reactive than pro-active. Follow up on the corruption allegations came as a result of pressure from donors.
- The evaluation also notes certain weaknesses in the information management from the side of the FSCU. The FSCU records of the case, did not include the information that the case had been transferred to the FIU in Norad.

3. CHRISC – East Africa²¹

CHRISC is a programme set up by the Norwegian eponymous organisation referred to by its Norwegian acronym KRIK (Kristen Idrettskontakt). In 1994, KRIK established three separate CHRISC organisations in Kenya, Uganda and Tanzania. Through the following years, CHRISC expanded its support-base, through partnerships with Norwegian People's Aid (NPA), the Norwegian Olympic and Paralympic Committee and Confederation of Sports (NIF), the Atlas Alliance and Digni.

The funding organisations performed little or no due diligence on the KRIK/CHRISC project arrangements. Each of the CHRISC organisations were started by young people, and there was no support set up for capacity building for financial management. The first report of alleged financial malpractice was from a whistle-blower in CHRISC Kenya to KRIK in 2016. The warning was not passed on to Digni, who was the main donor for the Kenya programme. Instead, KRIK made its own investigation in Kenya, but did not find any evidence of malpractice. It is acknowledged that KRIK had limited capacity for this type of investigation and missed several red flags, such as missing documentation on expenditure. The same whistle-blower reported directly to Digni, later the same year. Digni passed on the warning to Norad's FIU. Digni then found out that the Strømme Foundation had also received a warning, which they had not shared, and had already started an investigation using a Ugandan company.

The investigations in Kenya, Uganda and Tanzania uncovered several issues:

- There were very poor standards of internal control and financial reporting. A large part of expenditures could not be documented.
- A large part of the procurement had been conducted in an irregular manner, and there were clear indications of collusion between CHRISC management and suppliers in some cases.
- There were clear indications of "double-dipping" where organisations had claimed expenses for the same activities to more than one donor.
- There were particularly clear indications of mismanagement in Kenya, where there was evidence that leaders had fabricated receipts.

It is striking that at no stage before or after the warning, had the five organisations exchanged information, engaged in common planning or shared financial information with each other. There were no common meetings between the five Norwegian organisations. The experience of the CHRISC case, contributed to bringing about the reestablishment of the Norwegian NGO AC Working Group in 2018. The group had been active in the years after the ZTP had been launched but stopped meeting in 2016.

The findings of the audit report were challenged by NPA, who was the lead donor in Tanzania, KRIK and CHRISC Tanzania. The main disagreement was in the method and wording adapted by the auditor. Wherever there was a procedural mistake, as in procurement, the entire sum of the procurement was stated as questionable. The audit

²¹ The case study is based on case documentation from FIU, and interviews with FIU and case officers from the involved organisations..

report classified most of the expenditure for a well-known annual football cup with around 2000 children and youth as questionable/fictitious.

Although the organisations agreed that the standards of financial management had been poor, they did not feel that it was just that they had to refund the total of funds not accounted for, when the activities had demonstrably been delivered. This included, for example, the total expenses for catering and clothing for the football tournaments.

Based on audit reports from the three countries, an agreement was made by the five organisations to return a total of just over NOK 5 million to Norad. Some of the funding was likely to be embezzlement or corruption, with evidence of this from Uganda and Kenya. Digni, who was the main donor for Kenya, considered reporting CHRISC leaders to the police, but decided not to, as this would absorb more resources, and they did not trust the court system.

Most of the funds that had to be repaid, however, were not associated with such explicit references to outright corruption. This was in particular the case for the funds spent in Tanzania. When asked why they in the end accepted repaying the full amounts questioned, the Norwegian NGOs consulted answered that it would have taken too many resources to challenge the claim.

The following factors are noted from this case:

- The implementation of due diligence was extremely poor
- It took many years to detect poor practices and mismanagement despite the presence of many red flags
- The case is also a good illustration of how the strict interpretations of the rules of financial mismanagement may lead to repayments of not only money lost, but also money that has demonstrably gone towards delivery of goods, but which have not been fully documented. The reversal of the burden of proof, stating that money is considered to be unlawfully spent unless proven otherwise, leaves organisations with the decision of whether to spend more time documenting expenses or simply agreeing to pay up.²²
- The consequence for partner organisations can be that they lose funding and must cease operation.

4. Norwegian People's Aid (NPA) – Humanitarian Programme Somalia

Refers to a reported case of suspected corruption. The case relates to NPA's humanitarian programme in Somalia. It had an annual budget of between NOK 8 and 12 million in the period 2010 – 2015. It was active in the contested area between Puntland and Somaliland, in the regions of Sool, Sanaag and Cayn. This is an area where very few aid and humanitarian organisations are present. NPA had been active in this area since the 1990s.

²² Comment by Norad's Fraud and Integrity Unit. There is a methodological challenge when non-objective information is cited as fact. In a case with systematic lack of documentation, uncoordinated donor support and lack of reconciled budgets and financial reports, procurement irregularities, evidence of fabricated receipts by the management and strong indications of "double dipping", the conclusion that funds have been used to its purpose (the football-tournament was executed...), should not be drawn.

In August 2015, NPA received a warning from an employee in its Somali country office, that she had been offered an envelope with USD 500 from her senior manager, which was described as a kickback from a supplier. After some initial inquiries, the NPA alerted FSCU of the warning, and a case was established. At the time, the NPA head office had directed country offices to report all warnings without delay. The evaluation was informed that this was in part due to communication from FSCU that they thought they were receiving too few warnings from NPA.

Following the opening of the case, NPA's new expatriate Country Manager started a wider investigation into possible corruption cases, as he decided that there was a high risk that corruption had taken place. NPA decided to freeze financing of the humanitarian programme in Somalia, from the beginning of 2016. NPA followed up the initial case with its own investigation. The freeze was a unilateral decision by NPA and was not demanded by the MFA FSCU.

The investigation brought up nine further possible cases, that included queries relating to various procurements for office refurbishment, boreholes, relief food, material for displaced persons and car fuel. None of the cases were proven, and NPA communicated to FSCU that they would address the observed weaknesses through strengthening of administrative routines.

The investigations and processing of the case continued through to February 2017, when FSCU formally closed the case. In their final reports to FSCU, NPA concluded that the available evidence did not warrant claims for repayment, and described measures taken to make sure the contracted services were provided. NPA also stated that they were in the process of a significant review of their processes for due diligence and financial control, in response to weaknesses observed in the investigated cases.

In their response to NPA, FSCU emphasised that according to the ZTP no economic mismanagement is accepted, and that simply to show that goods or services have been satisfactorily delivered is not sufficient. FSCU further stated, however, that other (not specified) factors in the final reports from NPA meant that they accepted NPA's recommendation to close the case.

The discontinuation of financing from the beginning of 2016 meant that the NPA's humanitarian programme was closed down, and it has not since reopened. The closing of the programme coincided with an exceptionally severe drought that affected the area where NPA had been active. There is little doubt that the cessation of the NPA humanitarian programme in an area where very few other actors were active had severe ramifications for the affected population.

The following factors are noted from this case:

- Pressure from FSCU may have lowered the bar for reporting suspected corruption cases
- Systems and routines for detecting mismanagement were weak at the time of the reported cases
- The investigated organisation did not understand or utilise the right to contradiction
- NPA's decision to freeze funding had severe unintended consequences on the affected population

5. Comparative case study – UNDP

This case study presents a sketch of the way the United Nations Development Programme (UNDP) incorporates ZTP in its policies and its system for audit and investigation. This is juxtaposed with some of our findings for Somalia, as a reality check against one of the most corruption prone areas that UNDP operates in. UNDP defines itself as the United Nations' global development network. It is headquartered in New York and has country offices in about 170 countries and territories. UNDP has a central role in the UN system, as a leader of the United Nations Sustainable Development Group, and a key player in the coordination of the country-based activities of UN agencies. Total funding in 2018 was USD 5.5bn (UNDP 2019a).

Policy framework

The “UNDP Policy against Fraud and other Corrupt Practices” states that “UNDP has zero tolerance for fraud and corruption.”²³ UNDP defines fraud and corruption as any act or omission that knowingly misrepresents or conceals a fact in order to obtain undue benefit or advantage, or to cause someone to act, or fail to act, to his or her detriment. UNDP thus has a narrower scope of its ZTP, which focuses on deliberate acts, than the Norwegian ZTP, which includes all types of financial irregularities, whether or not they are deliberate acts of commission or omission.

The Policy states that programme and project managers are responsible for identifying corruption risks in the design phase, and to ensure that appropriate mitigating measures are identified and implemented. In cases where the government is the implementing partner, the responsibility for following up on allegations of corruption rests with the appropriate government authorities, whilst informing UNDP'S OAI. The government should attempt to recover diverted funds and return these to UNDP. Systems and routines of multilateral organisations are periodically assessed through the MOPAN. The latest MOPAN assessment on UNDP was done in 2016.²⁴ For its policies and procedures to prevent, detect, investigate and sanction cases of financial irregularities, UNDP gets the rating “Highly satisfactory”.

The Office of Audit and Investigation (OAI)

In 2018, The OAI had 84 staff and a budget of USD 17,6 million. The office received an additional USD 1,2 million from Global Fund for the audit and investigations of UNDP funded by Global Fund grants.²⁵ 20 persons, in addition to consultants, work with investigations, while there are 45 people working on internal audits. The auditors are located at UNDP's regional offices, while the investigators are all based at headquarters (HQ) in New York. Much of the investigation is done electronically. The OAI receives reports of alleged irregularities through country and regional offices and directly to HQ. It received 294 complaints in 2018, and 370 cases in 2019. Most of the complaints referred to cases of financial irregularities.

²³ UNDP 2018a. The [previous version](#) approved in 2011 also stated a “zero tolerance for fraud”.

²⁴ MOPAN (2016). “MOPAN 2015-16 Assessments: United Nations Development Programme (UNDP). Institutional Assessment Report.”

²⁵ UNDP 2019b. [UNDP: Annual report for the Office of Audit and Investigations on internal audit and investigation activities in 2018](#).

In 2018, 78 cases led to corrective action. For 8 cases, management letters were sent to UNDP offices, addressing weaknesses in internal controls for corrective action. 3 cases were referred to national authorities for criminal investigation. The total financial loss documented for 2018, amounted to about USD 215,000, whereas in 2017 it was about USD 570,000.²⁶ This is substantially lower than payments claimed by FSCU/FIU, who have claimed repayments of in excess of USD 1 million for every year since 2017 (see Figure 3). For reference, UNDP's total budget is USD 5 billion, as compared to Norway's total aid budget of approximately USD 4 billion.

The OAI incorporates its investigative function in its internal control function. This is seen, for example, from how investigations can lead to management letters. Also, the internal audit team also forward apparent cases of financial irregularities to the investigators. This can be seen in contrast to the Norwegian system, where there is not a strongly developed internal control function. This is typical for the Norwegian public sector, where most agencies do not have an established Internal Audit division. However, Norad's Section for QA does do so called portfolio reviews of the embassies periodically, and these do have some of the same features as an internal audit. The section routinely consults with FIU and FSCU as part of the portfolio reviews to discuss risks and receive information about any ongoing or closed cases in the geographic area to be reviewed.

Performance in Somalia

As stated above, the MFA states that Norway has used its influence on the board of UN agencies, including UNDP, to ensure that all internal audit reports are made publicly available on the agency's website.

The evaluation confirms that this is the case. In order to make a brief assessment of the type of issues identified by the internal audits, the evaluation team scanned all of UNDP's internal audit reports from Somalia for the years 2018 and 2019. There were a total 10 reports on UNDP projects in Somalia conducted by the UNDP OAI. Of these, 8 delivered unqualified opinions, that means clean audits, while two reports recorded some adverse findings. The adverse findings related to goods or funds with a value of a few thousand dollars for multi-million projects.²⁷

The largely clean findings of the UNDP projects in Somalia, where the risk of corruption is extremely high, raise questions on whether relying on internal audits, or on the publication of internal audits, suffice as safeguards against corruption in highly corruption settings. The internal audits are largely limited to audits of accounts, and may not capture issues related to process, such as procurement.

The OAI investigation team has, however, received a large number of reports in Somalia. In the period from 2017 to the beginning of 2020, there have been 44 cases opened. One that is currently being investigated, relates to procurement.

²⁶ UNDP 2018c. [UNDP: Report on internal audit and investigations](#), 28 March 2018..

²⁷ The internal audit reports are on the [UNDP website](#). The two reports with adverse findings are Reports 2139 and 2143. The others are Reports 1970, 1971, 1972, 1973, 1974, 1975, 2140 and 2144.

The tendering/procurement process is a key risk area for corruption. The evaluation team, following tips from interviewed Norwegian aid administrators, interviewed a representative of a Norwegian NGO, who had experience from the tendering for UNDP contracts in the water sector in Somalia. He had received a call that his tender was shortlisted and was invited to discuss it further over a cup of coffee outside the office. At this meeting he was told directly that he could have the contract if he paid 15% to the UNDP official, which he declined.

He later disclosed this experience to the Norwegian embassy in Nairobi, and to the MFA, albeit not in writing. The embassy informs the evaluation team that the matter was discussed with UNDP Somalia.

The following factors are noted from this comparator study:

- The systems and routines of UNDP incorporate provisions for implementing a ZTP
- UNDP scores well on international ratings such as MOPAN regarding anti-corruption measures
- UNDP's OAI combines the functions of internal control and investigation. Also, investigations may produce management letters, which extends the investigation function beyond the narrower sanctioning focus of the Norwegian system.
- The funds recovered by UNDP from repayments are significantly lower than what is recovered through the Norwegian system.
- The MFA has worked to ensure that ZTP is incorporated in its agreements with UNDP, but our findings indicate little impact of UNDP's commitment to sharing information on investigations
- Findings from Somalia indicate that there may be corruption within UNDP's operations

4. Discussion

In this chapter we build on the factual findings presented above to discuss the operationalisation of Norway's Zero Tolerance Policy. We track the development of the ZTP throughout the evaluation period and identify differences in the approach between different groups of development partners, and assess the effectiveness of the control of corruption in each case.

Not all facts gathered by the evaluation and used to substantiate the answers have been presented in the previous chapter. New evidence is duly referenced. This has been done to avoid undue repetition and to keep the study concise.

The ZTP has been flagged as a priority throughout the evaluation period. The evaluation's analysis of the cases investigated and sanctioned by FSCU and FIU show, however, that there are big variations in how the part of ZTP dealing with investigations and sanctions has affected different partners. Norwegian NGO's represent 65% of the cases that have resulted in sanctions, while they are only implementing about 15% of the Norwegian aid budget. On the other hand, very few cases involve multilateral organisations and state partners. These striking differences are worth exploring.

4.1 Multilaterals

We start with the question of why there are not more cases involving multilateral partners, who now account for 56% of total Norwegian aid. We see the following factors being relevant:

Respondents in the MFA state that the most important factor is that for most of Norway's major multilateral partners, the agreements state the partners themselves will provide the necessary controls and will investigate any suspected mismanagement themselves. This is at least a partial explanation why there are no more corruption cases registered by FSCU. This still, however, leaves open the question of what measures Norway has in place to assess the various multilateral partners' compliance with Norway's ZTP.

The multilaterals own reports show that they do receive reports on alleged corruption, investigate and sanction cases. Statistics of this is shared with Norway. UNDP, for example, received reports of 1534 reported cases in the five-year period 2012 – 2016. Of these, 1036 were investigated, which is about 200 annually on a global basis. The available documentation does not detail how many cases led to some form of sanction.²⁸

However, as shown in section 3.2, in the recent revisions of the framework agreements, both UNDP and UNICEF, who are the two largest handlers of Norwegian aid (see table 3), committed to sharing with Norway information on any investigations into financial irregularities. The organisations also agreed that recovered funds would be returned to Norway.

Significant as these revisions may seem, they do not seem to have had much of an impact. Not a single case where repayments have been made from *any* multilateral organisation has been registered in FSCU reports from 2016 to date. In 2015 there was one case, involving UNDP in Burundi, where no funds were repaid because there was no legal provision for repayment.²⁹

The case study of the CBFF, was administered by AfDB, a multilateral. The reason why this was not registered in the FSCU database, is that the project is the responsibility of the Department of Climate and Environment. It is interesting to note that in this case, there were no provisions for recovery of funds in the contract between Norway and AfDB, but a solution was nevertheless found allowing for such repayment. It is also relevant to note that in the case of CBFF, the mismanagement was of such an order that it would have been difficult to ignore.³⁰

In interview, the evaluation team asked the MFA Department for Multilateral Cooperation why there were so few cases of financial irregularities reported from Norway's partners. They answered that they had not registered that there was a low

²⁸ United Nations (2018). "Review of Whistle-Blower Policies and Practices in United Nations System Organisations," Joint Inspection Unit, Geneva.

²⁹ First quarterly report of 2015 from FSCU: Ajourføring av Rapport om økonomiske misligheter pr. 31. Mars 2015.

³⁰ This is confirmed by interviews with officials handling the case.

number of cases and that this is something that the team should ask the FSCU about, as this was more their area of responsibility.

When asking the FSCU, the evaluation team was told that this is first and foremost the responsibility of grant managers and the Section for Grant Management. When speaking to grant managers, who are often based in embassies, it quickly becomes obvious that they have very limited capacity to pro-actively follow up the grants, and to a high degree depend on the partners to report any suspicious cases. As regards the Section for Grant Management, it would appear that they have managed to facilitate what should be significant improvements in the legal templates, although, as we have seen, this does not appear to have had much of an impact.

The perhaps most striking finding is the fact that the FCSU and FIU receive and register very few reports on corruption coming from multilateral partners, beyond the aggregate corporate level reporting, *and* that this does not seem to have been registered as a major concern from *any* of the respondents at headquarter level at MFA and Norad. Interviews with case officers at partner country level, on the other hand, have raised the risk of corruption in projects implemented by multilateral partners as being significant. This means that concerns of corruption in multilateral channels among case officers are not systematically captured anywhere in the system set up around the ZTP.

There are elements of a ZTP policy for multilateral partners in place, but they are fragmented and not joined up in a manner that would allow for continuous assessment and learning:

- The MOPAN provides a regular review of the agencies that includes an assessment of policies and procedures to prevent, detect, investigate and sanction cases of financial irregularities. This is, however, a high level assessment that relies on responses from partners and does not include any in-depth investigation.
- Norway receives corporate reports from each agency, including data of reports and investigation of corruption cases. There does not seem, however, to be any form of systematic assessment of these reports by FSCU or FIU. It is also interesting to note that the UNDP reports reviewed by this evaluation, show that funds recovered by UNDP is significantly lower than the corresponding figures from Norway.
- In the evaluation period, MFA has updated its contractual frameworks with the major UN agencies, including provisions requiring the agencies to report cases of financial irregularities to FSCU. This has not led to any changes in previous practices, which has not caused and reaction from Norway's side.
- The Section for Multilateral Development Banks has successfully pressured multilateral partners to make internal audit reports publicly available, but a review of UNDP's internal audit reports show that these mainly cover relatively minor accounting issues.

As shown in this evaluation's case study of the health sector, there are large variations in the quality of the zero tolerance policies if different agencies. Whereas the GAVI and Global Fund have strong track records of detecting and recovering funds lost to corruption, WHO has a much weaker system.

More than 50% of Norwegian development assistance goes through multilateral channels, Yet, the evaluation found no mechanism built into Norway's ZTP to

systematically track and address the risk of corruption in multilateral agreements. The system for implementing the ZTP appears fragmented, and respondents confirm that it is not clear who would have the responsibility to lead a risk assessment for corruption in multilateral agreements.

4.2 Bilateral state-to-state partners

A small number of cases also relate to what have historically been one of the main groups of partners – partner governments. In the evaluation period, 8% of reported cases related to public institutions in recipient countries. This provides a considerably higher proportion of cases relative to budget spent than for multilateral organisations, but it is still lower than is the case for Norwegian NGOs, even when allowing for the much smaller proportion of aid that goes to state-partners.

Reasons for low number:

- State to state collaboration is often highly political. Challenging a state partner can carry a risk of worsening bilateral relations, a consideration which may sometimes mitigate against acting forcefully on suspicions of corruption.
- Agreements have in the past not always had sufficient provisions for zero tolerance.
- Limited capacity by grant manager, often the embassy, to provide sufficient follow up.
- Most of the support is in kind (that is technical support from a Norwegian sister institution), which has low risk to Norwegian funds.

The Malawi case study shows that it took several years of reporting yielding red flags before action was taken, and the decision made to do a forensic audit.

However, in the Malawi case, as in the other cases, it is not immediately obvious how much of the queried money can be classified as corruption, and how much is the result of simple bad book-keeping and poor procurement practices. Yes, corruption is a problem, but so is very poor capacities of financial management. This is a problem that is shared with the southern civil society partners of Norwegian NGOs.

Embassy personnel confirm that they see it as highly risky to provide funding to state parties in a country like Malawi, where corruption is systemic and standards of financial management are so poor, and that they do not have the capacity to follow up funding as well as could be seen to be necessary.

The embassy personnel also confirm that this is a major motivation for the shift in funding from direct state-to-state funding to funding through multilateral partners. An arguable consequence of this is that there are fewer long-term partnerships established with state partners, where part of the objective may be to strengthen the partners' capacity of administration and financial management.

4.3 Norwegian civil society

The part of ZTP dealing with investigations and sanctions has clearly had the biggest impact on Norwegian civil society. 65% of all reported cases relate to funding agreements with Norwegian NGOs. The percentage for the last three years has been above 70%. It is also relevant to note that the respective ratios for international NGOs and partner country NGOs are 8% and 10%, respectively. This means that 83% of all reported cases relate to NGOs.

The evaluation shows that through the first years of the evaluation period, most Norwegian NGOs had poor systems and routines for due diligence. There were also cases of them not providing the necessary support for partners to strengthen their systems of financial management (as in the CHRISC case).

There is little doubt that the strict implementation of the ZTP, from the point of view of the Norwegian NGOs, has provided a much-needed incentive for the organisations to strengthen their routines for due diligence and anti-corruption. Organisations like NPA and Digni, which both neglected to do the needed due diligence in the CHRISC case, have now both adopted new systems of due diligence and anti-corruption. While acknowledging the need for a ZTP, representatives of Norwegian NGOs find the approach, as it is implemented, unduly punitive. Also, it does not appear to be well calibrated for, firstly, the type of high-risk context that the NGOs operate in, and secondly, the administrative weakness of many of their Southern partners.

The punitive nature relates to both the financial consequences of any reported cases of financial irregularity, and the administrative burden of dealing with them. As we have seen, the organisations are required to repay any funds that are lost, or that they cannot fully account for according to the required standards. If we take the case of theft or embezzlement, this would mean the organisation would first have to find the funds to deliver project activities and outputs according to plan, and second, would have to repay the same amount to Norad or the MFA.

In addition, once the organisation starts to investigate, many other issues may appear, additional malfeasance or just plain poor accounting or procurement practices. This would lead to an expansion of the case and if the organisation is not able to provide acceptable documentation for these transactions, they would also have to repay that, regardless of whether the activities have been delivered or not. An example of this is provided by the CHRISC case, where NPA had to repay a major part of the funds allocated to a football tournament, because of poor financial documentation and what was seen as poor procurement practices. The fact that a tournament with more than 1,000 participating youth had been arranged and paid for, was not considered a mitigating factor.

The recent adjustment of the rules addressed the issue of having to repay twice by accepting as sufficient that the organisation pay back to the project. This meant that if the organisation lost money, it would still need to find the funds to deliver the activities but would not be required to also repay the questioned sum to Norad or the MFA. However, only about NOK 22,000 of more than NOK 8 million repaid by NGOs, or less than half a percent, met the set conditions.

The key reason that cases did not meet the conditions, according to FIU's annual report, was that the organisations did not report the cases as soon as they noticed red flags. At this stage it is good again to remind ourselves of the context in which these organisations operate. They are partnering with organisations that often have poor administrative capacities, in contexts with very high risks of corruption. Therefore, it is likely that there is a steady stream of red flags coming in from different projects. It does not seem obvious that the optimal solution for preventing corruption, at least in the medium to long term, would be to immediately report suspicions to Norad.

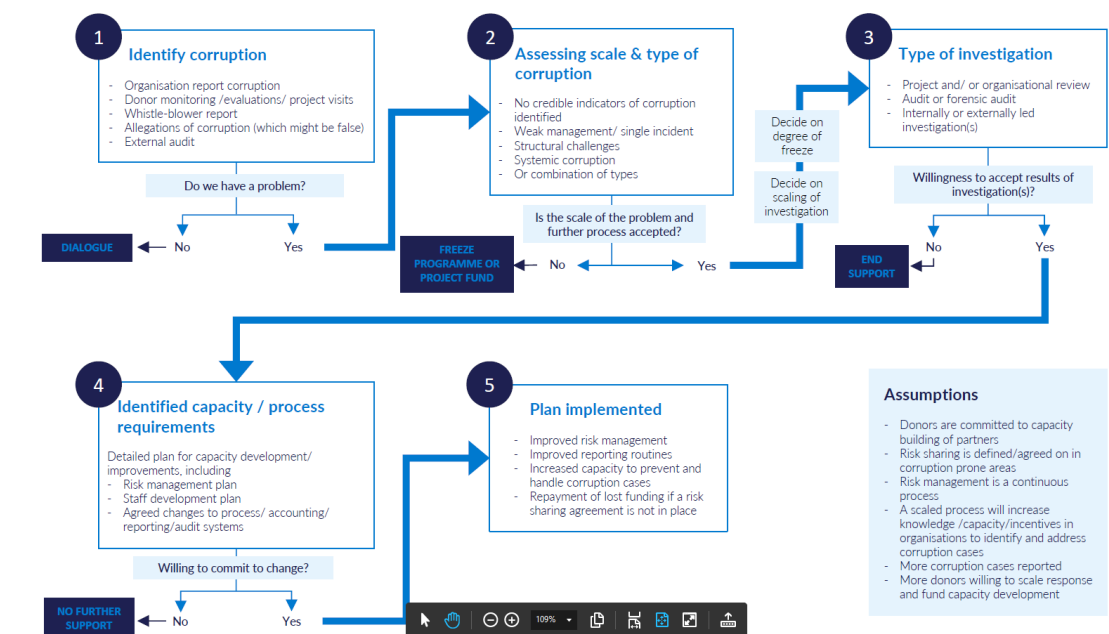
Reporting a case would immediately trigger an additional administrative burden and additional expenses for investigations and audits that could go on for a long time, perhaps years. The financial penalty, as we have seen, could become significant. An alternative would be to deal with the matter internally, allocate resources to address and redress weaknesses and take a longer-term view.

What we see is that the part of the ZTP dealing with investigations and sanctions focuses on compliance with strict requirements of financial reporting and internal control. There is a clear contrast between the requirements and the realities of the context in which Norwegian NGOs operate. The significant strengthening of the organisations' own systems for control gives some evidence that the ZTP has had a positive impact, however, it is far from clear that it provides the best responses and incentives for further strengthening of the underlying problem of very weak capacities and routines for good financial practice among Southern partners.

At the core of this is an essentially binary approach to zero tolerance. Basically, the approach seems to be that either there is no corruption and there is no need for action, or there is corruption and there must be sanctions. In a way this is logical. As one of the respondents of this evaluation said: "You cannot have a 10% tolerance for corruption."

However, with this binary approach, ZTP does appear as a rather blunt weapon/instrument. There are alternatives. Below we present a model for a "scaled approach to zero tolerance", which has been developed by U4.³¹ This integrates a consultative process and a menu of responses that seek not only to sanction financial irregularities, but also sets out to address the underlying problems, where there is a commitment by partners to address them.

Figure 6. Scaled Zero-Tolerance model for corruption model



Source: Arne Strand 2019, U4.

³¹ A larger size reproduction is provided in Annex 5.

This model provides a flowchart with appropriate responses at different stages of dealing with a suspected case of corruption. It puts forth 5 stages with a decision point at each of the four first ones. The first stage, with initial report and assessment if the case warrants further investigation is similar to the existing system. The second and third stage consist of the investigation, as in today's system. The fourth and fifth stage are not covered by the ZTP as currently implemented. These consists of agreeing on plans for follow-up and for addressing underlying problems. The plans can be implemented instead of or in addition to sanctions for repayment. In addition, in case of the decision point "No" in stage 2, 3 or 4, which indicate that the partner is not committed to change, a sanction in the form of repayment may be enforced.

This type of approach would not imply that Norway would in any way condone activities that are "criminalized in Norwegian law."³² On the contrary, it would mean demanding action at the level where the irregularity has taken place, in order to strengthen safeguards against further malpractice. Such an approach would most likely also provide stronger incentives for partner organisations to sanction any member who deliberately had sought to abuse the system, including criminal sanction. It may also be argued that spending resources on strengthening systems of internal control would better protect against the risk of corruption in partner countries than demanding repayments.

4.4 Coordination of ZTP with other donors

As the key sponsor and host of the U4 Anti-Corruption Resource Centre, Norway often plays a lead role in coordinating joint donor deliberation on corruption risks, and how best to address them. An example of this, is the U4 workshop held in Nairobi in 2019, where the proposal for a scaled approach to zero tolerance was presented (see previous section).

There is collaboration in individual cases, as between Norway and DfID as co-donors in the CBFF case. For jointly financed projects, there are routine meetings, at least annually, where project reports and audit are presented for discussion. According to respondents, Norway is often among the donors that use these opportunities to follow up on any sign or allegation of financial irregularities.

There is also coordinated work in developing better systems and templates, as in the revised UN framework agreements. The evaluation has not found, however, any explicit attempt to define how Norway's ZTP is to be coordinated with other donors. The lack of a clear definition of the ZTP and assignment of the responsibility to oversee its implementation mitigates against this.

4.5 How effective has the Zero-Tolerance Policy been in mitigating against the risk of aid misuse?

The ZTP has been effective in incentivising Norwegian NGOs to get much better systems for due diligence and anti-corruption in place.

³² This was given as a reason why Norway cannot adopt a more nuanced approach to ZTP in a comment on an earlier draft from one of the implementers of the ZTP.

It is not clear, however, if an equal amount of effort is being put into place to address the issue of poor capacities among southern partners for financial management. Interviews with civil society reveal that such efforts are often classified as “overheads” and there is a strong pressure on NGO programmes to minimise overhead.

Also, from the statistics there is no observable downward trend in the reporting of corruption cases from Norwegian NGO. This does not necessarily mean that corruption is not being reduced. It might be due to stronger monitoring and detection of corruption cases.

As regards multilateral aid, we do not find any evidence that the inclusion of ZTP provisions in contracts have had any effect. As discussed, there is little systematic effort from the aid administration to assess the corruption risk in multilateral aid, and how well existing measures are working. The Health sector study of this evaluation, however, shows that there is considerable differences in the quality of anti-corruption measures among different types of partners, with GAVI and Global Fund being more effective in addressing corruption than their UN partner, WHO.

This also highlights an irony in the move from bilateral state-to-state funding to increased multilateral funding as a means to minimise corruption risks. The OECD peer review of Norway from 2019 makes the following observation (OECD 2019, 53):

“There is no evidence that the upward trend in multilateral financing has resulted in any efficiencies in corruption risk management. In some instances it has rendered Norway ill-placed to effectively track corruption risk management responses.”

A previous ambassador and leader of Norad’s evaluation department has argued that the shift towards multilateral aid at the expense of bilateral programmes could lead to weaker country knowledge and less effective aid management. The MFA’s response to this criticism was that they disagreed that maintaining a higher level of bilateral aid was essential, arguing that instead it was important for Norway to strengthen their influence with multilateral partners and to better understand how they work at country level.³³ The findings of this evaluation suggest that, at least in terms of ZTP, the shift from bilateral to multilateral aid has not been supplemented by a stronger focus on understanding how the risk of corruption is being handled in multilateral aid. Case officers interviewed in this evaluation confirm that the reputational risk of corruption in bilateral projects and the work required to manage this is a factor when weighing the advantages and disadvantages of bilateral vs. multilateral aid. The implicit strategy of distancing Norway from corruption risks, does little to address the fundamental problem of poor capacities for financial management among state and non-state partners.

³³ “[Evaluering: UD forvalter mer bistand, men koordineringen svikter](#)» (*Evaluation: MFA administers more aid, but coordination falters*), Bistandsaktuelt, 16.10 2018.

5. Conclusions and Recommendations

5.1 Conclusions

A key finding of the case study is that there is no established mechanism for coordinating the implementation of Norway's ZTP. This was confirmed by the interviewed officials in FSCU, FIU, the section for grant management in MFA and FIU, as well as other interviewed officials in MFA and Norad. One result of this, is that there is little structured coordination between the work on prevention and the work of enforcement. Although there are meetings and exchanges of experiences between, for example, the FSCU and the Grant Management Section, this does not take place in any organised framework, wherein lessons, challenges and developments are systematically tracked in a manner that is conducive to learning.

Policies and systems

1. **The ZTP has been integrated in policies, guidelines and partner agreements, and has become a key feature of the policy and institutional framework of Norwegian development assistance.**
2. **The responsibility for the ZTP is fragmented and there is no overall control and/or monitoring of its implementation.** This also has a negative impact on learning about what works and what does not work.
3. **Measured against cases reported, the part of the ZTP dealing with investigations and sanctions is disproportionately concerned with programmes financed by Norwegian NGOs.** 65% of the cases leading to sanctions are implemented by Norwegian NGOs, which are handling 15% of the Norwegian development assistance budget. Multilaterals, who are handling 56% of the aid budget, have had 5% of the cases.
4. **There is no differentiation in the response to financial irregularities of different scale and types.** The requirement for reporting is the same whether it is a few hundred NOK or a million, and whether it is a matter of bad accounting, irregular procurement of goods that are delivered, or outright fraud. Particularly Norwegian NGOs find that this places a great administrative strain on them, as well as disincentives to report.
5. **The part of the ZTP dealing with investigations and sanctions focuses one-sidedly on deciding if there are grounds for punitive measures.** This may appear logical from the point of view of controlling corruption. It may not, however, be the most effective and constructive way of reducing corruption in the longer run when dealing with weak partners in some of the most corruption prone areas of the world. The point here is not that there should be tolerance for financial irregularities; there should not. The present focus on punitive measures, particularly vis-à-vis southern civil society partners with weak capacities, risks getting in the way of a more constructive approach of building stronger capacities. Where there is proven criminal intent, on the other hand, a more direct punitive approach remains appropriate.
6. **Multilateral agreements are covered by ZTP in theory, but not in practice.** The shift in Norwegian funding to multilaterals has taken place together with efforts to address ZTP in contractual agreements and in the strengthening of processes, such as using influence on boards to ensure that external and internal audits are made public. However, the new contractual provisions have not led to any changes in practice and there have been very few repayments of Norwegian funds, despite contracts stating that this should be considered. This means that Norway to a large degree depends on trust in the systems of its multilateral partners, as the former has few ways of monitoring the latter's implementation. This is in part down to weak capacities at embassy level to engage with

programmes, and partly to limited efforts to engage with the risk of corruption in a more systemic and context-informed manner.

7. **There is not a strong learning approach in the implementation of ZTP, but the FIU is addressing this to a much higher degree than FSCU.** There are aspects of the general approach and routines of FIU which are conducive to learning:
 - When closing cases, FIU systematically prepares a Closing Note (*Avslutingsdokument*) which summarises the facts of the case and presents both learning points and the final decision with justification. This note is also shared and discussed with the involved partners.
 - FIU arranges periodic meetings with representatives of Norwegian NGOs and with the department for civil society in Norad to discuss issues relating to ZTP.

FSCU does not routinely prepare closing notes, and engages with stakeholders to a lesser degree.

Impact

8. **The ZTP has provided an incentive for the Norwegian NGOs to strengthen their systems of due diligence and control.** The NGOs unanimously agree that the ZTP is necessary and that their systems and practices for control were too weak at the beginning of the evaluation period.
9. **The ZTP has not significantly added to knowledge about what practices work best in different contexts to limit the risk of corruption.**

5.2 Recommendations

1. **The higher-level recommendation is to make the part of the ZTP dealing with investigations and sanctions more flexible, proportional and system-strengthening focused.** This is a necessary part of a reality check where the Norwegian aid administration needs to reconcile its zero tolerance towards corruption with the fact that it operates in many of the world's most corruption prone areas, where there are also extremely weak capacities for good financial management in government and civil society. This recommendation is primarily directed towards projects implemented by NGOs, which combined make up more than 80% of all the cases dealt with by FSCU and FIU. We recommend that FSCU/FIU initiate a consultative process with stakeholders to design a system for a scaled approach to zero tolerance. This could take as a point of departure the model proposed by U4.
2. **The Norwegian aid administration needs to put in place a mechanism for more targeted monitoring of corruption risks in aid managed by multilateral partners.** More than half of Norwegian aid is currently handled by multilaterals, yet there is no functioning mechanism in place to track corruption risks and/or suspected corruption cases handled by multilateral partners. A working group should be established that includes FSCU, FIU, the divisions in Norad and MFA responsible for aid channelled through multilateral partners, as well as any other Norad staff that may remain with assigned anti-corruption responsibilities. The group should propose a mechanism for annual reporting on compliance of multilaterals with the ZTP.
3. **Assign responsibility for implementing ZTP.** The responsibility for overseeing the implementation of the ZTP should be assigned to one person with the mandate, authority and capacity to collect information on implementation and convene the various partners involved for common assessment and planning.

4. **Adopt a learning approach in the implementation of ZTP.** The data and information generated by FSCU and FIU provides limited analysis of what works and doesn't work in relation to ZTP. Using the FIU's closing notes as a starting point, MFA could publish a more substantial annual report on the ZTP, which presents key metrics, but which also provides a more detailed analysis of the main causes of aid misuse; how well the ZTP (from preventive to punitive actions) has worked; and suggestions for improvement.
5. **Critically assess the current system for enforcing ZTP.** There is a potential for duplication of efforts by having separate investigation units in the MFA and Norad. It could be considered combining the units into one. If this is done, care should be taken to ensure that FIU's learning approach is carried over to and expanded in the new unit.

Annex 1: List of People Interviewed

1. Arvin Eikeland Gadgil, Policy Director, Section for Development Policy, MFA
2. Bent Bakken, First Secretary, Norwegian Embassy in Malawi
3. Berit Fladby, Policy Director Multilateral Section, MFA
4. Betzy Marie Ellingsen Tunold, Policy Director (SDG 16, incl. Anti-corruption), Section for Development Policy, MFA.
5. Chrisitan Stenseng, CFO, Norwegian Peoples' Aid
6. Dag Nenningsland, Senior Advisor, Fraud and Integrity Unit, Norad
7. Esben Kyhring, Norwegian National Authority for Investigation and Environmental Crime
8. Gro Lindvik Robstad, acting CFO, Strømme Foundation, and co-chair NGO anti-corruption working group
9. Gro Skaaren-Fystro, Special Advisor, Transparency International Norway
10. Gunvor Skancke, Head of Development Somalia, Royal Norwegian Embassy, Nairobi
11. Harald Mathisen, Senior Adviser, Norad
12. Helge Østtveiten, Director, Office of Audit and Investigation, UNDP
13. Henrik Lunden, Senior Advisor, Section for Grant Management, MFA
14. Kåre Eriksen, Senior Advisor, Digni (an umbrella organisation for religious organisations doing international development) and Chair of NGO AC Working Group
15. Kåre Solbakk, Deputy Director Department for UN and Humanitarian Affairs, MFA
16. Khamis Chome Abdi, ex – NPA Country Director, Somalia
17. Kjersti Bjørå, Ex-Programme Officer, KRIK
18. Knut Nyfløt, Assistant Director, Section for Civil Society, Human Rights and Democracy
19. Jan Thomas Ødegård, Executive Director, The Development Fund (member of NGO AC Working Group)
20. Jane Filseth Andersen, Head of International Programmes, Norwegian Peoples Aid
21. Jostein Lindland, Senior Advisor, Ministry of Environment and Climate
22. Linn Siri Benjaminsen, Senior Advisor, Grant Management Section, MFA
23. Lise Stensrud, Policy Director, Section for Development Strategy and Economic Governance
24. Marianne Holden, Programme Director, Fokus, member of NGO AC Working Group
25. Marie Hårbo Øygård, Senior Advisor, Stefanusalliansen (earlier KRIK)
26. Marte Briseid, Senior Advisor, Knowledge Bank
27. Martin Larnemark, Assistant Director, Department for Quality Assurance, Results Management Section
28. Nils Haugstveit former Inspector General (Kontrolldirektør), Foreign Service Control Unit, MFA
29. Sissel Gørrissen, Norwegian National Authority for Investigation and Environmental Crime
30. Svein Olsen, Ex-Programme Officer, Norwegian Peoples Aid
31. Svend Thorleif Skjønberg, Senior Adviser, Head of Fraud and Integrity Unit (Varslingsenheten), Norad
32. Tale Kvalvaag, Department Director, Knowledge Bank, Norad
33. Thea Ottmann, Inspector General (Kontrolldirektør), Foreign Service Control Unit, MFA
34. Thore-Andre Thorsen, Managing Director, YME
35. Thomas Høiby, Controller, Save the Children, member of NGO AC Working Group
36. Torfinn Rislåa Arntsen, Senior Adviser, Foreign Service Control Unit, MFA
37. Torgeir Fyhri, Assistant Director, Section for Grant Management, MFA
38. Wazim Ul HaQue, First Secretary, Royal Norwegian Embassy, New Dehli
39. Yngve Kristiansen, CFO, Rainforest Foundation, member of NGO AC working group.

Annex 2: Documents Reviewed

In addition to non-public case files from the corruption case studies, the following sources are referenced in the text.

1. Arne Strand (2019). "Collective donor responses – "easy to agree on, difficult to implement?," presentation at U4 workshop in Nairobi, April 2019, U4/CMI.
2. FIU quarterly updates and Annual reports.
3. FSCU quarterly and annual reports.
4. "Hvordan jobber andre med tverrgående hensyn? Kartlegging av Dfid, Danida og Verdensbanken» (How do others work with crosscutting issues? Mapping of Dfid, Danida and the World Bank).
5. MOPAN (2016). "MOPAN 2015-16 Assessments: United Nations Development Programme (UNDP). Institutional Assessment Report."
6. MFA (2019). "Guidelines for dealing with suspected financial irregularities in the Foreign Service," updated 11 December 2008.
7. Norad (2016a). Standard General Conditions Norwegian and Non-Norwegian NGOs. Grant Management Regime I and II. Part II: General Conditions applicable to grants from the Norwegian Agency for Development Cooperation
8. Norad (2019). "Ram model v.5", approved version 7.6.19.
9. Norad (2020). *Varslingsteamets Årsrapport 2019*, Annual Report of Fraud and Integrity Unit, Norad.
10. OECD (2019), OECD Development Co-operation Peer Reviews: Norway 2019, OECD Development Cooperation Peer Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/75084277-en>.
11. Office of the Auditor General of Norway (OAGN). 2015. The Office of the Auditor General's investigation of development assistance for good governance and anti-corruption in selected countries, Document 3:9 (2014-2015), Oslo.
12. «Tverrgående hensyn i norsk bistand,» (Crosscutting issues in Norwegian development cooperation), Section for Grant Management, 28.08.2015.
13. United Nations (2018). "[Review of Whistle-Blower Policies and Practices in United Nations System Organisations](#)," Joint Inspection Unit, Geneva.
14. UNDP (2018a) [UNDP Policy against Fraud and other Corrupt Practices](#), approved October 2018.
15. UNDP (2018b). [Operational Guide of the Internal Control Framework for UNDP](#), 1.7.2018.
16. UNDP 2018c. [UNDP: Report on internal audit and investigations](#), 28 March 2018..
17. UNDP (2019a). [UNDP Annual Report 2018](#).
18. UNDP (2019b). [UNDP: Annual report of the Office of Audit and Investigations on internal audit and investigation activities in 2018](#). Annual session 2019, New York.

Annex 3: Note on Sampling of Cases

In the period under investigation, there have been a more than 400 cases of economic mismanagement investigated by the MFA and Norad that have led to sanctions. Key characteristics of these cases are analysed according to criteria, including group of partners, geographical factors and classification of mismanagement. In addition to this, a sample of four cases are selected in order to provide a more detailed, qualitative analysis of the cases.

With such a low sample (<1% of the total) it is advisable to use purposive sampling. Considering the objectives of the overall evaluation, the following criteria has been developed to guide the selection of cases:

- Coverage of both fragile and non-fragile states
- Choice of projects from countries with significant aid receipts from Norway
- Cases that are highlighted by the aid administration as being of special interest in the inception phase
- Coverage of the key types of implementing partners: NGOs, bilateral state-partners and multilateral partners
- Coverage of at least one regional project

Table 1 Norway's top 10 recipient of aid 2010-2018 (total in 1000 NOK)

1. Brazil	10 095 087
2. Afghanistan	6 537 396
3. Palestine	5 710 005
4. Tanzania	4 495 065
5. Syria	4 415 931
6. Malawi	4 401 716
7. South Sudan	4 173 785
8. Somalia	3 364 565
9. Uganda	3 278 817
10. Mozambique	3 223 577

Based on these criteria, the following cases have been selected:

The East African Cup/Christian Sports Contact (CHRISC) case in East Africa. This case comes from the uncovering of systematic corruption in a network of organisations operating in three East African countries - Kenya, Tanzania and Uganda. It is fairly unique in that it also involves five Norwegian organisations which are direct recipients of funds from Norad – Digni, Norwegian People's Aid, Norwegian Confederation of Sports, the Strømme Foundation and the Atlas Alliance, as well as KRIK as an implementing organisation in partnership with the aforementioned five. Investigations covered the time period 2012 - 2016, with a total sum of nearly 5m NOK misused funds.¹⁹ CHRISC has been selected due its being a regional project where two of the countries (Uganda and Tanzania) are among

Norway's top 10 recipients of foreign aid in the evaluation period. It was also highlighted by Norad's Fraud and Integrity Unit as a case of special interest.

- **The Model for the Malawi Growth and Development Strategy, a project implemented by the Malawi Ministry of Economic Planning and Development (MEPD).** The case concerns a series of questionable expenditures over several years that was uncovered through a special audit. It led to NOK 180,151 being refunded in 2017. It is one of the relatively few cases involving a bilateral state partner. Malawi is also one of Norway's main aid recipients.
- **The Congo Basin Forest Trust Fund (CBFF) programme implemented by the African Development Bank (AfDB).** This is a 500m NOK programme that was stopped due to

unsatisfactory progress in 2014. Subsequent investigations revealed several aspects of economic mismanagement. It has been selected as one of the available corruption cases involving a multilateral agency. It was also highlighted by Norad's Evaluation Department as being a case of special interest.

- **NPA Country Programme in Somalia.** NPA received several accusations of corruption, which NPA forwarded to FSCU. The accusation led to a freezing of large parts of the programme, and subsequently a complete closure of the programme. The case was eventually closed with no proof of misconduct. It has been selected as a case involving an NGO in a fragile state. It is also the only reported case known to the team from Somalia, one of Norway's top 10 aid recipients, which is a country case study.

In the table below, is a summary of the proposed cases against the selection criteria.

Table 2 ZTP cases - selection criteria

Case	Fragile state	Top 10 recipient country	Case high-lighted by aid admin.	NGO	Bilateral	Multilateral	Regional coverage
CHRISC		√	√	√			√
Malawi MPED		√			√		
Congo Basin AfDB	√		√			√	√
NPA Somalia case	√	√		√			

The documentation for each of the case studies consists of the following:

- Case documentation from FSCU and/or Norad FIU.
- Interviews with stakeholders from the MFA, Norad and partner organisations (in person and by skype/telephone).
- Media coverage

Notes on sampling – multilateral agencies

As outlined below, 56% of Norwegian aid is channelled through multilateral organisations and/or programmes. Most of these funds are handled by organisations who are themselves contractually obliged to handle any suspected malfeasance. Most of these organisations are also not contractually required to allow the MFA to demand information and investigate suspected cases. This means, therefore, that around half of Norway's aid falls outside the mandate of the Foreign Service Control Unit.

Realising that it will be difficult to include cases that are administered by Norway's main multilateral partners, the evaluation will instead make a higher-level assessment of the regulations and practices at one multilateral agency/fund. Consideration will also be given to how Norway interacts with the agency and its influence in securing adherence to the Zero-Tolerance Policy at both the corporate and project level. The selection criteria are that the funds should be among the highest recipient of aid, and that they support frontline operations in high-risk settings. Below is a list of Norway's top 10 multilateral partners.

Table 3 Norway's top 10 multilateral partners by funding – 2010-2018 (total in 1000 NOK)

1	UNDP - UN Development Programme	14 517 079
2	UNICEF- United Nations Children's Fund	13 067 425
3	GAVI - Global Alliance for Vaccines and Immunization	10 239 988
4	IDA - International Development Association	8 186 015
5	World Bank	6 866 390
	IBRD - International Bank for Reconstruction and	
6	Development	6 181 877
	UNHCR - UN Office of the UN High Commissioner for	
7	Refugees	5 616 104
8	AFDF - African Development Fund	5 410 808
9	UNFPA - UN Population Fund	5 372 539
	GFATM - Global Fund to Fight AIDS, Tuberculosis and	
10	Malaria	4 725 000

Based on the stated criteria, this case study selects UNDP as a case. UNDP has been selected as an agency which is particularly exposed to corruption, due to its decentralised set-up with frontline operations in countries with high risk of corruption.

Additionally, the Global Fund is covered in considerable detail in the Health case study, and key findings from that will be brought in here for a comparative perspective.

As outlined above, the evaluation also includes a more in-depth case study of the AfDB project in DRC, which will provide an example of AfDB's practice within zero tolerance. AfDB's system of zero tolerance will not, however, be investigated in any further detail beyond what is relevant to the AfDB project in DRC. AfDB is the 29th highest multilateral recipient of funding.

Annex 4: Case studies

1. Malawi – Ministry of Economic Planning and Development (MEPD)³⁴

The case relates to a cooperation agreement between Statistics Norway and the Malawi MEPD. The Norwegian MFA and the Government of Malawi have cooperated in the field of statistics and macroeconomics since 2003. This included a collaboration between Statistics Norway and MEPD. The first stage and second stage of the project started in, respectively, 2003 and 2007. The third phase of the project was from 2012 to 2014.

The Malawi National Audit Office audited the project for the financial years 2010/2011 and 2011/2012 and delivered an unqualified audit opinion. For some years, there had been unanswered queries raised regarding undocumented expenditures in the annual meeting. This was noted by the Embassy's financial controller, who was hired by the embassy in 2013. On the recommendation of the financial controller, the embassy ordered an independent audit for the financial years ending 30 June 2012, 2013 and 2014. Ernest and Young performed the audits and delivered a qualified opinion. They reported unverified, unsupported and unauthorised expenses worth Malawian Kwacha (MK) 37 million, or about NOK 500,000, which were approximately 57% of the expenses.

How effective has the Zero-Tolerance Policy been in mitigating against the risk of aid misuse?

Continued discussions between the Embassy and the Ministry resulted in an agreement that the now Department of Economic Planning and Development (EPD), would refund MK 9 million in three instalments, while still contesting MK 7 million. By mid-2017 the Embassy had not received any payment, and a claim for the full amount of MK 16,3 million was again submitted to EPD. This time the Embassy also referred to a recent repayment of some USD 500,000 from the Ministry of Finance to the World Bank as proof that there were processes through which such payments could be made.

There followed repeated promises from the Malawian government that the payment would be made, but no payment appeared. The sum was not considered big enough to escalate the case to a high level. In the end, the programme officer from the Embassy went to the government office and physically waited till he was given a cheque. He received a cheque and the case was closed in November 2011.

The following factors are noted from this case:

- The case has to do with undocumented expenditure, with no allegation of concrete cases of corruption.
- It related to issues that most likely had been ongoing for several years before it was reported.
- The case was set off by an independent audit, which was recommended by a new financial controller. It appears that prior to the hiring of a financial controller, there was not sufficient capacity at the embassy to understand the significance of the shortcomings

³⁴ The case study is based on case documentation from FSCU, and interviews with case officers.

in the accounts. Particularly since the project had received unqualified opinions from the National Audit Office.

- It was a drawn-out affair to claim repayment from the government, which took considerable capacity.

2. AfDB – Congo Basin Forestry Fund (CBFF)³⁵

This case relates to a large programme originally implemented by the AfDB with financing from Norway and DFID, each contributing the equivalent of NOK 500 million. The programme is a fund that provides support to projects in support of sustainable forestry run by governments, civil society and international organisations.³⁶

The MFA's own due diligence was captured in the Decision Document where it was acknowledged that the project took place in a high-risk context, also for corruption. The Decision Document stated that the Fund's Operational Procedures provided a detailed description for the use of the Fund's capital. The DD further acknowledged that the risk of corruption was high, but that the Bank had assured them that protection against corruption would be a focus in the Bank's follow-up of the Fund. It was also noted that Norway was in the process of seconding a Norwegian corruption investigator to the Bank (DD, 2.12.2008, cited in Norad FIU's closing document (*Avslutningsnotat*, 17.06.2019)).

There is no indication that the issues noted in the Decision Document (or the Norad's appraisal) was followed up at any stage by the responsible grant manager in the MFA or Norad (after the administration of the grant was transferred to Norad in April 2013). As noted by the closing document (*Avslutningsnotat*) from Norad's FIU, there is also no indication that there was any follow up from AfDB on the issues raised in the Decision Document.

The Fund was managed by a Project Implementation Unit (PIU), Norad's FIU observes that this presents an additional factor of vulnerability, which had not been discussed as part of the due diligence process.

Issues experienced

The program experienced operational programmes from the onset. The PIU was required to follow the Bank's procurement processes. These were designed for major infrastructure projects and were not well suited for the purposes of grant making for relatively small projects implemented by NGOs and government offices with limited capacity for financial management.

The processes proved cumbersome and ill-suited to the context and caused long delays in grant making. At the same time, the fund also experienced shortcomings in the financial reporting for funds that were granted. An Aide Memoire from a donor

³⁵ The case study is based on documentation from FSCU and FIU. As well as interviews with FSCU, FIU and case officers.

³⁶ The case is covered in Norad's Norwegian language publication *Bistandsaktuelt*, which provides factual and investigative reporting on cases relating to Norwegian aid: "[11 mill. tilbakebetalt etter mislighold i skogprosjekter i Kongobassenget](#)" (11 million NOK repaid following financial mismanagement in forestry projects in the Congo Basin), *Bistandsaktuelt*, 30 October 2019.

mission conducted in 2011, noted an “inadequate level of compliance” with requirements for financial reporting for several of the NGO projects.³⁷ In the following years, the CBFF registered several cases that were investigated by Norway. The first case was registered in 2011, following concerns of malpractice. The issues included the following:³⁸

- Concerns that the pressure was put on AfDB to release funds before all conditions were met.
- The procurement of pirate software.
- Interference from AfDB in the work of the Fund Management Agent.
- Inefficient procedures giving strong incentives for short cuts.

The case was subsequently reported to AfDB’s IACD. Their response was that “the allegations do not by themselves disclose any act of corruption”. They all suggest management failings and inefficiencies and are best addressed through the intervention of appropriate organs of the Bank other than IACD.³⁹ This was followed up by several further allegations reported from FSCU to AfDB, including overly generous payments made to an organisation receiving grants and unregular procurement of consultants.

In 2013, the management of CBFF was moved from the MFA to Norad. Norad’s FIU picked up the case in 2015. The management of CBFF was then moved on to the Ministry of Environment and Climate, who hired KPMG to conduct investigations. KPMG’s report documented a wide range of financial malpractice, including failure to follow procurement regulations, too high remuneration, missing documentation on expenses, failure to do due diligence of grantees, etc.

AfDB provided the donors with a management response to the report the following year. The Bank committed to strengthening its routines for financial control, and that it would follow up on specific cases. The Bank’s further investigations confirmed the findings of the first investigation report. It also found that the project had 42% overhead costs, compared to the agreed maximum of 13%. Other issues included attempts of bribery between project officials.

The allegations of mismanagement included a project implementation unit that had been originally set up by the World Bank, and which had World Bank salaried officials. The leader of this unit received a bonus for every project approved on top of an already high salary. There was an implicit assumption that since it was the World Bank, then systems would be strong. As the investigation report showed, this was not the case. Several embassy and case officials interviewed, commented that there is a tendency not to question the capacity and integrity of World Bank and UN offices. FIU commends AfDB for responsible and open follow up of the case. In 2017, the Bank issued a claim to the Government of the Democratic Republic of Congo (DRC) repayment of misused funds. Following strong pressure from the Bank, the Government made repayments of a total of EUR 1.197.492 by the end of the year.

³⁷ Congo Basin Forest Fund (CBFF). 2nd Joint Donor Mission to the African Development Bank (AfDB). 15 November 2011. Aide Memoire

³⁸ Listed in correspondence from FSCU to DFID, March 2012.

³⁹ Correspondence from AfDB to FSCU, December 2012.

FIU is less positive, on the other hand, regarding the follow up of CBFF staff. A senior person who had been investigated, was allowed to stay in his position. This gave rise to continuous conflict between the Bank and donors. The Bank's one independent evaluation of the CBFF noted that:⁴⁰

“In sum, various Bank oversight and accountability mechanisms, including the Integrity and Anti-corruption Department, highlight a number of significant deficiencies, in the financial management procedures and weakness in the financial monitoring and use of funds.”

The contract between Norway and AfDB did not include a provision that any misused funds should be repaid. An agreement was nevertheless made, that the Bank would repay the donors the share of their funding affected by corruption. The Bank subsequently repaid Norway Euro 741.409, and the rest of the recovered sum to DFID, in accordance with the donors' share of funding of CBFF.

The following factors are noted from this case:

- There were weaknesses in the due diligence conducted for the programme. The high risk of corruption had been noted, but there had not been any assessment of AfDB's capacity and policies for handling the risk. Moreover, there was no follow up from Norway to assess and mitigate risks after the start of the project.
- It took a long time from the first concerns were registered till there were concerted efforts to investigate and handle the case. It was obvious already in 2011 that there were signs of corruption and/or financial mismanagement, but Norway and the implementing partners did not initiate a forensic audit until 2015. The set-up involving donors, the Bank, a Fund Management Agent and the CBFF, made for long and fragmented lines of communication that were not conducive to timely implementation of control.
- The fact that one project implementation unit was linked to the World Bank seems to have given false assurance of integrity.
- AfDB was more reactive than pro-active. Follow up on the corruption allegations came as a result of pressure from donors.
- The evaluation also notes certain weaknesses in the information management from the side of the FSCU. The FSCU records of the case did not include the information that the case had been transferred to the FIU in Norad.

3. CHRISC – East Africa⁴¹

CHRISC is a programme set up by the Norwegian eponymous organisation referred to by its Norwegian acronym KRIK (Kristen Idrettskontakt). In 1994, KRIK established three separate CHRISC organisations in Kenya, Uganda and Tanzania. The organisations were financed by KRIK's own funds. KRIK did not have a strategy for building the capacity of the three East African CHRISC organisation and relied on its own systems for financial management. There was a high degree of trust that the financial documentation received was correct.

⁴⁰ Independent Evaluation of the Congo Basin Forest Fund, Summary Report, BDEV Department, African Development Bank, December 2017, page 15.

⁴¹ The case study is based on case documentation from FIU, and interviews with FIU and officials from the involved organisations.

In 2003, KRIK started receiving Norad funds from the Strømme foundation. And in the next years KRIK also started receiving Norad sourced funds from Norwegian People's Aid (NPA), the Norwegian Olympic and Paraolympic Committee and Confederation of Sports (NIF), the Atlas Alliance and Digni. Digni is an umbrella organisation for religious organisations that engage in international development assistance. KRIK became a member of Digni. KRIK received no funding directly from Norad but within 2003-2016 the partners mentioned above disbursed altogether 21.6 million NOK to CHRISC projects. Moreover, CHRISC received Norwegian funding from the MFA (2004-2009) and NOREC.

Most of the financing from the five organisations in the period 2012-2016 were for four projects. Three country projects called *Uwezo*, and the East Africa Cup, which was financed by NPA, NIF and the Atlas Alliance. The financing from each of the organisations went through KRIK, but they all went in separate streams. The disbursement for the three Uwezo projects went directly to the three country organisations, but with no clear and binding indication that they were meant for the Uwezo project.

There was little or no due diligence on the KRIK/CHRISC arrangement and done by the financing organisations. Each of the CHRISC organisations were started by young people, and there was no support set up for capacity building for financial management. At the time of the first warning, there were plans in place to apply for funding for capacity development from KRIK, but this never materialised. Some of the personnel in the CHRISC organisations were employed locally, while others were employed by KRIK.

The first report of alleged financial malpractice was from a whistle-blower in CHRISC Kenya to KRIK in 2016. The warning was not passed on to Digni, who was the main donor for the Kenya programme. Instead, KRIK made its own investigation in Kenya, but did not find any evidence of malpractice. It is acknowledged that KRIK had limited capacity for this type of investigation and missed several red flags, such as missing documentation on expenditure.

The same whistle-blower reported directly to Digni, later the same year. Digni passed on the warning to Norad's FIU. Digni then found out that the Strømme Foundation had also received a warning, which they had not shared, and had already started an investigation using a Ugandan company.

At this stage, financing and CHRISC accounts were frozen. **Norad's FIU invited the five partners to a meeting to discuss and plan for a coordinated approach.** Digni was elected lead among the partners and started its investigations in Kenya and saw that there were serious issues. As they contacted KRIK, they realised that KRIK had been aware of the warning for a while. Digni saw that there were close relations between KRIK and CHRISC, which reduced their confidence in KRIK's ability to investigate impartially.

The investigations in Kenya, Uganda and Tanzania uncovered several issues:

- There were very poor standards of internal control and financial reporting. A large part of expenditures could not be documented.

- A large part of the procurement had been conducted in an irregular manner, and there were clear indications of collusion between CHRISC management and suppliers in some cases.
- There were clear indications of “double-dipping” where organisations had claimed expenses for the same activities to more than one donor.
- There were particularly clear indications of mismanagement in Kenya, where there was evidence that leaders had fabricated receipts.

It is striking that at no stage before or after the warning, had the five organisations exchanged information, engaged in common planning or shared financial information with each other. There were no common meetings between the five Norwegian organisations. The experience of the CHRISC case, contributed to bringing about the reestablishment of the Norwegian NGO Anti-Corruption Working Group in 2018. The group had been active in the years after the ZTP had been launched but had stopped meeting in 2016.

The clearest indications for corruption and/or embezzlement were in Kenya and Uganda. Yet, the FIU’s Closing Document singles out Tanzania as showing the most “alarming” results in the investigations. This is due to the sums that were questioned in the Tanzanian audit report. 32% of the expenditure was not documented, **another 23% was considered questionable/fictitious expenditure and 46% of procurement had been single-sourced. 14% of the registered expenditures were made by bulk cash payments.**

The findings of the audit report were challenged by NPA, who was the lead donor in Tanzania, KRIK and CHRISC Tanzania. The main disagreement was in the method and wording adapted by the auditor. Wherever there was a procedural mistake, as in procurement, the entire sum of the procurement was stated as questionable. The audit report classified most of the expenditure for a well-known annual football cup with around 2000 children and youth as questionable/fictitious.

The reason given for single sourcing of catering services, for example, is that they had one established caterer who was familiar with the very specific diet requirements of the participants from different religious communities, and who, in the organisers’ opinion, had established a track record for delivering services at competitive prices. This had not, however, been adequately documented. Consequently, the documentation of expenditure for catering for the cup for several years was not recognised and had to be repaid.

Although the organisations agreed that the standards of financial management had been poor, they did not feel that it was just that they had to refund the total of funds not accounted for, when the activities had demonstrably been delivered. This included, for example, the total expenses for catering and clothing for the football tournaments.

Based on audit reports from the three countries, an agreement was made by the five organisations to return a total of just over NOK 5 million to Norad. Some of the funding was likely to be embezzlement or corruption, with evidence of this from Uganda and Kenya. Digni, who was the main donor for Kenya, considered reporting

CHRISC leaders to the police, but decided not to as this would absorb more resources, and they did not trust the court system.

Most of the funds that had to be repaid, however, were not associated with such explicit references to outright corruption. This was in particular the case for the funds spent in Tanzania. When asked why they in the end accepted repaying the full amounts questioned, the Norwegian NGOs consulted answered that it would have taken too much resources to challenge the claim.

None of the CHRISC organisations have since received any funding and they are now all defunct or close to being so.

There was no overall control from the side of Norad relating to the various channels of financing of the CHRISC organisations. Norad had done no overall assessment of results. CHRISC was not registered as a partner in Norad's system of financial reporting (PTA), where all funding was registered with either KRIK or East Africa Cup as the grantee's project partners for Norad funding.

The following factors are noted from this case:

- The implementation of due diligence was extremely poor
- It took many years to detect poor practices and mismanagement despite the presence of many red flags
- The case is also a good illustration of how the strict interpretations of the rules of financial mismanagement may lead to repayments of not only money lost, but also money that has demonstrably gone towards delivery of goods, but which have not been fully documented. The reversal of the burden of proof, stating that money is considered to be unlawfully spent unless proven otherwise, leaves organisations with the decision of whether to spend more time documenting expenses or simply agreeing to pay up.
- The consequence for partner organisations can be that they lose funding and have to cease operation.

4. Norwegian People's Aid (NPA) – Humanitarian Programme Somalia

Refers to a reported case of suspected corruption. The case relates to NPA's humanitarian programme in Somalia. It had an annual budget of between NOK 8 and 12 million in the period 2010 – 2015. It was active in the contested area between Puntland and Somaliland, in the regions of Sool, Sanaag and Cayn. This is an area where very few aid and humanitarian organisations are present. NPA had been active in this area since the 1990s.

In August 2015, NPA received a warning from an employee in its Somali country office, that she had been offered an envelope with USD 500 from her senior manager, which was described as a kickback from a supplier. After some initial inquiries, the NPA alerted FSCU of the warning, and a case was established. At the time, the NPA head office had directed country offices to report all warnings without delay. The evaluation was informed that this was in part due to communication from FSCU that they thought they were receiving too few warnings from NPA.

Following the opening of the case, NPA's new expatriate Country Manager started a wider investigation into possible corruption cases, as he decided that there was a high

risk that corruption had taken place. NPA decided to freeze financing of the humanitarian programme in Somalia, from the beginning of 2016. NPA followed up the initial case with its own investigation. The freeze was a unilateral decision by NPA and was not demanded by the MFA FSCU.

The investigation brought up nine further possible cases, that included queries relating to various procurements for office refurbishment, boreholes, relief food, material for displaced persons and car fuel. None of the cases were proven, and NPA communicated to FSCU that they would address the observed weaknesses through strengthening of administrative routines.

In the initial case, the employee who had reported being given an unsolicited kickback was given an administrative warning. The senior official who allegedly passed the kick back on to her, had left NPA before the case was reported, and has to date not been informed of the allegations. The person in charge of the investigation noted that he saw no point in a confrontation where there would be just “word against word”. This is in violation of the right of contradiction in investigations into malpractice.

The case documentation shows that the reporting manager was commended for blowing the whistle. The evaluation has also received information that there was a personal conflict between the senior official and the employee reporting the kickback at the time before the warning was issued. This, however, is not reflected in the case documentation.

The investigations and processing of the case continued through to February 2017, when FSCU formally closed the case. In their final reports to FSCU, NPA concluded that the available evidence did not warrant claims for repayment, and described measures taken to make sure the contracted services were provided. NPA also stated that they were in the process of a significant review of their processes for due diligence and financial control, in response to weaknesses observed in the investigated cases.

In their response to NPA, FSCU emphasised that the ZTP is that no economic mismanagement is accepted, and that simply showing that goods or services have been satisfactorily delivered is not sufficient. FSCU further stated, however, that other (not specified) factors in the final reports from NPA meant that they accepted NPA’s recommendation to close the case.

The discontinuation of financing from the beginning of 2016 meant that the NPA’s humanitarian programme was closed down, and it has not since opened. The closing of the programme coincided with an exceptionally severe drought that affected the area where NPA had been active. There is little doubt that the cessation of the NPA humanitarian programme in an area where very few other actors were active had severe ramifications for the affected population.

The following factors are noted from this case:

- Pressure from FSCU may have lowered the bar for reporting suspected corruption cases.

- Systems and routines for detecting mismanagement were weak at the time of the reported cases.
- The investigated organisation did not understand or utilise the right to contradiction.
- NPA's decision to freeze funding had severe unintended consequences on the affected population.

5. Comparative case study – UNDP

This case study presents a sketch of the way the United Nations Development Programme (UNDP) incorporates ZTP in its policies and the system for audit and investigation. This is juxtaposed with some of our findings for Somalia, as a reality check against one of the most corruption prone areas that UNDP operates in. UNDP defines itself as the United Nation's global development network. It is headquartered in New York and has country offices in about 170 countries and territories. UNDP has a central role in the UN system, as a leader of the United Nations Sustainable Development Group, and a key player in the coordination of the country-based activities of UN agencies. Total funding in 2018 was USD 5.5bn (UNDP 2019a).

Policy framework

The “UNDP Policy against Fraud and other Corrupt Practices” states that “UNDP has zero tolerance for fraud and corruption.”⁴² UNDP defines fraud and corruption as any act or omission that knowingly misrepresents or conceals a fact in order to obtain undue benefit or advantage, or to cause and someone to act, or fail to act, to his or her detriment. UNDP thus has a narrower scope of its ZTP, which focuses on deliberate acts, than the Norwegian ZTP, which includes all types of financial irregularities, whether or not they are deliberate acts of commission or omission.

The Policy states that programme and project managers are responsible for identifying corruption risks in the design phase, and to ensure that appropriate mitigating measures are identified and implemented. It is further stated that all risks shall be communicated to stakeholders. Where high risks are identified, additional and specific risk assessments may be necessary. Mitigating measures and controls may be applied that are additional to those specified in UNDP's Internal Control Framework (2018b).

In cases where the government is the implementing partner, the responsibility for following up on allegations of corruption rests with the appropriate government authorities, whilst informing UNDP'S Office of Audit and Investigation (OAI). The government should attempt to recover diverted funds and return these to UNDP. UNDP has an independent telephone service functioning as a whistle-blower service with worldwide numbers and 24-hour service.

Systems and routines of multilateral organisations are periodically assessed through the Multilateral Organisation Performance Assessment Network (MOPAN). The

⁴² UNDP 2018a. The [previous version](#) approved in 2011 also stated a “zero tolerance for fraud”.

latest MOPAN assessment on UNDP was done in 2016.⁴³ For its policies and procedures to prevent, detect, investigate and sanction cases of financial irregularities, UNDP gets the rating “Highly satisfactory”.

The Office of Audit and Investigation (OAI)

In 2018, OAI had 84 staff and a budget of USD 17,6 million. The office received an additional USD 1,2 million from Global Fund for the audit and investigation of UNDP programmes funded by Global Fund grants.⁴⁴ 20 persons, in addition to consultant, work with investigations, while there are 45 people working on internal audits. The auditors are located at UNDP’s regional offices, while the investigators are all based at HQ in New York. Much of the investigation is done electronically. The OAI receives reports of alleged irregularities through country and regional offices and directly to headquarters (HQ). It received 294 complaints in 2018, and 370 cases in 2019. Most of the complaints referred to cases of financial irregularities.

In 2018, 78 cases led to corrective action. For 8 cases, management letters were sent to UNDP offices, addressing weaknesses in internal controls for corrective action. 3 cases were referred to national authorities for criminal investigation. The total financial loss documented for 2018, amounted to about USD 215,000, whereas in 2017 it was about USD 570,000.⁴⁵ This is substantially lower than payments claimed by FSCU/FIU, who have claimed repayments of in excess of USD 1 million for every year since 2017 (see Figure 3). For reference, UNDP’s total budget is USD 5 billion, as compared to Norway’s total aid budget of approximately USD 4 billion.

The OAI incorporates its investigative function in its internal control function. This is seen, for example, from how investigations can lead to management letters. Also, the internal audit team also forward apparent cases of financial irregularities to the investigators. This can be seen in contrast to the Norwegian system, where there is not a strongly developed internal control function. This is typical for the Norwegian public sector, where most agencies do not have an established Internal Audit division. However, Norad’s Section for Quality Assurance (QA) does do so called portfolio reviews of the embassies periodically, and these do have some of the same features as an internal audit. The section routinely consults with FIU and FSCU as part of the portfolio reviews to discuss risks and receive information about any ongoing or closed cases in the geographic area to be reviewed.

Performance in Somalia

As stated above, the MFA states that Norway has used its influence on the board of UN agencies, including UNDP, to ensure that all internal audit reports are made publicly available on the agency’s website.

⁴³ MOPAN (2016). “MOPAN 2015-16 Assessments: United Nations Development Programme (UNDP). Institutional Assessment Report.”

⁴⁴ UNDP 2019b. [UNDP: Annual report of the Investigations on internal audit and investigation activities in 2018.](#)

⁴⁵ UNDP 2018c. [UNDP: Report on internal audit and investigations](#), 28 March 2018..

The evaluation confirms that this is the case. In order to make a brief assessment of the type of issues identified by the internal audits, the evaluation team scanned all of UNDP's internal audit reports from Somalia for the years 2018 and 2019. There were a total 10 reports on UNDP projects in Somalia conducted by the UNDP OAI. Of these, 8 delivered unqualified opinions, that means clean audits, while two reports recorded some adverse findings. One of the adverse findings related to a missing computer, value USD 1,339 in a project with an annual budget of USD 3,1 million. The other adverse report remarked that assets valued at USD 6,792 had been irregularly transferred to beneficiaries. The total annual expenditure of this project was at USD 4,4 million.⁴⁶

The largely clean findings of the UNDP projects in Somalia, where the risk of corruption is extremely high, raise questions on whether relying on internal audits, or on the publication of internal audits, suffice as safeguards against corruption in highly corruption settings. The internal audits are largely limited to audits of accounts, and may not capture issues related to processes, such as procurement.

The OAI investigation team has, however, received a large number of reports in Somalia. In the period from 2017 to the beginning of 2020, there have been 44 cases opened. One that is currently being investigated, relates to procurement.

The tendering/procurement process is a key risk area for corruption. The evaluation team, following tips from interviewed Norwegian aid administrators, interviewed a representative of a Norwegian NGO, who had experience from the tendering for UNDP contracts in the water sector in Somalia. He had received a call that his tender was shortlisted and was invited to discuss it further over a cup of coffee outside the office. At this meeting he was told directly that he could have the contract if he paid 15% to the UNDP official, which he declined.

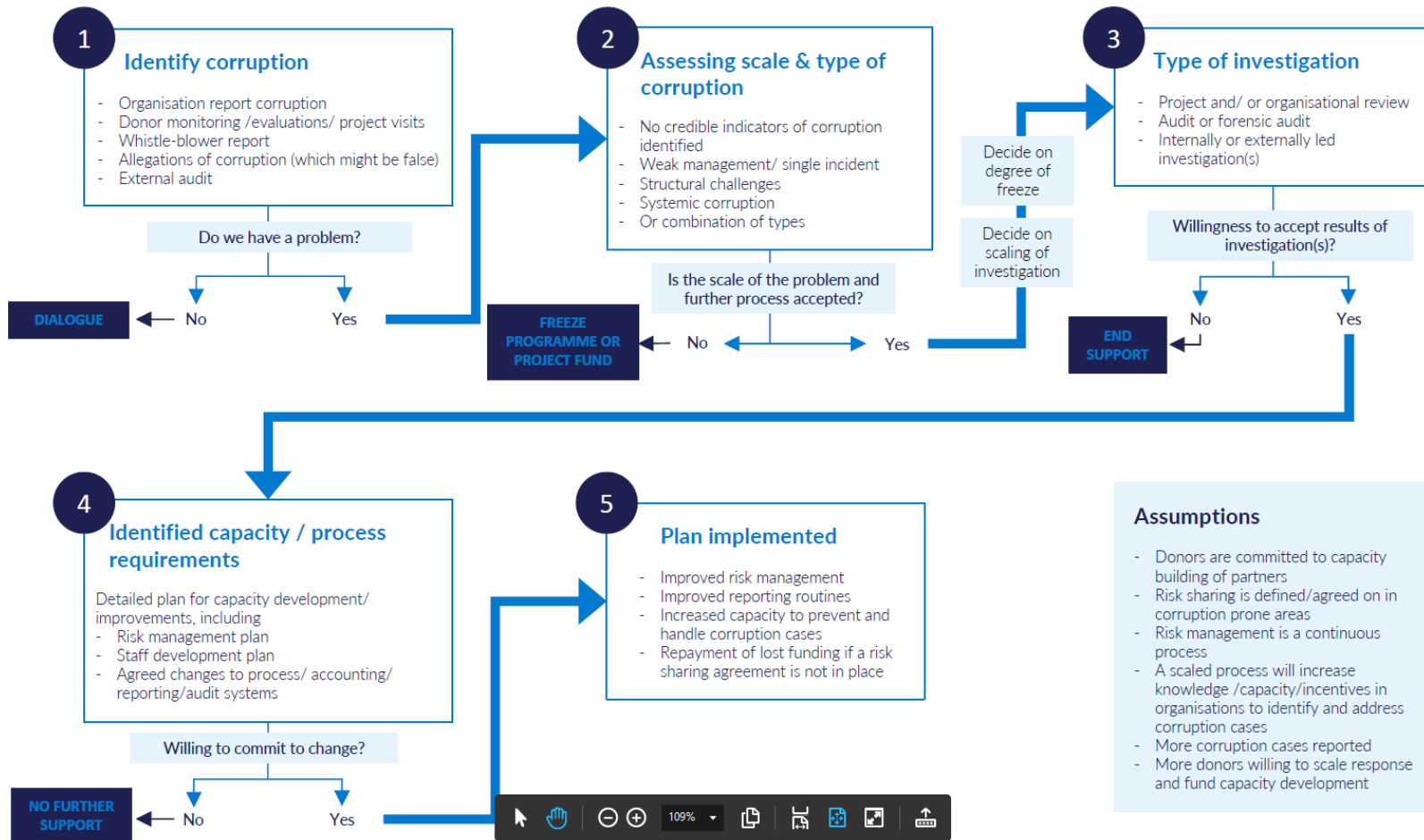
He later disclosed this experience to the Norwegian embassy in Nairobi, and to the MFA, albeit not in writing. The embassy informs the evaluation team that the matter was discussed with UNDP Somalia.

The following factors are noted from this comparator study:

- The systems and routines of UNDP incorporate provisions for implementing a ZTP.
- UNDP scores well on international ratings such as MOPAN regarding anti-corruption measures.
- UNDP's OAI combines the functions of internal control and investigation. Also, investigations may produce management letters, which extends the investigation function beyond the more narrow sanctioning focus of the Norwegian system.
- The funds recovered by UNDP from repayments are significantly lower than what is recovered through the Norwegian system.
- The MFA has worked to ensure that ZTP is incorporated in its agreements with UNDP, but our findings indicate little impact of UNDP's commitment to share information on investigations.
- Findings from Somalia indicate that there may be corruption within UNDP's operations.

⁴⁶ The internal audit reports are on the [UNDP website](#). The two reports with adverse findings are Reports 2139 and 2143. The others are Reports 1970, 1971, 1972, 1973, 1974, 1975, 2140 and 2144.

Annex 5: Scaled Zero-Tolerance for Corruption Model



Source: Arne Strand 2019

Note: Repayment of lost/undocumented expenditure to the MFA/Norad would be required after the answer No, in steps 2, 3 or 4.

Case Study

V. Global Case Study: Linking Norway's Global Advocacy with the Development Agenda

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List of Abbreviations

AC	Anti-corruption
ACWG	Anti-Corruption Working Group
CHN	Corruption Hunter Network
CoSP	Conference of the States Parties
CSOs	Civil Society Organisations
EITI	Extractive Industries Transparency Initiative
FATF	Financial Action Task Force on Money Laundering
GFI	Global Financial Integrity
GRECO	Group of States Against Corruption
IACC	International Anti-Corruption Conference
ICAR	International Centre for Asset Recovery
IFF	Illicit Financial Flows
INTOSAI	International Organisation of Supreme Audit Institutions
MFA	Ministry of Foreign Affairs
Norad	Norwegian Agency for Development Cooperation
OGP	Open Government Partnership
SDGs	Sustainable Development Goals
StAR	Stolen Asset Recovery Initiative
TI	Transparency International
ToC	Theory of Change
U4	U4 Anti-Corruption Resource Centre
UNCAC	United Nations Convention against Corruption
UNODC	UN Office on Drugs and Crime
UNGASS	United Nations General Assembly Special Session

1. Introduction and Purpose

This case study evaluates the extent to which Norwegian diplomatic efforts, global advocacy and development cooperation have been relevant, effective and sustainable in influencing international anti-corruption (AC) norms and standards. The focus of the case study is on whether Norway has been able to contribute to strengthening these norms and standards, including whether the various Norwegian diplomatic and development initiatives are coherent and there are synergies between them.

With regard to global advocacy, Norway does not have an actual strategy for it. It is not explicitly stated which channels Norway intends to use to influence international norms and standards. However, since Norway is not a member of the EU or G7/G20, Norway is practiced in using other channels such as OECD, Financial Action Task Force (FATF), the World Bank and most notably the UN. This case study will primarily, although not exclusively, zoom in on how Norway has been using the UN channels to influence in particular the Illicit Financial Flows (IFF) and the grand corruption agendas.

The development cooperation agenda is explored by assessing Norway's strategic support to, and collaboration with, actors that engage in promoting international cooperation, norms and standards, including through multilateral channels. This case study will specifically focus on the support to the UN Office on Drugs and Crime (UNODC) to accelerate the implementation globally of the United Nations Anti-Corruption Convention (UNCAC) (NOK 46 million¹ in 2018-2020); to the UNCAC Coalition (NOK 2,5 million in 2018-2020) for CSOs to follow and monitor the implementation of the UNCAC; to the Stolen Asset Recovery Initiative (StAR) (NOK 32 million since 2008 – runs until 2020) to the International Centre for Asset Recovery (ICAR) (NOK 7.5 million in 2018-2020), the latter two both engaged in asset recovery; as well as to the Corruption Hunter Network (CHN) (approx. NOK 1.2 million per year since 2005) bringing prosecutors and investigators together to discuss, among other things, transnational aspects of grand corruption.

Finally, the relevance and effectiveness of Norway's efforts in using dialogue with the government to promote international norms and standards at the country level have been assessed, as well as the extent to which the Norwegian Ministry of Foreign Affairs (hereafter MFA) and Norad are sufficiently flexible, well-resourced and learning organisations when it comes to influencing international norms and standards.

1.1 Background

Anti-corruption has emerged as a global issue the last 25-30 years and is nowadays a quite robust global norm. A "critical mass" of opinion has accumulated, asserting that corruption is no longer an acceptable phenomenon. Globally, there has been a surge of public outcry against corruption, particularly in the years since the Arab Spring. People – and especially young people – have mobilised and taken to the streets in places as diverse as Hong Kong, Lebanon, Romania, Chile, Ukraine and Iraq to protest against grand political corruption. Furthermore, the scandals surrounding the Lux Leaks and the Panama and Paradise Papers have led to increased acknowledgement that corruption is a global issue that has global ramifications and should be addressed globally.

¹ NOK 15 million of these is a joint UNODC/StAR grant with the objective of strengthening asset recovery.

The new normative consensus has also been spurred on by key norm-setting institutions, including, amongst others, FATF, the UNODC, the International Organisation of Supreme Audit Institutions (INTOSAI) and the Extractive Industries Transparency Initiative (EITI). In addition, NGOs and think tanks such as Transparency International (TI), Global Financial Integrity (GFI), Global Witness and the UNCAC Civil Society Coalition have stepped up their advocacy on international norms and standards.

A key lesson learned in recent years is that corruption is facilitated by the increasing interconnectedness of the global economy. As global economic, technological, political and financial ties grow ever closer, it is becoming increasingly important to understand and act on international drivers of corruption and to establish international norms and standards which address such drivers and enablers of corruption.

1.2 Methodology

This case study has made good use of already existing reports. Data collection has therefore focused on complementing already existing studies/reviews/evaluations. Primary data collection methods have included interviews and a survey. A large number of people has been interviewed face-to-face in Oslo, Bergen, Nairobi and Mogadishu, while an even larger number have been interviewed by phone. Data was further collected through a survey among embassy staff. Finally, the visits to Nairobi and Mogadishu provided an opportunity to generate further evidence on Somalia's UNCAC ratification process and whether international norms and standards have supported the dialogue between development partners and Somali stakeholders on corruption and anti-corruption issues.

1.3 Structure of the Report

This case study begins by outlining the Norwegian Theory of Change (ToC) with regard to strengthening international norms and standards. This is followed by a mapping of Norway's participation in especially UN processes aimed at strengthening international norms and standards.

The report then assesses how relevant, effective and sustainable Norway's efforts have been in contributing to strengthening international norms and standards against corruption, including whether Norway has coordinated its efforts with other partners. The assessment of the various partners, such as StAR and ICAR, is based on existing reports supplemented by a few key informant interviews. There was no existing assessment of the CHN, so the evaluation team has interviewed most of the members as well as other relevant stakeholders with knowledge of the network.

The following sub-section assesses Norway's "ways of working" in relation to strengthening international norms and standards, including through high-level dialogue, and whether the Norwegian interventions have benefitted from sufficient resources, been flexible and conducive to learning. The final section contains the conclusions and recommendations. The conclusions will revisit the validity of the assumptions underlying the Norwegian ToC.

2. The Norwegian Theory of Change

The following Theory of Change (ToC) is reconstructed using available Norwegian policy documents and speeches of ministers², since Norway does not have an anti-corruption strategy or an advocacy strategy in relation to international AC norms and standards.

Norway is a keen supporter of UNCAC as reflected in various documents and is also increasingly focusing on international drivers of corruption, such as IFF and money laundering, as well as asset recovery. It is highlighted in recent speeches and statements by the Norwegian Government that IFF and corruption lead to the loss of vast sums of money that could have been used for development, and that combating IFF and corruption is therefore high on Norway's development policy agenda. The present Government has a clear ambition, as reflected in their political platform, to strengthen international efforts to combat IFF, tax evasion, the black economy and corruption.³ There is also a strong belief in robust institutions, economic and political transparency, a strong civil society, the division of power and a well-functioning state based on the rule of law as key to achieving economic development and building a sustainable welfare-based society.⁴

As depicted in the Norwegian ToC, the Norwegian efforts to strengthen international norms and standards evolve around: 1) Diplomatic work in international forums 2) Political and policy dialogue at the national level; 3) Financial support to international advocacy organisations; and 4) Technical and financial support to priority countries for implementation and compliance with the international framework.

This is expected to lead to a number of results, such as Norway effectively influencing the legislative and institutional framework in relation to international AC norms and standards, and improvement of the implementation capacity in priority countries. A strengthened international AC framework and improved capacity is in turn expected to lead to a number of good governance outcomes, such as prevention of corruption through improved transparency; accountability, integrity, inclusion and ethical leadership in public institutions; more effective investigations, prosecutions and recovery of funds; as well as vigilant media and a vibrant civil society. Finally, all of these combined outcomes are expected by Norway to lead to the fulfilment of Sustainable Development Goal (SDG) 16 and 17, including most notably improved domestic resource mobilisation.

The specific Norwegian "ways of working" include diplomatic work in the plenary of UN meetings as well as behind the scenes engagement, alliance building, knowledge generation at the international level as well as good governance and AC international and political dialogue at the national level.

The underlying assumption is there is an a sufficient level of public acceptance of/support for AC as a norm in both the South and the North to push forward the anti-corruption

² Political Platform paper, Granavolden 17 January 2019, The Prime Minister's opening statement at the OECD Global Anti-Corruption & Integrity Forum in Paris, 2018, Norwegian Statement at the IACC in Copenhagen 2018 Statement "A shared future in a fractured world" by Prime Minister Erna Solberg at the World Economic Forum 2018; MFA Memo: *Nasjonal ressursmobilisering for utvikling. Innsats for skatt og mot korrupsjon og ulovlig kapitalflyt* 12.12.2017, Speech by State Secretary Marianne Hagen at the expert meeting on corruption involving vast quantities of assets 2018-12-03; Speech by Foreign Minister Ine Eriksen Søreide at the Expert Meeting in Oslo 12.06.2019; Memo on Memo on UNODC ekspertmøte om storskalakorrupsjon (Lima, 3-5 December) 7. februar 2019; Meld. St. 24 (2016–2017) Report to the Storting (white paper) Common Responsibility for Common Future. The Sustainable Development Goals and Norway's Development Policy [and Meld. St. 27 \(2018–2019\) Report to the Storting \(white paper\) Norway's Role and Interests in Multilateral Cooperation](#)

³ See Political Platform paper, Granavolden 17 January 2019

⁴ See Political Platform paper, Granavolden 17 January 2019

agenda, a broad and strong international coalition of like-minded stakeholders at the global level and a political economy conducive enough to institute behavioural change.

This ToC will be further unpacked below in relation to the conclusions of this case study. The question is whether the assumptions are valid, and whether the ToC as depicted in the policy and political statements corresponds to what Norway is doing in practice.

3. The Most Important International Initiatives Driving Norway's Efforts to Strengthen International Norms and Standards

International anti-corruption summits have underlined the necessity of ensuring a holistic approach which encompass a host of issues including prevention, detection, reporting, investigation, prosecution and adjudication, application of sanctions as well as asset recovery and struggle against money laundering. Years of impunity and fragmented implementation of anti-corruption legislation have further prompted a stronger emphasis on the importance of moving from talk to action in the international community. The new G20 Anti-Corruption Action Plan from the G20 summit in November 2018 is framed under the heading "More needs to be done", and the G20 Anti-Corruption Working Group (ACWG) recognises the need to accelerate the implementation of past commitments. Likewise, the high-level declaration and national statements that came out of the London Anti-Corruption summit in London in 2016⁵ and International Anti-Corruption Conference (IACC) summit in Copenhagen in October 2018⁶ – in which Norway participated – focused on the implementation of existing commitments as well. Furthermore, the Norwegian Prime Minister held the opening speech on the damaging effects of corruption at the World Economic Forum in 2018. Lastly Norway as President for ECOSOC and Nigeria as President of the UN General Assembly have initiated the establishment of the High-Level Panel on financial accountability, transparency and integrity (The FACTI panel).⁷

Norway has supported comprehensive normative work ever since it signed UNCAC in 2003 and has participated actively in a number of international summits and UN processes over the years to maintain and advance international AC norms and standards. Apart from UNCAC and the UN Conference of the States Parties (CoSP), several other initiatives and agencies also underscore Norway's commitment to effective implementation of international norms and standards on AC including the OECD and the Council of Europe. Norway is a member of the Council of Europe's Group of States Against Corruption (GRECO), the OECD Working Group on Bribery, the OECD/DAC annual AC and integrity forum and the FATF. Norway was one of the countries founding the Open Government Partnership (OGP) in 2010 and has participated in the work of the OGP at the political and administrative level since its inception.⁸ Norway has been actively participating in and contributing to the 2030 Agenda in general and SDG 16 and 17 in particular as well as in the Addis Ababa Action

⁵ Norway issued a number of commitments at the summit including commitments on public company registers, improving tactical intelligence exchanges between law enforcement and the financial sector and sharing of this information across borders. Norway further committed to developing guidelines for the transparency and accountable return of stolen assets and joining the Anti-Corruption Innovation Hub.

⁶ Including on the possibility of introducing a global commitment for public country-by-country reporting for large multinational enterprises and introducing new legislation on civil asset forfeiture to supplement the provisions in the Penal Code. Norway also urges all countries to effectively implement international standards against corruption and promises to extend technical assistance if needed.

⁷ <https://www.factipanel.org>

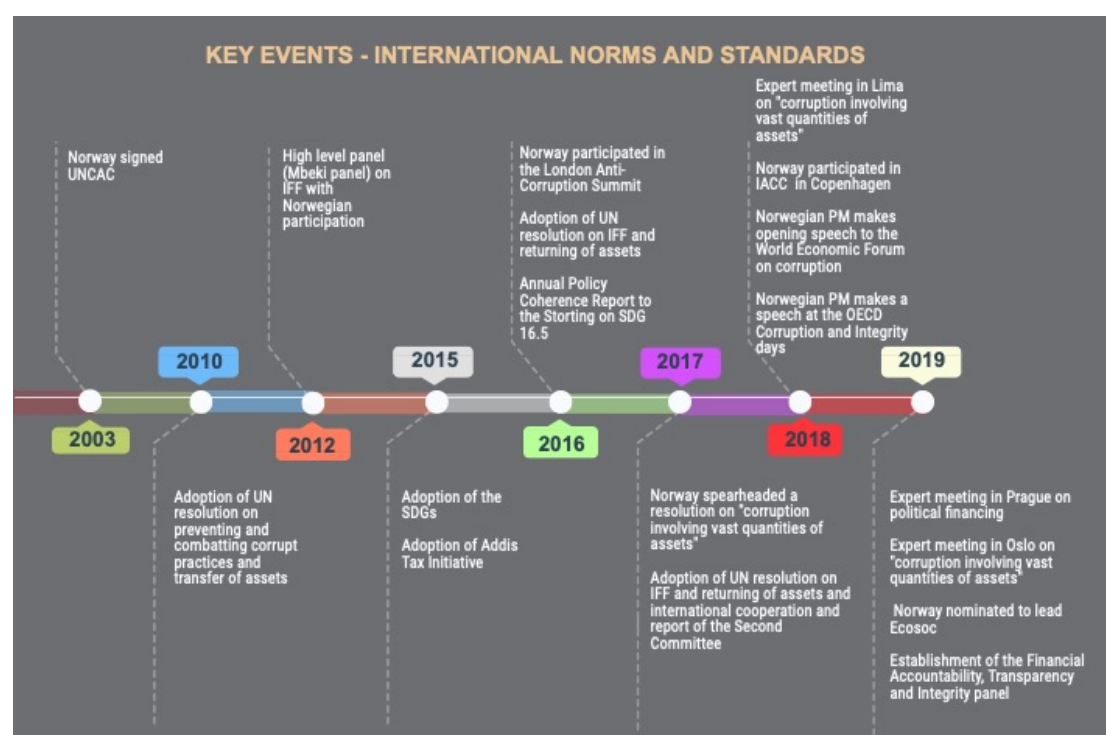
⁸ Norway has just launched its fourth action plan (2019-2021).

Agenda (2015) on Financing for Development.⁹ Norway is further both a supporting and implementing country of the EITI. Norway is a member of the Forum on Tax Administration, which is developing a work stream on capacity building (OECD, 2018a), and is the current Chair. Norway moreover supports the OECD Task Force on Tax and Development and upholds the Base Erosion and Profit Shifting Inclusive Framework domestically according to the OECD DAC Review. Norad further signed an agreement with OECD in 2019 for support to Anti-Corruption and Good Governance¹⁰ for normative work including principles for non-trial resolutions. Finally, the Norwegian Government Pension Fund is also at the forefront in terms of setting high anti-corruption standards when investing in companies.

As will be demonstrated in this case study, Norway has played a particularly active role in contributing to the promotion of international norms around **IFF** and **grand corruption**, including by forging alliances in the UN and promoting resolutions, and in providing financial assistance to development agencies and NGOs within these areas. The efforts related to grand corruption have been followed up by three experts' meetings in 2018/2019.

Please see below *some* of key international events at which Norway made a mark:

Figure 1: Key Events - International Norms and Standards



IFF: The White Paper on climate, conflict and capital from 2008/2009 was the starting point for Norway's engagement in the IFF agenda.¹¹ This paper highlighted that external factors were increasingly influencing national processes, and that the Norwegian Government intended to play a leading role in international efforts to prevent money laundering, tax evasion, corruption, IFF and asset recovery. In 2008, a public inquiry, 'The Commission on Capital Flight from Developing Countries', was appointed by the Norwegian Government to

⁹ According to the OECD DAC Peer Review (2019), Norway was an effective co-facilitator of preparatory processes for the Third International Conference on Financing for Development and played a constructive role in the launch of the Addis Tax Initiative (2015)

¹⁰ NOK 13 million for 2019-2021

¹¹ MFA, "Climate, Conflict and Capital" Report No 13 (2008-2009) to the Storting

investigate the functioning of secrecy jurisdictions in relation to capital flight from developing countries. Although it was an independent commission, it was seen as being Norwegian.¹² Norway was also the only non-African country to have a seat in the influential Mbeki panel on IFF in Africa.

Norway was central to the creation of this international norm in the period 2009-2013 but has since pursued the IFF agenda with varying intensity. When the Government changed in the period 2013-2017, the political interest in the subject decreased to some extent.

According to an evaluation from 2016, *“Norway’s financing, convening and dissemination efforts have played an important and leading role in elevating IFF onto the international agenda. The IFF advocacy effort has been both direct with the government conducting activities and indirect through the funding of intermediaries such as civil society partners and research bodies; it has been formal and informal; and the approach has been broad, using a range of advocacy tactics at various levels and in cooperation with a broad set of different actors”*¹³. This finding is confirmed by this case study.

The Norwegian Government played a central and leading role in placing IFF on the international agenda alongside the EU and the OECD in Europe and the AU, the World Bank and the IMF globally. Norway managed this despite strong opposition and with few allies, at least in the beginning. Both the World Bank, the IMF and most Western countries were hesitant when Norway started pushing for the IFF agenda in 2010.¹⁴ The Government’s work initially focused on developing countries, but the global financial crisis raised the issue on the agenda in Europe as well as in the US as the scale of tax losses and associated risks became apparent. The influence of Norway’s advocacy thus increased as a result of the opportunities presented by the global climate. The most notable drivers are found to be 1) capacity and human resources; 2) the influence of civil society; and 3) the external influence of the timing alongside a growing international interest in IFF. These contributed towards the development of an international network based on efforts to build a coalition and a body of evidence.¹⁵

In 2013, the centre-right coalition won the elections in Norway, and the new Government stepped back from the former leadership position. At the same time, restructuring and funding cuts took place that affected IFF along with other areas.¹⁶

After some years of limited Norwegian governmental interventions in the area of IFF,¹⁷ the issue reappeared on the Norwegian agenda when Norway through its representation in New York, and in close collaboration with Nigeria, pushed for IFF to be included on the agenda of the second committee of the General Assembly in the fall of 2016.¹⁸ In spite of hard opposition, they succeeded in getting a short resolution adopted by consensus. The content was mainly a compilation of already agreed measures, but it meant that IFF had a place on the agenda of the General Assembly. A year later in 2017, Norway, in alliance with the G77

¹² See more information in Norad “*Evaluation of Norway’s support for advocacy in the development policy arena*”, 2016- annex 5 case study on IFF

¹³ Norad “*Evaluation of Norway’s support for advocacy in the development policy arena*”, 2016.

¹⁴ Interviews with MFA/Norad staff

¹⁵ See more information in Norad “*Evaluation of Norway’s support for advocacy in the development policy arena*”, 2016- annex 5 case study on IFF

¹⁶ Interviews with MFA/Norad staff. See more information in Norad “*Evaluation of Norway’s support for advocacy in the development policy arena*”, 2016 - annex 5 case study on IFF

¹⁷ Norway however continued to support CSOs in the field of IFF, transparency/openness/accountability such as PWYP, U4, Tax Justice network, Norwegian Church Aid, GFI.

¹⁸ The assessment is based on interviews with MFA, Norad, UN staff and NGOs.

group headed by Nigeria, managed to get a much more substantial resolution adopted which highlighted for the first time in a General Assembly resolution not only tax evasion but also tax avoidance¹⁹. Transfer mispricing and trade mis-invoicing were highlighted as a serious obstacle to realising the SDG agenda.²⁰ Norway was strongly aligned with the G77 group of countries in pushing for this.

Norway and its allies succeeded because they had engaged in behind-the-scenes knowledge building in the period leading up to the 2017 meeting. Norway together with Nigeria facilitated a number of seminars on various aspects of IFF with key experts and country representatives in New York. Norway could not lean on the support of the usual allies. Western countries including the EU and the US were against a broader definition. However, Norway in close collaboration with key allies succeeded against difficult odds. In 2018, however there was a push back from a number of countries, especially countries with financial centers, that tried to water down the issue of IFF. Norway had to concentrate on defending what had already been achieved rather than moving the agenda further ahead.

UNCAC/grand corruption: Norway signed the UNCAC in December 2003 and has since restated the importance it attaches to the convention on several occasions. In the White Paper on climate, conflict and capital from 2008/2009, the Norwegian Government underlines that the existence of a global AC instrument is an opportunity for Norway to intensify its engagement in this field. Norway still places great importance on the UNCAC as reflected in its national IACC statement (2018), where it was emphasized that UNCAC is the primary instrument for efforts to achieve SDG target 16.5 on reducing corruption.²¹ The international community at large is likewise a strong supporter of the UNCAC as reflected in joint high-level declarations from London and Copenhagen.

In recent years, Norway has also become a strong supporter of a framework for combatting grand corruption/vast assets. At the CoSP7 to UNCAC in 2017, Norway, Peru and Chile spearheaded a resolution on preventing and combatting grand corruption, or what UNCAC refers to as “corruption involving vast quantities of assets”²².

The resolution was met with strong opposition. It took 10 years from when it was first tabled by Peru for it to be adopted. The resolution was controversial. It initially referred to “Large Scale Corruption”, which was part of the reason for a group of countries headed by Russia, China, Egypt, Iran, Brazil and the US to have very strong reservations. These countries claimed that large scale corruption was not well defined in the international framework. Therefore, Norway and its allies replaced grand corruption with “corruption involving vast quantities of assets” as defined in the preamble of UNCAC. This helped to get the resolution passed with consensus.

A number of other factors also contributed to the adoption of the resolution despite strong initial opposition.²³ It helped that the global environment had changed. There was a growing recognition of the global enablers of corruption since the Panama Papers and Lux Leaks scandals. Norway initiated the resolution and made an alliance of various countries, most

¹⁹ The definition of IFF is contested. The discussion among others evolves around whether tax avoidance should be included in the definition or whether one should stick to tax evasion only. Tax evasion is illegal, whereas tax avoidance is the process of avoiding tax by taking advantage of loop-holes to reduce or avoid tax obligations. is therefore not necessarily illegal.

²⁰ <https://undocs.org/A/C.2/72/L.53>

²¹ See the Norwegian statement at IACC in Copenhagen 2018

²² https://www.unodc.org/documents/treaties/UNCAC/COSP/session7/CacCosp2017xx-_Advance_Unedited_Version.pdf

²³ The assessment is based on a large number of interviews with MFA staff, Norad staff, UNODC, country representative from Chile, NGOs (UNCAC Coalition, TI-S) and U4

notably Peru and Chile, but also Nigeria and Jordan. Eventually, other countries such as Iraq and Kazakhstan came on board. CSOs were also actively involved behind the scenes, and Norway listened to them but was careful to ensure that the resolution was not seen as an NGO initiative.

The Norwegian lobbying started well before the formal negotiations in plenary, among other places in a task force in OECD and at the steering group meeting in U4. The Norwegian ambassador in Vienna was very actively involved and spoke directly with several key ambassadors. The Embassy also had a skilled negotiator on its team, who did a lot of behind-the-scenes lobbying. Furthermore, Norad was involved in mobilising its network from the CHN, among others, behind the scene to persuade reluctant countries. The Norwegian efforts have been described by one participant in the process as “a golden hour of diplomatic skills” and as a Norwegian team effort.

Norway has followed up on the agenda by facilitating three expert group meetings - in Peru in 2018, and in Prague and Oslo in 2019.²⁴ The outcome statement from the meeting in Oslo is assessed by experts to be potentially influential (see more details in the effectiveness section).²⁵ A number of resolutions at the CoSP8 in Abu Dhabi in December 2019 refer to both the outcome statement and the 7/2 resolution on Vast Assets. There is also an official UN report presented at the CoSP8, which outlines the resolution and the outcome statement.²⁶

CSO participation: Norway has been actively involved in ensuring participation of CSOs in UN processes aimed at strengthening international norms and standards such as the CoSP.²⁷ There has been strong opposition from authoritarian regimes to increased CSO participation. Norway already fought hard for CSO participation during the negotiation of the Marrakech resolution in 2009. At the CoSP6 in St. Petersburg in 2015, Norway actively took part in the lobbying for CSO participation with some success. Norway has also taken the initiative to bring CSOs and governments together to discuss, for example, grand political corruption at the above-mentioned experts’ meetings.²⁸ According to participants from the UN and the NGOs, this was very fruitful in opening up the idea of constructive CSO-government engagement to countries such as China and Saudi Arabia, which are normally opposed to increased CSO participation. CSOs were treated as equal partners at the conference, which is not always the case as highlighted by one CSO participant. Norad has furthermore recently entered into a partnership with the UNCAC coalition with the aim of having a strong consolidated CSO voice in UNCAC processes.

In terms of the IFF agenda, the Norwegian Government led the agenda together with civil society. An important feature of Norway’s adaptiveness was its ‘open and frank’ dialogue with civil society, and it has been highlighted that Norad was responsive and listened to messages from civil society.²⁹

²⁴ <https://www.unodc.org/unodc/en/corruption/meetings/oslo-egm-2019.html>
<https://www.unodc.org/unodc/en/corruption/meetings/Lima-egm-2018.html>
<https://www.unodc.org/unodc/en/corruption/meetings/prague-egm-2019.html>

²⁵ Interviews with UNODC, TI, UNCAC Coalition, StAR and U4

²⁶ UNODC “Prevention and combatting corruption involving vast quantities of assets” 2019

²⁷ The assessment is also based on a large number of Interviews with MFA staff, Norad staff, UNODC, country representative from Chile, NGOs (UNCAC Coalition, TI-S) and U4

²⁸ A CSO representative from U4/CMI was also a member of the Norwegian delegation to COSP 8 in Abu Dhabi, Dec. 2019

²⁹ See more information in Norad “Evaluation of Norway’s support for advocacy in the development policy arena”, 2016- annex 5 case study on IFF

Norway is generally perceived as a country that actually listens to civil society and takes their views on board when relevant. MFA/Norad provide information on what happens behind closed doors. Generally, Norway is regarded by civil society as the most accessible and CSO friendly country.

4. The Relevance, Effectiveness and Sustainability of the Efforts

Relevance of the Norwegian efforts?

The most influential norm-setting institutions, such as the World Bank, the IMF, the OECD and the UNODC, have realised that cross-border issues, such as beneficial ownership disclosure, legal privilege, tax heavens, tax evasion, tax avoidance and IFF, are key development issues. The Norwegian efforts to strengthen the norms and standards in relation to **IFF** are very relevant to the fulfilment of the SDG agenda and the Addis Ababa agenda of improving domestic resource mobilisation. They are also very relevant to the Norwegian development agenda. Domestic resource mobilisation is one of the most topical issues in the MFA/Norad at the moment, since Norway committed to double its financial support to domestic resources mobilisation in priority countries in Addis Ababa in 2015.

The Norwegian efforts to elevate the norms and standards in relation to **grand corruption** on the global agenda are also very much in tune with the international AC discourse. The most influential NGOs, such as Transparency International, have increasingly shifted their attention to grand corruption in recent years³⁰. The World Bank has also acknowledged the importance of addressing political - and grand corruption and state capture more head-on.³¹ It is a difficult topic and there is strong resistance from kleptocratic regimes and corrupt elites benefitting from a weak international framework in both the Global North and South. It is thus relevant for a small country perceived as largely neutral to take on this agenda.

Establishing a robust and effective international framework to deal with IFF and cross-border corruption is particularly relevant to developing countries, which often have weak institutional capacity to properly address such issues. Norway has taken the position of developing countries in its efforts to strengthen international norms and standards in relation to both the IFF and the grand corruption agendas. The strong emphasis on asset recovery in the Norwegian AC portfolio is also in line with the interests of developing countries. According to many observers, Chapter V on asset recovery in UNCAC is the main selling point of the convention and the reason why so many developing countries have ratified it.³² The agreement recently signed between OECD and Norad is another example of how Norway is trying to further the interest of developing countries by ensuring that they are invited to expert meetings in order to present new AC rules, procedures, principles are affecting developing countries.

The IFF evaluation from 2016³³ pointed to the need to build alliances with the private sector to overcome the strong private sector opposition to the global IFF agenda. This evaluation has not found evidence of Norway taking steps to reach out to new potential allies in the private sector since 2016. There is a national platform for anti-corruption coordination anchored by the Ministry of Justice, but it does not include representatives from the private

³⁰ See Transparency International Annual reports

³¹ World Bank "AC initiatives: reaffirming WBD development priorities". Unpublished

³² U4 Brief "UNCAC in a nutshell - a quick guide for UNCAC implementation of donor agencies and embassy staff" 2007/7.

³³ Norad "Evaluation of Norway's support for advocacy in the development policy arena" 2016

sector, and neither the MFA nor Norad have taken any specific initiatives to reach out to the progressive part of the private sector as a potential ally.

In its management reply to the IFF evaluation³⁴, the MFA committed to influencing the World Bank in relation to the IFF agenda. Evidence points to Norway being relatively active, including through the Nordic Baltic Constituency³⁵, which has issued a number of recommendations on the subject. Among other things, it has called for comprehensive solutions for IFF and a greater focus on combatting corruption, including through the rule of law.³⁶ Furthermore, Norway has spearheaded a set of recommendations to the World Bank leadership on IFF on behalf of a large group of countries³⁷. Among other things, it calls for the World Bank to integrate IFF fully in its core operations in IDA countries.³⁸

The strong emphasis on **UNCAC** in the Norwegian efforts to strengthen international norms and standards is also in tune with the Norwegian policy papers, in which it is emphasized that UNCAC is the primary instrument for efforts to achieve SDG target 16.5 on reducing corruption. It is thus relevant that Norway is partnering with both the **UNODC** for effective implementation of UNCAC and with the UNCAC Coalition. An evaluation from 2015 underlines the relevance to the key beneficiaries of the UNCAC technical assistance at the country level based on an increasing number of technical assistance requests in the programme target regions.³⁹ A recent review of UNODC's major anti-corruption programme (GLOZ99), which Norway has been supporting since 2018, emphasises that the interventions are relevant, but states that the project's design would benefit from more explicit consideration of the ways in which private sector companies could contribute to the fulfilment of UNCAC. Similarly, the review recommends that the design of the project could give some additional space for the involvement of civil society.⁴⁰ The Norwegian diplomatic support to a more inclusive and CSO-friendly CoSP and Norad's support to the UNCAC Coalition is thus highly relevant in the light of this recommendation.

The **CHN** is very relevant to the grand corruption agenda. The idea was a network, which could match that of organised crime. Criminals working across borders are innovative in coming up with new types of corruption; therefore, the knowledge of how to combat corruption should be shared in a peer-to-peer network of investigators and prosecutors.⁴¹ While there is a formal framework for international cooperation, mutual legal assistance, for example, does not always work well in practice. Much too often the mutual legal assistance is characterised by mutual mistrust, and it is therefore relevant to have a forum for trust building and exchange of information (see more information in the box on CHN).⁴²

The support to **StAR**, **ICAR** and asset recovery is also highly relevant to the agenda of addressing high-level corruption and its enablers, both in terms of improving international norms and standards and in providing country-level assistance. An external review of StAR has found that StAR's asset recovery mission is and will remain relevant in a world of evolving technologies, document dumps and increased global attention to corruption, although additional focus could be channelled towards the global problem of safe havens for

³⁴ MFA note 03.02.2017

³⁵ Interviews with Norad, MFA staff, Nordic Baltic Constituency Office

³⁶ See Nordic Baltic Constituency Annual Report 2019

³⁷ Canada, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Latvia, Lithuania, Netherlands, Norway, Slovak Republic, Slovenia, Sweden, Switzerland

³⁸ See non-paper on Domestic Resource Mobilization and Illicit Financial Flows within the IDA-19 Governance Special Theme

³⁹ UNODC "Mid-term In-depth Evaluation of the Global Programme" 2015

⁴⁰ UNODC "Mid-term independent project evaluation of the Global programme segment", February 2019

⁴¹ Video interview with Eva Joly; co-initiator of the CHN

⁴² Interviews with members of the CHN

stolen assets, which is a core element of StAR's original mission, but which has not been sufficiently prioritised in recent years.⁴³ Overall, relevance of ICAR activities is assessed as very good by a recent review including ICAR's ability to work directly with investigation of cases, ICAR's use of embedded advisors and the deployment of high-level experts, although greater attention to assessing and understanding the needs of individual jurisdictions to achieve a comprehensive asset recovery and anti-corruption system would be make the efforts even more relevant.⁴⁴

Effectiveness of the Norwegian efforts?

As demonstrated, Norway has been effective in elevating the issues of IFF and grand corruption on the global agenda. The Norwegian efforts have resulted in placing the issues more firmly on the agenda. Norway has strategically and successfully coordinated its advocacy efforts with other countries, including both emerging economies and developing countries. Norway is an effective negotiator between different countries and viewpoints because the country is perceived as neutral. It has a comparative advantage by not belonging to any particular block.

The Norwegian efforts in relation to **IFF** have contributed to a number of significant results.⁴⁵ These include 1) a strengthened evidence base on tax and development issues; 2) an improvement of the quality of the public debate; 3) the decision of many countries, including tax havens, to enter into new agreements and join the multilateral Convention for Mutual Administrative Assistance in Tax Matters, requiring countries to exchange information for tax purposes – relatedly, several countries have changed their domestic legislation to comply with new international standards – and 4) some, although sketchy, improvement of tax systems at the national level (e.g. legislation related to mining in Zambia).

The Norwegian efforts in relation to **grand corruption** may also produce good results. Resolution 7/2 and the Oslo outcome statement have the potential to supplement the provisions in the UNCAC. Its provisions on political corruption are weak, and the UNCAC is as such only partly suited to address the political nature of corruption. In many countries, corruption is part of a larger political system aimed at gaining and maintaining access to power and resources.⁴⁶ However, the UNCAC does not offer any specific measures concerning political finance, legal liability, corporate formation agents (such as lawyers, accountants, notaries, bankers, etc.) or asset declarations systems for Politically Exposed Persons (PEPs).

Resolution 7/2 on vast assets and the outcome statement of the expert group meetings reflect new and innovative thinking on key issues related to grand corruption. This includes wording on political financing, beneficial ownership disclosure and legal liability as well as the idea of an International Anti-Corruption Court – the discussion of which has continued in various fora since the expert meetings.⁴⁷ The UNODC has also produced a handbook on the progress so far, which was distributed to a wider audience at the CoSP8 meeting in December 2019. Four of the 15 resolutions adopted by CoSP8 contained a reference to Res.

⁴³ External review of STaR, August 2019

⁴⁴ SAFE "External Review of ICAR" Draft Final January 22, 2020

⁴⁵ This assessment is primarily based on Norad "Evaluation of Norway's support for advocacy in the development policy arena", 2016- annex 5 case study on IFF supplemented with a number of interviews with present and former MFA/Norad staff and GFI

⁴⁶ See detailed analysis in U4 "Can UNCAC address grand corruption?" 2011:2

⁴⁷ U4 Brief for discussion "An International Anti-Corruption Court?" <https://www.u4.no/publications/an-international-anti-corruption-court-a-synopsis-of-the-debate>.

7/2 and/or the expert meetings. The hope is that the wording in the statement may find its way into future UN resolutions and declarations, such as the UNGASS declaration in 2021.⁴⁸

The **CHN** has been a very cost-effective initiative.⁴⁹ The annual expenses are approx. NOK 1.2 million. The participants take active part in the planning and executing of meetings, and since the meetings are often held on weekends, the network members participate during their time off from work. The purpose of the meetings is to increase cooperation between network members in areas such as investigation techniques, mutual legal assistance and asset recovery, increased understanding of how corruption works and methods to fight it through exposure to civil society, as well as presentation of knowledge generated from studies and research relevant to the issue.

In addition to the network meetings, there has also been a limited number of trainings carried out by network members in Norwegian priority countries and occasionally side events involving AC practitioners or the wider public in the country where the meeting is held. The meetings follow the “Chatham rules”, so there are not full meeting minutes. U4 has participated in the meetings in the last years and provided inputs to the meetings, for example on the topic of lack of independence and political interference influencing the AC bureaus/commissions and national prosecution⁵⁰ – a valuable input to a topical issue discussed during many network meetings. Norwegian embassies have attended part of the meetings held outside Norway (for example in Malawi, Tanzania, Lisbon, Greece and Nigeria).

Members stress the importance of the network being practical and informal and of the bulk of the members being practitioners (i.e. prosecutors and investigators) who work in the field. They are not necessarily the heads of the institutions, but capable outstanding prosecutors. The CHN is thus perceived as a “doers’ network”. Organisations such as the U4, UNODC and UNDP have helped with technical knowledge, references to formal frameworks, and other useful inputs. Involvement of U4 in the network has resulted in several publications, which has opened up the knowledge about the network and broadened the sharing of experience. Interviews with some of the members are used in U4 training sessions. The participation in the network by skilled UNODC staff has further resulted in concrete engagement in several countries and U4 has been represented on the CHN for several years, and thereby both sharing information on/discussing our research and picking up issues to be researched. This is appreciated by the members of the network. They however caution against having too many people who are not investigators or prosecutors attending the network meetings.

Throughout the years, many alliances have been formed, and a number of cases have benefitted from information sharing. The members are constrained by the law; they need to work within the law and respect the formal rules, but they can use the network to help formulate the formal requests and address them to the right people. The members have common problems: how to deal with political pressure, the media, high-profile defence lawyers and how to obtain evidence from other countries. The network is about moral as well as technical support.

⁴⁸ Interview with MFA/Norad Staff, NGOs, UNODC

https://ungass2021.unodc.org/uploads/ungass2021/documents/session1/V1912060_L9_reissued.pdf

⁴⁹ This case study on the CHN is based on a large number of interviews with members of the network, MFA and Norad staff, UNODC and U4. See also Norad “*Evaluation of Norway’s support for advocacy in the development policy arena*”, 2016.

⁵⁰ <https://www.u4.no/publications/the-fish-s-head-appointment-and-removal-procedures-for-anti-corruption-agency-leadership/>

Studies assessing the effectiveness of networks of AC agencies have concluded that unless there is considerable organisational support by a donor or international organisation, the networks are not effective.⁵¹ It is likely to be the same for the CHN. Several of the members confirm that they find it very unlikely that the CHN would be sustainable without Norad acting as secretariat and convener. Norway has a comparative advantage in being perceived as professional and fair. The World Bank has tried to replicate this type of network, but as they had to invite all countries and heads of agencies, this Corruption Hunters Alliance is a much larger and more formal gathering.

The CHN has contributed to improved investigation and prosecution of some of the grandest corruption cases from the last 10 years: the OPL 245 case⁵² currently before the court in Italy; the ongoing Petrobras case in Brazil; the Alstom case in Brazil; the Zuma case in South Africa; and the Siemens case – just to mention a few. The ongoing OPL 245 case is a good example of the contributions of the network. In this case, there was initially mistrust between Italian law enforcement and the Nigerian counterpart, which stalled the exchange of information. However, when more favourable conditions for exchange arose due to the change of government in Nigeria in 2015, the concerned parties managed to iron things out and build real trust during the network meetings, which eased the exchange of information through the formal channels. The trust and confidence displayed in the Alstom case⁵³ were also the result of personal ties between French, Brazilian and Swiss police and prosecutors built up over several years through the CHN, among others. It was there the Brazilian prosecutor Marques met a key Swiss official, who was instrumental in helping him make connections with European investigators and prosecutors.⁵⁴

There are also examples of how concrete events in the home country of network members have been brought to the attention of, for example, the European Parliament through one of the members, who was a member of the European Parliament at the time. The European Parliament subsequently expressed its deep concern in relation to redrafted legislation structurally undermining the independence of the judicial system in Romania. Members participate in other events as well (CoSP, G20, OECD, etc.) and report back to the other members on the latest developments in the international AC framework.

The support to **UNODC** has had three objectives: 1) technical assistance in support of accelerated UNCAC implementation; 2) facilitating an integrated response to address technical assistance needs for effective and timely asset recovery (StAR); and lastly 3) developing adequate responses to corruption involving vast quantities of assets.

Norway's support to UNODC is relatively recent, and the technical assistance at country level has not really been rolled out yet although the scoping of programmes in Mozambique is quite advanced and a contract has been established with the Angolan prosecution in 2019. It is however in such early stages that this case study has not assessed the effectiveness of the UNODC technical assistance at the country level (objective 1).

⁵¹ U4 Brief, "Networks of Anti-Corruption agencies: living up to their aspirations?", 2020

⁵² Royal Dutch Shell and Italian oil company Eni are implicated in court cases in Italy and Nigeria (and potentially Holland) over a \$1.3bn deal to purchase drilling rights at the OPL 245 deep-water offshore field in Nigeria in 2011.

⁵³ Thanks to information supplied by French and Swiss authorities, Brazilian prosecutors showed that Alstom had bribed officials of Sao Paulo's state government to win a contract to supply electrical equipment to the state's power company. See Furthering Cross-Border Cooperation to fight corruption. Global Anti-Corruption Blog: Posted on December 23, 2015 by Rick Messick

⁵⁴ Furthering Cross-Border Cooperation to fight corruption. Global Anti-Corruption Blog: Posted on December 23, 2015 by Rick Messick and interviews with Network Members

A recent impact review⁵⁵ of the UNCAC Review Mechanism in the 145 states parties for which information was available was very positive. It highlighted that 90 % of the countries reported legislative reform efforts to bring them into line with the requirements of the UNCAC, and 71 % found that the Mechanism and its peer review process had helped identify gaps and shortcomings in their frameworks and systems for fighting corruption and/or expressly noted the overall positive impact of the Mechanism on their national efforts to fight corruption, including by leading to improvements in their national institutional structure and cooperation. A recent evaluation of the UNODC's Global Regime Against Corruption programme (GLOZ99), which Norway is supporting, points to GLOZ99 being effective as it is reinforcing the legitimacy of the anti-corruption agenda in each country. It is the assessment that when UNODC uses UNCAC as a reference point, it makes AC interventions more legitimate. It is, among other things, recommended that UNODC should continue to focus on the effectiveness and independence of anti-corruption institutions.⁵⁶ The UNODC results tracking system is not really able to measure long-term normative changes on corruption, for instance changes in the public perception of corruption.⁵⁷

A small part of the Norwegian support to UNODC has so far been spent on scoping a UNODC programme (under GLOZ99) with the purpose of getting Somalia to ratify UNCAC and setting up an independent AC commission in Somalia. The Norwegian funding is seed money, and the actual UNODC project in Somalia will not be effective unless funded by development partners in Somalia.

UNODC has so far extended support to Norway in implementing the grand corruption/vast asset agenda (objective 3). UNODC has organised the expert meetings, which have been praised by all participants as effectively bringing different stakeholders together and bringing about new insights and knowledge.

The support to **StAR**, which has been channelled through the UNODC since 2018, is not new. Norway has supported StAR on and off since its inception in 2008. The country was one of the early StAR donors and also the first donor to return when development partners abandoned the project in the period 2011-2015. Norway is thus regarded by StAR as a long-standing and important partner.⁵⁸ The objective of the Norwegian support is global knowledge-building and advocacy on asset recovery, national capacity-building and assistance in the recovery of stolen assets. According to a recent external review⁵⁹, StAR services and products are considered to be valuable and useful by direct beneficiaries and other stakeholders. StAR sets itself apart through informative and accessible knowledge products, effective policy influence, and, especially for certain countries, a unique ability to mediate between countries on both sides of an asset recovery case. The review recommends that more emphasis be placed on knowledge products, which StAR is uniquely qualified to develop, and thus less on country engagements.

The evaluation team had the opportunity to review StAR's engagement in Somalia. StAR has assisted the Central Bank of Somalia in communicating with a number of banks in Belgium, France, Germany, Italy, the United Kingdom and the United States in the period between

⁵⁵ Review of the implementation of the United Nations Convention against Corruption "Good practices and experiences of, and relevant measures taken by, States parties after the completion of the country reviews, including information related to technical assistance" Eighth session Abu Dhabi, 16–20 December 2019. The review is based on self-reporting from the State parties. It is thus not an independent evaluation.

⁵⁶ UNODC "Mid-term Independent Project Evaluation of the Global Programme segment Asia-Pacific Joint Action Towards a Global Regime against Corruption (2016-2020)", 2019

⁵⁷ UNODC "Mid-term In-depth Evaluation of the Global Programme" 2015

⁵⁸ Interviews with StAR staff

⁵⁹ External review of STaR, August 2019

2015 and 2018. With the assistance of StAR, USD 1.3 million have been recovered from foreign accounts.⁶⁰ These include balances on project accounts which were frozen when the government collapsed in 1991. They are not perceived as the proceeds of corruption.⁶¹ Most asset holders have thus been responsive, which has contributed to the assets being recovered. More generally, however, asset recovery has proved difficult due to the troubled history of asset recovery in Somalia.⁶² StAR has also assisted Somalia in drafting an asset recovery strategy. It is, however, the view of key stakeholders in Somalia that asset recovery in isolation from having truly independent watchdog institutions will have limited success, as few countries and commercial banks will have sufficient trust in the system to return the funds.

The support to **ICAR** only dates back to 2018. The objective of the support is to provide countries with technical assistance and competence-building within investigation and prosecution of corruption cases and to assist in tracing and recovering stolen assets that can be reinvested in development. The mid-term review⁶³ of ICAR that is currently underway is largely positive. The effectiveness of ICAR is assessed as very high as it has influenced cases to the point where assets that are located in foreign jurisdictions have been confiscated and are ready to be repatriated. Under the current operational strategy (2017-2020), more than USD 40 million have been recovered internationally as a direct result of ICAR's assistance and about the same amount in ICAR partner countries domestically. The internationally recovered assets concern first and foremost Peru and to a lesser extent Kenya. In all these cases the recovery process is complete, while the return in the international cases is pending the finalisation of negotiations between requesting and requested states about the end-use of the recovered assets. The review also finds that the training activities implemented by ICAR have successfully improved technical competence of recipients. One of the findings is that the organisation is most effective when it works on the entire accountability chain rather than on one institution in isolation.⁶⁴

The Norwegian financial support to the **UNCAC Coalition** is likewise new. The objective is for civil society to follow and monitor the implementation UNCAC to increase inclusiveness and transparency. There is no independent assessment of the UNCAC Coalition and its work, so it has not been possible to assess its effectiveness. There is, however, room for improvement with regard to opening up the UNCAC review mechanism for CSOs to monitor and influence. According to some interviewees, it is difficult for CSOs to access even the list of when the peer reviews are going to take place in the various countries.⁶⁵

Sustainability of the Norwegian efforts?

The Norwegian efforts are only sustainable if they are continuously followed up. The opposition to effective mechanisms against grand- and political corruption and IFF is fierce in countries with financial centres and among powerful elites benefitting from a lax international framework in both the Global North and South

The global cooperation environment is challenging and likely to disallow progress if the efforts are not continuous. In this environment, the concern is to at least limit regression. The two processes mapped in this report have highlighted the challenges. In the case of IFF,

⁶⁰ See minutes from the meetings of the Financial Governance Committee in Somalia

⁶¹ StAR primarily deals with repatriation of proceeds of corruption. The Somalia case was therefore not a usual case for StAR.

⁶² The Governor of the Central Bank of Somalia, Yussuf Abrar, resigned in 2013, amid concerns over Government's management of recovered assets and the nature of a contract FGS had entered into with a US law firm to assist the asset recovery process

⁶³ SAFE "External Review of ICAR" Draft Final January 22

⁶⁴ SAFE "External Review of ICAR" Draft Final January 22, 2020, Interview with the Review team, with ICAR and with UNODC

⁶⁵ Interviews with MFA, Norad staff, UNCAC Coalition

there was a backlash in the year after Norway succeeded in putting IFF on the agenda of the UN General Assembly. Similarly, Norway decided not to submit a grand corruption/vast assets agenda follow-up resolution at the CoSP8 meeting in December 2019. In both cases, Norway has chosen not to actively advocate for new resolutions in formal arenas to follow up on the initial success.

In terms of IFF, the Norwegian Government's long-term support to CSOs has helped to build an international coalition, which has increased in strength and capacity over time despite the reduction in Norwegian support. CSOs have continued to build a body of evidence. Other organisations, such as the World Bank, have also picked up the agenda in later years. Thus, IFF remains on the global agenda although Norway's leadership of the IFF agenda has been reduced. Norway's leadership of the IFF agenda might have been maintained if the coalition of interested agencies and actors had been broader and included experts from different backgrounds, such as industry.

The Norwegian efforts aimed at providing country-level assistance to implement the international framework risk being too scattered to ensure genuine sustainability. The country-level support provided by StAR is, for example, ad hoc and not usually aimed at supporting the entire value chain of accountability institutions. The support to ICAR is likewise assessed to be more relevant if it engages in the broader accountability chain. The UNODC does take a holistic approach, but the funds provided by headquarters may be too limited to institute long-term sustainable change. The fact that the new Norwegian country strategies provide very limited analysis and guidance on how to tackle, for example, grand political corruption at the country level is also not conducive to a holistic long-term and sustainable implementation of international norms and standards at the country level.

The Corruption Hunters Network - a relevant, effective and low-cost initiative

Norway has supported the Corruption Hunters Network (CHN) since 2005. The CHN is a network against corruption with participants from 15-20 countries, mostly prosecutors of large corruption cases. The members are hand-picked individuals - not country representatives. Some have been members since the beginning, most of them heavily involved in investigating grand and complex corruption cases, which almost always involve cross-border operations. The network has met regularly 1-2 times per year since 2004. Today, CHN participants come from Zambia, South Africa, Nigeria, Sao Tome e Principe, the UK, the US, Costa Rica, Italy, Brazil, Germany, Switzerland, Norway, Greece, UNODC, Tanzania, Malawi and Namibia. In addition, guests are invited to the meetings to contribute with input to the agenda/theme. There is a core of long-standing members from both the North and the South and a pot of newcomers. The members perceive it as a good mix of experienced and less experienced practitioners. Norad (Strateg) is organising the network.

The members stress that Norway is perfectly suited to host such a network as a small, neutral country. It is not driving the agenda, but facilitates the meetings in a non-intrusive and competent way. Norway carries out the background check and vetting of new members. Venues are chosen with great care. If members are not performing, they are dropped. It is considered an honour to be a member. As a very experienced and accomplished prosecutor framed it: "One of the greatest achievements of my career is to be part of the network". The hand-selected and closed-door approach allows for informal peer exchange, which would not be possible in more public fora.¹ Norad books the tickets and takes care of the logistics. This facilitation is important as the members are busy professionals. The members open up and share experience in a much different way than they do at usual conferences and seminars.

The CHN is unique in the way it provides moral support to its members. The members of the CHN describe the job as top investigator or prosecutor as a very lonely, isolated and sometimes dangerous job where one constantly has to watch one's back. In such a job, it is a great gift to have a place where one can speak freely and openly to peers, and the moral support gives the members the courage to go the extra mile. Throughout the years, many of the network members have been threatened, including on their lives. Some of the network members have highlighted that being part of a larger international network is in itself a form of protection. There are also concrete examples of how network support has been mobilized in events of concrete threats against network members. A Nigerian, a Malawian, a Zambian and a Tanzanian under threat have been helped to find safe spaces. Norway has assisted with visas; others have provided contacts and new jobs.¹ The story of Nafy Ngom Keita is a case in point. She was the Senegalese Head of the AC commission when she came under threat in 2015 and had to flee the country. Network members helped her get to a safe place.

The network is useful for both preventive and enforcement purposes. It is a very useful learning platform for less experienced members, and the members take care to involve other staff members from their institutions to ensure a greater outreach. There have also been instances of more direct institutional capacity development delivered by the network members. In 2010, a group of network members went to South Africa to facilitate the drafting of an AC strategy in the Western Cape.

Has Norway effectively used political dialogue⁶⁶ to support its approach to AC?

UNCAC provides not only an international legal basis for cooperation, but also a political tool for dialogue between countries as well as between governments and their citizens.⁶⁷

Norwegian embassies have been asked to use UNCAC as a basis for their political dialogue, in collaboration at the sectoral level and in planning development aid efforts, although this is not expanded upon in any of the governing documents.⁶⁸ MFA has an annual process in which it can provide "instructions" to the embassies in relation to the elaboration of the embassies' annual plans. According to interviewees there has however been little appetite to use this mechanism to reinforce the possibility and need for using UNCAC in the political dialogue although the MFA has inserted text about the necessity of dialogue on the basis on UNCAC in the annual grant letter to several embassies.

International norms and standards are however to some extent used by embassies in their political dialogue with governments according to the survey carried out by the evaluation team.⁶⁹ The country visit to Somalia however highlighted that Norway is not always using UNCAC as a tool in their discussion with government counterparts or other stakeholders. Somalia has started the ratification process of UNCAC, while concurrently drafting an AC strategy and adopting legislation instituting an AC law and an AC commission. Despite having good access to the Somali government, Norway has generally not taken an active part in these discussions and has not used UNCAC as a reference point.⁷⁰

It is the hope of Norad that the embassies will take a more active role in promoting anti-corruption at the national level. UNODC is sometimes viewed as having a careful and too diplomatic attitude as a member of the UN family, where others would have liked to see more up-front dialogue (and even, if necessary, confrontation). In those instances, the role of embassies, the delegation in Vienna and the MFA is important and necessary to ensure a stronger political dialogue where needed.⁷¹

5. Resources, Flexibility and Learning

The MFA is committed to finding a balance between ambitions, depth of engagements and available resources and flexibility to pursue its advocacy on the international development agenda.⁷²

There is two persons dedicated team in Norad and a dedicated person in MFA working on anti-corruption norms and standards full-time and good results hinge on good inter-personal relationships between these teams. The staff in both MFA and Norad have raised the issue of too few human resources having been allocated to Norwegian advocacy on international norms and standards the last four years of the evaluation period. The situation has improved somewhat most recently. The institutional set up is however not conducive to close

⁶⁶ Both high-level political dialogue and governmental policy dialogue

⁶⁷ See among others U4 Brief from 2019 "UNCAC in a Nutshell"

⁶⁸ The Ministry of Foreign Affairs' report of 10 June 2014 concerning follow-up of Norad evaluation 6/2011, states that U4 prepared a circular concerning UNCAC in the summer of 2010 aimed at the ambassadors concerning how the Convention can be used at the country level in the political dialogue. However, this circular is not mentioned in the relevant instruction. See 2014/15 The Office of the Auditor General

⁶⁹ Team Survey. A total of 195 respondents conducted the surveys with 74 respondents from embassies and 121 Oslo-based staff members. According to the respondents 6% strongly agree and 52% agree that international norms and standards play an integral part of the political dialogues.

⁷⁰ The Norwegian Embassy played however an active role in the U4 2019 workshop (held in Kenya) on identifying and mitigating corruption risks in assistance to the Horn of Africa.

⁷¹ Beslutningsdokument February 2018

⁷² MFA note 03.02.2017

coordination and sharing of information on AC between MFA and Norad. The last years Norad has no longer had access to the MFA intranet nor do MFA or embassies have access to Norad intranet. The recent reform of the MFA and Norad includes the establishment of the Department for sustainable development with a Section for partnership, good governance and development financing in the MFA. Personnel resources dedicated to financing for development/domestic resource mobilisation, including tax issues, anti-corruption and efforts to prevent and combat IFF are expected to increase.⁷³

In both the case of the IFF and the Grand corruption agenda, the drive from a small number of committed diplomats in the permanent missions to the UN in New York and Geneva played a central role for the establishment and success of the advocacy agenda. In the period up to the change of government in 2013, there were relatively more staff resources dedicated to the IFF agenda, but the advocacy still depended on a small coalition of dedicated individuals in MFA and Norad. Norway succeeded in improving international norms and standards in relation up to IFF because of the strong political backing in the period leading up to 2013 and because of a narrow, but influential, coalition in the government. Even though the team of people in Oslo was small, their drive, focus and interest were high. Norway has continued to contribute to this agenda after 2013 but more low-key and with less resources allocated to it. The engagement in New York on IFF in the General Assembly in 2017 again depended on a very small group of dedicated individuals in Oslo and New York.

The Norwegian contribution to the grand corruption agenda has succeeded despite limited institutional backing and limited resources. As mentioned, there was a very dedicated and skilled staff in Vienna in 2017 and good backing from the small (one-person at the time) AC team in Norad which was crucial for getting Resolution 7/2 adopted. At the CoSP 8 meeting in December 2019, Norway chose not to table a follow-up resolution on Grand Corruption/Vast Assets according to various sources because of the staff turn-over at the Norwegian Embassy in Vienna.

The IFF case indicates that taking a flexible approach to achieving the ultimate advocacy goal is important. There has not been a formal, written advocacy strategy for the Norwegian engagement on IFF. The case has illustrated the ability of actors to think and act strategically without formal, bureaucratic processes. The 2016 evaluation on IFF recommended that Norway should continue to take a flexible approach to achieving the advocacy goals and if a written strategy is formulated it should be regularly updated so it captures changes during implementation and therefore still retains flexibility.

The traditional result framework is not always the most useful for this type of normative work when progress is not linear. It is often a pattern that when institutions start to work the way they are supposed to, when laws have been approved and when people are trained or international cooperation works – then the system and individual people hit back, resistance is hard and regression is starting to show: people are removed from their positions, there is political interference with investigations and threats. Monitoring and having a focus on the process is thus becoming more important.

⁷³ Interview with MFA

6. Conclusions

The overall conclusion is that Norway has been successful in influencing international norms and standards in relation to especially IFF and also to the issue of grand corruption in the evaluation period. With regard to IFF, there have been some concrete outcomes as demonstrated in this report. Likewise, Norway has been successful in elevating the issue of grand corruption on the global agenda. The coining and uptake of the term ‘corruption involving vast assets’ have played an important role in getting the issue onto the international agenda despite strong resistance. It still remains to be seen whether this will result in actual legislative or institutional changes at the global or national level. However, Norway has been successful in contributing to some forward-looking and innovative thinking in relation to key issues, such as legal liability, political finance and beneficial ownership, all related to fighting grand corruption.

The Norwegian “ways of working” have proved to be effective. These include engaging in both the formal and informal arenas, building up an evidence base and building strong coalitions. A key contributing factor to the success of the Norwegian efforts has been building coalitions with a shared agenda. With regard to IFF, the combined Norwegian efforts were more than the sum of their parts up to 2013. Norway’s financing, convening and dissemination efforts have played an important and leading role in elevating IFF onto the international agenda. The IFF advocacy effort has been both direct, with the government conducting activities, and indirect through the funding of intermediaries such as civil society partners and research bodies; it has been both formal and informal; and the approach has been broad, using a range of advocacy tactics at various levels and in cooperation with a broad set of different actors.⁷⁴

Norway has used its advantage as a small, neutral country to be at the forefront in its diplomatic efforts to support inclusion of CSOs in discussions on international AC norms and standards. Norad has also recently entered a partnership with the UNCAC coalition providing development assistance to the Coalition. There has been a consistent and coherent approach with strong synergies.

There are synergies with regard to Norwegian contributions to combatting grand corruption. The vast assets resolution 7/2 was adopted by consensus after exemplary Norwegian efforts against all odds and initial strong opposition. The combined efforts of the MFA working in the formal arena and the Norad team mobilising their vast network (from the CHN, among others) worked in favour of the resolution.

However, gains can quickly be reversed if efforts are not continuously sustained. One of the assumptions underlying the Norwegian ToC is that there is a sufficient political support to be able to strengthen AC norms and standards in the Global North and South. International norms and standards on AC are however negotiated in an environment with very strong kleptocratic regimes and countries benefitting from financial secrecy resisting a strengthening of norms and standards, especially with regard to grand corruption. Gains can quickly be reversed if not continuously safeguarded. It is important that Norway and its allies keep a continuous and strategic focus on, for example, grand corruption and how it can be combatted in all norm and standard-setting forums, such as the CoSP, the General Assembly

⁷⁴ Norad “Evaluation of Norway’s support for advocacy in the development policy arena”, 2016.

including UNGASS 21, OECD, the World Bank, the IACC and the Security Council (if Norway gets a seat⁷⁵).

After a low-key period (2013-17), activities were intensified, leading to successful advocacy efforts (partly) thanks to a limited number of dedicated individuals.

There could be more synergies between national and international initiatives and more systematic use of UNCAC at the national level. The strong Norwegian engagement in setting norms and standards globally, Norwegian support to knowledge generation and the strong knowledge on AC anchored in the Norad team do not sufficiently trickle down and inform political dialogue at the national level. Limited engagement by Norwegian embassies on global initiatives supported by Norway is, however, a lost opportunity for synergies between various Norwegian AC-related initiatives.

There are lost opportunities in relation to the limited Norwegian engagement in high-level dialogue on AC, and more specifically in using international norms and standards to inform AC dialogue at the national level. In Somalia, for example, the Norwegian government has a close and trusting relationship with the Federal Somali Government (FSG) and the ear of the Prime Minister. This goodwill has not been used to pressure for AC mechanisms.

The Corruption Hunters Network is a great success. It has contributed to both institutional capacity development and to concrete investigation and prosecution of grand corruption cases. It is a good example of the value of a smaller bilateral initiative.

7. Recommendations

There is a need for a country like Norway, which is perceived as a positive role model in the field of anti-corruption, to continue to take the lead of a broad coalition in strengthening international AC norms and standards. Norway has demonstrated that it is possible to move the agenda forward - also in difficult areas such as IFF and grand corruption. However, as demonstrated in this case study, there are very strong political and economic interests working against improving the international framework. It is thus important to engage in collective action and build a very broad alliance for the efforts to be sustainable. It is recommended that the MFA/Norad reach out and include potential allies - also in the private sector.

International norms and standards should thus feature much more explicitly in political dialogue between Norway and governments/non-state actors at the national level than is currently the case. The international AC framework such as UNCAC is reinforcing the legitimacy of the anti-corruption agenda at country level. Moreover, UNCAC can provide a more neutral basis for political dialogue around corruption and anti-corruption, where donor interventions might earlier have been perceived as moralising or as external interference in internal affairs. The practical guidelines⁷⁶ on UNCAC for embassies elaborated by U4 could be used as a starting point.

The CHN should be maintained more or less as it is. Norway should resist the temptation to scale it up or hand it over to other development agencies. It is important that the CHN stay

⁷⁵ Norway stands for a non-permanent seat on the United Nations Security Council (UNSC) for 2021-22 – to be voted on by the General Assembly in June 2020

⁷⁶ <https://www.u4.no/publications/uncac-in-a-nutshell-2019>

focused on being a network of practitioners in the field of investigators and prosecutors and that it stays informal and flexible. Norway should however keep an eye on the balance between practitioners and non-practitioners. It may further be considered whether the network could benefit from having a small steering committee of 3-4 members on a rotating basis.

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