

KEY QUESTION

6

How is Norway's ODA spent?

Multilateral organizations are regarded as an effective way to support development cooperation

Norway considers multilateral organizations an effective way to pursue its theme-focused development agenda. This is reflected in Norway's long-standing support to UN agencies.

Core funding for multilaterals together accounted for 46% of total ODA in 2015 (DAC average 50%). Core multilateral ODA accounted for a relatively low share of total ODA (23%) in 2015. The remaining 23% was provided as earmarked funding to multilateral organizations, which is reported as bilateral ODA. Since 2011, much of the additional funding for ODA has been channeled through earmarked funding to multilaterals, in support of Norway's thematic initiatives. Between 2011 and 2015, earmarked funding increased by 31%, to reach US\$1.3 billion in 2015. Alongside multilaterals, civil society organizations (CSOs) implement a large share of Norway's bilateral assistance: in 2015, 24% of bilateral ODA was channeled through CSOs (well above the 17% average among members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD)). The remaining share of bilateral ODA was mostly implemented in country programs by Norwegian embassies and the Norwegian Agency for Development Cooperation (Norad).

In 2015, Norway channeled all bilateral ODA as grants. It does so to reduce the debt burden of low-income countries. In parallel, the government under Prime Minister Solberg is increasingly focusing on private-sector development, through Norfund. Norfund is a state-owned investment fund that supports private-sector activities in developing countries. In 2016, its investments increased by US\$33 million, to reach US\$186 million. These investments are not reported as ODA to the OECD, but are an increasing channel through which Norway contributes to sustainable growth in developing countries.

Who are Norway's ODA recipients?

Norway's bilateral assistance has a major focus on low-income countries

Norway focuses its bilateral ODA strongly on low-income countries. Because of the high share of bilateral ODA that is not reported as being allocated to a specific country

(51% between 2013 and 2015, due to high costs of hosting refugees, earmarked funding to multilaterals, and support to CSOs), low-income countries officially accounted for only one-quarter of bilateral ODA over that period. However, when only considering bilateral ODA allocated to specific countries, low-income countries received just over half (51%) of bilateral ODA. Norway allocates the largest share of its bilateral ODA to sub-Saharan Africa.

According to the MFA's white paper on private sector development in Norwegian development cooperation from 2015, the government is committed to concentrating ODA on fewer countries, and in 2015 reduced the number of its recipient countries from 116 to 85. A heightened focus will be placed on 12 countries that are divided into two groups: 1) fragile countries where support focuses on stabilization and peacekeeping (Afghanistan, Haiti, Mali, Palestine, Somalia, and South Sudan), and 2) countries in the process of development where programs focus on the private sector, and on resource and revenue management (Ethiopia, Malawi, Mozambique, Myanmar, Nepal, and Tanzania).

Since 2015, programs in countries not included in the 85-country list (mostly upper-middle income countries) are being phased out. Norway's on-going forestry investment as part of the Norwegian International Climate and Forest Initiative (NICFI) drives high levels of ODA to certain countries. For instance, nearly all of Norway's funding to Brazil – the largest recipient of Norway's ODA between 2013 and 2015 – is channeled through the NICFI.

How is bilateral funding programmed?

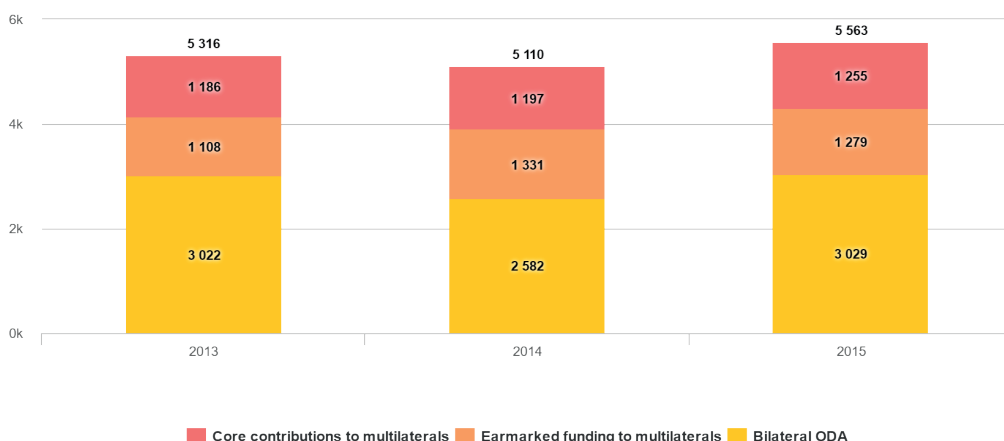
Embassies lead programming of bilateral cooperation

Annual appropriation letters form the basis for ODA programming. The letters outline priorities for the following year. The Ministry of Foreign Affairs (MFA) develops the letters (with input from embassies, Norad, and experts), and sends them to the embassies once the budget is approved. During the budget drafting period, funding priorities for the coming year can still be influenced, although Norway usually focuses on the same long-standing priority sectors. Key influencers include leadership and program officers in Norwegian embassies, and regional sections within the MFA's Department for Regional Affairs and Development.

Programming of bilateral ODA is led by the Norwegian embassies. Embassies have ample financial and programming authority within the priorities set by the annual appropriation letters. They develop annual work plans and agreements for bilateral programs, which are then reviewed by Norad. Embassies usually make commitments to partner countries over a three-year period. However, exact annual funding levels are only determined in the appropriation letters, and such multi-year commitments are only made for programs directly administered by the embassies.

NORWAY'S BILATERAL AND MULTILATERAL ODA

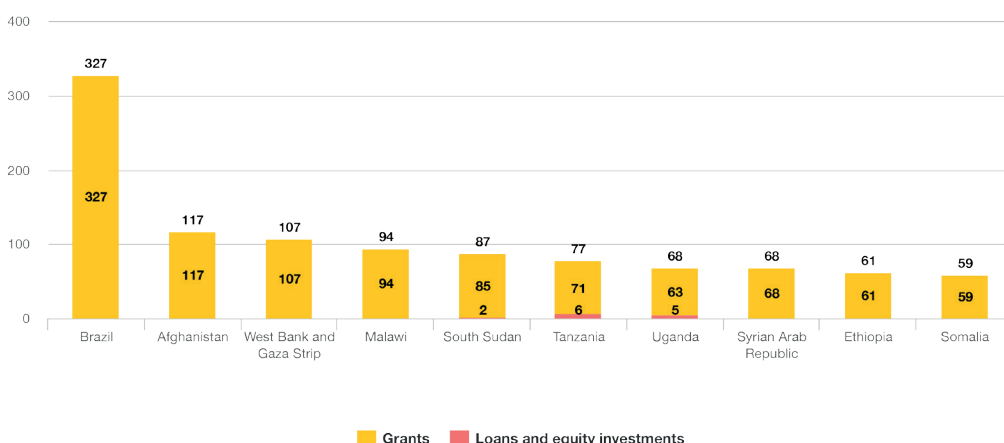
US\$ millions, 2014 prices



Source: OECD DAC. Gross disbursements.

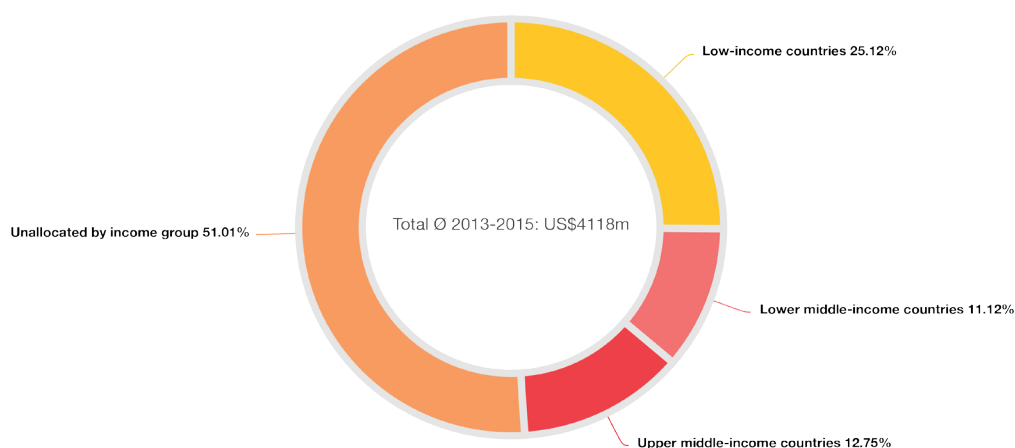
THE TOP 10 RECIPIENTS OF NORWAY'S ODA

average 2013-2015, excluding debt relief; US\$ millions; in 2014 prices



Source: OECD CRS, in 2014 prices.

NORWAY'S BILATERAL ODA BY INCOME-GROUP OF RECIPIENT



Source: OECD CRS.