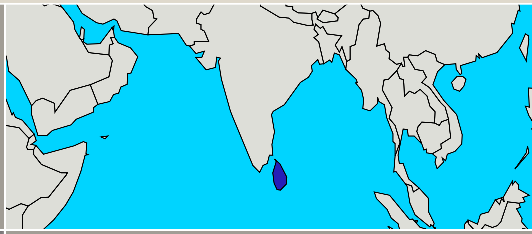
Evaluation Department

Norad

Evaluation of Norwegian Business-related Assistance Sri Lanka Case Study

Study Report 3/2009



Norad
Norwegian Agency for
Development Cooperation
P.O.Box 8034 Dep, NO-0030 Oslo
Ruseløkkveien 26, Oslo, Norway

Phone: +47 22 24 20 30
Fax: +47 22 24 20 31

Photos: Bjørnulf Remme
Design: Agendum See Design
Print: 07 Lobo Media AS, Oslo
ISBN: 978-82-7548-451-0

Evaluation of Norwegian Business-related Assistance Sri Lanka Case Study

November, 2009

DevFin Advisers AB

Preface

This is the first country report as part of a broad evaluation of Norwegian business-related development aid, an evaluation commissioned by the Evaluation Department of Norad. In addition to Sri Lanka there will be similar reports from case studies of Norwegian business-related support to Bangladesh, South Africa and Uganda. The main report from the evaluation, carried out by the Swedish consultancy company DevFin Advisers AB, is scheduled to be published in April 2010. All of these reports will be made available at norad.no.

More information about this evaluation or the evaluation program in general may be obtained from eval.norad-post@norad.no.

Oslo, November 2009

Asbjørn Eidhammer
Director of Evaluation
Norad

Contents

List of Abbreviations

ABB	Asea Brown Bovery
ABP	Advance Business Partners
ABS	Application Based Support
ADB	Asian Development Bank
BOI	Board of Investments
BOO	Build Operate Own
BRAC	Bangladesh Rural Advancement Committee
CCC	Ceylon Chamber of Commerce
CDC	Commonwealth Development Corporation
CEB	Ceylon Electricity Board
CGAP	Consultative Group for Assisting the Poor
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DFI	Development Finance Institution
FCCISL	Federation of Chambers of Commerce and Industry of Sri Lanka
FK Norway	Fredskorpset Norway
IFC	International Finance Corporation
GDP	Gross Domestic Product
GNP	Gross National Product
HDCC	Hambantota District Chamber of Commerce
HIRDEP	Hambantota Integrated Rural Development Programme
HSE	Health, Safety and Environmental (standards)
ICT	Information and Communication Technologies
JV	Joint Venture
LDC	Least Developed Countries
LTTE	Liberation Tigers of Tamil Eelam
MFA	(Norwegian) Ministry of Foreign Affairs
MFI	Microfinance Institution
MMP	Matchmaking Programme
NHO	Confederation of Norwegian Employers
NGO	Non-government Organisation
NIS	Næringsutvikling i Sør
NMI	Norwegian Microfinance Initiative
NOK	Norwegian Kroner
NDTF	National Development Trust Fund
PSD	Private Sector Development
Rps	(Sri Lankan) rupees
SF	Strømme Foundation
SME	Small and Medium Enterprise
SMF	Social Mobilisation Foundation
SMAGL	Strømme Microfinance Asia (Guarantee) Ltd
TEV	Trondheim EnergiVerk
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation

Executive Summary

Executive Summary

Purpose of the evaluation

This report concerns a study of Norwegian private sector development (PSD) in Sri Lanka over the last decade. It is the first case country study in a major evaluation of the Norwegian business related assistance carried out between June 2009 and April 2010. The evaluation will also cover Bangladesh, South Africa and Uganda as case material. As the Sri Lanka report is published as a pilot study before the other studies and the main report, it is presented here as a stand-alone document.

The purpose of the evaluation is threefold:

– to document and assess past results and performance;
– to analyze the potential for improving Norwegian assistance in the future and preconditions for successful assistance in former and new partner countries; and
– to give recommendations for future policy and guidelines.

This report is focused on the first purpose. The conclusions in respect of the last two objectives will only be available when the full evaluation has been carried out, to be presented in a draft main report scheduled for February 2010. The conclusions from the present study should thus not necessarily be seen as representative for the Norwegian business related assistance in general. They only pertain to Sri Lanka, a country which is an atypical recipient of major Norwegian development assistance related to Norway's leading position in the conflict resolution efforts in the ethnic war which raged in Sri Lanka between 1983 and 2009.

Scope of the evaluation

The evaluation is focused on business development assistance narrowly defined as direct support to businesses and their associated organisations. It does not deal with assistance focused upon the 'enabling environment' for business and private investments such as economic infrastructure (except when this is subject for private ownership), governance, human resource development (except as part of the business support), macro economic policies, etc. However, the evaluation takes a broad approach to the Norwegian private sector development (PSD) assistance, including not only support provided by the Norwegian Embassies and Norad, but also the work of Norfund and its affiliates; for example the fund management company Aureos Capital for small and medium enterprise (SME) investments, and SN Power, a joint venture between Norfund and Statkraft for renewable energy investments in developing countries. It covers microfinance provided through

Norwegian non-governmental organizations (NGOs), and also business related support by the Norwegian Peace Corps, FK Norway.

The Norwegian development assistance to Sri Lanka

Norwegian support to Sri Lanka began in the 1960s through NGO cooperation in the fisheries sector. In 1976, Norway initiated a government-to-government development cooperation in which an integrated rural development programme in the southern district of Hambantota became the flagship. Out of this initial support, which ended in 1999, grew continuous support programmes for microfinance, chambers of commerce and fisheries during the 2000s. The Norwegian support, at a level of NOK 100 million per annum in the late 1990s, increased in the 2000s as a result of Norway's increasingly predominant role in conflict-resolution, peaking at about NOK 420 million in the post-Tsunami year of 2005. It has thereafter declined to below NOK 200 million per annum. Norway is the largest donor to Sri Lanka after Japan and Germany. In contrast to many of Norway's 'likeminded' donor partners, Norway has so far not prepared for an exit in spite of Sri Lanka's status as a Lower Middle Income Country.

Norway's PSD support in Sri Lanka

An estimate of the PSD portfolio in Sri Lanka indicates an average grant funding of about NOK 25 million per annum during the 2000s, or about 10-15% of the total Norwegian development assistance during the period. This is exclusive of Norfund's loans. The PSD portfolio is diverse, delivered through many channels in a fashion which could be described as pluralistic but also uncoordinated and fragmented. A substantial share of the portfolio is in the form of projects and programmes aimed at encouraging Norwegian businesses to invest and initiate commercial cooperation with Sri Lankan partners. Examples of this are the *Matchmaking programme*, (MMP) which started in 1994 with Sri Lanka as a pioneer, and the *Application-based support* (ABS) – a long-term Norad instrument, providing cost-sharing grants to Norwegian companies for feasibility studies, training, pilot production, marketing and environmental investments in developing countries. Before year 2000, another instrument was a *soft loan window* through which Norad provided subsidised loans to Norwegian related companies for investments in developing countries.

Since the late 1990s the Embassy has financed different PSD projects, for example enhancing credits to Sri Lankan SMEs through the International Finance Corporation (IFC), cleaner industrial production through the United Nations Industrial Development Organisation (UNIDO), and a series of projects in support of chambers' of commerce development. Microfinance is in itself a diverse field with several Norwegian forms of support, one the most important being through Strømme Foundation, a Norwegian NGO, undertaking micro finance operations with Norad framework support since 2002 in Sri Lanka. Norfund is or has been present in Sri Lanka through commercial investments in mini hydropower (taken over in 2002 by SN Power) and through investments in 2003 and 2005 in two SME funds managed by its affiliate Aureos Capital, in addition to Norfund's management of the Norad loan portfolio since year 2000.[1]

1 Aureos Capital became a 50-50% joint venture between Norfund and the British CDC in 2001. In 2009 both owners disinvested and Aureos is today fully owned by its employees.

Norway's 1998 PSD strategy

In 1998 Norway established a strategy for its private sector development; one of the first countries in the donor community to do so. (*Strategi før støtte til Nærings-utvikling i Sør*, NIS). This strategy saw the private sector as an essential mover for economic growth and as such a means of reducing poverty though employment, income and revenues to government. The Strategy expressed that Norway should work towards a more comprehensive support for business development at country level, identify the most important constraints and prioritise needs, and assure better coordination and synergies in what is done in different areas and through different channels. The Strategy was followed by specific studies in key partner countries to operationalise the Norwegian PSD work at country level. Sri Lanka was one of these countries. Two so called NIS studies were carried out in 2002 in Sri Lanka, identifying the energy and fisheries sectors as special targets for future Norwegian support. The justification was a combination of a past history of support in these fields, good Norwegian competencies, and prioritised needs. However, the Norwegian assistance only followed these recommendations to a small extent. Parallel to the PSD strategizing, Norway had become heavily involved in the conflict-resolution in the on-going ethnic war, playing the lead role in the donor community in this respect from 2002. The Norwegian development assistance was in general to be aligned with this task. The fisheries sector specifically was seen as too sensitive, and hence was not pursued to more than a marginal extent.

The 1998 PSD Strategy lost its role as a key steering document in the Norwegian development assistance in general due to a political change in the Norwegian government in the mid 2000s. It is currently not a document often referred to. However, it is still official policy as it has not been revoked or replaced. Thus, this evaluation takes this strategy and the criteria established in this policy for performance as a benchmark to assess results against.

Results of the Norad programmes for PSD support

We estimate that the Norad instruments to promote Norwegian investments and commercial cooperation with Sri Lanka might have contributed some direct 1,500 jobs, mostly for women (reflecting the common gender composition in key sectors, not least in agriculture-based production, rather than a conscious policy). We attribute a substantial share of the Norwegian foreign direct investment (FDI) in Sri Lanka over the period (averaging NOK 30-40 million per annum) to the programmes. In addition, we also believe that the considerable increase in exports from Sri Lanka to Norway which took place from the mid 2000s, and which currently stand at a level of NOK 160 million per annum, is to a large extent attributable to the programmes. From a Sri Lankan macro perspective, these impacts are, however, marginal. Norwegian FDI in or imports from Sri Lanka are less than one percent of the total inflow of FDI to Sri Lanka or total Sri Lankan exports. This is in contrast to the late 1990s and early 2000s when Norwegian FDI was about 3% of total FDI inflow, a high share in relative terms. Nevertheless, these results have been achieved with fairly small inputs of aid, in the order of NOK 8 million per annum, giving a reasonable degree of cost-effectiveness. Furthermore, the investments made and the collaborations initiated under the programmes have shown a good degree of sustainability given that they are mostly carried out by smaller

Norwegian companies and single entrepreneurs in a complex environment of a far away developing country during a raging civil war.

The Matchmaking programme (MMP) stands out as an effective aid intervention. Over a 15 year period it has mobilised interest amongst 330 Norwegian SMEs in commercial operations with and in Sri Lanka. This is a high number, given that Norway is not a major economy in a Western setting, nor has Sri Lanka been an attractive destination for FDI due to the political uncertainty during the war. We attribute this success to two key factors:

- An active and efficient marketing of the programme by the implementing organisation, the consultancy firm Advance Business Partners (formally called NB Partners). The programme is driven as a business venture in itself, and a payment system to the consultant based on performance adds to this.
- The Norad schemes (MMP and the Application based support) are attractive to Norwegian businesses. The MMP provides a simple means of exploring markets for outsourcing or investments. This is mostly due to the organisation of visits and introductions to potential partners than to subsidies to travel. The ABS provides support in the next stage, which acts as an incentive and reduces start up costs.

There has been a particularly strong interest in creating collaborations in Sri Lanka in certain sectors such as boat-building, fishery, software development and garments (the latter in a trade context), and also in agriculture. The sector orientation is a combination of outsourcing demands in Norwegian industries and the comparative advantage of the Sri Lankan business sector based on labour costs and skills. Business services, such as soft ware development, have shown an especially strong compatibility. However, also efforts to avoid stringent requirements in terms of health, safety and environment (HSE) in Norway might in some cases have contributed to the interest in establish business in Sri Lanka.

The MMP has achieved its qualitative stated objectives and its quantitative targets. It is a relevant programme given Norway's policy framework, it is efficiently implemented and reasonably effective in promoting (Norwegian) investments in Sri Lanka, trade, know how transfer and job-creation as a programme operating at the micro level. The ratio of sustained ventures from the matchmaking is about 14%, resulting in a cost per successful sustained operation of NOK 0,7 million over the 1994-2009 period, and NOK 1,5 million in current terms. These costs are not including added ABS support to participating companies.

The Application based support is a programme dating back to the 1970s and has been extensively used in Sri Lanka. Since 1994 most cases have been preceded by a matchmaking project. Some 80 Norwegian companies have received ABS support since 1999, many several times. Overall, the ABS has been instrumental in the collaborations established, and has also helped to screen potential collaborations through its support of feasibility studies. The programme has achieved its stated (qualitative) objectives to stimulate Norwegian small and medium enterprises to collaborate with partners in developing countries. Based on the sample included in the evaluation, the survival rate of companies which started commercial operations in Sri Lanka with Norad support is high, indicating good 'staying power' of these often small companies. However, major issues in the programme implementation are: (i) weak results-reporting from the projects, i.e. follow up of results and impact once the ABS has ended, hence there is little information on how effective the programme is in terms of a longer perspective; and (ii) weak screening and quality assessment of companies and projects supported from a health, safety and environment (HSE) point of view. The latter might risk subsidies to Norwegian companies involved in outsourcing of hazardous industries from Norway even if these companies are, in line with Norad's current conditions, adhering to Sri Lankan law.

<u>The Norad loans.</u> From the 1980s until 2000 Norad issued subsidised loans to Norwegian related enterprises in developing countries, including Sri Lanka. The subsidy element was an interest rate well below market rate. The loans were in most cases associated with high risk due to the profile of the Norwegian companies (many of which were small green-field operations and start-ups), and limited securities for the loans. The evaluation has assessed a portfolio of six loans in Sri Lanka which were outstanding at the time the programme had ended and the loans transferred to Norfund for administration. Despite generally poor servicing of the loans by all but one company, we judge they have been instrumental in establishing most of these investments. Several of these companies have shown poor profitability, but nevertheless, a good degree of sustainability. Thus, all the ventures are still operating, ten years or more since they started. They have jointly created in the order of some 400 direct jobs, mostly for women (included in the figure earlier). They have added to Sri Lanka's exports and resulted in transfer of know how in their respective sectors (agriculture, boat building). The net cost to the aid budget of these loans is limited, resulting in a relative low aid cost per direct job created.

Results of the Embassy support to chambers of commerce

The evaluation has only focused on one theme in the Norwegian Embassy's PSD programme, the support to chambers of commerce, and in this context, mainly on one of the chamber projects. In this respect, the evaluation does not claim that its findings are representative for the total Embassy support during the period.

The Embassy chamber support has its roots in the Hambantota Integrated Rural Development programme carried out 1979-1999. During this programme, Sri Lanka's first district chamber was initiated and built up from 1993 with Norwegian aid, the Hambantota District Chamber of Commerce (HDCC). The chamber is today seen as one of Sri Lanka's foremost regional chambers and a well recognised institution in the Hambantota district once one of Sri Lanka's poorest regions, but today a focal point for rapid development. However, most of the institution building occurred over a decade ago. The still on-going Norwegian support to the chamber has been justified to keep the chamber alive (in its present form). Norway has not been able to exit, and such an exit is difficult to foresee even after the end of the current programme (2010). HDCC is, after 16 years of Norwegian support, able to mobilise only a small share of its revenues from its own efforts. It was and continues to be much too large for its functions on a self-sustained basis.

More recent Norwegian support by the Embassy to a Federation of Chambers risks creating a similar problem.[2] The Federation has, due to significant donor support from various sources over the last 5-6 years developed into a much too large organisation in respect of its functions. It is over 90% dependent on grant aid from donors. The donor support to private organisations is far above what they can mobilise in revenues in the form of fees and services from clients and the local business community. This not only creates aid dependency, but also risks diverting the attention of the organisations away from servicing the needs of its members to placing greater priority on accountability to donors.

We recognise that the evaluation's limit of the Embassy PSD support only to one theme is a weakness in the evaluation design, especially as the Norwegian Embassy PSD support has a different character than, for example, the Norad support. This will be taken into account in the design of the remaining three case country studies in which a broader evaluation approach will be applied.

Results of Norfund investments in Sri Lanka

Norfund's only direct investment in Sri Lanka has been a small and brief minority shareholding in a mini hydropower company, which in 2002 was transferred to Norfund's new joint venture SN Power. At the time this investment was seen as the start of a major involvement by Norfund and SN Power in Sri Lanka's hydropower sector. However, SN Power is shifting its attention to other Asian markets, especially India, the Philippines and Nepal, due to perceived limited commercial opportunities in Sri Lanka. Due to the end of Norway's *mixed credit scheme* and ABB Norway's disinvestment in Sri Lanka in 2005, Norway's overall involvement in the hydropower sector in the country is currently marginal.

Norfund's investments in two regional SME funds managed by Aureos Capital were mainly justified as a means of building the capacity and credibility of Aureos Capital in the regional capital market. This is in keeping with Norfund's broad strategy for Aureos and more generally with its strategy for building joint ventures as a means of leveraging its funds and impact. The investments made in four Sri Lankan companies by Aureos (so far) can neither be considered SME investments, nor *additional* in the sense that the companies were unable to find investors on the local capital market. Aureos chose to invest in secure companies, some of which belong to the largest conglomerates in Sri Lanka, in order to build credibility as a regional fund manager. The investments seem in this perspective to have contributed to Norfund's strategic objectives. Aureos has developed into one of the largest and most reputable fund management companies in the world, and Norfund has been able to disinvest from the fund management company.

Results of Strømme Foundation's microfinance work in Sri Lanka

In terms of microfinance, Norway has been one of the main players in Sri Lanka with a history dating back to the 1980s. The Norwegian support to microfinance in Sri Lanka is diverse, implemented mostly by independent NGOs and without an overriding (Norwegian) strategy or policy. This is a problem in a context where: (i)

2 The Federation was not subject for a thorough evaluation as a major issue concerning leadership had emerged at the time of the evaluation's fieldwork in Sri Lanka between on the one hand the Federation and on the other, Norad and Sida.

microfinance is prolific, involving hundreds of microfinance institutions (MFIs) as retail outlets for credit, as well as cooperate and government outlets; (ii) a potential over-supply of funds from donors and government; and (iii) generally problems in financial discipline among the MFIs, mixing subsidies with loans, with serious problems of self-sustaining capacity. The evaluation has focused on one major supplier, Strømme Foundation (SF). After initial years of problems in management of its microfinance activities in Sri Lanka, including a high share of non-performing MFI partners, SF has stream-lined its operations, established a separate company for its microfinance activities in Sri Lanka, introduced closer monitoring of its partner MFIs and strengthened capacity building efforts. The operations might, for the first time, be self-sustaining in 2009 after initial years of losses. SF, which strives to become a professional apex-body in microfinance in Sri Lanka, has effective targeting strategies for poorer regions of Sri Lanka, including the North and the East. About 80% of the ultimate borrowers are women. A weakness is that SF does not yet have a functionally operating system for feed-back regarding the impact and results of its operations at the level of the ultimate borrower. Hence, neither SF, nort this evaluation can assess to what extent SF is achieving its overriding objectives of lifting poor people out of poverty through credit and empowerment.

Results of FK Norway's business-related support in Sri Lanka

The Norwegian Peace Corps, Norway's third official window for development assistance, focuses on arranging personnel exchange programmes between organisations in Norway and developing countries, and also 'South-South' exchanges. Business-related assistance is a small part of its programme, or about 10%. In Sri Lanka three such exchanges were identified since FK Norway began operations in 2001. These concerned Jiffy, an emerging Norwegian multinational company (through an exchange of personnel between Norway and a newly established subsidiary in Sri Lanka), a five year programme concerning Strømme Foundation (exchange among SF in Sri Lanka and other SF operations in Asia), and one South-South exchange (a Sri Lanka eco tour company with a Laotian organisation). The institution building objectives for the specific projects seem to have been overall achieved. In general, FK Norway has a streamlined and standardised operation, efficiently implemented. However, *additionality* is an issue: FK Norway's programme often seems to be used as (generous) additional support to already on-going aid financed operations.

Aggregated assessment of Norwegian PSD support in Sri Lanka

Summarising the conclusions from the total PSD support, we draw the following conclusions:

- The programmes have, overall, been reasonably *effective* in achieving their stated development objectives. As the objectives in most cases are expressed in qualitative terms, (or when this is not the case, there is no available results-measuring to judge results,) our assessment is quite subjective.
- All the programmes have a reasonable or high degree of *additionality*; hence Norwegian aid has not financed activities which would have been implemented anyway. The exception might be in microfinance, a field with many suppliers.
- *Sustainability* has been handled well in all the programmes (except in the Embassy chambers of commerce project(s)), largely as a result of the fact that

most of the supported Norwegian companies which initiate collaborations in Sri Lanka have turn out to viable business ventures. However, microfinance is still a problem. Norwegian aid has avoided the common problems in development aid of the past: implementing projects which often tended to be unsustainable due to their design. However, in the case of the chambers' support, the Embassy has both inherited a faulty design of the early 1990s (HDCC), and also risks repeating it in the current Federation support.

- The programmes have all been reasonably well implemented, but they have a common problem: they have *weak in-built results-assessment*. The organisations are more geared towards implementation than assessing what is being achieved. Also external evaluations are, to judge from these programmes, not well developed in the Norwegian assistance relative to many other donors.
- A common problem in the Norad programmes is weak *Health, Safety and Environment (HSE) assessment*. As support of Norwegian investments in developing countries in certain sectors might partially be driven to avoid strict HSE requirements at home, this is a problematic feature. It is even more problematic as Norwegian aid makes a point of stating its strong commitment to HSE.
- The *cost-effectiveness* of the programmes varies, for example measured in terms of aid cost per additional job created, but none of the programmes can be judged as poor in this respect. (With the exception of the Embassy HDCC project due to little added value after the late 1990s).

In spite of this overall quite positive assessment, we must conclude that the impact of the programmes in terms of reducing poverty in Sri Lanka seems to be so marginal that it is negligible. The reason for this is scale: the programmes are – in a macro context – small; the financial allocations are limited, and, furthermore, they are 'micro-oriented', with no explicit attempt for *systems impact.* A case in point; we estimate that the programmes aimed at promoting Norwegian investments might have created some 1,500 additional direct jobs. This has been done at a reasonable cost in terms of aid. But 1,500 jobs over a decade on a labour market with some 150,000 – 200,000 new entrances annually is of course so limited that its macro impact is not noticeable.

PSD in Sri Lanka and the 1998 PSD Strategy

Assessing the Norwegian business-related assistance in Sri Lanka since the late 1990s in relation to the nine specific criteria established by the 1998 PSD Strategy, our judgement is that the assistance has not performed well for most of these criteria. Only in certain dimensions - promotion of (Norwegian) investments and trade, and utilisation of the Norwegian resource base - were the achievements relatively significant as indicated below.

Criteria	Result	Rating
Reduce the (economic) marginalisation of the poorest nations	Sri Lanka was not one of the poorest nations in the late 1990s. Hence weak overall targeting of the support	Poor
Increase the commercial links and trade between developing countries	Not a focus in the Sri Lanka PSD portfolio	Poor
Work towards a more comprehensive support for business development at country level, and identify the most important constraints and prioritised needs. Assure better coordination and synergies in what is done in different areas and through different channels	Attempted in NIS 1 and 2 studies, but not pursued in practice in the portfolio 1999-2009. There is coordination and synergies in the Norad instruments and partly with FK Norway, otherwise limited	Rather poor
Improve the frame conditions for business development in developing countries	The focus on the conflict mediation in Norwegian ODA in general targeted the most essential binding constraint. However, Norway failed in this approach as the conflict ended through a military solution. Very little other support focusing on 'the enabling environment'	Rather poor
Promote increased investments both through domestic and foreign capital, including Norwegian capital	A main focus in the Norad programmes and in Norfund activities, and also in some of the Embassy projects (IFC credit projects)	Very good
Promote trade with developing countries and stimulate exports from them	Exports an indirect result of Norad programmes and Norfund activities (Aureos) due to the orientation towards export-industries; however marginal impact on trade between developing countries	Good
Work towards *untying aid*	The Norad schemes are all tied aid in practice; the balance is untied	Rather poor
Increase the use of *local suppliers* to the aid financed projects	Requires assessment of the whole aid portfolio which has not been attempted	Not known
Make active and good use of the *Norwegian competence base*, including the business sector.	The Norad programmes are entirely aimed at this and effective in the attempts	Very good

In retrospect, the actual PSD support in Sri Lanka since the late 1990s turned out to be not well aligned with the 1998 PSD Strategy partly as a result of the overriding Norwegian policy in Sri Lanka with its focus on conflict resolution, partly due to the fact the PSD policy lost its governing role. Nor was the support well aligned with the Norwegian 1998 Sri Lanka policy with its focus on conflict-resolution. In the latter respect, the PSD portfolio was quite 'apolitical'. It was carried out on its own terms, following the general principles of the different programmes and implementing organizations. It built on past involvements in Sri Lanka, to a very small extent re-directed towards the war-torn North and the East, or addressed the significant imbalance of regional economic development to which the war had contributed. The PSD support in Sri Lanka has to a large extent been market-driven, determined by the interests of Norwegian and Sri Lankan entrepreneurs, rather than governed by political directives. An unintended by-product of this 'non-alignment' is that it can serve the longer-term relationships between Sri Lanka and Norway in a post-aid scenario. The PSD support has contributed to building commercial links between the two countries, including a small, but active, Norwegian business community in Sri Lanka with seemingly a long-term commitment to the country. Once Norway ends its grant based development assistance to Sri Lanka due to Sri Lanka's status as a Middle Income Country, these ties are likely to be the most concrete sustained feature of the last decades of cooperation between the two countries.

Broader issues to be pursued

The Sri Lanka case country study has identified some key issues to be pursued in the continuation of the evaluation. The most important are:

The *micro-macro paradox*, i.e. the Sri Lankan case study found that overall well implemented PSD projects and programmes have apparent marginal impact at the macro level in terms job-creation and effect on poverty. Are there ways of scaling up such PSD support for increased leverage and impact on poverty?

Pluralism versus fragmentation. Are there merits that various PSD programmes and organisations operate largely independent on one another as in the case of Sri Lanka, or should Norway attempt for more coordinated and strategic PSD efforts? If so, how can effective mechanisms for this be set up?

Microfinance. Given Norway's significant and increasing involvement in microfinance, is it time for a more coherent policy or general principles to support the many Norwegian actors involved in the sector?

Synergies between Norfund and the rest. Should Norfund operate independently, or are the ways by which synergies can be created between Norfund and the rest of the Norwegian PSD support by joint efforts, coordinating mechanisms etc?

Dealing with HSE. How should Norwegian aid deal with the different standards in terms of HSE in Norway versus developing countries in respect of support to outsourcing companies?

Results assessment. The evaluation has in many cases been unable to accurately assess impact due to the fact that the PSD programmes and their implementing organisations lack in-built systems for such result assessment. Should and could better mechanisms be created in this respect?

Performance oriented subcontracting. In Sri Lanka the MMP is an example of a sub-contractual arrangement to an external implementing organisation based on performance payment. Is this a model to be pursued in other contexts?

Main Report

I. Introduction

1 The Evaluation

1.1 Purpose of the report

On June 9, 2009 the Evaluation Department in Norad contracted the consultancy group Devfin Advisers AB to carry out an evaluation of the Norwegian business related assistance. This work began in June 2009 and will end in April 2010, with a draft main report expected to be ready by February 15, 2010. As a basis for the evaluation, the Evaluation Department suggested four countries as case material: Bangladesh, South Africa, Sri Lanka and Uganda. This report is the result of the Sri Lankan study, the first such case study in the evaluation. The report is presented as a 'stand-alone' document in view of the fact it will be made public before the full evaluation report is ready.

1.2 The objectives of the evaluation

The overall objectives of the evaluation are, according to the ToR:

- to document and assess past results and performance;
- to analyze the potential for improving Norwegian assistance in the future and preconditions for successful assistance in former and new partner countries; and
- to give recommendations on future policy and guidelines.

For details of the Terms of Reference, see Annex 1.

It should be stressed at the outset that the findings in the Sri Lanka case might not be representative for the four countries, and even less so for the Norwegian business related assistance in general. The focus of the report is therefore on the first objective: documenting and assessing past results and performance at project and programme level and assessing performance of the main actors involved <u>as they pertain to Sri Lanka.</u> The report will not include any conclusions in reference to the other two main objectives of the evaluation. These will only be delivered in the main report based on the full study.

1.3 Methodology

Based on the Terms of Reference the methodology for the evaluation was developed in an inception report delivered on July 20th to the Evaluation Department, and later agreed as the basis for the Sri Lanka case study. This methodology is elaborated in Annex 2, which also contains the sources of information for the Sri Lanka study. Annex 3 provides a list of persons met in the context of the Sri Lankan study. A standard assessment table has been established, used for the assessment of all the programmes and projects in the evaluation, and including a large set of evaluation criteria. For reference of these criteria, see annex 4.

1.4 Definition of key terms

In this report *business-related assistance* is seen as synonymous with *private sector development* in line with common international practice and also applied in Norwegian assistance. It is a narrow definition, focussing on commercial operators directly and their associated organisations, and hence does not include the 'enabling environment' dimensions of assistance as sometimes used by donors in defining private sector development.

Common evaluation terms such as *inputs, outputs, outcome, results, impact, relevance, effectiveness, efficiency and sustainability* adhere to OECD/DAC standard terminology. Annex 4 provides a list of definitions of key terms and criteria used in this report.

1.5 Structure of the report

The report contains three parts:

(i) An introduction which includes: (i) an overview of the different channels and policy instruments for Norway's private sector development assistance; (ii) the key policy documents in respect of such assistance since 1998; (iii) a review of the context for business development in Sri Lanka, identifying the binding constraints for the sector; (iv) a review of the Norwegian commercial and official relationship with Sri Lanka; and (v) a mapping of the diverse Norwegian assistance for private sector development in Sri Lanka over the last 10-15 years.

(ii) A 'findings' chapter, which assesses the various Norwegian PSD programmes and instruments in Sri Lanka in terms of results, all set in a table format for easy access.

(iii) A last chapter which sums up these programme evaluations and discusses how the programmes jointly perform against the Norwegian policies and strategies and the binding constrains for business in Sri Lanka.

2 The Norwegian Business Related Assistance

2.1 The private sector development programmes

The Norwegian instruments for official development assistance for private sector development (PSD) are the following:

- Country-specific PSD support in the form of projects and programmes financed by the Norwegian Embassies with allocations from the Ministry of Foreign Affairs (MFA).[3] These projects and programmes are of many kinds, some in the form of national or regional *multi-bi* programmes (i.e. ear-marked funds transferred to international organisations such as UNIDO and IFC for implementation), funds to local or international non-government organisations (NGOs), or projects implemented through the Embassies directly.

3 Norway undertook a major organisational change of its development assistance in 2003 transferring the responsibility for much of the assistance to the Norwegian Embassies. Much of the PSD assistance was thereby also delegated to the Norwegian Embassies from Norad.

- Norad financed programmes with the purpose of mobilising Norwegian businesses and business related organisations to undertake investments and other forms of cooperation in developing countries.[4] There are currently three such programmes:
  - The *Matchmaking programme* (MMP) an instrument with the purpose of creating matches between Norwegian small and medium enterprises (SMEs), and companies in selected developing countries. The programme, which started in 1994, is so far limited to only a few partner countries (Sri Lanka, South Africa, India and Vietnam).
  - The *Application based support* (ABS). This is an old programme with roots dating back to the 1970s, comprising a number of sub-programmes for support to Norwegian companies for feasibility studies, training, pilot production, marketing, environmental investments, etc. carried out in the context of investments or collaborations in developing countries, or for marketing of developing countries' products in Norway. It has a wide range of partner countries.
  - The *Application based support* for Norwegian business organisations with the purpose of undertaking co-operation with their partner organisations in developing countries.

Two more such investment promoting programmes have been implemented by Norad, but now ended. These are: (i) *Norad's soft loans*. This instrument, started in the early 1980s, was ended in year 2000. The loans had generally a considerable subsidy element, higher for poorer countries than less poor; and (ii) *mixed credits*, in 2003 made untied, but overall the programme came to an end in 2009. All these instruments, except the mixed credits, are subject for the evaluation as per the Terms of Reference.

- Norfund equity investments and loans. Norfund, Norway's Development Finance Institution, (DFI) was established 1998. It is fully owned by the government. Besides the initial share capital, the government has added in the order of NOK 500 million to Norfund's capital per annum from the aid budget. Norfund has made four investments in joint ventures which are (or have been) also vehicles for Norwegian PSD assistance. These are:
  - *Aureos Capital*, a joint venture established in 2001 between Norfund and the British DFI, the Commonwealth Development Corporation (CDC).[5] Norfund has invested in a series of SME funds managed by Aureos.
  - *SN Power*, a joint venture established in 2002 between Norfund and the Norwegian power company Statkraft, exclusively focusing on renewable power investments in developing countries.[6]
  - *SN Power Africa*, a new venture between Norfund, SN Power and two other Norwegian power companies. The company will focus on renewable energy in Africa and Central America; and

4 Also Norad receives its resources from the Ministry of Foreign Affairs, hence all forms of official development assistance stems per definition from MFA.
5 Norfund owned 50% of Aureos, but disinvested in 2008 from Aureos Capital, a company today 100% owned by its employees.
6 The initial joint venture was 50-50%, but Statkraft has recently increased its share capital, leading a 40-60 ownership.

– The *Norwegian Microfinance Initiative* (NMI), a NOK 600 million joint venture established in 2008 between Norfund and several major Norwegian finance and insurance companies.[7]

Norfund and its joint venture companies all undertake investments on commercial grounds, hence there should not be a cost in the long run to the development budget, but a likely net return to the owner.

- FK Norway, the Norwegian Peace Corps and Norway's third official channel for official development assistance. The organisation, which was established in its present form in 2001, promotes the exchange of personnel between Norwegian organisations and organisations in developing countries and also 'south-south exchanges'. A small part of its support can be defined as business related.
- Various private sector development initiatives undertaken by Norwegian NGOs and financed under framework agreements with Norad. For example, micro finance by the Strømme Foundation (SF), one of the main Norwegian channels for such support. Another example is the Confederation of Norwegian Employers (NHO) which has a separate business development programme for selected developing countries funded by a framework agreement with Norad.

In addition to these instruments Norwegian development assistance supports the broader agenda of PSD through projects and programmes aimed at creating 'enabling environments' for business and investments in infrastructure, governance, etc. These are not a subject for this evaluation.

2.2 The 1998 PSD Strategy

A key document in the Norwegian development assistance in respect of private sector development is the 1998 PSD Strategy (*Strategi før støtte til Næringsutvikling i Sør*, NIS,) The Strategy defined business development as an important tool for stimulating development and reduction of poverty through employment, income and the generation of economic resources for government investments in health and education. The Strategy formulated three overriding objectives for the PSD support:

- Strengthening of profitable enterprises and production in the 'South', whether in primary production, industries or services;
- Assuring and increasing employment and income, especially for under-privileged groups (the poor in rural areas and women);
- The support within the strategy should adhere to the broad objectives of the Norwegian development assistance, including environment, gender and human rights.

The Strategy further defined nine specific objectives, which should be applied as criteria for assessing future performance. These were:

1. reduce the economic marginalisation of the poorest nations;
2. increase the commercial links and trade between developing countries;
3. work towards a more comprehensive support for business development at country level, and identify the most important constraints and prioritised needs.

7 These are: Ferd, Storebrand, DnB Nor and KLP, jointly with 50% share of NMI, and Norfund owning the balance. NMI has made one investment in India, while SN Power has so far no signed investments, but has several investment agreements near closure.

Assure better coordination and synergies in what is done in different areas and through different channels;
4. improve the frame conditions for business development in developing countries;
5. promote increased investments both through domestic and foreign capital, including Norwegian capital;
6. promote trade with developing countries and stimulate exports from them;
7. work towards untying aid;
8. increase the use of local suppliers to aid financed projects; and
9. make active and good use of the Norwegian competence base, including the business sector.[8]

These objectives and criteria are still officially valid today, although since the mid 2000s the 1998 Strategy is seldom referred to in the Norwegian aid administration. These objectives will, nevertheless, form key criteria against which we have assessed the results of the Norwegian PSD from 1999 and onwards.

2.3 The NIS studies

The 1998 PSD Strategy was followed by a number of diagnostic country studies in the early 2000s, called NIS 1 and NIS 2. These had the purpose to define the binding constraints for the private sector, map what Norway and other donors were doing in terms of PSD, and suggest future, comprehensive Norwegian PSD programmes at country level. Such studies were undertaken in seven countries, of which three are part of the evaluation (Bangladesh, Sri Lanka and Uganda).

2.4 The new development policy

In 2009 the Norwegian government issued a new development assistance policy, *Climate, Conflict and Capital*, which will be the steering document for Norway's future assistance. The current Norwegian development policy puts a special emphasis on utilizing specific Norwegian competence in areas where there is a request for this from developing countries and international partners. Norway will promote this by specifically investing in capacity building in three areas, of which two are relevant to PSD assistance. These are:

1. *Natural resources management*, with an emphasis on good governance and sustainability. Focus is on anti corruption measures, a fair and transparent distribution of resources and income. Specific areas for assistance are the petroleum sector, environment, hydropower and fisheries and how these are managed locally, nationally and internationally.
2. *Equal rights, inclusion and economic justice.* Norad's economic development activities will focus on the fair distribution of resources, and focus on equal rights for marginalised groups. Economic rights and access to resources and services within finance, technology, education, employment conditions and safety are all relevant to assisting PSD.

It is not appropriate to judge past efforts against new objectives, but the evaluation will, nevertheless, include reference to these newer policy directives where it is useful for the purpose of determining the relevance and effectiveness of the

8 MFA: *Strategi før støtte til Næringsutvikling i Sør,* 1998 (translated to English)

portfolio **for the future** and what changes that would be required for the future. They will not be used to assess past and current programmes and projects in the evaluation.

With this general background to the evaluation as a preamble, the rest of this report will be devoted to the Sri Lanka case study.

3 The Sri Lankan Context

3.1 The key development issues

Sri Lanka was for a long time a model country in terms of achieving good human development relative to its level of economic development. This model has gradually been eroded during the last decades as Sri Lanka has been plagued by a civil war based on perceived ethnic differences. Besides a death toll of some 90,000, the civil war has affected Sri Lanka's economic development, the quality of the Sri Lankan democracy, its human rights records and human development. In addition, the business and investment climate has been affected. The economic reforms that took place in Sri Lanka in the late 1970s when the country abandoned its inward-looking socialist economic model for a liberal, export-oriented market economy, made many observers believe Sri Lanka was set for a similar development pattern as the emerging South-East Asian 'tiger economies.' Sri Lanka was in fact at that time one of the first countries to pursue an open, liberal economic model, which later has paid such dividends in the East Asia region. This growth pattern was not realised, however, as the war broke out in 1983 in the North and later spread to the East.

Some basic economic facts (2006-2007)

GDP: US$ 27 billion
GNP/capita: US$ 1290
Economic growth last five years: 5,5-7%
Population: 19,8 million
Life expectancy at birth: 75 years
Infant mortality rate: 12
Adult literacy rate: 90%
Net aid flows: US$ 1,200 million
Trade as share of GDP: 75%
Exports: US$ 6,9 billion
'Doing Business' rank: 102 (of 181)

Source: World Bank Country Assistance Strategy 2009

The armed conflict in the North and East (and for some years also in the South[9]) also resulted in a huge decline in inflows of foreign investments. Not only did the civil war create political risk for investors, it also redirected government spending from essential infrastructure and human resource development to the military, and it influenced its macro economic performance. The development of Sri Lanka as a leading Asian tourist destination, which had begun in the 1970s, was also greatly affected by the war and has not recovered so far.[10] Yet, in spite of almost 30 years of a civil war, economic growth has been quite robust, almost 5% per annum since the late 1970s, and recent years in the order of 6-7% per annum. Sri Lanka is today a Lower Middle Income Country and is expected to achieve all the Millennium

9 Sri Lanka experienced a two-front civil war in the late 1980s as the Marxist inspired militant group JVP started an armed revolt in the South, resulting in some 50,000 dead in 1987-89.

10 Sri Lanka was in the late 1970s and early 80s the favoured Asian destination in Europe, a position taken over by Thailand after the outbreak of the war.

Development Goals by 2015. However, once a model of equality, Sri Lanka is today a highly uneven society. The economic growth in the largely war-unaffected Western parts of the country, especially greater Colombo, has been consistently high, while the South and Centre have had a much slower development. The war-torn North and East have been the most negatively affected regions. The Western province has an average income almost three times that of the rest of the country, making Sri Lanka not only ethnically divided, but also economically highly stratified. Sri Lanka has today a degree of inequality similar to countries in Latin America.[11]

In May 2009 the Liberation Tigers of Tamil Eelam (LTTE) admitted defeat and the Sri Lankan government now controls the whole island. The country is at the time of writing this report (September 2009) still heavily militarized in the aftermath of the war. There are also contagious issues plaguing its relationships with many countries in the West due to human rights issues, specifically in the former Tamil controlled areas, and concerns over what appears to be increasing corruption and 'policy reversals.' There is, nevertheless, hope that Sri Lanka will resume its broken development, normalise the situation in the North and East, and repatriate the several hundred thousand Tamil refugees currently kept in closed camps, and thus win long-term peace.

3.2 The business and investment environment

Economic transformation. Sri Lanka has since the economic reform took place in 1976 undergone a major change in the structure of the economy. In the 1970s the island was an agriculturally dominated economy with the plantation sector (tea and rubber) as the only export-oriented economic activity of importance. Currently, services account for nearly 60% of the GDP, while agriculture has shrunk to about 15%.[12] The plantation sector has lost most of its importance as the main foreign exchange earner. During the Multi Fibre Agreement[13] Sri Lanka developed rapidly growing exports of garments, and is also becoming a service exporting country, for example in soft ware development. Tourism, already one of the largest foreign exchange earners, is expected to grow rapidly in the post-war era.

Foreign Direct Investments (FDI) into Sri Lanka were in the order of US$ 200 million per annum in the late 1990s and early 2000s, but have increased since then, reaching a level of US$ 900 million in 2008.[14] The most important investors in Sri Lanka are today East Asian companies. In 2008, Malaysian companies alone invested in the order of US$ 150 million. Due to the end of the civil war, the government expects that FDI will increase rapidly and reach a level of US$ 4 billion by 2012.[15] Public-private partnerships in infrastructure (housing, harbour, water, etc) are likely to be an expanding feature, strongly promoted by the government. Sri Lanka is specifically targeting Asian investors and is, for example, planning a specialised free trade zone for Chinese investors.

---

11 World Bank (2009); *Country Assistance Strategy 2009-2012*;; CIA World Fact Book, 2009
12 CIA Fact book 2009 for Sri Lanka (data for 2008)
13 The agreement made import quotas to most of the industrialised countries a key competitive dimension of local industries in most developing countries.
14 Sri Lanka Board of Investment
15 www.bloomberg.com (July 20, 2009)

Doing business. Sri Lanka is ranked as a *moderate country* in terms of the regulatory framework for 'doing business' in the World Bank and IFC's 2009 Doing Business report. Sri Lanka, with a ranking of 102 out of a total of 181 countries in this index, compares favourably to, for example, India (122) and Bangladesh (110), but unfavourably to most of the fast growing economies in East Asia, and even an African nation such as Zambia. The Doing Business trend over the last four years, which is probably a good proxy for the whole of 2000s, shows a marginal improvement over time.

Competitiveness. In the World Economic Forum's 2009 Global Competitive Index Sri Lanka is ranked 77 out of 133 countries, well behind India (50), but before Pakistan and Bangladesh[16]. Sri Lanka's competitiveness is considered to have improved slightly over time according to the rankings over the years. Sri Lanka's relative competitive advantages are a sophisticated business sector, functioning local markets, ability to innovate, while its disadvantages are in the macro economic framework and the functioning of the labour market. The macro economic weaknesses are related to a high inflation and high government debt, while labour market inefficiencies are considered to be rigid relationships between employers and employees and high costs of hiring and firing.

3.3 Binding constraints for private sector development

Summing up the key binding constraints in Sri Lanka for business and investments since the late 1990s, the following points are highlighted:

- The ethnic war, the paramount problem which has affected the macro economic climate and the business environment in almost all dimensions, including some of the constraints noted below.
- A rigid labour market. This must, however, be seen in a broader context of a tradition in Sri Lanka of strong labour unions and protection of workers from firing.
- A high degree of taxation. This must also be seen in the context of Sri Lanka's tradition as a socialist 'welfare' society with, given Sri Lanka's economic development, well developed social services. However, the war has played its role in adding to the tax burden,
- A bureaucratic legal system for various forms of permissions, including property registration.
- Macro economic issues such as high inflation and government debt at periods.
- Limited inflow of foreign investments in spite of in many ways a conducive investment environment (good labour skills and low wage levels; liberal investment incentives, including an extensive system of export processing zones; reasonably well developed infrastructure, etc.)
- Credit has been defined by small and medium businesses as a main constraint, including high interest rates and conservative demands on collateral. However, the financial market has shown considerable improvements over the years.

16 World Economic Forum: *The Global Competitiveness Report 2008-2009*, available on the web. www.weforum.org

Doing Business in Sri Lanka

Criteria	Sri Lanka rank 2009	Trend 2005-2009
Doing business Overall	102	Slight improvement
Starting of a business	29	Much improvement
Dealing with construction permits	161	Some improvement
Employing workers	110	No change
Registration of property	141	No change
Getting credit	68	Much improvement
Protecting investors	70	No change
Paying taxes	164	Negative trend
Trading across borders	66	Varying trends for different sub-criteria
Enforcing contracts	135	No change
Closing a business	43	Slight decline

World Bank and IFC: *Doing Business 2009*, (www.doingbusiness.org)

3.4 The donor development agenda

Donor assistance to Sri Lanka since the 1970s is larger than the economic and developmental level of the country would suggest. However, the assistance has had wide fluctuations. The liberalisation and opening of the economy in the late 1970s triggered a major increase, a time when Norway also started its official government-to-government development co-operation. The ethnic war limited the inflow, and accusations of human rights abuse from the mid 1980s was an added damper on donor funding. Periods when the peace seemed near - as in 2002 - triggered new inflows. The post-Tsunami rehabilitation in 2005-2006 also caused a temporary massive inflow of aid resources for rehabilitation and reconstruction.[17] However, overall, the last decade has seen a process of exits by Western donors from Sri Lanka due a combination of factors such as the government's human rights record and Sri Lanka's economic growth and current status as a Lower Middle Income Country. The Paris Agenda on Aid Effectiveness, with its requirement of aid concentration, has contributed to the donor exodus.[18] Norway has so far taken a different route with substantial increase in aid since the late 1990s as will be discussed below. Norway is, according to the World Bank, currently the third largest donor to Sri Lanka in absolute terms after Japan and Germany.[19]

As most Western donors are leaving Sri Lanka, the inflow of resources in terms of investments and development assistance is being replaced by the large emerging economies in Asia. China, India, Pakistan, Malaysia and even Iran are providing a massive influx of capital to Sri Lanka, not least for major infrastructure investments such as power plants, roads and harbours. Japan continues by far to be the largest donor to Sri Lanka with an aid programme in the order of US$ 300 million per

17 Sri Lanka was one of the worst hit countries in the 2004 Tsunami, with about 50,000 dead.
18 Including all the 'likeminded' donors i.e. UK, Denmark, the Netherlands and Sweden.
19 World Bank (2009) op cit

annum and the Asian Development Bank is also a large funder in the form of loans. Over the last few years, there is a strong *Asiatization* of the world's economic ties with Sri Lanka. In many ways Sri Lanka can be seen as a case of the on-going shift in economic power from the West to the East with a parallel shift in political influence, reinforced by the West's concern and criticism over human rights issues.

4 Norwegian Relations with Sri Lanka

4.1 General

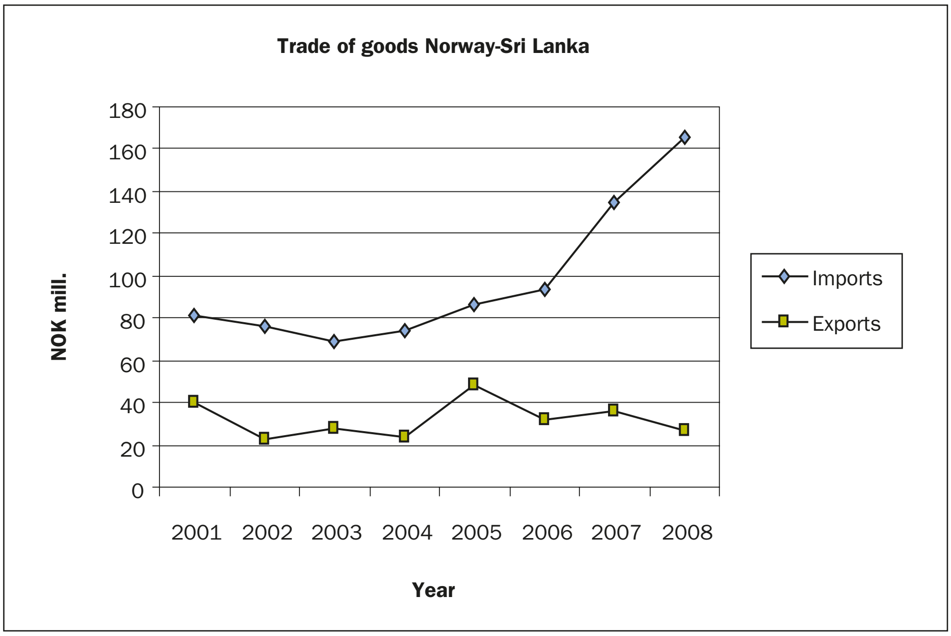
Norway began development cooperation with Sri Lanka in the 1960s through Norwegian NGOs. A major project concerned the development of the fishery sector with a base in Jaffna. Part of this development was the establishment of a Norwegian-Sri Lankan fishing company for construction of boats and fishing gear. Some Norwegians who worked in this project in the 1960s and 70s are today resident businessmen in Sri Lanka and key players in Norwegian investments in the country. Norwegian-Sri Lankan cooperation deepened in 1976 through the establishment of a government-to-government development aid programme. In the initial stage and for much of the 1980s, this focused upon integrated rural development in the southern part of the country, at that time the poorest and most deprived of all areas in the country. This project also had fishery development as a key component.

From the early 1990s Norway became increasingly engaged in efforts for conflict-resolution, offering to be a mediator between the government and LTTE. In 1998, the Norwegian government issued a specific policy for the cooperation with Sri Lanka, reflecting Norway's foreign policy to be active in peace and conflict resolution internationally. The Sri Lankan policy reflected broader government policies, especially the *Storting proposisjon. En verden i endring* of 1995-96 which stated that foreign policy, trade policy and development cooperation should be increasingly coordinated. In 1999 Norway was formally given the role as facilitator in the conflict resolution efforts. Norway was instrumental in the cease fire agreement which was signed in 2002 between the Government of Sri Lanka and LTTE. Thereafter, Norway became the lead country in the Sri Lankan Monitoring Mission.

From the late 1990s, conflict resolution has been the leading objective in Norway's relationship with Sri Lanka, strongly influencing its official relationship, the development cooperation, and the lives of Norwegians in Sri Lanka. After 2002 it became an increasingly difficult role to play. Norway has been strongly criticised at times in the Sri Lankan media, by the Sri Lankan government and populist politicians, as siding with LTTE, accused of being held hostage to the agenda of the large Tamil refugee population in Norway, and even of having its own agenda to capture Sri Lankan natural resources or promote a Christian agenda. The criticism escalated with the change of Government in Sri Lanka in 2005 when the new government showed it was going for a military solution to the conflict rather than a settlement. The tension has not subsided as the Norwegian government has been critical of the Government's human rights record in the post-war situation.

4.2 Norwegian commercial ties with Sri Lanka

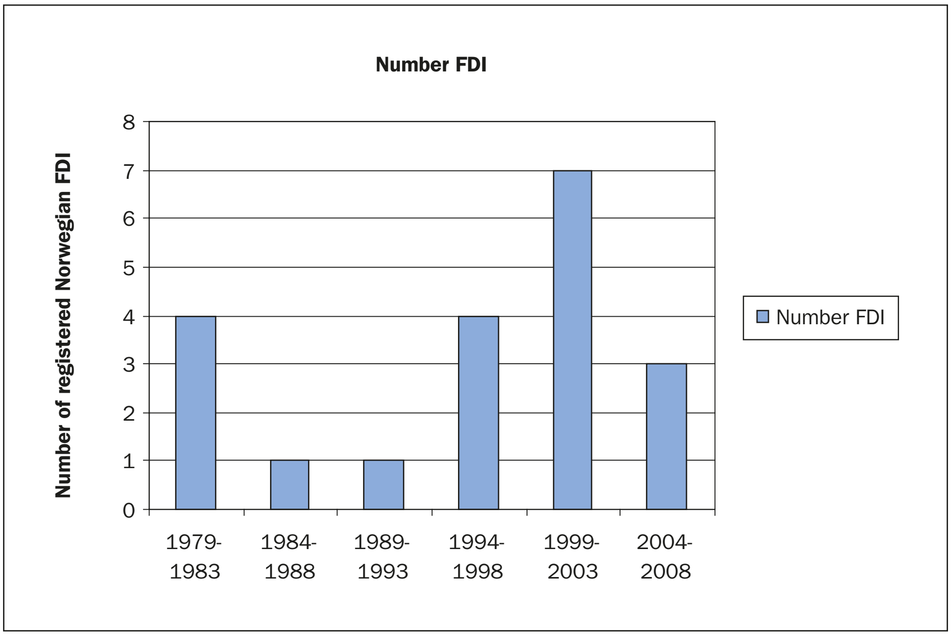
Trade. The trade between Sri Lanka and Norway is small from both countries' perspective. Imports from Sri Lanka account presently for about 0,03% of Norway's total imports, and exports to Sri Lanka for 0,005% of Norway's total exports.[20] For Sri Lanka, Norway is also a marginal trading partner, accounting for about 0,3% of the destination of total Sri Lankan exports.[21] However, there has been a clear increase in exports from Sri Lanka to Norway since the mid 2000s, reaching a level of NOK 166 million in 2008, more than double that of the level for the early years of the decade. Norwegian exports, on the other hand, have been stagnant for the decade at a low level of about NOK 20-40 million.[22] It should be noted that trade in services is not included in these figures. Norwegian imports from Sri Lanka are dominated by garments accounting for about 60% the total imports. There is no change in this pattern during the 2000s.



Foreign direct investments. The Sri Lankan Board of Investments (BOI) has a record of 22 Norwegian companies, either fully owned Norwegian or joint ventures registered between 1979 and 2008.[23] According to BOI's data, the total investment has been Rps 1, 900 million, (expressed in current NOK terms, about NOK 500 million). These investments were anticipated at the time of registration to create some 1,600 jobs in total. The investments represent a wide variety of sectors such as boat-building, agriculture, fishing, printing and media, information technology, power, tourism and furniture manufacturing.[24] As noted in the figure below, there has been a considerable variation during the period in terms of Norwegian compa-

20 Statistics Norway, *Statistical year book 2008* www.ssb.no
21 Sri Lanka Customs data for 2006-2007
22 Norway Statistics link *http://www.ssb.no/tabell/06766*. gives a data base on trade for the period 2001-2008 and the link *http://www.ssb.no/tabell/04837* data on foreign direct investments for the period 1998-2007 The data for year 2002 in this database is ten times higher than other years. In a response to a question to Statistics Norway, the office believed this was a mistake which will be corrected in the next issue.
23 Registration with BOI is requirement of foreign investors under Sri Lankan law. BOI's information on FDI is planned such investments and not actual. Its data are not corrected for what actually takes place.
24 Data provided by Sri Lanka Board of Investment to the Evaluation. BOI does not undertake a follow-up of the actual employment created. No such data was available to the Evaluation.

nies applying for investments, with a sharp decline after the outbreak of the ethnic war in 1983, and a significant uptake from 1994 and onwards, but a drop again after 2003.



The Norwegian investments in Sri Lanka – currently at a level of about NOK 30-40 million per annum – are, in the context of Norway's total foreign investments, very small, or about 0,05%. (The total Norwegian outbound FDI in 2005-2007 ranged between NOK 75-135 billion per annum).[25] In addition, in the context of Norwegian investments in emerging markets, Sri Lanka does not feature strongly. For example, in 2007, the Norwegian investments in Sri Lanka were 2% of those in South Africa and 1% of those in Thailand.[26] From a Sri Lankan perspective, Norway accounted for about 3% of the total FDI inflow, a percentage which has currently shrunk to about 0,5 % due to the rapid overall increase in international FDI to Sri Lanka over the last few years.

In summary, the commercial ties between the two countries are limited, more or less reflecting the relative size and composition of the economies and their geographical locations. However, given Norway's exposed position during much of the 2000s, the substantially increased trade flow since the mid 2000s is noticeable, and also that after 1994 there was a significant increase in the number of Norwegian FDIs in Sri Lanka, peaking around 2000s, when Norway accounted for a surprisingly high share of investments to Sri Lanka. These trends pose the question of whether the trends are attributable in part to Norway's support of promoting Norwegian and Sri Lankan business-cooperation through the various Norad instruments.

25 Statistics Norway.
26 Statistics Norway, see websites indicated earlier.

4.3 *Norwegian development co-operation with Sri Lanka*

Sri Lanka was included among the 12 officially prioritised countries in the Norwegian development cooperation in the late 1990s. This might be seen as an anomaly, given that Norway has for a long time had a strong focus on the poorest countries while Sri Lanka was already then classified as a Lower-Middle-Income Country. This clearly reflects Norway's role as mediator in the conflict. The development cooperation was seen as one of the instruments to support this role. Norwegian development assistance to Sri Lanka was in the order of NOK 100 million for most of the 1990s, a level also indicated in 1998's Policy as indicative for the future. This level was soon exceeded, however, reaching NOK 200 million in 2003, peaking at NOK 420 million in the post-Tsunami year 2005, and thereafter declining to about NOK 200 million annually.[27]

The 1998 Policy for development cooperation with Sri Lanka. In 1998, an official policy for the development cooperation with Sri Lanka was issued by the Norwegian government.[28] This policy document stated that within the framework of Norway's overriding objectives for development co-operation, support for conflict-resolution was critical. The policy noted that it was essential that the assistance should not be perceived as a prolongation of the conflict, be unbiased, and increasingly be oriented towards the North and East. The Policy saw economic development and private sector development as important means to support conflict-resolution. The share of economic development should be in the range of 40% of the total aid budget for the future years. The Policy also considered business relations between Norwegian and Sri Lankan companies as a priority and as a form of cooperation which was not dependent on aid in the future. In terms of the latter, the Policy indicated that the existing instruments for the promotion of such support should be enhanced, and that the imports of Sri Lankan products to Norway should be developed.

Actual composition of the Norwegian aid. Over the last decade, Norwegian aid has been focused on three broad subjects:

- peace, reconciliation and human rights;
- rehabilitation, including post-Tsunami rehabilitation and rehabilitation related to the civil war; and
- economic development with a focus on employment creation.

In financial terms, the first two areas have strongly dominated as reflected in the current distribution as indicated below.

27 Data provided by MFA Sept. 2009. These figures do not include refugee support in Norway.
28 MFA (1998): *Retningslinjer for utviklingssamarbeidet med Sri Lanka*

Table 1 Norway's bilateral assistance to Sri Lanka 2007[29]

Sector	NOK mill.
Emergency relief and unspecified	106
Good governance	90
Economic development and trade	37
Health, education and other social sectors	22
Environment and energy	3
Total	**258**

The share of economic development accounted for nearly 70% of the total development budget in the mid 1990s, declining to about 40% in 1997, and further declining to about 15% in the early 2000s. After that, this share has, with yearly variations, been fairly constant during the 2000s.[30] Of the support for economic development, infrastructure accounted for the major part of the allocations during 2000-2009, including the rehabilitation of power transmission jointly with ADB, rehabilitating roads and water supply. All projects took place in the conflict-areas.

Channels for the support. The Norwegian assistance to Sri Lanka is characterised by a dominance of support channelled through NGOs. In 2007, two thirds of the bilateral programme was provided through Norwegian, international or local NGOs, of which the Norwegian NGOs accounted for nearly half of the total programme. This is a distribution which has characterised most of the last decade. In 2007, the 'classic' bilateral government to government support accounted for less than a fifth of the total budget as indicated below. In general, the Norwegian support is distributed amongst a very large number of recipients. In 2008, there were some 150 different organisations receiving support.[31]

Table 2. The channels for Norwegian aid in 2007

Channel	NOK mill.
Norwegian NGOs	117
Local NGOs	49
Government-to-government (including private org.)	46
Multilateral organisations	37
International and regional NGOs	7
Nordic research org.	1
Total	**258**

29 Ministry of Foreign Affairs Fact sheet Sri Lanka 2008
30 These figures as based on OECD/DAC classifications. It is important to note that the statistical base was changed in 1999. However, it reflects a genuine shift towards human rights, peace-building and governance support as Norway increasingly re-oriented its support to conflict-resolution.
31 Information provided by MFA Sept. 2009

Atypical relationship. In summary, Sri Lanka is in many ways an atypical developing country in terms of Norway's commercial relationship and development cooperation. Due to the role of Norway as mediator in the conflict, the official development assistance has been given a much greater role than otherwise is likely to have been the case. It can be noted that the average Norwegian official development assistance in financial terms in the 2000s (excluding the post-Tsunami support in 2005) is about five times as large as the Norwegian FDI during these years, and about twice the average value of Sri Lankan exports to Norway. This puts Sri Lanka in a category of developing countries where the flow of aid is far greater than private capital flows, a case that normally applies to resource poor Least Developed Countries (LDCs) and not to countries in the Middle Income category.

5 The Norwegian Business Related Support in Sri Lanka

5.1 Background

The focus of the Norwegian private sector assistance in Sri Lanka the last 10-15 years has to a large extent had its roots in Norway's support for the integrated rural development programmes in the South since the late 1970s, and especially the programme in the Hambantota district.[32] The Hambantota Integrated Rural Development Programme (HIRDEP) which was on-going between 1979 and 1999 has been one of Norway's main development ventures in Sri Lanka over the years and is also considered as one of the most successful. [33] It focused on one of Sri Lanka's most deprived regions in the South, the area chosen partly due to its importance for (small-scale) fisheries and Norway's expertise in this sector but also because of Norway's earlier NGO support.

The objective of HIRDEP from the start was to achieve *increases in income, employment and production* (besides improvement of social conditions and standards of living) with special emphasis on the poorest and disadvantaged groups in the district. However, an ex-post review of the lessons learnt from HIRDEP concluded that for the first 15 years HIRDEP '*was rather inward looking, and lacked the capacity to relate to the wider national or regional context*.'[34] It had, according to the authors, focused on public service provision and social mobilisation, and it was not until the phase-out stage (1994-99) that the focus became on employment, income generation and entrepreneurship development. Two strands of business-related assistance emerged from HIRDEP, which have been carried out since the end of HIRDEP, namely:

- microfinance, in the 2000s was a main feature of many Norwegian supported NGO programmes, and especially through Norwegian official support to the Norwegian NGO Strømme Foundation. As further discussed below, Norway has become one of the main funders of microfinance in Sri Lanka.
- Support for chambers of commerce, starting in the 1990s with support of a newly formed district chamber of commerce in Hambantota, the first such

32 Hambantota is a district with a population of about 0,5 million, located in the very south of Sri Lanka.
33 HIRDEP was one of some twenty similar multi-sector rural development efforts in Sri Lanka supported by various multilateral organisations and bilateral donors in the 1980s and 90s, addressing rural poverty through multi-sector approaches. Similar IRDPs with Norwegian funding were also later initiated in the districts of Moneragala in the South and Battocaloa in the East.
34 Jerve, A.M. et al (2003): *Sustaining local level development. What worked and what did not. Lessons from the phasing-out of Norwegian aid to the Hambantota Integrated Rural Development Programme, Sri Lanka 1992-1999*, CMI

district chamber in Sri Lanka. This support is still on-going, but the Norwegian assistance has also evolved to other forms of chamber support.

Fishery development, on the other hand, has not been carried forward to more than a marginal extent during the 2000s for reasons related to Norway's role in the conflict-resolution as elaborated below.

5.2 The NIS studies in Sri Lanka

Sri Lanka was a focus country for implementing the Norwegian 1998 PSD Strategy, manifested in that two so called NIS studies were carried out in 2002.[35] They concluded that Sri Lanka had a good business environment in terms of macro economic framework, human resources, business legislation, financial sector, etc, but that the on-going civil war was the main constraint for business and rapid economic growth. In addition, the power supply was identified as an impediment. The NIS 2 study proposed the concentration of Norwegian assistance to two main areas, energy and fisheries. Both sectors were suggested in order to utilise the comparative advantage of the Norwegian resource base, but also because Norway already had a strong aid presence in these sectors in Sri Lanka in the past. For energy, the NIS 2 study noted that the sector was under reformation, allowing increased private participation. The study saw opportunities for support in regulation, investments in hydropower both large and small, and a role for Norwegian technical expertise and investors in this sector, not least due to the establishment of SN Power. The study noted interest from SN Power to buy a run-down 400 MW hydropower plant in Sri Lanka.

In terms of fisheries, the NIS 2 study suggested support in infrastructure such as harbours, institutional development, production support, not least in aquaculture, and in processing. The study went into detail outlining future cooperation. In 2003, the Norwegian government committed itself to significant development in the fishery sector, and expert teams began visiting Sri Lanka.

5.3 Norwegian PSD support since 1999

Identifying Norwegian PSD support in Sri Lanka is complicated by the fact that such support is delivered through a number of channels, largely operating independently of one another, in some cases with a seemingly incomplete record of what has been delivered.[36] Below is an attempt to provide a consolidated list of PSD programmes and projects undertaken by Norwegian aid since the late 1990s in Sri Lanka.

---

35 Norad (2002): *Study on Private Sector Development in Sri Lanka*; NHO (2002): *Private Sector Development. Prospects for Norwegian trade and investment interests in Sri Lanka*

36 For example, projects which appear on the Embassy's list of 'its' PSD projects also feature of Norad's lists, making it not clear who funds and implements. Also, the data base for Norad's application based support appears to have deficiencies.

Table 3. Norwegian PSD projects and programmes in Sri Lanka since 1999[37]

Programme	Year	NOK Mill.	Description
Embassy financed programmes			
National Cleaner Production Centre I and II	2000-08	13	Implemented by UNIDO
Sri Lanka Maldives Enterprise Development Programme I and II	2005-12	30	Implemented by IFC. An extension of a regional IFC programme. Multi-donor support
Southern Credit programme for SMEs	2007-09	15	Implemented by IFC. Only Norwegian financing
Federation of Chambers of Commerce	2008-10	11	Joint financing with Sida; technical assistance for strengthening regional chambers
Ceylon Chamber of Commerce	2001-09	5,4	Embassy support of the Matchmaking programme
Hambantota District Chamber of Commerce	2000–10	9,8	Three phases since 2000
Sareeram Sri Lanka National Foundation	2007-09	5,4	Mainly microfinance
Norad programmes			
Matchmaking programme	1994-2009	33	Implemented by Advance Business Partners and Ceylon Chamber of Commerce
Application-based support	Ongoing since 1970s	2-3/ annum	Data lists probably incomplete
Institutional support	Ongoing	0,5/ annum	Unclear from data base what this has been
Soft loans	1980s-2000	10[38]	6 soft loans in Norad's books as of Dec. 31, 2000, dating back to 1995
Norfund	2001-2002	1,2	Direct investment in mini hydro power in 2001; holdings transferred to SN Power in 2002
	2003-onwards	30[39]	Investments in two Aureos Capital South Asia Funds
Other			
NGO micro finance	1990s -		Implemented by several NGOs such as Strømme Foundation, FORUT, etc.
FK Norway	2001-2010	5,3	3 business-related exchange programmes

37 Data supplied by the Norwegian Embassy in Sri Lanka September 2009, combined with other sources provided by Norad. The list does not include investments undertaken by Norfund or its affiliates, nor framework support to Norwegian NGOs from Norad, such as Strømme.
38 The estimated grant element including write offs, see further chapter 8
39 This is the estimated share related to Sri Lankan investments made up to 2009

Note that this table does not include projects in vocational training and infrastructure such as rural electrification, which is defined by the Embassy as broader 'economic development.' The table should not be seen as exhaustive as various NGO support might include other forms of 'business-related' assistance. No data is available on this.

Based on the above table, the average total Norwegian PSD support in Sri Lanka in the 2000s, (excluding Norfund investments, Norad's mixed credits and also NGO micro finance), is estimated to be about NOK 25 million per annum, or about 10-15% of the Norway's official assistance during the period.[40]

5.4 Projects and programmes included in the evaluation

The evaluation has attempted a broad assessment of the business related assistance in Sri Lanka for the last 10-15 years, including all instruments in the portfolio. Annex 2 provides a summary of the sampling of projects under each programme and a discussion of how representative these samples are for the whole programme (in Sri Lanka).

40 Excluding Tsunami support 2005

II Findings

1 The Matchmaking Programme

1.1 The programme

The MMP is a programme to stimulate industrial cooperation (joint ventures, licensing agreements, outsourcing, etc) between Norwegian small and medium sized enterprises and Sri Lankan companies. A 'trade component' was added in 2003, aimed at stimulating Sri Lankan exports to Norway. Sri Lanka was the pioneering country for the Matchmaking Programme when it began in 1994. The programme is financed by Norad, but contracted out for Sri Lanka to the Norwegian consultancy firm, Advance Business Partners (ABP) formerly known as NB Partners. ABP cooperates with the Ceylon Chamber of Commerce (CCC). The tasks of the two organisations are to develop profiles of companies in the two countries for potential matching and administer such matching. The Norwegian Embassy in Colombo has provided additional support to CCC with NOK 5 million for the period 2001-2009. The total cost of the programme to Norad since the beginning in 1994 is about NOK 33 million.[41]

1.2 Programme objectives

The purpose of the Matchmaking programme is to contribute to the overall objective of Norwegian development assistance, i.e. elimination of poverty. The MMP is expected to contribute to this by *establishing sustainable and profitable joint ventures between Norwegian companies and (local) companies which foster transfer of technology and the exchange of management and business-skills between the companies*.[42] 'Joint ventures' should be seen as a broad term and might include licence agreements, out sourcing, trading, etc. The causal linkage between the overriding objective of poverty reduction and the MMP's specific objective is, for example, that the programme should lead to employment and income generation in the target countries. Norad has established output targets in terms of numbers of matches per year and agreements signed. The target is generally that 20 profiles should be established per country and year, leading to 10 visits, which, in their turn, should result in 5 agreements between the matched companies. The payment to the implementing organisation is based on these targets.

1.3 The Sri Lanka portfolio

ABP has a well developed data base for the MMP since its start and undertakes regular update on the results. Thus, since 1994, 326 Norwegian companies have

41 Cost data provided by Norad. Cost also includes a contribution by the Norwegian Embassy to CCC.
42 Norad Information sheet.

participated in the Sri Lankan Matchmaking programme of which 253 are in the 'industrial' sub-programme 73 are under the 'trade component'.[43] The Norwegian companies in the MMP are, with few exceptions, small or medium size, some even with only a few employees. There is a wide spread across different sectors in the 'industrial' component, but with a slight dominance of 'marine products' (boat building, fisheries, aquaculture), and business services (such as software manufacturing). In the trade component of the portfolio, garments dominate. The distribution reflects a combination of Norwegian interests and Sri Lankan competencies. The dominance of marine-related companies specifically reflects the importance of this sector in the Norwegian business sector, while the dominance of garments in trade in the MMP can be attributed to Sri Lanka's strong export capability in this sector.

According to ABP 55 collaborations had been achieved out of the 253 matches in the industrial sub-programme, as of mid 2009, or 22%. Of these 35 were in ABP's terminology 'operational', 10 had been 'successfully completed' and 10 were in a trial stage. In the trade sub-programme the corresponding figures were 30 collaborations out of 73, i.e. about 40%. Of these 20 were operational, 3 had been 'successfully completed' and 7 were in a trial stage.[44] Thus, for the programme as a whole, ABP records show a 'success-rate' of 26%.

1.4 Key findings

It should, at the outset, be stressed that the Matchmaking programme is closely linked with Norad's Application based support and, prior to year 2001, Norad's loan scheme. Thus, in all projects reviewed in the evaluation which led to some form of cooperation, Norad has provided later support for feasibility studies, training, marketing or environmental investments. The results of the programme, such as employment creation, cannot be attributed to the MMP alone, and therefore the programme should be seen as an entity in our impact assessment.

High rate of mobilisation of Norwegian enterprises. It is noteworthy that the MMP has enabled about 330 small and medium size enterprises to actively seek cooperation with Sri Lankan enterprises through investments, technical cooperation or trade over a 15 year period. This is in itself a major achievement. Norway is not a large country and Sri Lanka is not a main emerging market, not a China or India, but rather a small economy plagued by a civil war over this period and considerable political risk which usually deters investors and businesses. Furthermore, Norway's exposed position as a conflict mediator since the late 1990s, has added to this political risk. The reasons for this success in attracting Norwegian SME enterprises to explore commercial ties with Sri Lanka, lies in three key factors:

- The MMP is an attractive programme for Norwegian SMEs which are in an early stage of internationalisation. It provides not only a subsidy to cover the cost to explore a potential market or place for out-sourcing, but more importantly, an arranged system to identify potential partners. It provides contacts and a screening of such contacts. For an SME to do this on its own can be costly in

43 Data provided by ABP August 2009
44 Information provided by Advance Business Partners to NUMI, Norad as of October 2009. It should be noted that these figures include some multiple collaborations by a Norwegian company. Excluding such multiples,

invested time and expense. The MMP is an opportunity to do so at a low cost to the company.[45]

- The very active work by the consultancy group Advance Business Partners (formally known as NP Partners) to promote the programme in Norway and by the Ceylon Chamber of Commerce in promoting it in Sri Lanka. The Matchmaking programme is unusual in the context of development assistance: it has been promoted as a business venture, and is of course a business venture for the implementing organisation which is paid according to performance.
- MMP is deeply integrated with the Norad funded ABS as noted above, hence future grant support for various forms of inputs act as an incentive, also actively promoted by the implementing organisations.

High degree of additionality. A key criterion for the evaluation is whether the MMP has been *additional*, or has the programme just financed commercial co-operations which would have happened anyway. Our assessment based on the interviews with participating companies is that the MMP is, to a large extent, additional, i.e. that the co-operation in most cases can be attributed to the programme. Consistent answers were that the MMP triggered the Sri Lanka visit by the Norwegian companies. Sri Lanka tends not to be the most visible when a smaller Western company is looking for a commercial partner for a joint venture, outsourcing or supplies or trade (except for well established Sri Lankan products such garments and tea). The MMP provides an opportunity for a facilitated, subsidised exploration with the assistance of an organisation with considerable experience. There are examples in our sample of companies which already had ties with Sri Lanka, for example through trade or previous efforts to establish themselves there, and for which the Matchmaking might have been a convenient way to finance something that otherwise would have been paid for by the company. However, these examples are rare. While the MMP in some cases replaced the companies' search for international partners in countries such as India and China, it appears that the programme in most cases contributed to the process of internationalisation among the Norwegian SMEs, i.e., without the MMP opportunity, these companies would not have ventured abroad, at least not at that time.

Reasons for aborted cooperation. According to ABP's data, three out of four attempted matchmakings lead nowhere. The reasons are several:

- The Norwegian company chose not to visit Sri Lanka. The reasons may be that the profile of Sri Lankan companies did not merit a visit, changed plans, etc.
- For those companies that visited Sri Lanka (or the Sri Lankan companies visited Norway), the majority of cases led to no further co-operation. Interviews with the Norwegian companies indicated a number of reasons: production quality was lower than expected; trial orders did not meet expectations, prices were not as favourable as assumed; the Health, Safety and Environmental standards (HSE) were too poor in the production facilities; the political risk greater than anticipated, etc. Also changes in the Norwegian companies contributed: change

45 A view is sometimes heard that companies participate in the MMP for a 'free ride', a paid holiday, as the own contribution is small. Our study cannot support such a view. Rather, the interviews with participating companies in all cases show serious interest.

in leadership shifted attention; a downturn in the home market made the company abandon expansion plans in the 'South', etc.

Factors for success. The success of the MMP in the sense that the matches, (together with further support through ABS), lead to an attempted commercial cooperation can be attributed to several factors. First, success is to a large extent sector-specific. For example, there is a good fit between Norwegian SMEs and Sri Lankan companies in business service outsourcing such as software development. Sri Lanka has fairly well developed industrial sectors in garments and electronics which Norwegian companies can more easily tap into. Second, there are cluster effects. For example, in glass fibre production (as for boats), a series of Norwegian attempts have led to a number of Sri Lankan-Norwegian collaborations. Existing Norwegian partnerships makes it easier for newer entrants to the market as they can build upon and cooperate with already known and established contacts. In fact, the matching was sometimes between a Norwegian company in Norway and a Norwegian company in Sri Lanka.

Sustainability. The evaluation has tried to establish the sustainability of the collaborations initiated by the MMP. The basis for this assessment is a review of a sample of 24 Norwegian companies which visited Sri Lanka (a sample of 15% of those companies which made a visit). This review was thereafter used to assess the validity of the ABP's data. The evaluation found that about 30 Norwegian companies in the industrial sub-programme in one for or the other can be considered to have created a sustained business. This included joint-ventures, a fully owned subsidiary, a spin-off in a new company, out sourcing arrangements or just purchasing arrangements of products or services.[46] Some of these collaborations reviewed were rather small operations, for example joint ventures with 10-15 employees, or a Norwegian company purchasing components for a few hundred thousand NOK per annum. However, there were also a limited number of 'MMP triggered' projects with over hundred employees. According to the evaluation the 'success ratio' in terms of sustained business is thus about 12% of the initial matchmakings. This figure is largely consistent with an external review undertaken of the MMP (in Sri Lanka and South Africa) in 2003.[47]

In the 'trade sub-programme' the evaluation considers that about 15 Norwegian companies have established what can be considered sustained trade arrangements. The 'success-rate' is thus 20% of the attempted matchings. It must be noted, however, the trade MMP is much younger than the industrial MMP, hence the sustainability over time less proven. Also, based on the sample in the evaluation, the scope of the collaborations is less than in the industrial component in terms of economic value of the cooperation, and thus also effects in terms of employment. Nevertheless, the combined success-rate in terms of sustained collaborations is estimated to 14%. We believe this ratio must be considered satisfactory, given the base conditions for business between Norwegian SMEs and Sri Lankan.

46 In recalculating ABP'sdata, the evaluation found that what classified as 'successful completion' by ABP often was a business relationship which had ended not a success but as a failure (poor quality, too high prices, etc), hence these projects were excluded. Furthermore, trials were also excluded as their sustainability could not be assures. Furthermore, ABP included multiple collaborations by a Norwegian company in its data, which also is excluded in the figure above.

47 Norplan (2003): *Review of Norad's Matchmaking programs in Sri Lanka and South Africa*

It is often argued that larger, financially strong Norwegian companies have a greater ability to succeed than smaller companies. Our research supports this to some extent, but there is no strong correlation between size and success rate. A surprising number of quite small Norwegian enterprises have succeeded in Sri Lanka.

High institutional efficiency. ABP's work in running the MMP is impressive. The company maintains up-to date records from the start of the programme, has an internal system to monitor the outcome of the matchmakings in cooperation with CCC, and provides various forms of feed-back on results to Norad. ABP is, as indicated above, highly active in programme promotion, 'selling' the MMP to potential Norwegian SMEs through its regional network; its consultants also accompany the companies on the tours to Sri Lanka (and the Sri Lankan companies to Norway).

A by-product and unintended effect of the programme is institutional strengthening of the Ceylon Chamber of Commerce. CCC's involvement in the programme has given the organisation a unique instrument in its services to member companies (e.g. potential joint ventures), besides enabling it to develop a substantive data base of Sri Lankan enterprise profiles. Such knowledge could easily be replicated for similar schemes undertaken by other countries and could be a means of scaling up the MMP to have greater impact on FDI, trade and employment.

Poor control of HSE standards. A critical issue is the company's assessment of the Sri Lankan partner companies' health, safety and environmental standards. A possible reason for reducing Norwegian companies' motivation for undertaking outsourcing is the often large difference in such standards between Norway and Sri Lanka. While the evaluation has not assessed a wide variety of sectors from an HSE perspective, there are cases where the programme's limited HSE assurance creates a risk for Norad. Thus, the organisation might be perceived supporting export of hazardous industries from Norway, where HSE standards for production are strict, to Sri Lanka where standards are generally fairly loose. Norad stipulates that the Norwegian companies are obliged to follow Sri Lankan law which is also a condition in the agreement under the ABS. However, the issue remains.

Relevance. Mobilising Norwegian business in development co-operation has been and continues to be a pronounced element of the Norwegian development cooperation policy, stressed both in 1998 PSD Strategy and in the 1998 Policy for Sri Lanka. From this perspective, the MMP is relevant. The MMP (jointly with ABS) is also a relevant approach for Norway's eventual exit from traditional grant-based development co-operation in view of the fact that Sri Lanka is a Lower-Medium Income Country. Promotion of FDI is also a key Sri Lankan policy, manifested in the various generous incentive schemes provided by its Board of Investments, and the active marketing of Sri Lanka by BOI and other government authorities. As noted in chapter 3, in the late 1990s and early 2000's Norway had a surprisingly high share of FDI in Sri Lanka, given the economics of the two countries. We believe MMP in combination with the Application-based support contributed to this to a not small extent.

Employment effects. Our field work showed that there are a number of ventures which, as far as we can judge, have been triggered by the match-making efforts and have resulted in direct job-creation. An extrapolation from our sample indicates that some 1500 new (sustained) direct jobs might have been created, for example in software manufacturing, boat building, agricultural projects and electronics. The majority of these jobs are for women. ABP cites a figure of 4,000 – 5,000 jobs in its reporting to Norad. ABP includes direct and indirect jobs, and also expected employment at 'full development.' In our judgement this figure is much too high, not least due to the fact that the down-stream and up-stream indirect employment is marginal in most of the enterprises (such as electronics, garments and boat building, all dependent on imported raw materials).

Cost-effectiveness. The cost to the aid budget of running the MMP has increased considerably since the early days of the programme. For example, the average annual (aid) cost per annum 1994-2005 was about NOK 1,7 million, while for the most recent phase (2006-09), the annual cost was NOK 4,1 million. The reason is largely that the fees to the implementing organisation have increased over time. Seen over the full period of the programme (1994-2009), the cost per sustained venture can be estimated to about NOK 0,7 million. If the most recent costs are applied, and assuming the same ratio of successful and sustained matchmaking as for the whole programme, the current cost per successful matching is NOK 1,5 million.[48] It should be noted that these costs are exclusive of Norad's Application-based support which almost without exception has been provided to the MMP collaborations. Is this aid cost acceptable? Our judgement is that for the industrial sub-programme this cost is reasonable, but that there should be opportunities to enhance the cost-effectiveness of the trade sub-programme of the MMP. This issue will be discussed in the Main report of the evaluation.

Achieving the objectives. The key criteria for the assessment of impact of the MMP are, based on the programme objectives, the following:
(i) sustained commercial relations such as investments and trade;
(ii) transfer of know how and technology; and
(iii) employment generation and improved income.

As noted above, the MMP is deeply integrated with the Application-based support and to attribute any impact in terms of employment etc. to the MMP alone is incorrect. However, in our judgement the MMP and the ABS have jointly achieved the three development objectives above <u>in qualitative terms.</u>[49] The ***sustainability*** ratio in MMP is reasonable in our judgement, given that the programme is oriented towards Norwegian SMEs to initiate collaborations in a country which for the full period has been plagued with high political uncertainty due to the civil war. ***Transfer of know-how*** has also taken place in many of the MMP/ABS projects. To what extent such know-how transfer has ripple effects in the industry as a whole is highly sector-specific. In sectors where Sri Lanka is well established on export markets, such as in the garments sector and in certain kinds of electronics, technology

48 The calculation is based on 20 matchings per annum, a success ratio of 14%, and an annual cost of NOK 4,1 million. The cost includes ABP's and CCC's work to establish profiles of all companies in Norway and Sri Lanka participating, the arrangement of visits, subsidies of the travel costs for companies and ABP's consultants.
49 No quantitative targets were established.

transfer is marginal if present at all. In other sectors where Sri Lanka does not have such a strong position, for example in boat building, the transfer is significant and has also had ripple effects beyond the targeted companies. Most of the MMP/ABS projects are oriented to ***exports***, and specifically to the Norwegian market as trade or sub-contracting. We believe that the programmes have contributed to the noticeable upward trend in Sri Lankan exports since the mid 2000s to Norway (see chapter 3). An attempt to assess the impact on ***employment*** has been made above, suggesting a figure of about 1,500 jobs, most of which are for women. This figure should be interpreted with care.

1.5 Summary of assessment

In table 6 below, our assessment of the Matchmaking programme is summarized using a standardized table for criteria (these criteria are derived from general DAC evaluation criteria; the Norwegian 1998 PSD Strategy criteria, and the generic criteria for PSD support as indicated in the ToR and further elaborated in our Inception report). Note that the assessment below also includes the ABS programme for many of these criteria. The rating for each criterion, on a scale 0-5, is our subjective summary by the evaluators.

Table 4. Summary assessment of the Matchmaking programme (and ABS) in Sri Lanka 1994-2009

Assessment criteria	Rating	Explanation
Inputs	X	Pro-active. ABP and CCC's administration and establishing company profiles; 80% grant to travel for visit Sri Lanka (and Norway)
Cost to Norwegian aid	X	Over the full period NOK 33 million. Currently about NOK 4 million annually, mostly financed by Norad and a smaller part by the Embassy.
Outputs	5	About 330 Norwegian SMEs participating in programme since 1994 (as of August 2009) for which profiles have been established.
Outcome	3	About 14% of the matchmakings result in sustained collaborations; 12% in the industrial component and 20% in the trade.
Impacts		
Policy; regulations	0	No evidence of impact (and not attempted)
Sector Institutions	0	No evidence of impact
Enabling environment	0	No evidence of impact
FDI from Norway	4	Norwegian FDI in Sri Lanka can probably be attributed to a large extent to the joint Norad programmes MMP and ABS
FDI general	0	Not a target in the programme – no evidence of such effects

Assessment criteria	Rating	Explanation
Trade Norway	3	Trade component of MMP coincides with a major increase in Sri Lankan-Norwegian trade since mid 2000s. Most investments and cooperation are based on export to Norway. We believe the uptake in Sri Lankan exports to Norway since mid 2000s can to a considerable extent be attributed to the joint programmes
Trade general and with other developing countries	1	Quite limited as the focus of the Norwegian MMP companies is largely on the home market
Financial systems and capital market	0	No evidence at systems level
Business organisations	2	Impact on CCC which by participating in the programme gets an added competence (better knowledge of Sri Lankan industries) and an instrument to serve its clients, and a long-term and intimate relationship with Norwegian enterprises.
Employment direct	3	The MMP and ABS might have created in the order of 1,500 new direct jobs altogether (uncertain figure based on extrapolation from a sample). This is a positive result relative to the size of the programme, albeit very marginal in respect of the overall size of the Sri Lankan labour market
Employment indirect	1	Difficult to assess, probably small as most enterprises have few downstream linkages (most based on imported raw material and machinery), or are service companies. The exception, the limited number of agriculture based companies.
Technology and know how transfer at company level	3	Clear evidence at enterprise level (e.g. fishing; boat building, glass fibre production, software development, tea branding). Effects must be assessed jointly with ABS. Some spread outside directly involved companies through spin-offs, etc.
Business sector development	2	Examples of spin offs, for example in software development, boat building, etc. (jointly with ABS)
Sri Lankan competitiveness	0	Too marginal to play any role in an international context at macro level
Poverty impact		
Local/regional socio-economic conditions	2	Some companies triggered by MMP and ABS are the focal point in local communities for employment and earnings. Due to diversity of portfolio not possible to assess
Inclusion of marginalised groups	1	Limited: some employment for rural uneducated women

Assessment criteria	Rating	Explanation
Addressing regional imbalances	0	Very limited – mainly investments in Western Province and greater Colombo
Macro effects	0	Programme too small to have any noticeable impact on poverty in Sri Lanka
Cross-cutting issues		
Environment	1	Sector dependent – no strong negative evidence in sample companies.
Health and Safety, CSR	1	An issue of Norwegian potential exports of 'hazardous production.' Low degree of quality assurance by ABP
Labour conditions	2	Standards higher in many cases than in general than Sri Lankan industry average. No indication of child labour
Gender	4	Employment profile dependent on type of industry. According to CCC, about 75% of the employees in the Sri Lankan companies participating in the MMP are women (e.g. high in garments and agriculture; medium in service export industries, and low in boat production)
Sustainability	3	About 12% of matchmakings in the industrial part resulted in commercial cooperation independent of future aid, and about 20% in the trade part. Ratios seen as satisfactory
Additionality	4	The programmes are probably instrumental for most of the commercial links established. (Uncertainty due to difficulty in determining the counterfactual)
Institutional assessment		
Efficiency	5	The sub-contracting to a Norwegian firm (Advance Business Partners) in combination with a committed Sri Lankan organisation (Ceylon Chamber of Commerce) has jointly created an efficient system to promote and run the MMP programme.
Results-measuring	4	ABP has a system for follow-up. Good *ad hoc* reports on 'success' cases. No systematic monitoring on specific indicators
Quality assurance	1	Weak system, for example in HSE standards in Sri Lankan companies
Coordination with other Norwegian PSD programmes	3	High degree of linkage to other Norad schemes, good cooperation with Embassy (part financing CCC); no coordination with Norfund
Exit strategy	5	No commitment to further support. MMP a one-time input.
Corruption risk	4	Main recipients are Norwegian companies; good financial control of funds by ABP and Norad.

Assessment criteria	Rating	Explanation
Programme effectiveness	5	The stated quantitative objectives (number of profiles, matches and MoUs per annum) achieved. The broad programme objectives in qualitative terms can only be assessed in combination with ABS. As such, good achievements
Cost-effectiveness	3	Current cost per sustained venture about NOK 1,5 million. Reasonable for industrial sub-programme but high in trade, given that on average there are fairly limited commercial values of cooperation, especially with the additional cost for ABS which must be added.
Relevance		
Coherence Norwegian policies	4	Programme has mobilised a broad spectrum of Norwegian SME business sector in development in line with 1998 PSD policy and Sri Lanka Policy; Highly relevant for future post-aid relationship.
Coherence Government priorities	3	FDI promotion a high priority; also strong emphasis on service industries which is a government priority.
Addressing binding constrains	3	Low level of FDI in late 1990s and early 2000s; however, amount of FDI limited in a macro context especially in recent years
Importance for Norwegian business	4	Programme has contributed to Norwegian SME internationalisation in general and cooperation with Sri Lanka specifically. An effective tool for pioneering efforts in internationalisation for SMEs
Aid issues		
Untying of aid	0	Entirely Norwegian tied in practice
Donor coordination	0	No apparent attempt to align with other donors
Replicability and scaling up opportunities	4	Possible to replicate the MMP to other selected countries; possible for other donors to copy with clear economies of scale (profiling of Sri Lankan companies could be used in similar matching schemes)

2 Application-based Support

2.1 The programme

Sri Lanka is one of the recipient countries for the Norad funded Application-based support. This programme, started in the 1970s, contains a number of sub-programmes such as support for feasibility studies, pilot production, training, marketing and environmental investment as discussed earlier. The programme is based on a system whereby the Norwegian companies can apply for support based on the criteria established, and the applications are screened by Norad. The support is based on cost-sharing with varying percentages dependent on the sub-programmes. A company can also seek repeated support in the same sub-category.

2.2 Programme objectives

The overriding objective of the ABS programme is to contribute to the overall objective of Norwegian development assistance, i.e. elimination of poverty. The specific programme objectives and its assumed results-chain is similar to the MMP, i.e. it aims at building local competence and capacities through linking and utilisation of the (Norwegian) business sector for transferring technologies and know how, creating external markets, etc. The rationale for the support is to strengthen economic development, employment and income generation through productive use of local resources. Sustainable development and consideration of environmental standards is essential, as is promotion of female participation according to official statements.[50]

2.3 The Sri Lanka portfolio

Lists provided by Norad for the ABS for Sri Lanka for the period 1999-2009 indicate that about 110 'projects' have been approved and funds disbursed to Norwegian enterprises.[51] Some of these funds are provided to the same company, but there are about 80 unique recipients. The support ranges in size from NOK 0,1 million to NOK 1,3 million. The annual financial allocations to the ABS in Sri Lanka are estimated to be in the order of NOK 3 million for the period under review (1999-2009), but with substantial yearly variations. This figure might be incorrect due to record problems discussed further below.

2.4 Key findings

Our assessment of the ABS in Sri Lanka is based on a sample of 16 projects, (20% of all companies on Norad's data list for 1999-2009, selected randomly). The majority of the sampled companies had records of receiving MMP grants prior to the Application based support, and in one case, the company also had a Norad loan. This is a reflection of the integration of the three Norad instruments noticed elsewhere in this report. As further noticed, the total Norad grant support (including the MMP) ranges from about NOK 0,1 million to NOK 3 million per company. Of the 16 companies, software development and boat-manufacturing accounts for 60%, indicating the dominance of these sectors in attempted and real Norwegian investments in Sri Lanka during the last decade.

High degree of sustainability. Half of companies selected in the sample are in operation today (if follow-up projects and sold companies are included), of which one is a trading cooperation. The balance either never took off due to negative result in feasibility studies or from trial orders, or (one case) the company has closed down since the support was provided. A ratio of half of the projects which lead to a sustained co-operation is much higher than in the MMP. This can be explained by the fact that in ABS a contact had already been established between the Norwegian company and a partner in Sri Lanka (or setting up a subsidiary was planned).

50 Norad (2009): *Retningslinjer for tilskudd til nærings- og handelssamarbeid.* These directives have been largely unchanged over the last decade.

51 The gross list has about 150 disbursements for the period, but many of these are listed as undefined in terms of recipient, related to the Matchmaking programme (disbursements to NB Partners), UN organisations, Norfund, Fredskorpset and Care Norway, as well as institutional support to Sri Lankan chambers of commerce. There is also likely that Norad's records on the Application-Based Support is not complete. Especially the years 2004-2007 indicate gaps.

The survival rate of the cooperation is, in our view, surprisingly high. The Norwegian companies tend to be fairly small and survival in a complex setting such as Sri Lanka is a reflection of these entrepreneurs' skill and staying power. The high degree of survival of start-up companies is substantiated by the results of the MMP sample (where only projects which lead to cooperation are included). It is also substantiated by the results from the Norad loan sample as discussed in the next chapter.

High degree of additionality. A key question is whether the application-based support is additional, or whether the Norwegian companies would have undertaken the financed activities anyway by themselves, should the support not have been available. Such a counterfactual assessment is difficult. The companies are unlikely to answer 'yes' to a straightforward question (as this would question their motivation to seek the support). However, we believe that for a small Norwegian enterprise, the incentive which is entailed in the ABS is often critical for the decision-making to pursue a co-operation in Sri Lanka due to the lengthy adjustment and learning process required. In the words of a Norwegian company cooperating with a Sri Lankan company:

> *If we had known today how long and difficult this process was going to be, we would have both thought once or twice. We have spent years in trying to get our partner to understand the quality issues in European markets. It takes years, frequent travel here and a lot of patience to upgrade them to a company which can deliver to advanced markets. There are a lot of mistakes on the way which are very costly to us. We also work in China. It is totally different. There is another attitude, another understanding there. There is no real understanding of quality here, what the market requires.*

Weak results-monitoring. Norad, while undertaking a careful appraisal of each proposed project under the ABS which is the basis of a contract agreement between Norad and the company, lacks a system for systematic monitoring of the outcome of the ABS beyond the point when the recipient has delivered their report when the support has ended. Furthermore, the programme has not been subject to a formal external evaluation or review to determine results for many years; a surprising feature, given that Norwegian development assistance in general tends to periodically evaluate almost every project financed.

Weak assessment of HSE. As glass-fibre production features strongly in the application based support, the issue of HSE standards applies to the ABS. In fact, Norad – in implementing the ABS – has a greater responsibility in terms of quality assurance than in the MMP. It can be argued that the MMP's focus is more limited in that it only puts companies in touch with one another, and that HSE standards are the responsibility of the companies once collaboration takes place. In ABS, and especially in support of training, pilot production and marketing, Norad has a clear responsibility with regard ensuring HSE standards are followed.

Reasonable cost-effectiveness Our judgement of the cost-effectiveness of the ABS is that it is reasonably good. Given that the initial feasibility studies tend to involve rather limited amounts (generally less than NOK 0,3 million), and that the ratio of failed collaborations is low, the total cost is spread over a reasonably large number of sustained companies. Further adding to a decent cost-effectiveness is that there is cost-sharing, generally around 50% - with the Norwegian companies. Applying the cost of the ABS to job-creation, and *assuming* that job creation can be attributed to the ABS gives – based on the sample – a ratio of NOK 25,000 on the average per job created. This figure should be used with great care due to these assumptions.

2.5 Summary of assessment

Table 5. Assessment of the Application based support in Sri Lanka 1999-2009

Assessment criteria	Rating	Explanation
Inputs	X	Re-active. No technical inputs except reviews of applications
Cost to Norwegian aid	X	Annually about NOK 3 million. Figure is uncertain
Other inputs	2	All schemes are based on cost-sharing with firms, in most case 50%-50%
Outputs	3	About 110 projects ranging from NOK 0,1 million to 1,2 million between 1999-2009. Figures probably incorrect; the number should be higher due to problems in Norad's data base. Most projects are for (pre-)feasibility studies and training.
Outcome	3	Feasibility studies, training projects, pilot production, marketing support and environmental projects carried out. Dominance of the first two categories. Projects seemingly well carried out.
Impacts		See MMP
Poverty impact		See MMP
Cross-cutting issues		See MMP
Sustainability	3	Based on sample, about half of the companies receiving support for feasibility studies start some form of cooperation. Once cooperation is attempted, there is an apparent high ratio of survival of the companies from a medium term perspective
Additionality	3	ABS has varying degrees of additionality from project to project. Overall, it is high, likely to be critical for Norwegian company investments in the majority of cases
Institutional assessment		
Efficiency	3	Overall reasonable administration (review of applications; decision making, follow up)

Assessment criteria	Rating	Explanation
Results-measuring	1	No systematic, formalised follow up once grant paid out and report received. No assessment of results in terms of viability of cooperation, employment
Quality assurance	1	Strong focus on financial matters in appraisal, limited attention to potential development effects and weak on HSE quality assurance.
Coordination with other Norwegian PSD programmes	2	Not explicit, but programme intimately linked to MMP (and before 2000 the Norad loans). Information sharing with Embassy
Exit strategy	4	Support given without any commitment to further support
Corruption risk	4	Probably low risk as recipients of funds are provided to Norwegian companies, and the audit procedures are well developed for grants given, including using standard costs (such as fees and per diems)
Programme effectiveness	3	Good achievement of stated qualitative objectives
Cost-effectiveness	3	Reasonable based on the high rate of sustainability of supported companies and cost-sharing. Cost for administration not calculated by the Evaluation
Relevance		
Coherence Norwegian policies	4	Good – utilisation of Norwegian resource base
Coherence Government priorities	3	Good – FDI a government priority
Addressing binding constraints	3	Limited FDI a defined constraint, especially some years ago
Importance for Norwegian business	4	Instrumental in attracting SMEs to undertake business in Sri Lanka and thus their internationalisation in cooperation with MMP
Aid issues		
Untying of aid	0	None – entirely aimed at Norwegian enterprises
Donor coordination	0	No evidence of such coordination
Replicability and scaling up opportunities	3	Programme undertaken in large number of developing countries; constraints probably lie in Norwegian SMEs' appetite for operations in developing countries. Possible to replicate by other donors

3 Norad's Loan Scheme

3.1 The programme

Norad introduced its loan scheme in the early 1980s. These loans were given on soft terms with interest rates well below the market. The loans were given in Norwegian currency, over a 5-10 year repayment period with 1-2 years grace period.

Norad tried to secure the loans through various means, but these securities were, from a banking perspective, often insufficient and sometimes non-existent. At the end of 2000, the soft loan programme was stopped and Norad handed over the administration of the remaining outstanding loans to Norfund.

3.2 Programme objectives

The objectives of the Norad loans are the same as for MMP and ABS, i.e. to contribute to the overall objective of Norwegian development assistance, elimination of poverty. The support is expected to result in economic development, employment and income generation through productive use of local resources and mobilisation of Norwegian-related business for investments in the partner country.

3.3 The Sri Lanka portfolio

At the time when the Norad loan scheme was ended in 2000, six of the then still outstanding 51 loans concerned investments in Sri Lanka, issued to five different companies and organisations between 1995 and 2000 as indicated in table 6 below.

Table 6. Norad's soft loans in Sri Lanka as of 31 December 2000

Company	Loan (year) NOK	Purpose
Ceyland International	1,2 mill. (1999)	Products of coconut husks for seed and seedling propagation
Ceylon Oxygen Loan to Hydrogas, a subsidiary of Norsk Hydro	3,3 mill. (1995) 14,0 mill. (1997)	Industrial gas production. Loans for rehabilitation of existing industrial gas production, and for a new factory for production of liquid nitrogen and oxygen
Green Farms	2,4 mill. (1998)	Export oriented plantation of green plants started in 1979 as a Norwegian – Sri Lankan JV, from 1983 as a fully owned Norwegian enterprise
Viksund Asia	1,35 mill. (1999)	Glass fibre boat production
Worldview Global Media	5,0 mill. (1998)	Loan to the Worldview International Foundation, an NGO with strong Norwegian interests. The NGO taken over by YATV Ltd, Sri Lanka[52]

The Norad loans have in all the cases above been provided in parallel with support through the Application-based support, sometimes repeatedly. In some of the cases, the projects were preceded by matchmaking grants. Below is a summary of the current status for four of the companies which have been subject for a review in this evaluation.[53]

52 This loan was poorly serviced for many years, but has been restructured and is now serviced according to schedule. Outstanding principal: NOK 1,4 mill.
53 Worldview Global Media was excluded from the assessment due to time constraints.

Ceyland is a joint venture between a Sri Lankan entrepreneur and two Norwegian businessmen. It was established in 2000 to produce coir fibre pith (a product made of coconut husks) to be used for plant propagation. The Sri Lankan partner had retired from a long employment in the Norwegian oil industry in the 1980s. He had set up a joint venture with a Norwegian partner, the steel company, Alloy, supported by an earlier Norad soft loan.[54] In the new venture, a Norad loan of NOK 1,2 million was agreed in 1999 for financing a factory in Hambantota. Its only market was Jiffy International, a Norwegian multinational company, using this product as a replacement of peat in their production of plant propagation material. Ceyland supplied Jiffy in Norway over several years, and once Jiffy had established its own factory in Sri Lanka in 2003 (with support of Norad under the Application based support), Ceyland began supplying this company, a market arrangement which today no longer exists. The Hambantota factory, which employs some 40 persons, 80% of which are unskilled women, still operates.

Green Farms was established in 1979 as a joint venture between Norwegian interests and five Sri Lankan partners for export-oriented production of green plants. The ownership structure collapsed in 1983 and the company became fully Norwegian owned. Green Farms have received support from Norad several times in between 1984 and 1995. Thus, in 1984 Green Farms received support for training of staff under the Application-base support (NOK 0,26 mill.); and two subsidized loans (in total of NOK 4,25 mill.). Green Farms was one of the first companies to receive such Norad loans. In 1990 the company received further support under the Application-based support for training and pilot production (NOK 0,1 million), as well as another soft loan (NOK 2,5 mill.). In 1994 further support for training was provided by Norad (NOK 0,8 million). In summary, Green Farms received 1984-1995 soft loans of in total NOK 6,75 million and application based support of in total NOK 1,1 mill.

Green Farms was the first export-oriented project of green plants from Sri Lanka for export to mainly Europe. Norad supported the company as it was seen as a good development project due to the considerable employment created, mostly for women.[55] Green Farms is still in operation, and has a 30 year history in Sri Lanka, the longest operating commercial operations in the country with active Norwegian participation. It currently has about 125 full time employees, operating from a farm of 45 acres with large 'green houses' of shaded nets and irrigated from its water resources. The farm is located some 60 km inland north of Colombo. The company is entirely export-oriented with customers in Europe, USA and Asia, mainly Japan, and the Middle East. (It is one of the few Norwegian businesses in Sri Lanka which does not have Norway as its main market.) The farm has had a research orientation over the years, with its own laboratory, and Green Farms has over the years supported some 60 research projects by Sri Lankan students and graduates doing applied research. It has, *inter alia*, developed organic pesticides, and reduced the use of chemical pesticides to a minimum. It has also been one of the most important employers in its rural setting.

---

54 This loan was serveicd and repaid as scheduled. Alloy has a work force of about 50 persons and is a profitable and stable enterprise.
55 Norad report 1999

Ceylon Oxygen was established by British Oxygen in 1936, nationalised in 1976, and again privatised in 1990. The Norwegian multinational company Norsk Hydro AS bought 60% of the shares though its subsidiary Hydrogas. Norad supported Hydrogas in 1991 through two investment guarantees (NOK 11,5 million and NOK 5,7 million), and in 1993 provided a soft loan for upgrading Ceylon Oxygen's production facilities (NOK 3,3 million). In 1997 Ceylon Oxygen received a second Norad loan of NOK 14 million to be repaid over 6 years. The latter loan provided about 30% of the investment in the development of a new air separation factory to replace two existing older ones, and investment of about NOK 50 million. The company had at the time of the expansion nearly 90% of the local market of liquid oxygen and nitrogen. Parallel with the loan, the company also got support for training (Application-based support) of NOK 0,3 million.[56] The Norad loans were serviced as scheduled and fully repaid in 2003 in accordance with the agreement.[57]

Viksund Asia was established in Sri Lanka in 1999 as a joint venture between by Viksund AS and Sri Lanka's foremost boat building company Neil Fernando Ltd, today Neil Marine.[58] (The origin of the joint venture was a matchmaking grant in 1997.) Viksund Asia's plan was to produce 45 ft fishing vessels for the Norwegian market. Norad provided a loan of NOK 1,35 million in 1999, and also support for training of NOK 1,2 million in the same year under the Application based support. Viksund Asia received further support three times between 2000 – 2003 amounting to a total of NOK 1,5 million under the ABS. In total Viksund has, according to Norad's records, received grants under the application-based support of NOK 2,8 million between 1999-2003, besides the soft loan of NOK 1,35 million. Viksund Asia ceased operations in 2004. In 2005 a new company was established in Sri Lanka by the leading person behind Viksund Asia: Jostein Viksund Design & Model Centre. This company initially produced smaller boats (up to 19ft) for export to Norway. Today the company produces, according to its owner, some 200-250 mostly smaller leisure motor boats per annum for export, mainly to Norway. The company employs today about 100 persons, mostly men.

In 2009, Viksund AS in Norway was declared bankrupt and Norfund has put in its claims to the liquidator. Viksund's operations in Sri Lanka have been wrought with controversy. In a court case in Norway, Viksund was accused of using the With design for boats sold under Viksund's name. Viksund was also was drawn into a diplomatic issue in 2009 when the company gave a patrol boat to the Sri Lankan military for defence at the time when Norway was still involved in peace negotiations between the government and LTTE. Furthermore, media in Norway has speculated that boats produced in Sri Lanka contributed to the demise of Viksund in Norway due to quality problems.[59]

---

56 Assessment memo Norad 1997

57 In 2004, Norsk Hydro spun off its agriculture business segment to a separate company, Yara International. In 2006, Yara decided to sell off Ceylon Oxygen in a strategic decision to focus on Yara's core business, fertilizers. Ceylon Oxygen was bought by the British venture capital management company Actis, one of the two such companies created from the demerger of CDC. (The other company is Aureos Capital). Today Actis, through a subsidiary called Specialist Gasses Ltd, owns 97% of Ceylon Oxygen. The company, dominating the market for industrial and medical gas in Sri Lanka, has a turnover of about US$ 10 million and in 2008 made a net profit US$ 1,5 million. Except for some minor export to the Maldives, its market is entirely domestic. The company, situated near Colombo, employs currently some 110 persons. Its management is entirely Sri Lankan.

58 Neil Fernando is Sri Lanka's largest boat manufacturer with roots from the 1960s. It has supplied more than 35,000 boats, mainly for fishing, and mainly for the domestic market and today is one of the largest fibre glass boat manufacturers in South Asia. It exports boats globally today.

59 Fiskeribladet sept 2008

3.4 Key findings

Poor financial performance. Four of the five loan-takers have serviced the loans poorly, and only one (Norsk Hydro) has repaid its two loans according to schedule. Table 7 below shows the repayment of the loans and their current valuation by Norfund. (Only one company is disclosed by name as Norfund considers the information commercially sensitive):

Table 7. Loan repayment performance of the Sri Lankan Norad loans

Company	Repayment performance	Norfund's loan assessment 2009	Loan (NOK mill.)	Repayment (NOK mill.)
1	No payment of principal, no interests since the loan was issued.	A likely 100% loss		
2	No payment of principal since the loan was issued due to weak financial position of the company	Highly uncertain. Current book value at 50%		
3	Poor repayment record due to weak financial position of the company..	Closed. Write off 60% of the loan in 2003		
4	Poor repayment record; loan restructured and currently serviced according to agreement	Likely to be repaid in full by 2010		
5	Two loans serviced according to agreement	Closed. Fully paid by 2003.		
Total			27,3	24,4

As noted in the table, the assumed overall loss by Norfund is, in spite of the generally poor repayment performance of four out of five lenders, fairly small, or NOK 2,9 million representing 12% of the total loan amount.

The reasons for poor financial performance by four out of the five companies are several:

- More complex market conditions than anticipated, affecting these new small-scale enterprises. Suppressed prices on the world market, dependency on only one or a few buyers, etc., have resulted in poor financial performance of the companies.
- An attitude that Norwegian aid should share the cost (more than already done) combined with weak 'banking discipline' by Norad with its mixed mandate of both administering a loan portfolio (not its core business) and stimulating business development. The loans were furthermore given in Norwegian crowns, and due to an unfavourable exchange of the Sri Lankan rupee, they became possibly much more expensive than anticipated.
- The portfolio Norfund took over included not only recent loans, but also poorly performing loans. One of the six loans was of this nature.

High additionality. Of the four assessed companies above, our conclusion is that the Norad's loans, <u>together with the other forms of Norad support</u> (MMP and ABS) are likely to have been critical for the emergence of three of these companies. In the case of Ceylon Oxygen, the support probably did not have such an effect.[60]

Considerable relative impact. The Norad loans were part of larger investments, where the loan accounted for about a third of the total investment. While difficult to judge the counterfactual, it is unlikely that the majority of these investments would have taken place without the soft loans, hence the loans triggered larger investment. All the four assessed companies have survived ten years or more after the loans were given or, in the case of Viksund, re-emerged in a new form. As such they have provided steady employment directly to some 500 persons over ten years or more, and in the two agriculture-based companies, added indirect employment in the hundreds. Some 400 of these workplaces can be considered additional, i.e. would not have emerged without the support.[61] Three of the companies are located in rural areas, one in one of Sri Lanka's least developed regions (Hambantota), and two of the companies provide employment to mainly unskilled female labour. Steady income, mainly to women, has likely had an important impact in the local community, leading to house building/improvements etc, although it is not possible to quantify this.

There is and/or has been a certain degree of technology transfer and/or development through these projects: Ceylon Oxygen has through its new Norwegian owner been modernised and provided with professional management, today manifested in a profitable and well-run company. Ceyland has provided value adding to one of Sri Lanka's waste products, coconut husks, for new uses, both further developed in the company itself and through Jiffy. Green Farms has added technology in organic plant protection in Sri Lanka, spread through its applied research at farm level in cooperation with Sri Lankan researchers. In two of the cases, Norwegian entrepreneurs have decided to stay on in Sri Lanka, and in at least one case (Green Farm) taken on a development role possibly with considerable personal costs, and limited financial rewards. Viksund, in its new form, has probably had not an insignificant impact on Sri Lankan glass-fibre boat production for exports in terms of modern boat designs.

Good cost-effectiveness. The Norad loan scheme has, in the Sri Lanka case turned out to be a cost-effective use of Norwegian aid, given the objectives of the programme and <u>the quite limited aid resources used.</u> The cost to the aid budget of the four assessed projects is maximum NOK 10 million (Based on the current valuation of the loans and with an estimated subsidy element of 30% of the loans. Of this, NOK 6 million is for Ceylon Oxygen where we judge the additionality as very limited). Assuming the loans were instrumental for the establishment of the other enterprises, with their joint employment of some 400 full-time jobs, it implies an 'aid cost' per job of about NOK 10,000. There are caveats to this, however. First, that the loans must be combined with the other forms of Norad support, adding

60 It is unlikely that Norsk Hydro based its investment decision on the availability of these subsidies. The initial investment guarantees by Norad, on the other hand, might have had some role in the company's decision-making.
61 These jobs should not be added to those under MMP and ABS as the supports overlap.

another NOK 4 million of grants (making the cost per job to NOK 20,000). Second, two, or possibly three, of the companies are financially quite vulnerable and dependent on private subsidies. Third, the support to one of the companies might in fact be indirect exports of hazardous industries to Sri Lanka, as elaborated elsewhere in this report.

3.5 Summary of assessment

Table 8. Assessment of Norad soft loans in Sri Lanka which were outstanding end of year 2000[62]

Assessment criteria	Rating	Explanation
Inputs	X	Subsidised loans ranging from NOK 1,3 million to NOK 14 million. Subsidy elements on the average about 30% based on interest rate well below market rates.
Cost to Norwegian aid	X	Estimated to max. NOK 10 million for 5 loans included in the Evaluation on the assumption no further repayment takes place
Other inputs	3	Estimated leverage 1:3 of private capital and loans
Outputs	3	Investments in 4 SME companies of which 3 green field
Outcome	2	One company collapsed, but re-emerged. The other are 3 operational, albeit 2 with poor financial performance.
Impacts		
Policy; regulations	0	No evidence; not attempted
Sector institutions	0	See above
Enabling environment	0	See above
FDI from Norway	3	Key objective: Estimated total investment of NOK 75 million. Leverage ratio estimated to 1:3. (Loans likely to have triggered twice as much other capital.
FDI general	0	None
Trade Norway	3	Estimated to NOK 5-10 million per annum
Trade general and with other developing countries	3	Estimated to NOK 10 million per annum
Financial systems and capital market	0	No evidence of such impact (and not attempted)
Business organisations	0	No evidence
Employment direct	3	Key objective: Estimated to about 400 additional jobs (Excluding Ceylon Oxygen which had a 'negative employment effect' due to modernisation)

62 Note, one of the supported companies, Viksund Asia, has collapsed, but in the assessment below, the re-emerged company Viksund Design is considered a direct result of the support (loan, training, etc), hence included in the assessment.

Assessment criteria	Rating	Explanation
Employment indirect	2	Secondary objective: Possibly some 200-300 additional (out growers; coconut husk milling, freight and forwarding, transports, etc)
Technology and know how transfer at company level	4	Key objective: Considerable – glass fibre boat production and design; value added plant propagation material from coconut husks, research in organic pesticides; modernisation and professional management in Ceylon Oxygen
Sector development	1	Some impact in boat building, possibly trigger of Jiffy's operations
Sri Lankan competitiveness	0	Too marginal inputs
Poverty impact		
Local/regional socio-economic conditions	3	Key development objective: Two medium-sized work places created in employment starved areas, creating spin-off effects such as house building etc. in local communities.
Inclusion of marginalised groups	2	Employment of some 100 – 200 uneducated women in rural areas
Addressing regional imbalances	2	One company in marginalised area, one in rural settings, two in greater Colombo setting
Macro effects	0	Too limited for any effect nationally.
Cross-cutting issues		
Environment	1	Local potential negative effects in some sectors
Health and Safety	1	Limited quality assurance by Norad; potential negative effects
Labour conditions	2	Companies vulnerable, hence jobs probably have a low degree of security; largely unskilled work; Exception Ceylon Oxygen
Gender	3	Majority of additional jobs for women
Sustainability	3	All four sustained albeit two marginally
Additionality	4	Strong for 3 out of 4 companies
Institutional assessment[63]		
Efficiency	3	Norad's risk preparedness for investment was high; its due diligence of projects medium of quality; limited banking capacity to administer loans and recover interest and repayments
Results-measuring	2	Ad-hoc follow-up of loans as long as they are in the books and not repaid. Assessment of development impact on an ad hoc basis

63 The assessment concerns Norad's administration of the programme

Assessment criteria	Rating	Explanation
Quality assurance	1	Weak for HSE
Coordination with other Norwegian PSD programmes	3	Intimately linked to the MMP and ABS; exchange of information with embassy
Exit strategy	3	No commitment to further support after loan provided. However, further support triggered in some of the cases
Corruption sensitivity	NA	Unclear – the financial follow up of poorly performing loans is not strong
Programme effectiveness	3	Qualitative objectives reached, albeit some of the companies' financial positions are not strong. Excluding Ceylon Oxygen
Cost-effectiveness	4	Low aid cost per additional job, NOK 10,000 – 20,000/job, some of these jobs sustained for 20 years or more. Leverage effect on investments about 1:10[64]
Relevance		
Coherence Norwegian policies	3	Promotion of Norwegian FDI priority in PSD strategy and Sri Lanka policy
Coherence Government priorities	3	FDI a priority
Addressing binding constrains	2	Limited FDI a constraint
Importance for Norwegian business	3	Instrumental for investments in Sri Lanka
Aid issues		
Untying of aid	0	Not an objective at time of programme. Norwegian interests in all 4 companies, albeit a JV in one.
Donor coordination	0	No evidence of such coordination.
Replicability and scaling up opportunities	1	Loan scheme ended, hence not currently an issue. In general, possible for large scale operations albeit loans are always an odd form of development assistance in grant-based organisations; Norfund not in the business of these types of loans

4 Embassy Level Business Related Assistance

4.1 The overall support

As noted in table 3 above, the Embassy support for private sector development in Sri Lanka (defined narrowly) since 1999 includes seven programmes or projects. In

64 The calculation is based on a subsidy element in loans of about 30% and that the loans financed about a third of the investment.

financial terms, the most important funding has been to multi-bi projects and programmes implemented by UNIDO (cleaner production) and IFC (SMEs development). The multi-bi programmes are Sri Lanka operations within or parallel to regional or global programmes operated by these organisations. These first phases of these programmes in Sri Lanka have been evaluated by independent consultants commissioned by the implementing agencies. The results have overall been considered sufficiently promising for continuation into second phases.[65] A special case is the IFC implemented project *Southern Credit programme for SMEs*. This programme replaced a credit guarantee project for SMEs through the southern chambers of commerce which had been prepared during several years by the Embassy, but stopped at a late stage due to legal uncertainties. This programme is as yet at too early a stage to have been subject to an independent review.

The evaluation chose not to include any of these UNIDO and IFC multi-bi programmes, but rather to focus on the Embassies' chambers of commerce support. The key reasons for this were: (i) that the ToR for the evaluation indicated a desire for a selection of chamber support; and (ii) the latter projects have been directly implemented by the Embassy, hence show a stronger involvement by the Norwegian Embassy in design and supervision than those operated by the international organisations. In hindsight, a broader selection of Embassy level business-related assistance would have been desirable. The selection of only one theme of the Embassy support (and furthermore only one of the chambers of three organisations supported) limits the possibilities to generalise the findings to the Embassy support in general. This issue, highlighted in the Embassy's comment on the first draft of the Sri Lanka report, has led to a redesign of the three remaining case country studies. In these, the majority of the embassy support will be covered by the evaluation.[66] For the purpose of transparency, the Embassy comments on the draft report are attached in annex 5.

4.2 Embassy support to Sri Lankan chambers of commerce

With a background in the integrated rural development project in Hambantota, Norway supports chambers of commerce as a lead theme in its PSD portfolio in Sri Lanka. Three such projects/ programmes all financed by the Norwegian Embassy can be identified in the 2000s:

- Support to the Hambantota District Chamber of Commerce, HDCC. Starting in 1993, the chamber has received Norwegian grants, mainly from the Embassy, totalling about NOK 10 million from year 2000. The current agreement ends in 2010.
- Support to the Ceylon Chamber of Commerce from the Norwegian embassy in the context of the Matchmaking programme. The financial allocation between 2001-2009 has been NOK 5,4 million.
- Support to the Federation of Chambers of Commerce and Industry of Sri Lanka (FCCISL) for a project started in 2007 for three years with a budget of NOK 11 million. The support is provided to the Federation with the purpose to develop

65 See for example van Berkel et al (2007): *Independent Evaluation and Strategiv Review of the UNIDO/UNEP Cleaner Production Programme and Related Initiatives. Sri Lanka country report*; and Buschmann et al (2009): *Mid-term Review South Asia Enterprise Development Facility, Srti Lanka and Maldives 2005-2009*.

66 Except in South Africa where no Embassy PSD support since 1999 has been identified by the Embassy.

the organisational capacity of member regional and district chambers. It is a project undertaken jointly with Sida.

A fourth project - Increased Access to Credit for SMEs through IFC- has a connection to some degree with chamber support in the sense it replaced a SME loan guarantee project prepared by the Embassy focussing on five chambers in the South. That project was, however, stopped when it was about to be signed due to various reasons. It was replaced by an IFC project focusing on credit in which the Southern chambers play a role, albeit a small, role. Norway is probably the most significant financier of chamber of commerce development in Sri Lanka if the post-tsunami support is excluded. It is, however, difficult to get an overview of the total chamber support as no 'sector' assessment has been done.

4.3 The system of chambers of commerce in Sri Lanka

Chambers of commerce have a long history in Sri Lanka. The first one, the Ceylon Chamber of Commerce, CCC, was established in the mid 1800's during the British colonial era. Today the system of chambers of commerce in Sri Lanka is highly prolific. Besides CCC, which mainly represents the largest enterprises in Sri Lanka, there is a National Chamber of Commerce, established in 1948 as a nationalist counterweight to the then British dominated CCC. There are a further six national chambers representing different industrial sectors; 17 district-level chambers, 8 provincial and regional chambers, in addition to 14 sector/industrial associations and chambers. Many of the chambers are members of the Federation of Chambers of Commerce and Industry of Sri Lanka set up in 1973.[67] There is considerable competition between these chambers, not least for donor funding. Donors have, especially after the devastating Tsunami at the end of 2004, used the Sri Lankan chambers of commerce for rehabilitation work with considerable success. With the end of the ethnic war, there is a process by donors for mobilising the chambers system for rehabilitation and peace-building in the North and the East.

4.4 Hambantota District Chamber of Commerce

The project. As discussed earlier in this report, the latter phase of HIRDEP had an explicit focus on direct private sector development, reflecting the changed political agenda in Sri Lanka as well as the new donor paradigm of the 1990s. A manifestation of this was the creation of the Hambantota District Chamber of Commerce (HDCC) in 1993, Sri Lanka's first district chamber of commerce. Once HIRDEP was ended in 1999, the support to HDCC continued and is still ongoing. The Norwegian support to HDCC has been carried out in four phases between 2000 and today, the last phase with a planned end in 2010. The total support to HDCC is NOK 10 million, <u>excluding</u> the support between 1993 and 1999 under HIRDEP.[68] The Norwegian support was initially provided to construct HDCC premises and supply necessary hardware such as computers and furniture. Later stages have mainly provided support for the day-to-day financing of the chamber, including salaries. Technical support has been limited, but HDCC has received such through other programmes and donors.

---

67 *www.fccisl.lk*
68 Data not available

4.5 Project objectives

The development objective of the support to HDCC throughout these four phases has been:[69]

> *to build up a strong private sector in Hambantota district in order to contribute to the economic growth and development;*

The expected results from the project(s) are:

- *Strong and dynamic private entrepreneurs will be available in Hambantota.*
- *A professional and a sustainable chamber will be available to provide a wide range of services to business community.*

4.6 Key findings

Mixed results of earlier evaluations. A 2003 ex-post review of HIRDEP considered the creation of HDCC as a major success of the programme, claiming that HDCC would not have emerged without HIRDEP.[70] At this time the chamber had some 250 members. Manifestations of the success, according to the review, were that it had attracted investments to the district, that private banks had opened offices there, and HDCC had become a focal point and a 'one-stop-shop' for other government and donor PSD programmes in the district. HDCC had also been a model for other regional business associations set up afterwards in Sri Lanka. [71] However, the review noted that HDCC was highly dependent on external funding, and that in the early 2000s self-generated funds from membership fees and services accounted for just 10-15% of the total costs of running the chamber.

In a mid-term review of Sida support to the Federation of Chambers undertaken in 2004, the Hambantota chamber was assessed in comparison with four other regional chambers (all supported under the Swedish Federation project). The review used a number of criteria such as management capability; human resource development, financial management, lobby management, membership management, trade promotion, business services, etc. Hambantota performed well, except in some crucial dimensions such as services provided to members, membership management, trade promotion, gender and networking with companies. The review found that the number of HDCC members was declining, in contrast to other chambers, and that HDCC had the very low ratio of self-financing of 18% of the total costs.[72]

An evaluation of the Chamber was also carried out in 2007 commissioned by the Norwegian Embassy and carried out by a local consultancy firm.[73] The evaluation took place at a time when HDCC requested continuous support from Norway for the period 2007-09. The evaluation concluded the following:

- membership in HDCC was largely the same in 2007 as in year 2000 with about 260 members;
- HDCC had created a strong network of national and international affiliations;

---

69 Embassy Appropriation memos for the projects
70 Jerve et al (2003).
71 HDCC was the first district chamber, but a provincial chamber of commerce had been established in Kandy already in 1991.
72 Karlstedt & Heart (2005): *Mid Term Review Capacity Building and Competence Development Programme for the FCCISL and Selected Regional Chambers of Commerce and Industry in Sri Lanka*
73 PASS (2007): *HDCC Final review and appraisal-*

- the performance of HDCC was ‘satisfactory’, and that it had had some impact on business development in the district, and had given the business sector a voice;
- the cost-effectiveness of the Chamber was low, given the considerable investments and technical inputs by the donors; and
- HDCC continued to be strongly dependent in donor funding, and tended to focus on such funding.

The evaluation concluded that HDCC needed a strong rethinking of its approach.

Strong institution building. HDCC is by all accounts an institution built by Norwegian assistance. Should there have been no such support, it probably would have been a Hambantota district chamber today in line with the broader trend of the country, but it would have been a far smaller organisation, probably less professional and with much fewer resources. HDCC has a well established reputation as one of the ‘best’ district chambers in the country. It has a high profile, is managed by a dynamic director general, who has had this position since the start of the chamber in 1993; it is supplied with very good resources for its work due to the support. It has established links with various regional and international bodies and maintains good networks in the professional systems of chambers and government. Partly due to this, the chamber has managed to mobilise support by other external funders besides Norway, including technical support from Canada (World University Services), Great Britain (Manchester of Commerce) and UNDP. As Hambantota district is currently seen by the Government as a regional growth point in Sri Lanka, fuelled by the fact that it is the home constituency of the current President, the chamber has a central role to play. A number of large scale infrastructure projects are on-going or are being planned.[74] HDCC is clearly a player in such a context with well established political connections.

Uncertain business support. HDCC’s usefulness to its members is not easy to determine, however. Neither the chamber, nor the Norwegian embassy has made a systematic assessment among the business community of HDCC’s services and role in advocacy. The cited review in 2004 provided useful points on the internal management of the chamber, but a surprisingly poor (relative) record of the critical dimensions of a chamber, i.e. membership management, services to businesses, trade promotion and company networking. The few enterprises interviewed in the context of the Evaluation were carefully selected by the chamber, hence not representative. An equally limited number of other businesses from Hambantota met during the Evaluation gave a mixed, and in some cases rather lukewarm assessment of the chamber. According to one such businessman:

> *They have a cosy life with all the Norwegian support they get. They haven’t done anything for me and others I know. People should not be in the leading position for such a long time. This is against the spirit of chambers. A donor should not create this form of dependency. The chamber becomes more interested in what the donor thinks and wants, than what we businessmen require.*

74 There are a number of large scale projects ongoing, including building a major harbour in Hambantota.

Such a view might be an exception, but similar attitudes were expressed by a few others encountered.

Serious problems of sustainability. HDCC has continued to rely on Norwegian support in the post-HIRDEP era, a support which is still ongoing. Its degree of self-financing is still very low. Membership fees accounted in 2008 for a mere 1% of the operating costs of the chamber. The self-financing of the chamber, operating on a budget of about Rps 50 million (NOK 2,8 million), is less than 40%. Hence in spite of repeated efforts by Norwegian support to create self-sufficiency, the chamber is very far from this goal in its current scale. The expected result of the current project - that *a professional and a sustainable chamber will be available to provide a wide range of services to business community* - will not have happened by 2010. The Norwegian support to HDCC seems caught in the classic development syndrome of the 1970s and 80s: building institutions over a long period of time with more resources and larger budgets than such organisations can conceivably mobilise on their own, and as a result a strong donor dependency. In 2007, the Norwegian embassy had initiated financing of a broader regional chamber of commerce support through the Federation of District Chambers of Commerce (see below) and wanted this programme also to cover HDCC. This led to objections from HDCC, claiming this jeopardized its survival in present form, which clearly was no exaggeration.

Relevance of a different nature. The Norwegian support to HDCC has for many years had little to do with building institutional capacity and competences. The support has rather been necessitated to keep the organisation afloat. A certain degree of symbiotic relationship has also developed, further complicating donor exit. According to an official in the Norwegian aid administration:

> *We developed very good contact with the key man. He was with us already in the Hambantota IRDP. He has been increasingly useful to us. A good contact for us with a wide network.*

Such a view is not inconsequential, particularly not against Norway's role in conflict resolution and the aftermath of the ethnic war. The long-term relationship with a well-networked person from a politically essential region can suit Norwegian political interests very well. In short, there might be a trade off between prudent development cooperation and effective use of aid resources, and such broader Norwegian political interests.

4.7 Summary of assessment HDCC

Table 9. Summary of assessment of the support to the Hambantota District Chamber of Commerce 2000-2009

Assessment criteria	Rating	Explanation
Inputs	X	Financial assistance; no significant technical assistance inputs since end of 1990s
Cost to Norwegian aid	X	NOK 10 million 2000 – 2011
Other inputs	1	Some additional aid by various organisations; limited own generated resources
Outputs	1	HDCC kept afloat
Outcome	3	A chamber which is an important power player locally, a model for other district chambers
Impacts		
Policy; regulations	1?	No direct evidence of impact; however HDCC is likely to influence regional policies
Sector Institutions	0	No apparent evidence
Enabling environment	2?	Key objective: As a key player locally and with a high profile head of organisation, such influence is manifested according to reports, however not qualified
FDI from Norway	0	Not attempted and no evidence of such flows
FDI general	NA	Not attempted; however, a function of chambers to receive incoming commercial missions. Not possible to determine any potential impact
Trade Norway	0	No evidence of such flows; nor an objective
Trade general and with other developing countries	NA	An essential objective of chambers: Hambantota not performing well in a 2004 assessment. No assessment possible in the Evaluation
Financial systems and capital market	0	No evidence of such impact. A project was prepared by the Embassy to initiate a credit guarantee role of local chambers, but project abandoned.
Business organisations	3	The key objective of the support. Major achievements over a 16 year support period; unclear regarding the additional contribution since 2000
Employment direct	0	The direct employment in HDCC is small.
Employment indirect	NA	Not possible to assess employment effects that might have been created in local businesses as a result of services and lobbying from HDCC
Technology and know how transfer at company level	1	Chamber development mainly taken place through technical inputs from other donors/ organisations after end 1990s

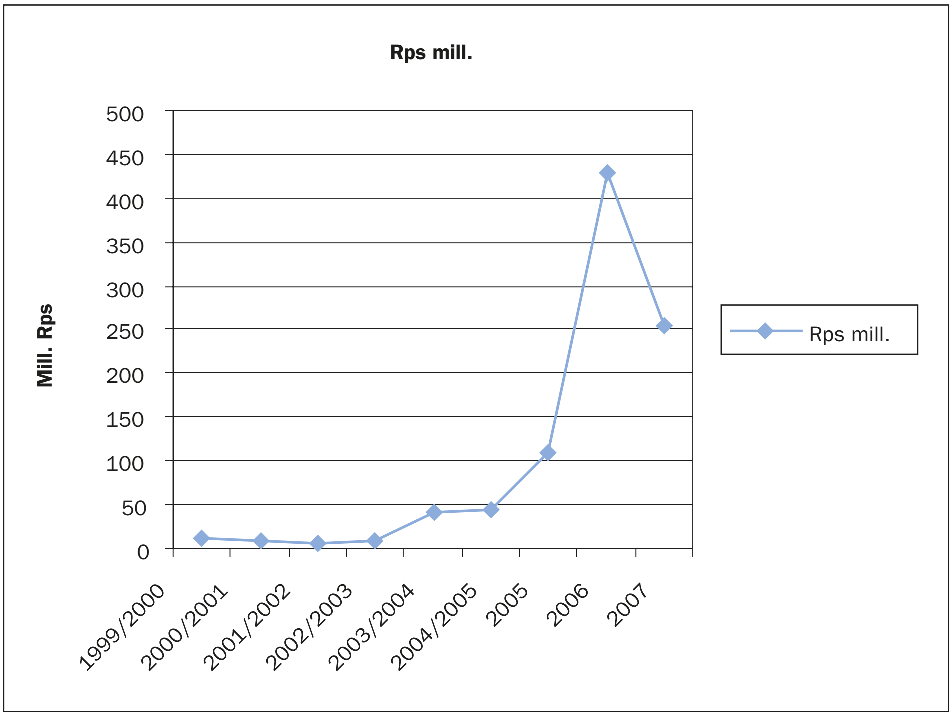
Assessment criteria	Rating	Explanation
Sector development	NA	Key function of the chamber. A number of courses and seminars conducted. No systematic results-monitoring available, hence impact not possible to quantify
Sri Lankan competitiveness	0	Unlikely to have macro effects
Poverty impact		
Local/regional socio-economic conditions	2	Hambantota used to be a deprived area, but a number of events have increased economic development in region. HDCC can be seen as a part in such a development process
Inclusion of marginalised groups	0	No evidence of such impact
Addressing regional imbalances	3	Hambantota outside the affluent regions, in the 1990s one of the most deprived areas
Macro effects	NA	A voice in political contexts; measuring impact impossible
Cross-cutting issues		
Environment	0	Not a focus of HDCC
Health and Safety, CSR	0	Not a focus of HDCC
Labour conditions	0	Not a focus of HDCC
Gender	1	HDCC's board highly male dominated
Sustainability	0	Low, entirely dependent on continuous aid
Additionality	5	HDCC entirely built by Norwegian (and other) aid
Institutional assessment (implementing agency)		
Efficiency	1	Embassy support only financial for the purpose of maintaining the organisation
Results-measuring	2	Limited to occasional evaluation by local consultants; no impact assessment
Quality assurance	2	Not explicit in appropriation documents
Coordination with other Norwegian PSD programmes	2	Limited to other chamber support
Exit strategy	1	A major problem – lack of ability so far to exit in spite of different efforts
Corruption sensitivity	NA	Not possible to assess.
Programme effectiveness	1	The objectives expressed in project documents not well achieved

Assessment criteria	Rating	Explanation
Cost-effectiveness	1	Low since end of 1990s. Little added value created
Relevance		
Coherence Norwegian policies	1	Not a priority in policy documents, but not in conflict with policies
Coherence Government priorities	1	Chamber support not an explicit government priority
Addressing binding constrains	2	Questionable currently, but stronger at start of support in the 1990s (lack of a business voice in the region)
Importance for Norwegian business	0	None
Aid issues		
Untying of aid	5	Fully untied, no use of Norwegian resources
Donor coordination	2	Limited to other donors supporting HDCC and also support to Federation of Chambers with Sweden
Replicability and scaling up opportunities	0	The objective should probably be the reverse given the strong aid dependency in the chamber system

4.8 The Federation of Chambers of Commerce and Industry

The Norwegian embassy is supporting the Federation of Chambers of Commerce and Industry of Sri Lanka with NOK 11 million over a three year project initiated in 2007. It was our intention to include this project in the thematic assessment of the chambers of commerce support. However, events coinciding with our work in Sri Lanka – in the form of a major issue which had evolved in between the donors (Norway and Sweden) and the Federation, making an assessment not well timed. Our work was limited to a meeting with some staff of the Federation. We include, nevertheless a limited review of the Federation as a background to other chambers support. There is a major issue is common to the two chambers projects: the risk that donor funding at a magnitude far above the self-sustained budgets of such private sector organisations, will create aid dependency which both donors and recipient have difficulty in overcoming. In addition, there is a strong possibility that such support risks diverting the function of the recipient organisation from its core business to respond to donor interests.

The Norwegian support to the Federation had its origin in a support programme started by Sweden in 2002. The aim was to strengthen and professionalize the chambers in order to enable them to offer relevant services to their members. At the time when the Norwegian Embassy decided to provide joint support with Sida for a three year phase of the project (2007-2009), the conditions for FCCISL had changed dramatically. After the Tsunami hit Sri Lanka at the end of 2004, massive support for rehabilitation was provided by the donor community from 2005 onwards, some of which was channelled through chambers of commerce, including the Federation. As a result of this, the budget of the Federation escalated very rapidly, from a level of about Rps 40 million per annum in 2003 to ten times that amount in 2006 as shown in the figure below.



The Federation had become an organisation which, quite successfully, implemented donor funded programmes for Tsunami rehabilitation. The staff of the organisation expanded rapidly and is today about 100 persons, an extraordinary situation for an apex-organisation whose common members, the regional chambers, often have just one or at best a few paid staff. The Federation had, as a result of the donor support, also become highly dependent on such funding, to the extent that it was already over 90% dependent on donor funds for its overall operations when Norad decided to provide joint financing with Sida.

This evaluation is not in a position to judge whether the Federation effectively is achieving the objective of strengthening regional and district member chambers. However, we note that there is considerable uncertainty in this respect both among the donors and in the Hambantota DCC, one of the target chambers; in the former case partly due to the change of leadership in the Federation.

5 Micro Finance and Strømme Foundation

5.1 Background

Norway's involvement in support of microfinance in Sri Lanka dates back to the 1980s under the Hambantota IRDP. The Social Mobilisation Programme, which started under HIRDEP in 1986, was modelled after Grameen Bank in Bangladesh with saving groups and self-banking societies aimed at mainly poor women. As such it is one of the first microfinance initiatives in Sri Lanka and generally outside Bangladesh. The programme was restructured in 1996 through the creation of a Social Mobilisation Foundation, SMF; and a Banking Union and various service bodies for training, enterprise development, etc. This Foundation was also supported by Norway after the end of the HIRDEP until the early 2000s. An ex-post review of HIRDEP concluded that the SMF had been a clear success, and at the time of the review, the programme was self-financed. The SMF, would, however, not continue as a success story. Not only did it become a victim of the Tsunami which destroyed it records and premises, but allegations of corruption have been made regarding SMF, possibly including Norwegian funds. The Embassy is considering an investigation, but no decision has yet been taken on this. A review in 2008 of the overall experience from Savings and Credit Groups and comparing these in Asia and Africa concluded, nevertheless, that Norway had been instrumental in triggering social mobilisation in Sri Lanka, and that 'social mobilisation as practiced in Sri Lanka has elements that definitely should inspire and influence Self-Help Microfinance Group-programmes elsewhere'.[75]

A number of microfinance projects or programmes have been supported by Norway during the 2000s through NGOs or UN agencies, besides the support mentioned above to SMF. The most important of these is the micro finance operated under the Norwegian NGO Strømme Foundation (SF) discussed below, but the support also includes other Norwegian NGOs (FORUT), Sri Lankan NGOs (Sareeram Sri Lanka National Foundation operating in Batticaloa) and UNDP. As microfinance tends to be an opaque sector in Sri Lanka with schemes implemented by a large number of organisations, Norway's support for microfinance is not easily traced. However, Norway was identified in a survey undertaken by CGAP in 2005 as one of the main foreign suppliers of microfinance support in the country. The Strømme Foundation was, according to the same survey, the leading NGO funder at the time of the study.[76]

5.2 The 'sector' in Sri Lanka

Microfinance in Sri Lanka has a long history and is prolific in terms of organisations providing such services and outreach. In the mid 2000s there were some 15 million deposit accounts (for a population of about 20 million), and some 2 million loans disbursed per annum, indicating strong proliferation. The microfinance institutions involved are government organisations, banks, cooperatives and national and international NGOs. Microfinance and social mobilisation have also for many years been official government policy and in this respect Sri Lanka was a pioneer globally. Thus, the Sri Lankan government promotes various forms of poverty oriented programmes which include microfinance schemes, some of which have had substantial World Bank support. The cooperative movement also has extensive microfinance operations with a wide network of thrift and savings societies. Also the formal banking system in itself has provided various micro finance schemes dating back to the early 1990s. Besides the formal institutions, there are

75 Mersland, R. and Eggen, Ö.(2008): You cannot save alone. Financial and social mobilisation in Savings and Credit groups, Norad report 8:2008.
76 CGAP (2006): *Country-level effectiveness and accountability study. Sri Lanka*

several hundred microfinance institutions (MFIs) operating as NGOs. After Bangladesh, Sri Lanka might be the country where microfinance combined with social mobilisation is most established. In terms of outlets for microfinance per inhabitant, Sri Lanka is possibly a world leader.[77]

Microfinance in Sri Lanka is a field with substantial support from the outside with major donors and international organisations funding microfinance schemes, including the World Bank and ADB. The CGAP survey identified over 30 different funding organisations, including some 20 international NGOs and 10 multi- or bilateral organisations operating in the mid 2000s. The external budgets for micro finance in Sri Lanka for the period 1999-2005 was estimated to be in the order of US$ 200 million.

According to a CGAP survey, the ‘sector' was plagued by various problems, including:

- The quality of the MFI portfolios tended to be low with a high degree of defaults and risk.
- There was a muddling of provision of credit with social welfare, leading to poor recovery rates. This was especially pronounced after the Tsunami when donor support often was channelled to MFIs.
- There were too many providers to make the microfinance system sound and financially sustainable; many of the retail providers were fragile.
- Donor support of subsidized funding created disincentives to focus on financial sustainability and added to the proliferation.

In many ways, at this time Sri Lanka was far off in terms of applying the now well-established ‘best practices' in the booming micro finance industry.

5.3 The Strømme Foundation

Background. SF has operated in Sri Lanka since the 1980s in a limited scale in its two focus areas of education and microfinance. In the early 2000s, the support was scaled up, not least due to a framework agreement with Norad. Under this agreement, SF has provided microfinance services to about 30 partner organisations in Sri Lanka since 2002. In 2006-07 SF reorganised its overall support in Sri Lanka, including establishing an independent company for microfinance, the Strømme Microfinance Asia (Guarantee) Ltd (SMAGL). This company's operations are integrated with SF's other work, but it is a separate legal entity, operating according to Sri Lankan company law, and issuing annual accounts according to this law.

In terms of microfinance, SF/SMAGL sees itself as an apex-body in the Sri Lankan context, providing loans to retail micro finance organisations of different kinds such as women's societies, cooperatives, community-based organisations, etc. These MFIs, in their turn, provide loans to groups or individuals at community level. The loans provided by the partners are usually less than US$ 200, repaid over one year with interest rates of about 25%. SF's rate to the MFI partners is 8-9%. The rate at

77 CGAP 2005

which SF can lend to retail MFIs is, for practical reasons, set by a market where government subsidised funds for microfinance dominate.

The majority of SF's 30 partners have also credit lines from other funders. These lines of credit include the former World Bank/Asian Development Bank finance National Development Trust Fund (NDTF) cooperating with some 300 MFIs, the cooperative sector in Sri Lanka, donors such as USAid and GTZ, and international NGOs such as BRAC.

5.4 Strømme Foundation's objectives

For its microfinance operations in Sri Lanka, SF's objectives are to:

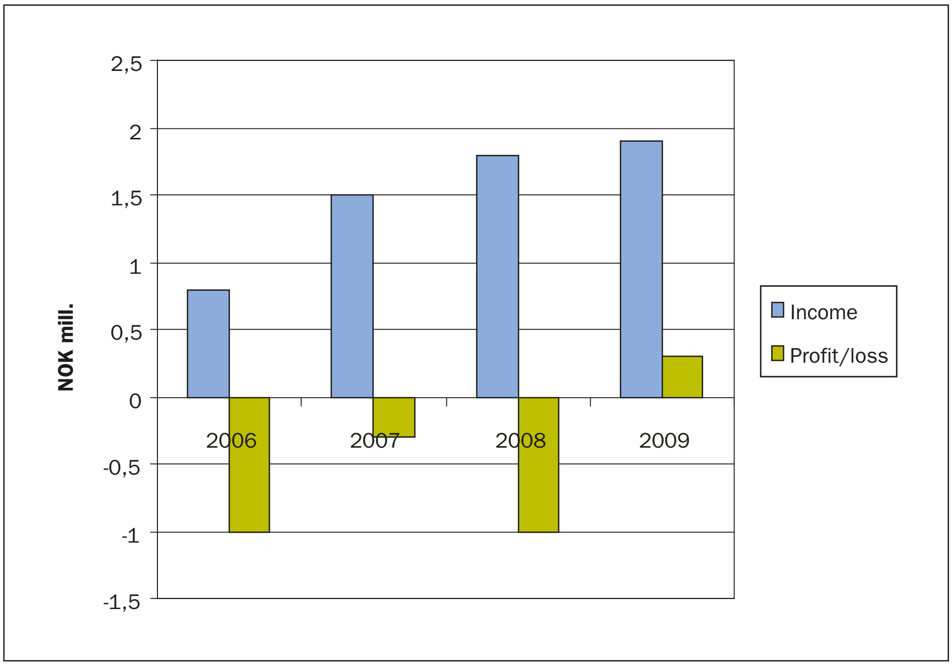
- Build competence and professionalism in partner organisations in order to facilitate people's empowerment to combat poverty
- Enable participants of the projects and programmes to reach a better standard of living, plan and manage their development process in their own organisations.

For the most recent phase of the programme, SF's objective was that 30,000 poor people in 6 Districts (in SF's target areas in the East, South and North central part of the country) will no longer be classified as 'poor' as a result of economic and social empowerment initiatives and by building strong civil societies by the end of 2008.

5.5 Key findings

A problematic first phase. Strømme Foundation's earlier years in microfinance were fraught with problems. Many of its partner-MFIs were not performing well financially. SF was plagued with the general problem in Sri Lanka where they had a culture of mixing development work with microfinance. This resulted in mixing grants with credit, resulting in poor repayment records, a problem exacerbated in 2005 when donor funds for Tsunami rehabilitation were channelled through many MFIs. Therefore since it started operations in 2006 SMAGL has operated with considerable losses. In an assessment of the portfolio in April 2009 undertaken by the company, about 10% of the outstanding loans were overdue by more than 30 days, and out of 29 partner organisations, more than half of the partners had substantial arrears over 30 days, most of which were considered loans to be written off. Only a third had no repayment delays. However, SMAGL appears to be increasingly able to improve its performance and in 2009 the trend of losses might be broken and the company may be able to show a small profit.[78] The financial performance of SMAGL since its inception is as indicated in the figure opposite.[79]

78 SF describes the particular poor performance in 2008 as a result of a vacancy in management at SMGAL over an extended period.
79 The table below is based on published accounts for SMGAL 2006-2007 on SFs web-site, and a management report from SMGAL dated august 2009. Data for 2009 extrapolated from actual data until August 25, 2009. Rps calculated at an exchange rate of NOK 1 = Rps 18 for 2008 and 2009.



Moving towards a professional apex-body. SF aspires to be a professional apex-body in microfinance in Sri Lanka, especially after the reform in 2006-07, where capacity building of its partner organisations has become a core function. An evaluation of SF in Sri Lanka in early 2009 pointed to the fact that SF still seemed more driven to implement its programme, than capacity building its partner MFIs and that its systems and instruments to support institutional development in the MFIs had flaws. [80] In addition, a general organisational study of Strømme Foundation commissioned by Norad in 2008 noted that SF's technical assistance system to the MFIs tended to be weak.[81]Nevertheless, today SF seems able to move towards becoming a fully professional microfinance apex-body. The organisation is developing systems for reporting, monitoring, undertaking field visits, training and supervision. SMAGL has a new management with a strong background in the field.

No feed back of impact at the ultimate user level. SF is currently measuring results on an output level and also has proxies for measuring outcome in their quarterly reporting format from the partners. However, SF lacks a system to assess the impact at the level of the end- users of microfinance. There is currently no available feed-back on key criteria such as empowerment, employment generation, changes in beneficiaries' socio-economic conditions, indebtedness etc. Neither is there any system in place which allows an assessment of whether Strømme Foundation has achieved its objective that 30,000 people should no longer be classified as 'poor' by 2008.[82] The evaluation commissioned by SF in 2009 mentioned above had the purpose of assessing impact at community level, but the evaluation focussed mainly on SF's performance in relation to its partner organisa-

80 Strategic Inspirations Ltd (2009): *Evaluation of Strømme Foundation Framework Agreement Programme*
81 Tenga & Mersland (2008): *Organisational review of Strømme Foundation,* Norad
82 Impact is according to Result Based Management defined as the long term results. Before Impact output – outreach and immediate results from activities undertaken and outcome – change in target groups' lives should be accounted for. The MF industry has up until recently focused on financial results and sustainability and counting outreach, in addition to geographical targeting of involvement as the means for measuring results. In the past years there has been an increased focus on social performance, measurement and management. (reference Social Performance Task Force Meeting in Paris 2008 as well as the MiX launching the social indicators on their web.) However, the industry is still only measuring output and using these output indicators as proxies for outcome and further on impact. This is not enough, and therefore the industry is currently developing these issues and challenges.

tions, and provided only highly impressionistic views on impact at the ultimate client level. SF through SMAGL considers partner MFIs as a development target group in themselves. SF is currently planning to implement a system to track outcome and impact, a requirement under SF's current Framework agreement with Norad. Base line surveys are being planned for this purpose. Such a system should be operational from next year, Partner-MFIs' reporting on social performance to SF will be a condition for further loans.

Achievements of Strømme Foundation's objectives. SF's achievements in microfinance should be assessed against its two key objectives above, i.e. at the level of its partner organisations, and at the level of the ultimate user of microfinance. As noted above, SF is in the process of building competence and professionalism of partner organisations. To what extent this leads to the broader objective of facilitating people's empowerment process to combat poverty cannot unfortunately yet be assessed.

5.6 Summary of assessment

Table 10. Summary of assessment of Strømme Foundation's micro finance in Sri Lanka 2002-2009

Assessment criteria	Rating	Explanation
Inputs	X	Operation of a microfinance programme; funds provided mainly by Norad, but separate programme by Norwegian embassy (DREAM), No technical support
Cost to Norwegian aid	NA	No break down available for micro finance in Sri Lanka
Other inputs	2	SF generally high relative degree of financing from sources other than Norad. Less so for microfinance where Norad finances about 70% of programme; parallel financing of MFIs by other funders
Outputs	3	Loans to some 30 partner MFIs; technical assistance by SMAGL
Outcome	2	Added funds for MFIs serving some 40,000 clients; certain capacity building
Impacts		
Policy; regulations	0	No evidence of impact
Sector institutions	0	No evidence of impact
Enabling environment	1	An objective for microfinance, but SF probably too small to play more than marginal role
FDI from Norway	0	None, and not an objective
FDI general	0	None
Trade Norway	0	None
Trade general and with other developing countries	0	Unlikely to be a result of external trading by micro financed activities

Assessment criteria	Rating	Explanation
Financial systems and capital market	1	Impact seems limited so far, but SF working towards a professional apex body to install better financial discipline in partner MFIs, a critical issue in Sri Lanka
Business organisations	1	See above
Employment direct	NA	Limited to possibly some incremental employment in MFIs supported by SF. Not assessed
Employment indirect	NA	Not possible to assess due to SF's lack of results-measuring at user level.
Technology and know how transfer at company level	2	SF is a professional organisation continuously upgrading institutional capacity in micro finance throughout the system, some of which emanates from head office. Impact so far seems limited according to studies
Sector development	2	A main objective with increased attention recent years to enhance capacity of MFIs. Weaknesses observed in the past; much improvement made in recent years.
Sri Lankan competitiveness	0	Microfinance unlikely to have an impact on Sri Lanka's international competitiveness
Poverty impact		
Local/regional socio-economic conditions	4	SF has a clear focus on deprived regions and deprived people through its MFI partners;
Inclusion of marginalised groups	3	See above. Special projects to reach hard core poor (DREAM). However, weak records on whom the ultimate clients are.
Addressing regional imbalances	3	See above
Macro effects	1	With some 40,000 clients (to which micro financing is provided often by several funders), the macro effects are marginal at best. The impact of credits and other empowerment inputs at user level are not known to SF
Cross-cutting issues		
Environment	NA	No assessment done – very difficult to determine impact in a large number of loan activities
Health and Safety, CSR	NA	Not known; standards tend to be low or non-existent in micro financed activities
Labour conditions	NA	See above
Gender	5	Over 80% of ultimate clients are women
Sustainability	3	SF (SMAGL) is approaching self-sustaining status
Additionality	2	Our assessment is that microfinance in Sri Lanka is over financed, but SF's role as a professional apex-funder essential

Assessment criteria	Rating	Explanation
Institutional assessment (implementing agency)		
Efficiency	4	SF is well functioning microfinance organisation in rapid development
Results-measuring	2	Good at the level of MFIs in terms of financial performance and outreach, but lacking at the level of ultimate clients
Quality assurance	2	SF continuously monitors MFI partners; major problems in recent years due to Tsunami effects, but improving
Coordination with other Norwegian PSD programmes	1	No apparent coordination
Exit strategy	2	SF has no exit strategy from microfinance in Sri Lanka, but focusing on financially sustained MFIs
Corruption sensitivity	1	Weak financial monitoring in the past with number of poorly performing MFI partners; hence major opportunities also for corruption; much improvement to systems is needed
Programme effectiveness	2	Level 1, on its way; Level 2, no data
Cost-effectiveness	2	Low degree of self-sufficiency earlier, but improving
Relevance		
Coherence Norwegian policies	4	Microfinance is an important sector for Norwegian aid, however not explicit in policies underlying PSD; significant for direct poverty reduction
Coherence Government priorities	3	Sri Lanka has a strong position on microfinance with several major initiatives
Addressing binding constrains	2	As noted above, sector probably over supplied, but MFI capacity in need of strengthening
Importance for Norwegian business sector	0	None (except indirectly with the new Norwegian Microfinance Initiative)
Aid issues		
Untying of aid	5	Fully untied
Donor coordination	NA	Unclear – large number of donors involved in microfinance
Replicability and scaling up opportunities	2	Sector in Sri Lanka in need of structural reforms, rather than scaling up; opportunities to use Sri Lanka experience elsewhere. SF has evolving system for experience sharing with other regions in the organisation

6 Norfund and its Affiliates

6.1 Norfund in Sri Lanka

Norfund's activities in Sri Lanka so far is through one direct investment in hydropower, undertaken in 2001 jointly with Trondheim Energiverk (TEV) and transferred in 2002 to SN Power, and through part-financing of two SME funds managed by Aureos Capital. The former investment is reviewed under SN Power below, and the latter under the heading of Aureos Capital. Norfund identified Sri Lanka as one of its prioritised countries in the earlier days of the organisation. However, the fund has refocused in recent years, concentrating on Africa and least developed countries.

6.2 Norfund objectives

Norfund's mandate is "*to establish viable, profitable business activities which would not otherwise be initiated because of high risk".* Its role is to be additional to the market, in bridging the gap between commercial investments and state development aid. Thus, it should contribute or generate something in addition to that which would otherwise have taken place through the market, though contributing risk capital to activities in poor countries which are not financed by traditional aid or attractive to commercial players.[83] A major strategy by Norfund is the development of joint-ventures in order to leverage its own funds. Both Aureos Capital and SN Power are of such nature.

6.3 SN Power in Sri Lanka

Lanka Transformers. SN Power's two small investments in Sri Lanka have a long history, not connected to the company itself. It can be traced to ABB Norway's purchase in 1986 of a share of Lanka Transformers,[84] a joint venture between the state organisation Ceylon Electricity Board, CEB, and the British utility company Bonar Long. In 1996, Lanka Transformers started building transmission lines and sub-stations as a subcontractor to ABB and Betonmast Norway under a series of Norad (tied) mixed credits in several districts of Sri Lanka. In 1997 when the energy sector was being liberalised in the country, Lanka Transformers established its first power plant, a 25 MW thermal plant. Today the company operates several thermal power plants with an installed capacity of over 500MWh. Its turnover is about US$ 140 million, about 30% in terms of exports. The company has some 800 employees. ABB disinvested in Lanka Transformers in 2005 due to ABB's policy to focus on its core-markets.

Norwegian investments in mini hydropower. In the late 1990s a Norwegian ABB board member in Lanka Transformers initiated a contact with TEV with the purpose of pursuing the emerging market for privately owned mini hydropower in Sri Lanka. TEV utilised Norad's matchmaking programme (1999 and 2001) to visit Sri Lanka and the Application-based support to undertake a feasibility study in 2001 (NOK 0,4 million). Norfund also became involved in the project at this time, and a joint venture was established between Lanka Transformers and TEV/Norfund in 2001. A company, Nividhu Ltd, was set up with the purpose of building and operating mini hydropower plants in Sri Lanka. Norfund and TEV's joint ownership of Nividhu was

83 The purpose and objectives derived from Norfund's official home page www.norfund.no
84 The purchase was initially made by National Industries Norway??, a company bought by ABB in 1989.

30% with equal shares. Lanka Transformers was the main owner with about 45%. When Norfund officially announced its investment in 2001, Norfund foresaw that the fund would invest in the order of NOK 100-150 million over the coming years in hydropower in Sri Lanka.[85]

When Norfund and Statkraft formed its joint venture with SN Power in 2002, Norfund's holdings in Nividhu became part of its share capital in the new company. At the same time, TEV sold its share of Nividhu to SN Power. The first Nividhu plant, the Belihul Oya power station, was built in 2001 and started production in 2002 with a capacity of 2,2 MW. The construction of a second project began in 2003, the Assupiniella power station, operational in 2005. It is a run-of-river station at the Maha Oya river in the Kegalle district with a capacity of 2,5 MW.[86] The Assupiniella plant is currently being built to 4MW.

6.4 Key findings SN Power

Aborted ambitious plans. Nividhu's two mini hydropower plants are problem-free, operating well and are profitable ventures. (Norfund and TEV sold their shares at good profit to SN Power in 2002). Their role in Sri Lanka's energy system with a joint installed capacity of 6 MW is marginal, however. (Sri Lanka's installed capacity is 2400 MW of which 1300 MW is in the form of hydro electric power.)[87] In addition, in terms of mini hydropower with about MW 200 installed, Nividhu is a small player. [88] According to SN Power's current official website, Nividhu Ltd aims to develop 30-40 MW of mini hydro capacity within the next few years and has several smaller plants at planning stage. According to the same web-site, SN Power's long-term strategy is to establish itself as a major independent power producer in Sri Lanka.[89] Interviews with both Lanka Transformers and SN Power's top management during this evaluation paint a different story, however. Lanka Transformers is developing its future expansion plans in terms of power production in large scale thermal and coal plants in Sri Lanka. It claims that mini hydropower plants have been built to their maximum financial viable capacity.[90]

SN Power sees limited potential in Sri Lanka for private sector driven hydropower development, whether large or small-scale. The government's policy is that large scale hydropower should be in state ownership, hence no existing plants are for sale, nor are any new constructions taking place. SN Power's Asia strategy focuses on India, Nepal and the Philippines. Norfund has, through the establishment and part-ownership of SN Power, no plans for the energy sector in Sri Lanka.

Sri Lanka's future power production will increasingly come from thermal and coal.[91] Thus, the Norachcholai coal power plant, financed by China, is expected to add 300

85 Norfund: Presmelding Norsk investering i småvannkraftverk på Sri Lanka, overføring av norsk kompetanse bedrer levestandard,
86 Information from www.snpower.no
87 Figures for 2006
88 An impact not part of this Evaluation is how Lanka Transformers has become a major player in the Sri Lanka power sector and an emerging exporter of technology regionally. ABB, Norway's role is likely to have been instrumental in this, by upgrading skills and technologies of the partly owned company. To a not small extent has Norwegian development assistance also played a role, primarily through the creation of a captive market for major transmission constructions financed by a series of tied soft loans in Norad's old mixed credit programme. The company is now at a stage where is competes in bidding on local and international markets. While mainly owned by the government, it operates on private sector market and management principles.
89 SN Power www.snpower.no
90 The government is encouraging private ownership in thermal and coal plants. In hydro only mini plants are accepted in private ownership. According to one government sources, the viable capacity for the latter is 500 MW rather than 200.
91 Source; www.mope.gov.lk

megawatts of power to the national grid in 2010 and this will go up to 900 megawatts over the next few years. The Upper Kothmale hydro scheme, financed by Japan, will add 150 megawatts in 2011 and the Uma Oya hydro scheme, financed by Iran, will add another 100 megawatts later.[92] Sri Lanka and India are also cooperating in the instalment of a sub-marine transmission cable between the two countries. The government's policy, nevertheless, is that 10% of the power supply should come from 'alternative' sources, meaning bio-energy, wind and mini hydropower.

In summary, both the investment and the development inputs to the Nividhu project (Norad grants) were small in financial terms, and – taking into account the profit made by Norfund when disinvesting – the net cost was zero. While these small investments are well functioning, sustainable, positive from a climate point of view, they represent a closing chapter of Norwegian interests in the Sri Lankan power sector, rather than the once believed start of such a chapter.

6.5 Aureos Capital

Aureos Capital has established two SME funds covering Sri Lanka:

(i) *Aureos South Asia Fund* 1, established in 2004 with a subscribed capital of US$ 10 million, covering only Sri Lanka. Norfund has invested US$ 5 million in this fund, the balance provided by CDC. The fund is fully invested.

(ii) *Aureos South Asia Fund II* covering India, Sri Lanka and Bangladesh established in 2006 with a capital of US$ 85million. Norfund's contribution to this fund is US$ 20 million. The other investors are CDC (US$ 35 million), Asian Development Bank (US$ 17,5 million), FMO (US$ 10 million) and a Sri Lankan private equity firm (US$ 2,5 million). This fund is invested to about 50%. The focus is on India, but about 8% of the fund is expected to be invested in Sri Lankan companies.

6.6 Norfund objectives for Aureos in Sri Lanka

Norfund had several specific objectives for the South Asia funds, namely that Aureos should:

- become a viable, professional fund manager with a strong presence in the important Asian market;
- be able to mobilise private capital to invest in the funds, especially from the demanding Indian market, and hereby contribute to the regional capital market development; and
- provide improved corporate governance, including HSE standards, to the companies invested in.

The two South Asia funds have invested so far in four Sri Lanka-based companies of which one is disinvested today. The companies are:

92 Sri Lanka Sunday Times June 28, 2009

Table 11. Investments in Sri Lanka by Aureos Capital 2003-2009

Company name	Profile
Dutch Lanka Trailer Manufacturers	Manufacturing trailers, sold to 30 countries; services in SL, Oman and India. Aureos has disinvested with profit.
Watawala Plantations PLC	Joint venture Tata group.
Aqua Packaging	Production of packing materials (mainly plastic bags); current turnover US$ 6 mill. An independent Sri Lankan SME.
Dipped Products	Production of rubber gloves for export markets. Dipped products is part of Hayleys Ltd, a major Sri Lankan multinational holding company with investments in plantations, transport, processing, hotels and industries.

6.7 Key findings Aureos

Aureos' investments in Sri Lanka are all well established, profitable enterprises, some of which are subsidiaries of Sri Lanka's largest holding companies. The decision by Aureos to invest in these companies has had to do with a combination of factors: (i) inheritance from the CDC period; (ii) the need to establish a sound financial record with fairly rapid exists, given the poor performance in the past of the Sri Lankan venture capital industry in order to build credibility; and (iii) convenience in the sense of already established business links. The policy was a low-risk approach. Aureos investment policy must thus be seen in the context of the evolution of Sri Lanka's capital market. The venture capital market has gone through a process of turmoil. A handful of private venture capital companies were established in the early 1990s mainly by Sri Lankan banks, but all, except one, lost money or gave such low returns that they were closed down by their owners.[93]

It is difficult to prove the counterfactual, but we believe that the Sri Lankan companies in which Aureos invested in had opportunities to finance their expansion plans using the local capital market. According to Aureos management, there is no shortage of local risk capital in Sri Lanka for established enterprises with a good track record. Several of Sri Lanka's major companies have windows for such investments. In the words of one company in the portfolio:

> *We already had them on board. We could have gone to a bank, but we thought the interest rates were too high. We never looked for any other source of funding. It was more convenient this way. We know Aureos already.*

In terms of achieving the specific objectives for the funds elaborated above, Aureos has to a certain extent managed to mobilise Sri Lankan private capital to the second fund as noted above. While the owners of Aureos at the time of the investments (Norfund and CDC) dominated the second fund, its capital base has, nevertheless, been spread to other DFIs and multilateral banks, indicating an enhanced position by Aureos in the region as a fund manager

93 The existing private venture capital fund in Sri Lanka is Lanka Ventures, owned by a banking group.

6.8 Summary of assessment

Table 12. Assessment of Norfund's support via Aureos Capital and SN Power in Sri Lanka 1999-2009

Assessment criteria	Rating	Explanation
Inputs	X	Commitments of US$ 25 million in two funds, one which is only covering Sri Lanka, the other partly covering Sri Lanka. Norfund is a lead funder with CDC. Norfund's Sri Lanka part estimated to about NOK 40 million. In power, direct investment of NOK 1,2 million, transferred to SN Power with profit
Cost to Norwegian aid	X	If the fund(s) live up to the expectations of 10-15% return on capital there is no cost to the aid budget, but a net return. Nividhu exited with profit
Other inputs	4	The funds are co-financing with CDC, ADB, FMO and private Sri Lankan investors; Nividhu with Lanka Transformers
Outputs	3	Four investments in Sri Lanka; one mini hydropower company
Outcome	4	All the companies are profitable; Aureos has exited with profit from one.
Impacts		
Policy; regulations	0	No evidence of any impact at this level
Sector Institutions	0	See above
Enabling environment	1?	Possibly if Aureos contributes to an improved capital market
FDI from Norway	2	Fund investments are indirect Norwegian capital (although not FDI); The Norfund part about NOK 40 million; minor investment in mini hydropower
FDI general	4	Aureos sourced additional funds amounting to about US$ 20 million from the other DFIs and private Sri Lankan capital to the anticipated Sri Lanka part of the two funds. Norfund with CDC were considered instrumental in mobilising this capital, i.e. without their lead no funds would have been established.
Trade Norway	0	No evidence of any such trade – the Aureos companies in which the funds invested in have other export markets
Trade general and with other developing countries	4	Considerable impact is likely; Aureos companies are export-oriented.
Financial systems and capital market	2	A stated objective of Norfund is to support Aureos's regional office to become a key player in the regional capital markets for investments. Aureos is moving towards this.

Assessment criteria	Rating	Explanation
Business organisations	0	No evidence of such impact, none attempted
Employment direct	NA	
Employment indirect	NA	
Technology and know how transfer at company level	3	Improved corporate governance is a stated Norfund objective for Aureos. This has been achieved at least in some of the invested companies according to our interviews. Nividhu one of the earlier mini hydropower companies
Sector development	NA	Unknown – companies specialised and significant ripple effects unlikely in the sector segments they are operating in.
Sri Lankan competitiveness	2	Support to companies which play roles on export markets. However, in macro terms marginal impact
Poverty impact		
Local/regional socio-economic conditions	2	Companies major local employers; Nividhu has two minor regional power companies
Inclusion of marginalised groups	1	Likely to be very limited due to company profiles
Addressing regional imbalances	1	Aureos companies in Western affluent part of Sri Lanka, Nividhu central Sri Lanka
Macro effects	0	Marginal due to scale
Cross-cutting issues		
Environment	3	Not assessed; Aureos has clear policy; Nividhu renewable energy
Health and Safety, CSR	NA	Aureos has explicit policy; no assessment done at company level;
Labour conditions	NA	No assessment done at company level
Gender	2	Mixed based on company profiles
Sustainability	5	All investments are profitable companies
Additionality	3	Aureos companies probably had alternative for funding on the local market; additionality in governance and capital market development in Sri Lanka due to Aureos as described above; Nividhu possibly due to initial Norwegian investments
Institutional assessment (implementing agency)		
Efficiency	4	Aureos is an increasingly professional fund management company. Norfund has a clear strategy and systems for development of the JV; SN Power is a competent minority owner Nividhu

Assessment criteria	Rating	Explanation
Results-measuring	3	
Quality assurance	3	
Coordination with other Norwegian PSD programmes	1	No such coordination evident in Aureos; power investment using Norad schemes
Exit strategy	4	Norfund/Aureos explicit exit strategies for investments, however complicated in Sri Lanka due to the structure of the capital market
Corruption sensitivity	4	Official company auditing
Programme effectiveness	3	Low for risk capital at company level; high for fund capital, medium for governance and for Aureos as a player on the local capital market; high in power
Cost-effectiveness	5	Likely to be very good through net profits from investments
Relevance		
Coherence Norwegian policies	3	Norfund an essential window for Norwegian aid; hydropower a key sector (albeit Sri Lanka no longer a priority
Coherence Government priorities	3	FDI and power priorities
Addressing binding constrains	3	FDI and poorly developed venture capital market constraints; power a constraint;
Importance Norwegian business	1	SN Power's further development in mini hydropower
Aid issues		
Untied aid	4	No tying of the Aureos funds to Norwegian investors; Norwegian investments in power
Donor coordination	2	Joint operations with other DFIs, but not with donors
Replicability and scaling up opportunities	3	Norfund strategy for building competence in its JV Aureos, allowing strong replicability and scaling up in the Asia region.

7 FK Norway

7.1 The Programme

FK Norway is one of Norway's three official channels for development assistance since 2001.[94] FK Norway's main purpose is to stimulate exchange of personnel between Norway and the South and also to stimulate South–South exchange.[95]

94 Fredskorpset Norway has a history dating back to 1960s and was modelled after the US Peace Corps. This organisation ended in the 1990s, but a renewed organisation was established in 2001.

95 The division of participants in the various programmes by FK Norway since 2001 is 40% 'North-South', 20% South-South and 40% a Youth programme

While most of such interactions concern NGOs and public organisations, Norwegian enterprises can also participate. The exchange programme is usually for one year involving a minimum of two persons, but an exchange can include several persons. The programme can be repeated for the same organisation(s) up to five times.

7.2 Programme objectives

The overall objective of FK Norway is to '*contribute to increased contact and collaboration between individuals and institutions in Norway and in Africa, Asia and Latin America and contribute to development*.' Another objective of the organisation is to increase the interest and commitment for the South in Norwegian society. Each exchange project has its own specific objective, generally linked to institutional development and capacity building. Such objectives are stated explicitly in the agreements signed with participating organisations.

7.3 The Sri Lankan portfolio

FK Norway identified 3 business-related projects in Sri Lanka carried out since 2001. These are:

- Jiffy International, an exchange between the mother company in Norway and a newly established subsidiary in Sri Lanka. The exchange took place 2004-2005, and involved two persons, one from Jiffy in Norway and one from the Sri Lankan subsidiary. The cost of the project was NOK 0,7 million.
- Strømme Foundation, an exchange repeated 5 times since 2005 (the last phase ending 2010), involving SF staff in Sri Lanka and other Asian SF offices, but mainly SF in Bangladesh, and focussing on micro finance. The exchange programme also included outside persons from resource organisations in accountancy and software development. A large number of persons have participated in the exchange. For example, in the most recent phase, 6 persons from SF Sri Lanka and SF Bangladesh participated. The total cost of the project(s) is about NOK 4 million.
- Eco Tours Sri Lanka – a 'South-South' exchange between Eco Tours and the Laos National Tourism Administration initiated 2008 and still ongoing. The budget for this programme is about NOK 0,6 million.

7.4 Key findings

Well structured and implemented projects. FK Norway has a streamlined approach to its exchange programme. It has a standardised system for how the exchanges take place, including preparation before the visits and follow-up activities afterwards, usually both of a month's duration. The projects are based on applications from participating organisations, appraised by FK Norway, leading to a contract between the parties with well spelled out objectives and conditions. The programmes cover the costs of standard fees, travel and accommodation, and the pre- and post-visit arrangements. The overall structure is transparent and efficient.

The exchange programmes are carried out efficiently and clearly contribute to institutional capacity building in line with the stated objectives for the projects. In the case of SF, the exchange projects have been linked to defined and precise objectives of developing the capacity in micro finance operations. In its last phase, this is linked to Strømme Foundation's 5 year Master Plan and its efforts to establish effective results-monitoring and evaluation systems (including base line surveys). The support is thus addressing a weakness identified in the institutional review of SF in 2008: that SF does not have sufficient streamlining of its micro finance operations in different countries. For Jiffy, the support contributed to building up a newly established subsidiary company in Sri Lanka. Interviewed personnel expressed that the exchange was of considerable value.

Questions of additionality. Two of the three projects in Sri Lanka concerned organisations already supported by Norwegian official aid: Strømme Foundation has had framework agreements with Norad for its microfinance programmes since 2002. Jiffy International had received various forms of support under the Norad Application-based programme for setting up a subsidiary from 2000 onwards with support that totalled NOK 2 million. FK Norway support is thus an added grant support for institutional capacity building within existing organisations. There is no assessment in FK Norway's documentation of what other forms of support the recipient organisations receive, whether there is additionality of the FK Norway support or – in the case of Jiffy, a commercial company – the organisation merits grant support for what must be considered normal corporate expenses. The FK support in Sri Lanka is rather a reflection of the common liberal and generous thread in the Norwegian development assistance.[96]

7.5 Summary of assessment

Table 13. Assessment of FK Norway's business related support in Sri Lanka 2001-2009

Assessment criteria	Rating	Explanation
Inputs	X	Travel, accommodation and administration of personnel exchanges between organisations
Cost to Norwegian aid	X	In the three Sri Lanka projects, about NOK 5 million 2004-2010
Other inputs	1	100% cost coverage by FK Norway (except in some cases toping up of salaries)
Outputs	2	Visits by some 30 persons over one year to partner organisations
Outcome	3	Enhanced institutional capacity and personal experience
Impacts		
Policy; regulations	0	None
Sector Institutions	1	Possibly in exchange with Laos
Enabling environment	0	No evidence
FDI from Norway	0	Not an objective, no impact
FDI general	0	No evidence (Jiffy already in place)

96 The Eco Tour project is still carried out and no assessment was made of it in the Evaluation. It is, however, the only project which fits the concept of exchange in between to different organisations, hence where exchange is unlikely to have taken place without a programme.

Assessment criteria	Rating	Explanation
Trade Norway	1	Jiffy project in general for export to Norway; the contribution of the FK project to this difficult to attribute
Trade general and with other developing countries	1	Possibly indirectly in Jiffy; also a potential outcome if there is capacity building in Eco Tours and Laos organisation
Financial systems and capital market	1	The objective of SF projects to enhance capacity in microfinance: potential long-term impact on the sector if SF becomes a lead player as apex body
Business organisations	1	Potential in Laos
Employment direct	0	No such evidence
Employment indirect	NA	SF microfinance operations have as an objective to enhance (self) employment through microfinance at user level. Not possible to attribute this to the project
Technology and know how transfer at company level	3	Main objective and clearly achieved
Sector development	NA	Potential in micro finance and eco tourism, but attribution difficult to determine
Sri Lankan competitiveness	0	A possible result of capacity building in Jiffy Sri Lanka and Eco Tours, however too marginal to have macro effects
Poverty impact		
Local/regional socio-economic conditions	NA	Enhanced capacity in SF micro finance could have effect. However, attribution problem significant
Inclusion of marginalised groups	2	SF aimed at these groups: enhanced capacity in micro finance, including ability to measure results, will have an impact.
Addressing regional imbalances	3	All three projects focusing on deprived and/rural areas
Macro effects	0	Unlikely due to small size of projects.
Cross-cutting issues		
Environment	NA	Environmental impact of the activities financed from micro credits largely unknown; Jiffy localised impact (dust); Eco tourism might have potential positive impact in the tourism industry. Effects not possible to assess
Health and Safety, CSR	NA	Potential issue in micro finance and Jiffy, but not attributed to the FK projects
Labour conditions	NA	Potential issue in micro finance but not attributed to the FK projects
Gender	2	Indirectly positive, especially SF

Assessment criteria	Rating	Explanation
Sustainability	3	SF micro finance moving towards sustainability; Jiffy profitable; FK projects adds as capacity is enhanced
Additionality	3	Question for Jiffy
Institutional assessment		
Efficiency	4	FK Norway a smoothly operating organisation with streamlined procedures and a standardised 'product'
Results-measuring	4	Systems in place through reporting at organisational level
Quality assurance	NA	
Coordination with other Norwegian PSD programmes	1	Projects taking place in organisations with ample support from other sources, but no apparent assessment or coordination with this
Exit strategy	3	Exit after maximum 5 rounds
Corruption risk	4	Good systems for auditing in place
Programme effectiveness	3	Projects achieving the qualitatively stated objectives
Cost-effectiveness	2	Reasonable
Relevance		
Coherence Norwegian policies	3	As FK Norway is made into a separate window for Norwegian development assistance with a stated objective, the organisation's work is relevant
Coherence Government priorities	0	Not an explicit policy
Addressing binding constrains	1	Only indirectly by supporting a foreign investment and micro credit issues
Relevance for Norwegian business	1	Limited – one of three projects supported
Aid issues		
Untying of aid	1	One of three projects not linked to Norwegian interests
Donor coordination	0	Not evident
Replicability and scaling up opportunities	3	There is nothing to prevent a considerably larger exchange programme both in North-South and South-South

III. Summary of Conclusions

1 Norwegian PSD Support in the Context of the Ethnic War

The ethnic war from 1983-2009 overshadows the development in Sri Lanka and also Norwegian development assistance during the last 10-15 years. Since the late 1990s, Norway has strongly tried to align its development assistance with the efforts by Norway to be a peace broker between the government and LTTE, a role Norway assumed officially in 2002. Much of the assistance has also been coherent with this policy with its focus on peace-building, human rights, governance and rehabilitation in the North and East. Norwegian support to private sector development has, however, deviated from this policy framework. There is not much apparent conflict-orientation in the diverse portfolio of PSD projects and programmes undertaken by different actors since the late 1990s. Little of this support has been oriented towards the North and East of the country, or attempted to integrate the Tamil minority in the support, or to address regional imbalances in economic development. The PSD programme in its totality has been quite apolitical, a large part of it being driven by market forces in the form of interests of Norwegian and other investors and businesses. Other parts have been driven by historical reasons and as follow up to earlier aid investments.

In retrospect, the non-alignment with the overriding Norwegian conflict-resolution policy might be a blessing in disguise for Norway's long-term relationship with Sri Lanka, especially at the time when Norway eventually ends its official development assistance to Sri Lanka (if nothing else due to Sri Lanka's status as Middle Income Country). Norway's diplomatic relationship with the current Sri Lankan administration is severely strained, but the PSD support of the last 10-15 years has contributed to building a small, but active Norwegian business community in Sri Lanka with apparent long-term interests and generally respected in society. The PSD support has also helped to build strong alliances with business organisations such as chambers of commerce, a part of the civil society which took a more peace-oriented approach during the war than many other parts of Sri Lankan society.

2 Pluralism and Fragmentation

The Norwegian assistance for private sector development is fragmented, delivered by numerous organisations without an explicit overriding strategy. This is largely a result of a conscious Norwegian policy in the sense of a decentralised and pluralistic system for development assistance, specifically for PSD. Thus, such support is channelled through Norad through its several instruments, the Embassy in its diverse portfolio, Norfund and its affiliates SN Power and Aureos Capital, various NGOs and FK Norway. There is limited internal coordination between these channels, no apparent overriding coordination and even limited information sharing. The Ministry of Foreign Affairs sets the broad strategic orientation, for Sri Lanka supported by an informal network of persons in different organisations, but private sector development is not a main focus for this work. The Norwegian Embassy plays an essential role, but due to limited staff which, furthermore tend to have low degree of continuity in the country, the Embassy does not have the capacity to oversee the many forms of assistance.

The formal information system in the Norwegian development assistance is not geared to enable easy sharing of information, much of which is kept locally and only maintained in archives in hard copies. As a result, the strongest factual knowledge of the diverse PSD portfolio in Sri Lanka seems to be vested in some key local employees at the Embassy, their knowledge based on long experience and personal interests (and personal files), rather than a conscious formal information and knowledge management system.[97] Pluralism might be a good thing, and probably was so given the Sri Lankan context, but the weak information system in terms of what in fact goes on does not necessarily contribute to functional pluralism, or to informed decision making and strategic focus.

3 Adjusting to the Economic and Political Reality

The attempt in the later 1990s in Norway to establish a coherent private sector development strategy to govern Norwegian assistance, followed by specific studies to determine such support, has influenced the PSD support in Sri Lanka only to a limited extent. While the various programmes and projects implemented after the strategy are not at odds with the broad intentions of the strategy, the specific recommendations to focus on energy and fisheries in a follow-up report for Sri Lanka were largely neglected. The reasons were partly political: the role as a mediator resulted in Norway abandoning much of its focus on fisheries, which is a sensitive issue in Sri Lanka. In terms of energy, Norwegian assistance provided substantial assistance through mixed credits in the 1990s and early 2000s and also on-going rehabilitation efforts in the North through ADB. Due to the end of the tied mixed credits much of the thrust of this support is gone. Furthermore, the brief attempts by Norfund and later SN Power to establish a strong position as private providers in hydropower also seem to have been largely abandoned. The reasons are several: SN Power's commercial considerations, the end to the tied mixed credits, and ABB Norway's retracting from the market.

The 1998 PSD Strategy argued for more comprehensive support for business development at country level and better coordination and synergies in what is done in different areas and through different channels. This is not well achieved in Sri Lanka. In one dimension, however, the Strategy (and also the 1998 Sri Lanka Policy) has been pursued vigorously. This concerns the mobilisation of the Norwegian business community for cooperation with Sri Lanka. This subject is elaborated below.

97 This was manifested in the ability of one of these local employees at the Embassy to establish an effective visit programme for the Evaluation, based on intimate knowledge built over many years.

4 Thematic Issues

4.1 Promoting Norwegian investments and business relations

The various Norad instruments with their common objective to mobilise Norwegian businesses in developing countries are well integrated with one another[98] and have obvious synergies. The most noticeable finding in the evaluation is to what extent these instruments have jointly been able to mobilise interest in the Norwegian (SME) business community for investments in and commercial cooperation with Sri Lanka. That some 330 Norwegian enterprises have been involved over a 15 year period in these programmes is remarkable in our judgement. We attribute this interest to these programmes. There are several factors explaining this:

- The programmes, especially the Matchmaking programme, have been actively and skilfully promoted, largely due to the fact that it is implemented by a Norwegian consultancy group with commercial interests in the programme;
- There is a good 'fit' between Sri Lanka and Norway, both countries small in their economic contexts and both countries 'sea-orientated'. In spite of the uncertain political climate due to the war and Norway's largely negative exposure in the conflict-mediation, it has been in relative terms, easy to establish various forms of commercial co-operations.
- The Norad programmes are attractive to the business community: The MMP facilitates a first contact, less due to the subsidy and more as an organised introduction, and the ABS reduces the business costs of starting-up.

The joint Norad programmes fulfil their (qualitative) objectives in terms of promoting investments, trade, knowledge transfers, employment creation and income generation. Whether this has been achieved in a cost-effective manner is a matter of judgement. As almost nine matches out of ten in the matchmaking programme do not materialise in a sustained commercial cooperation, the aid cost per sustained venture is high, in some cases out of proportion to the value of the venture itself. There are clearly opportunities to make the programme more cost-effective. The Application-based support and the old loans, on the other hand, are (surprisingly) cost-effective as measured in aid cost to sustained ventures.

In our estimate, the programmes have jointly created in the order of 1,500 direct jobs and additional unspecified number of indirect jobs, most of which in export-oriented businesses. The majority of these jobs are for women, and a considerable number in rural areas. There are clear examples of transfer of know-how in different sectors, some of which benefiting not only the specific (partner) company, but the sector as well, such as boat-building. We believe that the programmes to a considerable extent can be attributed to the inflow of Norwegian investments in Sri Lanka during the last 10-15 years, which have maintained a level of about NOK 30-40 million per annum. In the late 1990s and early 2000s, this was about 3% of the total inflow of FDI, a surprisingly high share for a small European economy. We also believe that the programmes can be attributed to a large extent to the rapid increase in exports from Sri Lanka to Norway, which has doubled from a level of NOK 80 million in the mid 2000s to NOK 160 million recently.

98 In the case of the loans, until the programme was ended in year 2000

It should be stressed that these forms of impact from a macro perspective in Sri Lanka are limited. With a labour market of some 8 million persons, and an annual growth of job-seekers in the order of 150,000 to 200,000, 1,500 jobs over a decade are negligible. The Norwegian FDI annual investments are currently limited and in comparison with the inflow from Malaysia alone, amount to only a few percent. Nevertheless, during Sri Lanka's most difficult years, the Norwegian FDI was not unimportant. In terms of trade, Norway is a small partner, and in recent years it accounts for about 0,2% of total exports as noted in chapter 3, hence the impact in this respect from a macro perspective is limited. A key issue is therefore whether the programmes can be made more cost-effective and also scaled up for greater impact. That issue will be the subject for discussion in the Main Report due in early 2010.

There are elements of the Norad programmes which cause concern, requiring action by Norad as the responsible organisation. Most important, there is a risk that the programmes can be seen to support the outsourcing of hazardous industries away from Norway, which has strict HSE controls and would require major environmental and safety investments if located in Norway. Since Sri Lanka has weak or no such controls, it is tempting for Norwegian companies to partner with Sri Lankan companies in ventures where HSE costs are high. The implementing organisations of the programme have, overall, weak quality assurance in HSE respect.

4.2 The role of Norfund

Norfund is an increasingly important actor in the Norwegian aid context in terms of support for private sector development, not least due to Norfund's annual replenishment of its capital base with some NOK 500 million per annum. Norfund in Sri Lanka reflects the organisation's overall orientation in the sense is has focused on energy and on investments in SME funds through Aureos Capital. Particularly in the first case, the investments were marginal, however, and apparently are a closing chapter in SN Power's future operations in Sri Lanka.

In respect of the fund investments in Sri Lanka our assessment opens a number of questions related to Norfund's overriding mandate of providing risk capital which the existing financial market is reluctant to provide. Our assessment is that this was probably not the case in the four Sri Lanka investments made by the two Norfund supported South Asia funds. The local capital market seems liquid for investments in well established, well performing companies which, furthermore, in several of the cases belong to large Sri Lankan conglomerates. Norfund's additionality (and stated objective) in this case seems rather to have been in building up the credibility of Aureos Capital on the local capital market(s), developing systems to install corporate governance in companies in which the fund invests, and attracting private capital into such SME funds, i.e. various elements of institution building in capital market development. These objectives seem largely to have been achieved in Sri Lanka, but they tend not to be those which Norfund reports on in terms of its development effects.

4.3 The role of the Embassy

As noted above, the Embassy has a crucial role in the Norwegian development cooperation and also in PSD support due to the decentralised and pluralistic system of official Norwegian aid. The Embassy clearly has challenges in playing this role at least in a PSD context for reasons indicated above. The Embassy is only marginally involved in most of the flows of PSD support (the Norad instruments, Norfund's investments, microfinance, and FK Norway), and the diverse support provided by the Embassy in the 'sector' has no apparent synergies with the other forms of PSD, and even limited coordination. We have not made a complete assessment of the Embassy support in PSD, but the chosen area – chambers of commerce – is problematic from a sustainability point of view and there are problems with exiting and donor dependency. A positive feature, on the other hand, is joint support of the Ceylon Chamber of Commerce with the Matchmaking programme, both adding to cooperation with the programme and strengthening CCC as a broker of joint ventures.

4.4 Microfinance

In micro finance, a 'sector' with a highly fragmented, yet considerable support in Sri Lanka, there is a lack of a coordinated approach from Norwegian assistance given a number of interventions in this from various Norwegian organisations and the 'system problems' affecting the sector in Sri Lanka. The lack of results-information at the ultimate user level is also an apparent weakness, and affects Strømme Foundation, the major Norwegian operator in this field. SF seems otherwise to be moving towards a much needed role as an apex-financing organisation with a focus on capacity building in the very prolific MFI retail market. Due to a lack of results information from ultimate users, nothing can be said about to what extent SF is achieving its broad objectives of lifting people out of poverty. In view of Norway's thrust in microfinance, which is also manifested in the recent Norfund joint venture NMI, a stronger role in systems development (rather than adding financial resources) seems to be both needed and an opportunity.

5 Fulfilment of Broader Objectives

5.1 Fulfilling the objectives of the 1998 PSD Strategy

Three objectives for business related support was suggested by the Strategy, namely:

- Strengthening of profitable enterprises and production in the 'South', whether in primary production, industries or services;
- Assuring and increasing employment and income, especially for under-privileged groups (the poor in rural areas and women);
- The support within the strategy should adhere to the broad objectives of the Norwegian development assistance, including environment, gender and human rights.

Our conclusion from the Sri Lanka case study is that the Norwegian assistance since the strategy was established well fulfils the first objective. In terms of the second objective, the PSD portfolio clearly has contributed to employment and income generation, mainly to women, but it has only to a limited extent been oriented towards the poor in rural areas. In terms of the third objective, environment, gender and human rights have not featured strongly (or at all) in most of the instruments. The clear gender inclusion which has taken place seems to be more by default than design.

The table below shows our assessment of the PSD portfolio 1999-2009 in respect of the key criteria established at the outset taken from the PSD Strategy.

Table 14. Assessing PSD instruments in Sri Lanka against the PSD Strategy

Criteria	Result	Rating
Reduce the (economic) marginalisation of the poorest nations	Sri Lanka was not one of the poorest nations in the late 1990s. Hence poor overall targeting of support	Poor
Increase the commercial links and trade between developing countries	Not a focus in the PSD portfolio	Poor
Work towards a more comprehensive support for business development at country level, and identify the most important constraints and prioritised needs. Assure better coordination and synergies in what is done in different areas and through different channels	Attempted in NIS 1 and 2 studies, but not pursued in practice in the portfolio 1999-2009.	Rather poor
Improve the frame conditions for business development in developing countries	The focus on the conflict mediation in Norwegian ODA in general targeted the most essential binding constraint. However, Norway failed in this approach as the conflict ended through a military solution. Very little other support focusing on 'enabling environment'	Rather poor
Promote increased investments both through domestic and foreign capital, including Norwegian capital	A main focus in Norad programmes and in Norfund activities, and also in some of the Embassy projects (IFC credit projects)	Very good
Promote trade with developing countries and stimulate exports from them	Exports an indirect result of Norad programmes and Norfund activities (Aureos) due to the orientation towards export-industries; however marginal impact on trade between developing countries	Good
Work towards *untying aid*	The Norad schemes are all tied aid; the balance untied	Rather poor
Increase the use of *local suppliers* to the aid financed projects	Require assessment of the whole aid portfolio which has not been attempted	Not known
Make active and good use of the *Norwegian competence base*, including the business sector.	The Norad programmes are entirely aimed at this and effective in the attempts	Very good

5.2 Alignment with the 2009 Norwegian Development Policy

Two main objectives have been identified by us in the new Policy of relevance for PSD. These are:

- *Natural resources management*, with an emphasis on good governance and sustainability. (Anti- corruption measures, a fair and transparent distribution of resources and income. Specific areas for assistance the petroleum sector, environment, hydropower and fisheries and how these are managed locally, nationally and internationally).
- *Equal rights, inclusion and economic justice.* (Focus is on the fair distribution of resources and equal rights for marginalised groups. Economic rights and access to resources and services within finance, technology, education, employment conditions and safety).

It can be concluded that the past, and current, PSD portfolio is not well aligned with this policy directive. It is neither oriented towards natural resource management to any significant extent, nor driven by an effort to reach marginalised groups, except in micro finance.

The 2009 policy identifies energy, renewable resources, telecommunication and tourism as key sectors for future Norwegian assistance. None of these feature strongly in the past portfolio, especially not tourism and telecommunication. Much of the PSD portfolio is market driven: Norwegian businesses, including SN Power and ABB, have apparently seen many opportunities in Sri Lanka in these sectors.

The market driven approach to PSD can on the one hand be seen as a weakness, as it is only to a limited extent influenced by policies. On the other hand, it is strong as it tends to be effective, building on business interests and strengthen these. The balancing act between the market forces and the political orientation of development assistance is a key theme which will be further explored in the Main report.

5.3 Addressing binding constraints for PSD in Sri Lanka

Below is our assessment of how well the Norwegian PSD portfolio over the last 10-15 years has addressed the identified binding constraints for business in Sri Lanka.

Table 15. Assessing Norwegian PSD against 'binding constraints'

Binding constraint	Portfolio assessment
The ethnic war	Overall strong effort by Norwegian government to resolve conflict. PSD support not aligned with these efforts
Rigid labour market	Not addressed
High degree of taxation	Not addressed
Bureaucratic legal system	Not addressed except for limited input in IFC project financed by Embassy
Weak macro economic management	Not addressed
Limited inflow of FDI	Major thrust of the PSD support
Credit for SMEs	Partly addressed by Embassy IFC projects, and microfinance

6 Relevance, Impact, Effectiveness, Efficiency and Sustainability

This report has made assessments against the key standard DAC criteria for evaluations under the separate programmes. Below is a summary for the evaluated programmes for these criteria:[99] 0 = poor, 5= excellent.

Table 16. Summary assessment of the PSD programmes and projects in Sri Lanka

	Match making	Application based support	Norad loans	Embassy support HDCC	SF	Norfund	FK Norway
Relevance	3,5	3,5	3	1	3	3	1,5
Additionality	4	3	4	5	2	3	3
Effectiveness	5	3	3	1	2	3	3
Sustainability	3	3	3	1	3	5	3
Institutional efficiency	3,5	3	2,5	1,5	2,5	3	3
Cost-effectiveness	3	3	4	1	2	5	2

Overall, from the assessment we conclude that:

- The selected Embassy project, the HDCC, deviates from a general pattern of the other programmes. This is due to the fact that it is a problem project caused by one single feature – the inability of Norwegian aid to exit from it which in itself is a result of a faulty project design during the HIRDEP time (hence not a 'fault' of the Embassy, but an inherited problem which the Embassy has so far not been able to solve.) The HDCC should not be seen as typical for the Embassy PSD support. The evaluation did not make a full assessment of the Embassy portfolio; in hindsight a problem, which should be corrected for in the remaining case

99 The figures are summaries of the different sub-criteria in the programme assessments, rounded off to nearest half points.

studies. Due to the exceptional character of this project, it is not included in the conclusions below.

- The programmes are, overall, reasonably effective in achieving their stated objectives. As the objectives are in most cases expressed in qualitative terms, (or when this is not the case, there is no available results-measuring to judge results,) this assessment is necessarily subjective.
- All the programmes have a reasonable or high degree of *additionality*; hence Norwegian aid has not financed activities which would have been implemented anyway. The exception might be in microfinance, a field with many suppliers.
- Sustainability is achieved to a high degree in most programmes (except in the Embassy project), largely because most supported companies turn out to viable business ventures, (micro finance is to some extent an exception). Norwegian aid is avoiding the problems of the past; designing projects which almost by definition will be unsustainable. (However, we have flagged a problem not only in the HDCC project but also in the newer support to the federation of chambers.)
- The programmes have all been reasonably well implemented, but they have a common problem: they are weak in in-built results-assessment. The organisations are more geared towards implementation than assessing what is being achieved. Also external evaluations are - to judge from these programmes -, not well developed relative to many other donors. Such evaluations tend to be few and far between.
- A common problem in several of these programmes is weak HSE assessment by the implementing organisations. As support of Norwegian investments in developing countries in certain sectors might partially be driven by a desire to avoid strict HSE requirements at home, this is a problematic feature. It is even more problematic as Norwegian aid makes a point of paying strong attention to this.
- The cost-effectiveness of the programmes varies, for example measured in terms of aid cost per additional job, but none of the programmes can be judged as poor in this respect.

In spite of this overall quite positive assessment, we must conclude that the impact of the programmes in terms of reducing poverty in Sri Lanka must be considered so marginal that it is negligible. The reason for this is scale: the programmes are – in a macro context – small, the financial allocations limited, and, furthermore, there is no evident or attempted *systems impact* with ripple effects. A case in point – we estimate that the programmes aimed at promoting Norwegian investments might have created some 1,500 additional jobs. This has been done at a fairly reasonable cost in terms of aid. But 1,500 jobs over a decade on a labour market with some 150,000 – 200,000 new entrants <u>annually</u> is negligible.

7 Issues to be pursued

The Sri Lanka case country study has identified some key issues to be pursued in the continuation of the evaluation. The most important are:

The *micro-macro paradox*, i.e. the Sri Lankan case study found that overall well implemented PSD projects and programmes have apparent marginal impact at the macro level in terms job-creation and effect on poverty. Are there ways of scaling up such PSD support for increased leverage and impact on poverty?

Pluralism versus fragmentation. Are there merits that various PSD programmes and organisations operate largely independent on one another as in the case of Sri Lanka, or should Norway attempt for more coordinated and strategic PSD efforts? If so, how can effective mechanisms for this be set up?

Microfinance. Given Norway's significant and increasing involvement in microfinance, is it time for a more coherent policy or general principles to support the many Norwegian actors involved in the sector?

Synergies between Norfund and the rest. Should Norfund operate independently, or are the ways by which synergies can be created between Norfund and the rest of the Norwegian PSD support by joint efforts, coordinating mechanisms etc?

Dealing with HSE. How should Norwegian aid deal with the different standards in terms of HSE in Norway versus developing countries in respect of support to outsourcing companies?

Results assessment. The evaluation has in many cases been unable to accurately assess impact due to the fact that the PSD programmes and their implementing organisations lack in-built systems for such result assessment. Should and could better mechanisms be created in this respect?

Performance oriented subcontracting. In Sri Lanka the MMP is an example of a sub-contractual arrangement to an external implementing organisation based on performance payment. Is this a model to be pursued in other contexts?

Annexes

Annex 1:
The Methodology for the Evaluation

Expansion and elaboration of the ToR

The Inception Report suggested several alternatives to the approach laid down in the ToR in order to enhance the quality of the output and increase the usefulness for future policy making. The modifications and additions were:

1. Broadening the scope of the Evaluation to include areas of Norwegian PSD not currently included in the ToR for the purpose of a strategic assessment of the totality of the Norway's business-related assistance. Examples of this were inclusion of Norfund projects in Sri Lanka and Bangladesh, Norfund's investments in SN Power and the new Norwegian Microfinance Initiative, the latter at a strategic level, and also reviewing the total PSD portfolio at country level.
2. Placing the Norwegian business-related assistance in the four chosen case countries in the context of: (i) the broader Norwegian country programme; (ii) the *binding constraints* for business and investment and expressed priority needs as can be determined from various key documents; and (iii) the Norwegian commercial operations in these countries in the form of foreign direct investments and trade.
3. Assessing potential results wider than indicated in the ToR related to secondary and tertiary ripple effects such as impact on capital flows and financial systems, integration of the countries in the global economy, mobilisation of the Norwegian business sector for development, etc. A matrix used as basis for the assessment is provided below.
4. Applying a modified sample technique for projects under the PSD programmes implemented by Norad in order to improve the representativeness of these samples. The Inception report suggested randomly chosen projects and samples large enough to be representative. Details of the samplings, included the specific projects to be assessed were identified in the Inception report.

The Evaluation Department in Norad agreed to these modifications first to be tested in Sri Lanka, and based on a meeting in Oslo September 25th for the full evaluation.

The strategic approach

The suggested strategic approach should not attempt to review in detail all projects under the various 'windows' and programmes, but utilise existing evaluations and reviews in combination with interviews of key stakeholders both in Norway and case countries. It should provide the strategic oversight of the Norwegian business-related assistance in its totality to inform future policy. In practice, this strategic focus will be achieved by: (i) an assessment of the different instruments at policy level, how they function together, what are their synergies, and how do they utilise Norwegian comparative advantages from an international perspective; and how do they match identified needs in PSD in developing countries; and (ii) how they operate at country level, using the four case countries as tests. The latter would address questions such as: what is the total portfolio of PSD in the specific countries; how do they interact and what synergies are there; being implemented by different organisations, how is the overall management and supervision carried out; and how do they match the defined binding constraints for PSD in these countries, their priorities and also what other donors do?

A model for potential results

The ToR made specific examples of the type of results (outcome and impact) which the PSD programmes and projects should be assessed against. This was elaborated in the Inception report in the form of a results-chain tree as outlined on page 85.

	Company/ project	Community/ region	Industry/ sector	Nation	International
Impact - Positive (longer term)	Company growth, enhanced international competitiveness; more socially and environmentally responsible enterprises	Regional growth; better standard of living; reduced poverty in community; better environmental standards;	Increased international competitiveness in sector; crowding in of new investments; Sector growth	Long-term contribution to economic growth; export revenues; poverty reduction	Global public goods; hereunder climate/ environment and water management models for effective business development;
Impact- negative	Decline of business, bankruptcy inefficient management and use of resources.	Replacing local industries; reduction in overall regional employment; more uneven distribution of wealth and income; Increased environmental pollution and excess use of resources due to lower environmental standards and lack of Environmental Management.	Crowding out of traditional industries; distortions of markets	Excessive import substitution; negative climate change;	Affecting global public goods
Outcome positive (short and intermediary terms)	Viable companies established; competence upgraded; profitability increased; added value; business expanded, etc	Added employment; increases in local taxes	Modernisation of technology and management; models for other industries; multiplier effects in supply chains	xxxxxx	xxxxxx
Outcome negative	Business failure, bankruptcies;	Reduced employment (business failures; replacement)	Market distortions;	xxxxxx	xxxxxx

	Company/ project	Community/ region	Industry/ sector	Nation	International
Outputs	Alliances formed; investments undertaken; people trained; new techniques delivered; sales missions undertaken, etc.	xxxxxx	xxxxx	xxxxx	xxxxxx
Inputs	Equity, feasibility studies, technical assistance, training, etc.	xxxxx	xxxxxx	xxxxxx	xxxxx
Contributions by Norad	NOK	xxxx	xxxxx	xxxxx	xxxxx

Additionality. A key concept applied in the Evaluation is *additionality*, i.e. to what extent the Norwegian support at project level contributes to a development and/or impact which otherwise would not have taken place or would have taken place to a lesser extent. Assessing additionality is often not easy, as it requires a discussion of the counterfactual (what would have happened if not…). *Additionality* is of particular relevance in a PSD context as aid either might substitute private initiatives and capital, be a catalyst through triggering such initiatives and capital, or replacing and crowding out such capital, thus being counterproductive.

Case Country Studies

The Inception report suggested a dual approach for the evaluation at country level as follows:

- Applying a *strategic and comprehensive orientation* to the PSD responding to questions such as: What is the portfolio? How did it emerge? How relevant is it in its totality against the binding constraints that have been identified for economic development and PSD in the country? How does it relate to other donors' work? Are there linkages and synergies between projects and programmes or possibly contradictions? Overall, does it take Norwegian comparative advantages into account? Do projects and activities emerge from strategic considerations and is there a general PSD strategy at country level in place, and/or is the one from 2002-2003 still active?
- Applying a methodology which allows the *assessment of results of a large number* of different projects, given the width of the portfolio. This requires on a sample basis an in-depth review of the results (outcome and impact), relevance, effectiveness etc of selected projects. The selection of samples should follow three different tracks:
  - for general programmes with a large number of small projects (Norad, FK Norway), a randomised sample sufficient to make generalisations about the whole programme as explained above;
  - for Norfund, a total review of all activities in the case countries as these are likely to be few and of more substantial nature; and, dependent on the final mapping of regional activities, a representative sample of the latter;
  - for the Embassy level support, carefully chosen projects which illustrate different major themes in the four countries will be selected. In Sri Lanka, the various support through and to chambers of commerce appears to be a logical choice (also identified in the ToR).

Sampling of projects and sourcing of information

The sampling of projects under the different programmes suggested in the Inception report and further refined during the Sri Lanka case study is given below. The table also assesses the representativeness of the sample for the full Sri Lanka programme, our assessment of the robustness of the results based on data sourcing and also available sources for triangulation:

Programme	Population	Sample system	**A. Representativeness** **B. Robustness of results** **C. Triangulation**
Matchmaking programme	326 projects 1994-2009	15% random sample of 171 companies which made an active matching visit 1999-2009. Sample size 25	**A. Good** – sufficient random sample **B. Good** – extensive available 'result records'; telephone interviews with Norwegian companies and selected company visits in Sri Lanka. **C. Good**. Repeated internal assessments by ABP and external evaluation 2003
Application based support	110 projects 1999-2009 for 80 companies	20% random sample of 80 companies provided support 1999-2009; sample size 16 projects	**A. Good** – sufficient random sample. **B. Good** – review of extensive records, telephone interviews with Norwegian companies and selected visits to Sri Lankan companies. **C. Weak** No triangulation due to lack of external evaluation and no systematic results-reporting by Norad
Norad soft loans	6 active loans to 5 companies/ organisations as of 31.12, 2000, the end of the programme	All loans except one	**A. Good.** All but one loan included. (one untypical NGO loan excluded) Certain bias for the portfolio over a longer time as also one old, poorly performing loan included. **B. Good.** All companies interviewed and visited, and underlying documents in Norad/ Norfund reviewed **C. Weak**. No systematic result reporting or external evaluations
Norad institutional support	8 projects identified from available records	Chambers of commerce selected as theme	**No assessment made**

Programme	Population	Sample system	**A. Representativeness** **B. Robustness of results** **C. Triangulation**
Embassy projects	Diverse: chambers of commerce (3 projects), several multi-bi projects with IFC and UNIDO; microfinance and others 1999 and onwards.	Chambers of Commerce (focus on Hambantota District Chamber of Commerce) as suggested in ToR.	**A. Weak** – only for one type of project for the diverse portfolio of embassy projects. **B. Good (**for HDCC). Visit and interviews with organisation; extensive documentation **C. Good.** Several previous reviews of HDCC. However, impact data for the project limited.
Strømme Foundation	SF's micro finance operations 2002-2009. Cooperation with about 30 MFIs	Organisational review and one MFI	**A. Fair** at institutional level; weak at MFI level **B. Fair** Good records of SF micro finance, interviews key staff. No supporting evidence of results at ultimate client level **C. Fair** 2009 evaluation and 2008 institutional review.
Norfund	One direct investment (mini hydropower 1999-2002	All	**A. Good** (100%) **B. Good.** Extensive records; interviews with stakeholders **C. Weak:** No external evaluation
Norfund	Two regional Aureos SME funds (South Asia I and II) invested in 2003 and 2005	4 identified projects in Sri Lanka). 2 of companies selected	**A. Good** 50% of portfolio; also records of the other investments **B. Good:** Review of available documents; interview Aureos regional office; visit two of companies and interviews with boards **C. Weak** – no external evaluations
FK Norway	3 business-related projects	2 (one excluded due to newness)	**A. Good** 67% (90% in financial terms) **B. Fair.** Extensive documentation in FK Norway; interviews stakeholders **C. Weak.** No external review available

Annex 2:
Persons met in Sri Lanka

Embassy of Norway

Ingrid Hordvei Dana, First Secretary
Edle Hamre, Councellor
Chandrasiri Jayawardena, Senior Advisor
Vidya Perera, Senior Advisor

Embassy of the Netherlands

Gerrit Noordam, First Secretary
Bandula Hennadige, Senior Programme Officer

Embassy of Sweden

Anders Eriksson, Councellor
Börje Mattsson, Ambassador

Board of Investment of Sri Lanka

Nilupul de Silva, Director
Ruvini Weerasekera, Executive assistant

Ministry of Finance and Planning

J.H.J. Jayamaha, Director General

Ministry of Industrial Development

R.V.D. Piyatilake, Secretary

Ministry of Science Technology

P.G Joseph, Director

Sri Lanka Sustainable Energy Authority

Harsha Wickremasinghe, Deputy Director General

Ceylon Chamber of Commerce

MSC Atton, Deputy Secretary General
Rohan Casiechetty, Manager
Anurdha Perera, Project Manager
Prema Cooray, MD CCC Solutions

Federation of Chambers of Commerce and Industry of Sri Lanka

Sam Stembo, Ass. Secretary General
Krishantha Wisenthige, Deputy Director
B.L. Ramanayake, Head, Projects and Services

Hambantota District Chamber of Commerce

Azmi Thassim, Director General
K. Liyanaarachchi, President
Krishanthi Weerasinghe, Partnership Development Manager
T:R. Musaffer. Board Member

IFC

Per Kjellerhaug, Regional Manager
K. Karma, Acting Head Advisory Services
Dushmantha Jayasinghe, Operations Officer

South Asia Enterprise Development Facility

Kanchna Abeywickrama, Operating Analyst
Victor Antonypillai, Operating Analyst

The World Bank

Claus Pram Astrup, Senior Country Economist

Aureos Capital

Nissanka Weerasekera, Regional Managing Partner
Indika Hettiarachchi, Investment Principal

Strømme Foundation

Nimal Martinus, Regional Director

Strømme Microfinance Asia Guarantee Ltd

Nimal Martinus, Chairman
Mahinda Gunasekera, Managing Director

Women´s Development Federation

S.K. Nishanthi Priyangika, Training Manager
S.P. Sriyani Mangalika, General Manager
Chandrani Samararathna, bank Development Manager

Norwegian and Sri Lankan enterprises in Sri Lanka

AJ Fishing

Arnulf Sandvik, CEO

Aqua Packaging

Ken Nirmalan, Chairman
Sarath Wijesinghe, MD
Kayana Dhirasekera, Director

Big man's Club

Kjetil Bjornstad, CEO

BK Hengeren

Tommy Kvilvang, Director of Production

Brooklyn Teas

Mario de Silva, MD

CCC Solutions
Prema Cooray, MD
Ceyland
Wicky Hewawitharana, MD
Ceylon Oxygen
Niran Pieris, CEO
Cocopel Lanka
Wicky Hewawitharana, MD
Danusha Group of Companies
GS Fernando, MD
Dhanusha Marine Lanka
Ranjan Kurukulasooriya, General Manager
Dipped Products
Sarath Ganegoda, Deputy MD
Ramesh Nanayakkara, General Manager Finance
Eurocenter DCC
Mano Sekaram, CEO
Exile Soft Pvt
Finn Worm Petersen, CEO
Green Farms
Arne Svinningen, Chairman, CEO
High Comp
Helge Rasmussen, MD
Hobas
Asbjørn Drengstig, MD
Jan Erik Jenssen, Aqua Engineer
Jiffy Products
Nishanta Tilakartne, Manager Finance
Susil Jayalath, Production Manager
Kvilvang
See BK Hengeren
Lanka Transformers
UD Jayawardana, CEO
Ravindra Pitigalage, CFO
LTL Holdings
UD Jayawardana, CEO
Ravindra Pitigalage, CFO
Mjelde Consulting
Ola Mjelde
Pure Nature
Tony Perera, Director
Sapienta Credit Consortium
Pushya Gunawardhana, MD
SMB Lanka
Pushya Gunawardhana, MD
Tos Lanka
Merrick Gooneratne, Executive Director
Viksund Design Centre
Jostein Viksund, MD

Annex 3: Definition of Key Terms and Evaluation Criteria

Below is the standard format used in the Sri Lanka case study. The criteria and terms used are defined in the right hand column based, when appropriate on OECD/DAC terminology. The rating is subjective by the evaluators, set in relation to stated objectives (when such are at hand), and the scale and scope of the development programme. 0 stands for poor quality/impact and 5 for excellent.

NA sometimes used in the tables, stands for Not Assessed.

Assessment criteria	Rating	Explanation
Inputs	X	Financial, human and material resources for the development programme/project
Cost to Norwegian aid	X	The grant element of the Norwegian allocation to a programme, excluding the administrative costs in the aid administration
Other inputs (leverage)	0-5	Other financial contributions to a programme/project whether from donors, banks or private capital
Outputs	0-5	Products, goods, services as a result of a development programme/projects
Outcome	0-5	Short and medium term effects, positive or negative as a result of a development programme/projects
Impacts		
Policy; regulations	0-5	Impact on government policies and/or regulation for business
Sector institutions	0-5	Impact on (government) institutions of relevance for business (such as customs, investment authorities, energy authorities, etc)
Enabling environment	0-5	General assessment to what extent the programme has impacted on the 'business climate'
FDI from Norway	0-5	Norwegian foreign direct investments. Rating in relation to the scale of programme
FDI general	0-5	Rating in relation to the scale of programme
Trade Norway	0-5	Exports to or imports from Norway. Rating in relation to the scale of programme

Assessment criteria	Rating	Explanation
Trade general and with other developing countries	0-5	Rating in relation to the scale of programme
Financial systems and capital market	0-5	Any impact on the systems, e.g. new instruments, deepening of systems, governance issues
Business organisation	0-5	E.g. institutional development of private sector organisations such as chambers of commerce
Employment direct	0-5	Employment in companies or organisations directly participating in programmes which can be attributed to the development intervention. Rating in relation to scale of development programme
Employment indirect	0-5	Employment downstream (e.g. raw material production) or upstream (transports etc) which can be attributed to the development intervention. Rating in relation to scale of development programme
Technology and know how transfer at company level	0-5	To degree a development programme triggers new technologies, new methods, new practices in targeted companies and organisations (e.g. in a joint venture)
Sector development	0-5	To degree a development programme triggers new technologies, new methods, new practices which spread outside targeted companies and organisations to other companies
Country competitiveness	0-5	To the degree the development programme adds to country competitiveness internationally
Poverty Impact		
Local/regional socio-economic conditions	0-5	Positive or negative impact on living standards locally and regionally which can be attributed to a development programme
Inclusion of marginalised groups	0-5	The degree of targeting (directly or indirectly) to particular poverty target groups (geographically, socially, etc)
Addressing regional imbalances	0-5	The degree of targeting (directly or indirectly) to particular impoverished regions
Macro effects	0-5	Impact on poverty at country level
Cross-cutting issues		
Environment	0-5	Negative or positive impact on the local, regional or national environment from a development programme (higher figure of positive impact, 0 for negative
Health and Safety	0-5	Negative or positive impact on working conditions or local environment from a development programme (higher figure of positive impact, 0 for negative)

Assessment criteria	**Rating**	**Explanation**
Labour conditions	0-5	Wage levels, safety, security of jobs, non-existence of child labour etc.
Gender	0-5	Specifically inclusion of women in terms of services, employment etc.
Sustainability	0-5	Continuation of benefits from a development intervention once it is ended (or the likelihood of such continuation ex-post). Specifically viability of investments, companies and organisations supported
Additionality	0-5	To what extent the development programme was the reason for development outcome and impact. Attribution is a synonym in this context. This is always an issue of counterfactual assessment, i.e. what would have happened without.
Institutional assessment		
Efficiency	0-5	The implementing agencies ability to achieve outputs in relation to inputs
Results-measuring	0-5	Availability of formal systems to effectively monitor and evaluate results from a development programme
Quality assurance	0-5	Systems to assess in particular HSE quality in supported organisations
Coordination with other Norwegian PSD programmes	0-5	Formal or informal systems to coordinate and share information
Exit strategy	0-5	Explicit means to end a development intervention at project level without jeopardizing results
Corruption risk	0-5	Risk for corruption and misuse of aid resources at recipient level
Programme effectiveness	0-5	The degree to which a development programme reaches its stated objectives in qualitative or quantitative terms
Cost-effectiveness	0-5	The ratio between achievement of objectives and the (aid) cost of the intervention.
Relevance		
Coherence Norwegian policies	0-5	Specifically 1998 PSD Strategy and country policy/strategy over last 10-15 years
Coherence Government priorities	0-5	Programme intentions in relation to explicit government policies
Addressing binding constrains	0-5	To what extent a programme intentions are addressing identified binding constraints for private sector development (identified by the Evaluation)

Assessment criteria	Rating	Explanation
Relevance for Norwegian business	0-5	To what extent a programme adds to the Norwegian business sector (such as competitiveness; trade, etc.)
Aid issues		
Untying of aid	0-5	A government policy from late 1990s. The degree to what a programme is in fact is untied from Norwegian (commercial) interests
Donor coordination	0-5	Formal or informal systems to coordinate with other donors in the same (sub) sector)
Replicability and scaling up opportunities	0-5	How easily a programme can be scaled up for greater impact or replicated by others

Annex 4: Selected Comments on the 2nd Draft of Sri Lanka Case Country Report

Comments by the Norwegian Embassy October 22, 2009:

First of all we like to recognise the amount of ground that has been covered in the Evaluation of the Norwegian Business Related assistance to Sri Lanka. We recognise both the importance but also what a challenge it must be to evaluate the implementation of the NIS strategy, more than 10 years after it was launched. It is important, to monitor long-term impacts but hard as it seems that the strategy has not been referred to the last few years.

Overall, we find the draft report interesting and fully agree with the main findings, that the coordination between the many channels for business related PSD has been very poor.

The strategy was ambitious, and so is this evaluation. The lack of monitoring mechanisms and baselines affect the findings, even though random sampling seems to provide a relevant picture in many cases. We are happy to note that in terms of efficiency, relevance, sustainability, institutional efficiency and cost effectiveness, most programmes have in fact received an average score except in the case of HDCC.

It is hard to draw the line, but the Embassy believes that it is important to make a DISTINCTION between the long term assistance to economic development provided mainly by the embassy, and the more commercial channels (ABS, Norfund, SN Power, MMP) in the evaluation. This as the goals, the follow up, monitoring and ownership is different between the two. While the intention behind the support from Norad, Norfund and SN Power s largely is to facilitate business cooperation between our two countries, one of the main goals of our long term assistance (now administered mainly from the Embassy) is to provide economic opportunities for the more disadvantaged groups and regions and thereby reduce tensions and poverty.

In the scope, one is made to understand that the “Embassy channel” has been subject to a thorough assessment, while this is not the case. As only two fairly small projects have been looked into, the Embassy recommends some caution when it generalise these findings, as they seem to be portrayed as representative for this channel, which they may not be.

While we appreciate the assessment of our support to HDCC, agree that it is donor dependent, and that Norway is to be blamed, we believe that your comments about the Embassy's support to the chambers in general might be too quick to justify your comments. While we recognise that the FCCISL might have grown into an unhealthy large "development chamber", what is interesting for is how this might affect their ability to facilitate the 28 regional chambers to become standalone sustainable chambers, which is the aim of our support. Furthermore, the team s conclusion, that the most appropriate support to chambers it the cooperation with the CCC, might be right but seems too ground and unfounded. It would be interesting to get more insight in your comparisons of the CCC and FCCISL when it comes to the no of employees, sustainability, donor dependency etc. This as the CCC with its 80 employees and lot of donor assistance, might also be labelled unhealthy large by many. Finally, as a detail we recommend that when you refer to HDCC you refer to the Hambantota Chamber Project, rather than the Embassy Chambers Projects-to avoid confusion.

We are happy to learn that the Matchmaking programme is seen as an effective program, even though it only represents 1% of Sri Lanka's FDI and exports. The Embassy believes that the MMP serves an important purpose for our cooperation with Sri Lanka and that with respect to future recommendation it should be assessed on different criteria's than "regular" long term assistance. We notice however with interest the estimated cost per match which we find to be disturbingly high. We would look forward to recommendations on how to take this programme forward, in your final report.

While we agree that there is a huge potential in improving the result orientation and evaluations, once again, we believe that it is important to make the distinction between the commercial (Norfund, SN Power, MMP, ABS) and the more traditional development driven programmes.

In this connection, we may question the validity of the statement that 'SF lacks any system to assess the impact at the level of the users of microfinance'. In Strømme's Dream programme there are both quantitative and qualitative indicators developed to assess the changes at the user level.

Norway's role as a facilitator in the peace process from 2002-2009 has obviously had an impact on Norway's development priorities in Sri Lanka, and clearly affected our development goals in Sri Lanka and the hereby also the goals defined in the NIS strategy. For example, while NIS 2002, identified that fish and energy should be focus areas for our development, this focus had to be dropped as the areas became too sensitive and incompatible with Norway's role s a facilitator.

In terms of the nine criteria's that was established in the 1998 strategy, your assessment is that the assistance you evaluate has not performed well in Sri Lanka. Based on the commercial programs we understand you assessment. Your assessment of point 2 and 3 as well as your comments under point viii illustrates that by generalising the findings in this manner that the important distinction between the commercial and development oriented programmes are not made, but needs to be. If the distinctions between the commercial and the more poverty oriented channels cant be made, it is the Embassy's recommendation that evaluation-should consider to exclude the development programs-which in this case is only two very small programs.

Then finally, thank you for embarking on this big but important task-we look very much forward to your recommendations!

EVALUATION REPORTS

3.96 The Norwegian People's Aid Mine Clearance Project in Cambodia
4.96 Democratic Global Civil Governance Report of the 1995 Benchmark Survey of NGOs
5.96 Evaluation of the Yearbook "Human Rights in Developing Countries"

1.97 Evaluation of Norwegian Assistance to Prevent and Control HIV/AIDS
2.97 «Kultursjokk og Korrektiv» – Evaluering av UD/NORADs Studiereiser for Lærere
3.97 Evaluation of Decentralisation and Development
4.97 Evaluation of Norwegian Assistance to Peace, Reconciliation and Rehabilitation in Mozambique
5.97 Aid to Basic Education in Africa – Opportunities and Constraints
6.97 Norwegian Church Aid's Humanitarian and Peace-Making Work in Mali
7.97 Aid as a Tool for Promotion of Human Rights and Democracy: What can Norway do?
8.97 Evaluation of the Nordic Africa Institute, Uppsala
9.97 Evaluation of Norwegian Assistance to Worldview International Foundation
10.97 Review of Norwegian Assistance to IPS
11.97 Evaluation of Norwegian Humanitarian Assistance to the Sudan
12.97 Cooperation for Health DevelopmentWHO's Support to Programmes at Country Level

1.98 "Twinning for Development". Institutional Cooperation between Public Institutions in Norway and the South
2.98 Institutional Cooperation between Sokoine and Norwegian Agricultural Universities
3.98 Development through Institutions? Institutional Development Promoted by Norwegian Private Companies and Consulting Firms
4.98 Development through Institutions? Institutional Development Promoted by Norwegian Non-Governmental Organisations
5.98 Development through Institutions? Institutional Developmentin Norwegian Bilateral Assistance. Synthesis Report
6.98 Managing Good Fortune – Macroeconomic Management and the Role of Aid in Botswana
7.98 The World Bank and Poverty in Africa
8.98 Evaluation of the Norwegian Program for Indigenous Peoples
9.98 Evaluering av Informasjons støtten til RORGene
10.98 Strategy for Assistance to Children in Norwegian Development Cooperation
11.98 Norwegian Assistance to Countries in Conflict
12.98 Evaluation of the Development Cooperation between Norway and Nicaragua
13.98 UNICEF-komiteen i Norge
14.98 Relief Work in Complex Emergencies

1.99 WID/Gender Units and the Experience of Gender Mainstreaming in Multilateral Organisations
2.99 International Planned Parenthood Federation – Policy and Effectiveness at Country and Regional Levels
3.99 Evaluation of Norwegian Support to Psycho-Social Projects in Bosnia-Herzegovina and the Caucasus
4.99 Evaluation of the Tanzania-Norway Development Cooperation1994–1997
5.99 Building African Consulting Capacity
6.99 Aid and Conditionality
7.99 Policies and Strategies for Poverty Reduction in Norwegian Development Aid
8.99 Aid Coordination and Aid Effectiveness
9.99 Evaluation of the United Nations Capital Development Fund (UNCDF)
10.99 Evaluation of AWEPA, The Association of European Parliamentarians for Africa, and AEI, The African European Institute
1.00 Review of Norwegian Health-related Development Cooperation1988–1997
2.00 Norwegian Support to the Education Sector. Overview of Policies and Trends 1988–1998
3.00 The Project "Training for Peace in Southern Africa"
4.00 En kartlegging av erfaringer med norsk bistand gjennomfrivillige organisasjoner 1987–1999
5.00 Evaluation of the NUFU programme
6.00 Making Government Smaller and More Efficient.The Botswana Case
7.00 Evaluation of the Norwegian Plan of Action for Nuclear Safety Priorities, Organisation, Implementation
8.00 Evaluation of the Norwegian Mixed Credits Programme
9.00 "Norwegians? Who needs Norwegians?" Explaining the Oslo Back Channel: Norway's Political Past in the Middle East
10.00 Taken for Granted? An Evaluation of Norway's Special Grant for the Environment

1.01 Evaluation of the Norwegian Human Rights Fund
2.01 Economic Impacts on the Least Developed Countries of the Elimination of Import Tariffs on their Products
3.01 Evaluation of the Public Support to the Norwegian NGOs Working in Nicaragua 1994–1999
3A.01 Evaluación del Apoyo Público a las ONGs Noruegas que Trabajan en Nicaragua 1994–1999
4.01 The International Monetary Fund and the World Bank Cooperation on Poverty Reduction
5.01 Evaluation of Development Co-operation between Bangladesh and Norway, 1995–2000
6.01 Can democratisation prevent conflicts? Lessons from sub-Saharan Africa
7.01 Reconciliation Among Young People in the Balkans An Evaluation of the Post Pessimist Network

1.02 Evaluation of the Norwegian Resource Bank for Democracyand Human Rights (NORDEM)
2.02 Evaluation of the International Humanitarian Assistance of theNorwegian Red Cross
3.02 Evaluation of ACOPAMAn ILO program for "Cooperative and Organizational Support to Grassroots Initiatives" in Western Africa 1978 – 1999
3A.02 Évaluation du programme ACOPAMUn programme du BIT sur l'« Appui associatif et coopératif auxInitiatives de Développement à la Base » en Afrique del'Ouest de 1978 à 1999
4.02 Legal Aid Against the Odds Evaluation of the Civil Rights Project (CRP) of the Norwegian Refugee Council in former Yugoslavia

1.03 Evaluation of the Norwegian Investment Fund for Developing Countries (Norfund)
2.03 Evaluation of the Norwegian Education Trust Fund for Africain the World Bank
3.03 Evaluering av Bistandstorgets Evalueringsnettverk

1.04 Towards Strategic Framework for Peace-building: Getting Their Act Togheter.Overview Report of the Joint Utstein Study of the Peace-building.
2.04 Norwegian Peace-building policies: Lessons Learnt and Challenges Ahead
3.04 Evaluation of CESAR´s activities in the Middle East Funded by Norway
4.04 Evaluering av ordningen med støtte gjennom paraplyorganiasajoner. Eksemplifisert ved støtte til Norsk Misjons Bistandsnemda og Atlas-alliansen
5.04 Study of the impact of the work of FORUT in Sri Lanka: Building CivilSociety
6.04 Study of the impact of the work of Save the Children Norway in Ethiopia: Building Civil Society

1.05 –Study: Study of the impact of the work of FORUT in Sri Lanka and Save the Children Norway in Ethiopia: Building Civil Society
1.05 –Evaluation: Evaluation of the Norad Fellowship Programme
2.05 –Evaluation: Women Can Do It – an evaluation of the WCDI programme in the Western Balkans
3.05 Gender and Development – a review of evaluation report 1997–2004
4.05 Evaluation of the Framework Agreement between the Government of Norway and the United Nations Environment Programme (UNEP)
5.05 Evaluation of the "Strategy for Women and Gender Equality inDevelopment Cooperation (1997–2005)"

1.06 Inter-Ministerial Cooperation. An Effective Model for Capacity Development?
2.06 Evaluation of Fredskorpset
1.06 – Synthesis Report: Lessons from Evaluations of Women and Gender Equality in Development Cooperation

1.07 Evaluation of the Norwegian Petroleum-Related Assistance
1.07 – Synteserapport: Humanitær innsats ved naturkatastrofer:En syntese av evalueringsfunn
1.07 – Study: The Norwegian International Effort against Female Genital Mutilation
2.07 Evaluation of Norwegian Power-related Assistance
2.07 – Study Development Cooperation through Norwegian NGOs in South America
3.07 Evaluation of the Effects of the using M-621 Cargo Trucks in Humanitarian Transport Operations
4.07 Evaluation of Norwegian Development Support to Zambia (1991 - 2005)
5.07 Evaluation of the Development Cooperation to Norwegion NGOs in Guatemala

1.08 Evaluation: Evaluation of the Norwegian Emergency Preparedness System (NOREPS)
1.08 Study: The challenge of Assessing Aid Impact: A review of Norwegian Evaluation Practise
1.08 Synthesis Study: On Best Practise and Innovative Approaches to Capasity Development in Low Income African Countries
2.08 Evaluation: Joint Evaluation of the Trust Fund for Enviromentally and Socially Sustainable Development (TFESSD)
2.08 Synthesis Study: Cash Transfers Contributing to Social Protection: A Synthesis of Evaluation Findings
2.08 Study: Anti- Corruption Approaches. A Literature Review
3.08 Evaluation: Mid-term Evaluation the EEA Grants
4.08 Evaluation: Evaluation of Norwegian HIV/AIDS Responses
5.08 Evaluation: Evaluation of the Norwegian Reasearch and Development Activities in Conflict Prevention and Peace-building
6.08 Evaluation: Evaluation of Norwegian Development Cooperation in the Fisheries Sector

1.09 Evaluation: Joint Evaluation of Nepal´s Education for All 2004-2009 Sector Programme
1.09 Study Report: Global Aid Architecture and the Health Millenium Development Goals
2.09 Evaluation: Mid-Term Evaluation of the Joint Donor Team in Juba, Sudan
2.09 Study Report: A synthesis of Evaluations of Environment Assistance by Multilateral Organisations
3.09 Evaluation: Evaluation of Norwegian Development Coopertation through Norwegian Non-Governmental Organisations in Northern Uganda (2003-2007)
4.09 Evaluation: Evaluation of Norwegian Support to the Protection of Cultural Heritage
5.09 Evaluation: Evaluation of Norwegian Support to Peacebuilding in Haiti 1998–2008

Norad
Norwegian Agency for
Development Cooperation

Postal address
P.O. Box 8034 Dep. NO-0030 OSLO
Visiting address
Ruseløkkveien 26, Oslo, Norway

Tel: +47 22 24 20 30
Fax: +47 22 24 20 31

No. of Copies: 150
postmottak@norad.no
www.norad.no