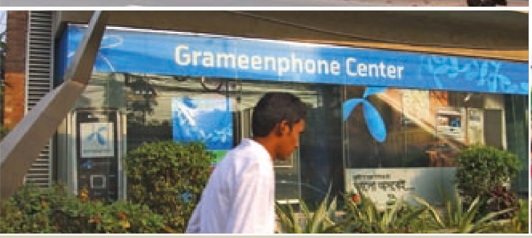
Evaluation Department

Norad

Evaluation of Norwegian Business-related Assistance Main Report

Report 3/2010 – Evaluation



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

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Evaluation of Norwegian Business-related Assistance Main Report

May 10, 2010

Devfin Advisers AB

Preface

There are signs that a shift may be coming among donors towards more emphasis on the private sector. This report from our evaluation of Norwegian development aid to business-related activities may therefore come at an opportune time.

The report is prepared by the Swedish consultants Devfin Advisers AB, and it covers Norwegian development cooperation to promote and develop the private sector in partner countries over the last 10-15 years, an area to which successive governments have expressed a high priority. It is a comprehensive evaluation that reviews an array of mechanisms and channels. The report is clear in its findings and specific in its recommendations. The consultants have aimed at quantifying results and impact of the Norwegian support, although they wisely enough give us “in the order of”-figures rather than exact numbers.

The findings are positive as far as the overall outcome of business-related aid is concerned. Some achievements are remarkable, like the Norad loans to Grameen Phone in Bangladesh, the micro-finance schemes in Uganda, but also the development of Norfund into a world leading agency in its field. Schemes through Norad – like the Matchmaking Programme – have also created jobs. Such schemes have been very successful in mobilising Norwegian enterprises, more so than in fostering business and economic development in partner countries. Part of this support may, according to the team, have been administered in a too “liberal” way. Support from the embassies seems to be very much a mixed bag. Some solid results have been achieved, but the embassy level support gives the impression, in the words of the evaluation team, of many different forms of assistance with limited synergies between them.

The evaluation team also draws some conclusions regarding institutional aspects. The administrative reform in Norwegian development cooperation in 2004 had some negative consequences for this sector. The department in charge of private sector development in Norad has suffered from an unclear role, and embassies are too short-staffed to be effective designers and supervisors of support to the sector. The report proposes a reorganisation of private sector support within the aid administration.

One weakness of the report may be that the evaluation has not addressed support to the “enabling environment” for the private sector. That is not the fault of the consultants, it was not included in the terms of reference. The issue is fortunately covered in the recommendations.

Let me say finally that this report is part of our continued efforts to document development results, which we believe it does in an exemplary way.

Asbjørn Eidhammer
Director of Evaluation

Foreword and Acknowledgments

The evaluation of the Norwegian business-related assistance has been prepared by a team comprising Claes Lindahl (team leader), Lars Ekengren, Karlis Goppers, Ann Jennervik, Henric Thörnberg and Barbara Vitoria. Quality assurance has been provided by Gunilla Hesselmark, former Assistant Director General for Sida, Jannik Lindbæk, former Head of IFC and Chairman of Statoil, and Sven Sandström, former Managing Director of the World Bank Group.

The evaluation team would like to thank all persons we have met in Norway, Bangladesh, Kenya, South Africa, Sri Lanka and Uganda. We could not have had better support in our work including great patience with all our questions and requests.

The reporting from the evaluation is done in two volumes. This is the Synthesis Main report. Separate volumes contains country studies for Bangladesh, South Africa and Uganda, and a case study on the environmental and climate impact of Private Sector Development projects in South Africa and Uganda. A report on Sri Lanka, which is part of this evaluation, has already been published by the Evaluation Department in Norad.

Contents

List of Abbreviations

ABP	Advance Business Partners
ABS	Application Based Support
ADB	Asian Development Bank
AfDB	African Development Bank
AIG	American International Group
BKK	*Bergenshalvøens Kommunale Kraftselskap*
BoP	Bottom of the Pyramid
BOT	Build-Operate-Transfer
BOO	Build-Operate-Own
BRAC	Bangladesh Rural Advancement Committee
CCC	Ceylon Chamber of Commerce
CCC	Climate, Capital and Conflict (Norwegian policy)
CDC	Commonwealth Development Corporation
CER	Certified Emission Rights
CGAP	Consultative Group for Assisting the Poor
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DEG	*Deutche investitions- und Entwicklungsgesellschaft*
DFI	Development Finance Institution
DFCU	Development Finance Company of Uganda
DFID	Department for International Development (Britain)
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EIB	European Investment Bank
EU	European Union
EVAL	Evaluation Department in Norad
FDI	Foreign Direct Investment
FK Norway	Fredskorpset Norway
FMO	Finance for Development (Holland)
GDP	Gross Domestic Product
GNI	Gross National Income
GIEK	The Norwegian Export Credit Agency *(Garanti-instituttet for Eksport-kreditt)*
HSE	Health, Safety and Environmental (standards)
HSH	Handel og Servicenæringens Hovedorganisasjon (Norway)
ICT	Information and Communication Technologies
IFC	International Finance Corporation
IFU	Industrialiseringsfonden for Udviklingslandene (Denmark)
ILO	International Labour Organization

IOPSD	Information Office for Private Sector Development
IRR	Internal Rate of Return
JV	Joint Venture
LDC	Least Developed Countries
LFA	Logical Framework Analysis
MFA	Ministry of Foreign Affairs (Norway)
MFI	Microfinance Institution
MMP	Matchmaking Programme
MNOK	Million Norwegian Crowns
MoU	Memorandum of Understanding
MSE	Micro and Small Enterprise(s)
MUSD	Million US Dollar
NCG	Nordic Consulting Group
NHO	Confederation of Norwegian Employers
NGO	Non-government Organization
NIS	Næringsutvikling i Sør
NMI	Norwegian Microfinance Initiative
NOK	Norwegian Kroner
Norad	Norwegian Agency for Development Cooperation
Norfund	Norwegian Investment Fund for Developing Countries
NUMI	Department for Private Sector Development and the Environment (in Norad)
OBA	Output Based Aid
OECD	Organization for Economic Cooperation and Development
PIDG	Private Infrastructure Development Group
PPP	Private Public Partnership
PSD	Private Sector Development
SECP	Small Enterprises Development Credit Programme
SEDF	South Asia Enterprise Development Facility
SEDP	Agrani Bank Small Enterprises Development Project
SF	Strømme Foundation
SIVSA	Civil Society Department (in Norad)
SME	Small and Medium Enterprise
TA	Technical Assistance
ToR	Terms of Reference
UML	Uganda Microfinance Ltd
UIP	Uganda Integrated Programme
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
USD	US Dollar
ZAR	South African Rand

Executive Summary

Executive Summary

Background and introduction

This report is of an evaluation of the Norwegian *business-related assistance* as it has been delivered during the last 10-15 years. Business-related assistance is here defined in a narrow sense as support provided for investments and technical assistance to enterprises, to financial institutions whether banks or microfinance institutions, and to business organizations such as chambers of commerce. It does not, in line with the Terms of Reference (ToR), include support to improve the *framework conditions* for business such as those entailed in policies, regulations and laws, the function of public authorities, etc. Business-related assistance is in the report equated with *Private Sector Development* (PSD).

The overall objectives of the evaluation are:

- 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.

The evaluation is based on a review of the Norwegian PSD support in general, its policy framework and organizational set-up, and the evidence of results in four case countries identified by the ToR: Bangladesh, South Africa, Sri Lanka and Uganda. The approach of the evaluation has been to assess as wide a representation of projects, programmes and investments as possible. The report comprises two parts. The first part is this report which is a main synthesis report and the second part is a volume of studies for the four countries.

The organization and scope of the Norwegian Private Sector Development

The PSD support has been delivered over time through an increasingly complex organizational system, including Norad, the Norwegian embassies, the Norwegian Investment Fund for Developing Countries (Norfund) and its affiliates Aureos Capital and SN Power, Fredskorpset (FK Norway), and through a wide variety of organizations funded by these organizations such as Innovation Norway, the Confederation of Norwegian Enterprises (NHO) and various Norwegian Non-governmental Organizations (NGOs). In our estimate the PSD support as defined in this evaluation currently amounts to about NOK 1.2 billion per annum in terms of government allocations. However, including investments by Norfund, the amount is in the order of NOK 2 billion per annum. This is a figure which has expanded rapidly over the last decade as a result of the emergence and growth of Norfund, Norway's Development Finance Institution (DFI).

The policy framework

Norwegian PSD is governed by various policies and instructions. A key document is a PSD strategy issued in 1999, which was followed by a set of operational studies in selected countries in the early 2000s. Albeit seldom referred to nowadays, the 1999 strategy is still valid and used as a benchmark in the evaluation. Various policy documents of a more general kind have been issued by the government since 1999 with relevance to the PSD support. The most recent such document is the 2009 development policy *Climate, Conflict and Capital*. Out of these strategies and policies the following key principles for Norwegian PSD for the evaluation period can be extracted:

(i) A dynamic, vibrant private sector is critical for long-term, sustainable poverty eradication as a means of creating value and wealth, tax revenues and productive jobs. PSD support is a government development priority;

(ii) PSD should be addressed at two basic levels: 1) creating conducive frameworks at global or national levels and 2) providing support at company level, the latter especially in the form of promotion of investments and trade;

(iii) key objectives are strengthening profitable enterprises in the South, and creating employment, especially for under-privileged groups such as rural poor and women;

(iv) the support should address the economic marginalisation of poor nations;

(v) ethical standards concerning environment and more recently climate, labour conditions, transparency, anti-corruption, gender and human rights are critical and important cross-cutting issues which should permeate all PSD support;

(vi) the Norwegian business sector, large and small, should be mobilised for investments, trade and cooperation with partner countries;

(vii) the support should utilise Norway's competencies in sectors such as energy, fisheries and marine-related activities, telecom and environmental ventures and existing know-how of Private Public Partnership (PPP) solutions; and

(viii) the support should work towards a more comprehensive support for business development at country level, identifying the most important constraints and prioritised needs, and assuring better coordination and synergies in what is done in different areas and through different channels.

Fulfilling the policy objectives

Overall, over the last decade the PSD support has had a mixed performance versus these policy objectives. On the one hand, it has been effective in mobilising Norwegian enterprises in the development cooperation, especially small and medium enterprises (SMEs) and the Norwegian resource base in hydropower. On the other hand, it has not been provided in a comprehensive and coordinated way, or assured synergies. Nor has the support been effective in promoting trade or addressing the economic marginalisation of the poor countries. The weakness in policy coherence is not due to poor performance by the various implementing organizations, but an apparent gap between policy and implementation. That in its turn is due to two factors: First, it is inherent in the current system due to its high degree of pluralism with largely independent providers. Second, the PSD support has to a large extent been market-driven, i.e. dependent on the interests of market players such as Norwegian and local country companies, entrepreneurs and investors, while policies are political statements, not necessarily adjusted to market conditions.

The evaluation concludes that Norwegian business support over the last 10-15 years has contributed to the creation of perhaps 10,000 jobs in the formal sector, possibly over 100,000 in the informal sector, and supported an unknown quantity in people in self-employment activities through Norwegian supported microfinance programmes which have reached about 0.5 – 1 million in the four countries.[1] While clearly in line with the objectives for the support in terms of strengthening enterprises and also creating employment for rural poor and women, the impact on poverty beyond local communities is likely to have been small. This is due to scale and limited leverage effects of the investments, an inherent feature of many PSD support programmes internationally. There are exceptions, however, as indicated below.

The key achievements of the Norwegian PSD assistance

The most significant achievement of the Norwegian PSD is the emergence of Norfund as one of the most interesting organizations in the family of DFIs. Features of this are:

- Norfund's role in building Aureos Capital as today the world's largest venture capital fund specialized in SME financing in developing countries. This has also been achieved in Sub-Saharan Africa in a context of numerous previous donor failures in providing risk capital to SMEs. Over the period Aureos has contributed to proving that investments in SMEs in Africa are financially viable and profitable. This will help to integrate this continent into global investment flows and capital markets.
- Norfund has, jointly with Statkraft, become a major investor in hydropower in developing countries. This has been done during a period when most Western utility companies withdrew from such ventures after the initial enthusiasm in the wake of the liberalization of utility markets in many developing countries in the 1990s.
- The strong presence in microfinance, also manifested by the new initiative, Norwegian Microfinance Initiative (NMI).
- The operations have been achieved with a positive return on Norfund's investments, i.e. the government aid funds allocated to Norfund are not lost, but can be revolved for rapidly expanding further investments.

While Norfund's impact is already manifest in many regards, these features point more towards future opportunities and impact with a high degree of leverage than currently is the case as the organization is bound to its expanding capital base and because of the Government's proposal that it will manage a NOK 10 billion government pension fund for investments in less developed countries.

The evaluation also unfolded other successful features of Norwegian business related assistance. First, Norad's old loan scheme probably played an important

1 Norfund has supported BRAC with a loan, but cannot claim its support as a major attribution to BRAC's extensive outreach of about 8 million, but for a small share.

role in the development of Grameen Phone in Bangladesh, a joint venture between Telenor and Grameen Telecom. This company not only became a highly successful venture for the owners, but has also become the most important source of tax revenue for the Bangladesh government and an employer for about 5,000 persons. Equally important from a development perspective, it was one of the pioneering mobile phone ventures in a LDC with a strategy to reach a mass market, including the poor. This is a model which is replicated today in many developing countries and with substantial benefits to the poor in terms of connectivity.[2] The case of Grameen Phone, however, is more of a single event than a systemic feature of the Norwegian PSD support. A challenge for the future is how such highly leveraged investments could become more frequent.

Second, Norwegian contributions to microfinance and financial services in the 'missing middle'[3] are not only a feature of Norfund, but also include other initiatives by Norad, the embassies and Norwegian NGOs such as Strømme Foundation. From a longer term perspective, Norway through Norad and various NGOs has played a significant role in taking microfinance from the first pioneering charity operations to a commercially orientated global industry. Among bilateral donors, Norway must be considered being at the forefront in microfinance and one of the most important funders.

Third, the Norwegian PSD over the period reviewed has also been effective in mobilizing the Norwegian business community in exploring business opportunities in developing countries such as establishing joint ventures, sub-contracting partnerships and imports. The targeting of smaller companies has especially paid off in this respect.

The weakness of the Norwegian PSD

A feature of the Norwegian business-related assistance is that it is provided in a complex, uncoordinated and non-transparent fashion. The various actors involved operate largely independently, sharing of information is limited, and the coordinating role assumed primarily by the Ministry of Foreign Affairs and the Norwegian embassies at partner country level, is largely non-existent. Business-related assistance – while stated as a priority by the government – is not treated as such at ministry level in terms active involvement and supervision of the performance. At embassy level, in spite of considerable attempts in the late 1990s and early 2000s, there is limited or no strategizing, coordination and systematic follow up of the actual interventions. At both levels we believe this is a result of a combination of lack of effective administrative and information-sharing mechanisms in a pluralistic system, and of a shortage of personnel resources. The causalities are missed synergies, often scattered inputs in a variety of sectors, and poor coherence between policy and action.

Performance of the key instruments

The evaluation has assessed the various specific PSD instruments as follows:

2 The importance of Information and Communication Technologies (ICT) for the poor has been well documented elsewhere and is not repeated here

3 Micro and small enterprises with financial needs above what most microfinance institutions deliver, but excluded from conventional bank loans due to smallness and/or lack of collateral.

(i) The Norad instruments for promoting Norwegian enterprises to undertake investments and trade with partner countries, managed by the Department for Private Sector Development and the Environment (NUMI). These include the Matchmaking programme (MMP), the Application-based support (ABS), the framework agreement with the NHO in Uganda for business facilitation, and the old soft loans provided by Norad until year 2000 when they were stopped;
(ii) Strømme Foundation's microfinance under a framework agreement with Norad;
(iii) various embassy level support in three of the four case countries (South Africa lacked such support for the reviewed period);
(iv) Norfund investments in the forms of loans and equities directly through funds in the four countries, including regional funds managed by Aureos Capital;
(v) the operations of the Information Office for Private Sector Development (IOPSD); and
(vi) the business-related exchange programme undertaken by FK Norway.

The ***MMP*** has been effective in mobilizing some 600 Norwegian SMEs to explore business cooperation and investment opportunities in Sri Lanka and South Africa. Jointly with the ABS, the programme has contributed to results which indicate that about one out of ten participating companies had established a sustainable business, with a clearly better result in Sri Lanka than in South Africa. The joint result in terms of direct employment creation as a result of the MMP in some 70 such companies was judged to be some 2,000 jobs. The ventures had a wide variety sector-wise but with a dominance of services such as ICT. The implementing agencies have provided effective services, triggered by an innovative sub-contracting mechanism by Norad using performance-based remuneration.

The ***ABS*** is an old programme aimed at stimulating Norwegian businesses to initiate and develop commercial co-operation in the 'South', involving a large number of sub-programmes such as support for feasibility studies, training, environmental investments, etc. It functions particularly well in conjunction with the MMP, as the programmes mutually reinforce one another. Support for feasibility studies is especially popular with Norwegian companies, and a high proportion of such support leads to investments. The programme, however, has weaknesses as a development tool partly reflected in a too liberal policy framework (allowing cases of 'corporate welfare' to occur), partly due to lack of an effective monitoring mechanism by Norad for follow-up on adherence to agreements and assessing development results.

The old ***Norad loans***, which ended in year 2000 when outstanding loans were taken over by Norfund for administration, have been provided to a number of green-field ventures with larger or smaller Norwegian companies. In the four case countries, all except one were sustained in one form or another ten years or more after the loan had been provided. These companies have a joint employment creation rate of some 6,000-7,000 jobs. One of these, Grameen Phone, is the possibly the single most successful venture in terms of development impact of the assessed projects. The loan facility has turned out to be an effective PSD mechanism at a limited cost in terms of the aid budget, filling a gap for higher-risk ventures today not covered by other instruments such as Norfund.

The ***embassy level support*** reviewed (which to some extent reflected projects and programmes transferred from Norad in the 2004 administrative reform), includes a wide variety of PSD interventions such as two credit projects for the 'missing middle' in Bangladesh, *multi-bi* technical assistance programmes for SME development implemented by IFC and UNIDO in Bangladesh and Uganda, support for chambers of commerce in Sri Lanka and microfinance in Uganda. The Bangladesh projects, designed and implemented by Norad/the embassy and targeted at rural government banks, might have generated employment in the order of 100,000 jobs, mostly in micro-type enterprises. The *multi-bi* support raises questions of sustainability and cost-effectiveness to judge from in-depth evaluations, while in terms of the chambers of commerce support we found that the Norwegian PSD support had built aid dependency, without clear evidence of results in terms of enhanced business support to members. In Uganda, the evaluation found comprehensive and overall successful support in the microfinance sector at different levels and by different providers beside the embassy.

The ***Norfund investments*** in the four case countries included loans and equities to some 50 companies or organizations in a wide variety of sectors. Most of these investments have been done through SME funds, of which the Aureos Capital has been a main vehicle. Microfinance accounts for a substantial share of the investments, especially in Uganda. Investment in hydropower through SN Power, on the other hand, is limited to a miniscule investment in Sri Lanka. The financial performance of the underlying investments are generally good, hence, at exit there is likely to be no cost to the aid budget, but rather a net return. The additionality of Norfund in many of these investments does not fully adhere to Norfund's mandate of ***establishing viable, profitable business activities which would not otherwise be initiated because high risk,*** as alternative funding often might have been available. Aureos Capital, for example, has had a strategy which included substantial elements of risk aversion. Norfund's strength as a developmental agency is particularly reflected in its strategic investments in Aureos, SN Power, and the two new ventures SN Power AfriCA and NMI. These joint ventures indicate a considerable leverage effect of Norfund's capital.

Reasons for success or failure

The reasons why programmes and projects fail or succeed are related to different factors. Organizational professionalism is one important key factor. For example, Norfund has developed a high degree of professionalism in its operations, reflected in its overall successful investments and strategies which have resulted in very few failures. Norad's NUMI has suffered from an unclear role which has been increasingly felt during the 2000s. Norwegian embassies are generally weak designers and supervisors of PSD programmes due to inherent administrative limitations (few staff, frequent staff movements, a wide variety of functions of which PSD is a minor one).

The evaluation has found that larger Norwegian companies perform much better than smaller companies in commercial ventures initiated under various support schemes. A factor for success in the Norad PSD support is the provision of a comprehensive package of instruments, from exploration to loans, rather than individual programmes. The business environment plays a role, but perhaps less so than anticipated, particularly in the relatively more developed economies. In the two LDCs included in the evaluation, Overall, Norwegian PSD support in Bangladesh has done well, while in Uganda the failure rate has been higher due to weaknesses in the business-related framework and institutions. In terms of the old Norad loans, the financial performance was surprisingly better in LDCs than in non-LDCs.

Lessons learned

A first key lesson from the evaluation is that promulgating policy or strategy is not enough. There must be an implementation plan with systems to assure that implementation adheres to policy. A second lesson is that organization matters. The organizational reform of the Norwegian development cooperation system in 2004, when the Ministry of Foreign Affairs took over the implementation of the bilateral Norwegian aid (mostly carried out at embassy level) has not had good effects on the PSD support. On the other hand, the conditions under which Norfund has developed, has paid off in high quality work. In addition, organizations such as FK Norway and Strømme Foundation have increasingly developed effective mechanisms for delivery of specialized development work. Organizations which are allowed to develop professionalism on its own terms with a limited mandate create value for money in PSD, while fluid administrative structures with a multitude of functions result in less value. A third lesson is that the abandoned soft loan scheme had some very positive development effects. A fourth lesson is that, if Norwegian PSD support is to have a noticeable impact on poverty beyond local communities, it must be much stronger in creating leverage from funds and allow for scaling up.

Recommendations

The recommendations of the evaluation are divided in two groups; the first is aimed at policy-makers in the Ministry of Foreign Affairs with the overall responsibility for Norwegian aid, including PSD. This set of recommendations concern policy and organization. The second set of recommendations concern suggestions to improve the existing system with the aim of making it more cost-effective.

Strategic recommendations:

- Consider updating the 1999 PSD strategy to include all the key players in the support system, and introducing measurable performance indicators which focus on the overriding objectives of Norwegian aid as expressed in recent policies.
- Divide the functions in PSD by making Norfund the centre of all interventions at the company and financial systems level, including such interventions now carried out by Norad.[4] This means moving the existing PSD support instruments aimed at the Norwegian business sector to Norfund, placed in a separate entity.
- Make Norad/NUMI a professional body for support for improving framework conditions for businesses, using the organization's comparative advantage as a part of a wider development cooperation system, and also provide Norad with a budget for such support.
- Strengthen the 'meta management' of PSD by improved information sharing mechanisms within the overall system, by improved results-monitoring by the

4 An exception should be made for microfinance due to its wide spread among providers today, not least NGOs.

delivery organizations, and by mechanisms to share experiences between the organizations with the Ministry of Foreign Affairs (MFA).

- Increase Norfund's ability to undertake higher risk-ventures and joint-ventures around key development issues by providing grant funds which may be used for risk coverage.
- Create a policy framework around microfinance given the number of Norwegian actors involved, and the overall rapid growth in this 'industry'.
- Explore new models in PSD being implemented internationally with the purpose to increase leverage of donor funding jointly with the business community such as *Challenge funds, Output-based Aid, funds for Innovations, Bottom of the Pyramid labs and Guarantees.*

Operational recommendations:
The existing ***MMP*** is an innovative programme given its objectives, and with an effective and successful implementation modality. The MMP could, nevertheless, become more cost-effective as a development tool by:

- Using local counterparts (instead of own organization) for the matchmaking. Build their capacity through systematic support. This is done in Sri Lanka today.
- Expand the programme not to just fit Norwegian matches, i.e. support the counterpart organizations to undertake and promote matchmaking with companies from other countries, and link this with the partner countries' existing (in-bound) investment programmes.
- Establish a timeframe limit for the MMP in specific countries and move the programme to other partner countries.
- Use tendering procedures for the programme (rather than extensions to existing agreements) to broaden the number of implementing organizations.

We suggest a revision of the current guidelines/policies for ***Application-based support*** and the procedures under which it is implemented, including:

- Establish more strict criteria for the support, especially how many times a company can apply for ABS. Make sure that the support is judged from an additionality point of view, rather than some 'rights' for Norwegian companies;
- Reduce the number of support categories to make them more manageable and transparent. Focus on support in the initial phase (such as exploration, feasibility studies, matchmaking, etc.)
- Apply a more careful screening of applicants, in order to weed out the most obvious 'fortune-seekers';
- Introduce more stringent procedures for Health, Safety and Environment (HSE), especially to weed-out companies seeking more lax HSE conditions than at home. There is also need to monitor the actual work done by companies in the field.
- Improve the record keeping of the ABS;
- Establish a monitoring system for ABS. Such a system should have two functions: *accountability* (what is being achieved and how conditions are being applied) and *learning* (how the system can become more targeted and effective).
- Keep a high degree of transparency of provided support by other players in the Norwegian system to avoid 'corporate welfare' behaviour.

For ***embassy-level PSD*** support we recommend:

- Focus on the business-environment, rather than micro-level support.
- Institutionalise an exchange of experience with other Norwegian embassies for similar projects, such as institutional support to chambers; multi-bi projects with the same organization and same programmes;
- Utilise the experience of Norfund in the country, and especially seek the experience of the fund on constraints in the business environment, which could be the focus for embassy-support;
- Be transparent about what type of PSD projects are funded within the Norwegian aid system; and
- Support the capacity building of local organizations involved in other PSD programmes (such as the MMP).

At operational level we recommend for ***Norfund:***

- Improve the results-reporting to provide as correct information as possible in terms of the impact of its efforts and investments on, for example, the creation of incremental jobs;
- Be transparent about its activities in specific countries in a dialogue with the Norwegian embassies and with Norad/NUMI, and as a matter of routine;
- Initiate a dialogue with Norad/NUMI and the Norwegian embassies concerning systemic problems in business environments in which Norfund operates in order to stimulate possible Norwegian support for development of the ‘enabling environment’;
- Reformulate together with Norad the experimental Abacus project to help it to live up to its objectives;
- Explore business ventures focusing on the ‘missing middle’ in financial systems; and
- Propose Private Public Partnerships (PPPs) with other Norwegian players such as embassies and Norad where risk-taking and/or business-environment constraints hinder essential Norfund investments.

Should ***FK Norway*** want to play a larger and more effective role in business development, the organization needs to:

- Expand its operations with a focus on the business sector;
- Focus more strongly on the south-south cooperation where FK Norway could have a strong comparative advantage in a field where there are few forms of support;
- Create a more flexible approach to business exchanges; for example, in shorter lengths of stay for exchanges;
- Establish a cost-sharing mechanism in order to increase FK Norway’s resources for the business exchange, and assuring that such exchanges are justifiable and avoid the ‘corporate welfare’ syndrome;
- Create a stronger link to Norad/NUMI’s ABS programme to develop potential synergies; and
- Avoid repeated support to the same commercial operator as this can lead to market distortions.

Main Report

I. Introduction and Background

1. Introduction

1.1 The evaluation process

Based on an international tendering procedure, in June 2009 the Evaluation Department in Norad (EVAL) contracted the consultancy group Devfin Advisers AB to carry out an evaluation of Norwegian business related assistance. As a basis for the study, the Evaluation Department suggested four countries as case material: Bangladesh, South Africa, Sri Lanka and Uganda. An inception report outlining the methodology for the evaluation was issued in July 2009, and based on this, a report on the first country study, Sri Lanka, was presented to EVAL in October 2009. This report was subsequently published by the Evaluation Department in November 2009. Subsequently, country studies for Bangladesh, South Africa and Uganda were undertaken by the team during November and December 2009. A case study of the environmental and climate aspects of Norwegian business-related support in Uganda and South Africa was also undertaken as a part of the evaluation in late 2009.

A set of draft reports from the evaluation were submitted to EVAL in mid February 2010, including the three case country studies and the environmental report. A hearing process with the stakeholders took place until March 25th, resulting in a number of comments. These comments have been carefully reviewed by the team, leading to corrections and updating of facts and elaboration of findings and conclusions when these were not clear. For the sake of transparency a complete list of the comments concerning the main report and our response to these, are provided in Annex 4 of this report.

1.2 The objectives of the evaluation

The overall objectives of the evaluation are, according to the Terms of Reference (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.

The main purposes of the evaluation are:

- to provide information about the results of Norwegian business sector assistance both at the *project/programme level* and at the *policy instrument level, and assess the performance of the main actors involved and their interactions as also perceived by the users.*

- Outline *lessons* that can be used in design and implementation of future result-oriented programmes and projects in partner countries.

For details of the ToR, see Annex 1.

1.3 Methodology

In the inception report of July 2009 we suggested a number of modifications to the approach suggested in the ToR. These were: first, broadening the scope of the evaluation to include areas of Norwegian PSD not currently included in the ToR in order to allow a strategic assessment of the totality of Norway's business-related assistance. Examples of this were inclusion of Norfund's investments in SN Power and in the new Norwegian Microfinance Initiative at a strategic level. Second, in addition to assessing projects and programmes, we suggested to place 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) Norwegian commercial operations in these countries in the form of foreign direct investments and trade. Third, applying a modified sample technique for projects under the business-related assistance programmes implemented by Norad in order to improve the representativeness of these samples.

The Evaluation Department agreed to these modifications which were first to be tested in Sri Lanka, and eventually for the full evaluation. The details of the methodology are presented in Annex 2. Annex 3 contains a list of persons met in Norway common for all the studies and also the key general documents consulted for the main report.[5]

1.4 Definition of key terms and limitations

Defining business-related assistance Norwegian *business-related assistance* is said to be a broader concept than the internationally more commonly used concept *private sector development* (PSD) as the English translation of the Norwegian term, *næringslivsutvikling*.[6] However, the term PSD is also used in parallel with business-related assistance in Norway. In the evaluation we therefore have used both terms and understand them as having the same meaning.

Private sector development has two basic definitions in Norway: (i) a broad concept including development efforts addressing the *framework* for commercial operations and investments, and (ii) a narrower concept, meaning assistance aimed at the *enterprises* themselves for example through Norwegian enterprises. A Norwegian PSD Strategy issued in 1999 (*Strategi for støtte till næringsutvikling i Sør)* promoted the broad concept of PSD. In line with international thinking at this time, it stressed that macro economic and regulatory frameworks, economic infrastructure, governance issues, human resource development, etc, are key determinants for business and investments.

5 In this synthesis report only persons common to the studies and documents used in this report are listed. Each study in volume 2 includes the specific primary and secondary sources for these studies.

6 See, for example NCG 2005, and Teigland, J. *Background memo to the Evaluation* 2009. Note that private sector development usually also include public companies operating on market principles.

The focus of the evaluation in line with its ToR is on the *narrow definition* of private sector development. This evaluation has not assessed Norwegian support for an enabling environment, for example related to macro economic policies or infrastructure. Neither has it assessed support for improving institutional frameworks essential for the private sector such as property rights, the judiciary, taxation systems or trade-related institutions such as customs, or Norwegian support towards global systems, such as trade agreements. On the other hand, we have assessed to what extent the support at the micro/enterprise level has impacted on the broader framework, often called the *enabling environment* for the private sector. Beyond the micro support, the evaluation has also included assistance provided to financial systems and capital markets, and support to business-related organizations, such as chambers of commerce.

Basic evaluation terms The ToR for the evaluation stresses that, when using common evaluation terms such as *inputs, outputs, outcome, results, impact, relevance, effectiveness, efficiency and sustainability,* these adhere to OECD/DAC's standard terminology. Annex 2 provides a list of definitions of key terms ands criteria used in this report. This annex also contains a detailed ***evaluation assessment sheet*** used throughout the evaluation for the various projects and programmes based on these criteria.

1.5 Structure of the reporting

As indicated above, the reporting for the evaluation is contained in two volumes: One volume is a set of self-contained country reports for each of the four case countries. The country reports follow the same format and the same methodology. Their main purpose is to respond to the first key evaluation question in the ToR, i.e. reporting on past results (outcome and impact) and the performance of Norwegian business related assistance. The other volume is the Synthesis Main report. While reporting on the general conclusions of results and performance from the country studies, its thrust is on the two last questions in the ToR, i.e. analyzing the potential for improving Norwegian assistance in the future and giving recommendations on future policy and guidelines. The complete set of reports should be consulted to give the full picture of the results of the evaluation.

1.6 Structure of the synthesis report

This report contains three parts:

(i) An introduction which sets out the context for the evaluation in terms of terminology and method; provides an overview of the different channels and policy instruments of Norway's private sector development assistance; as well as reviews the key policy documents in respect of such assistance since 1999.

(ii) A 'findings' chapter in two parts; the first of which covers how Norwegian PSD support has operated in a country context in the four case countries; and the second an assessment of the various Norwegian PSD programmes and instruments in terms of their scope, results and performance.

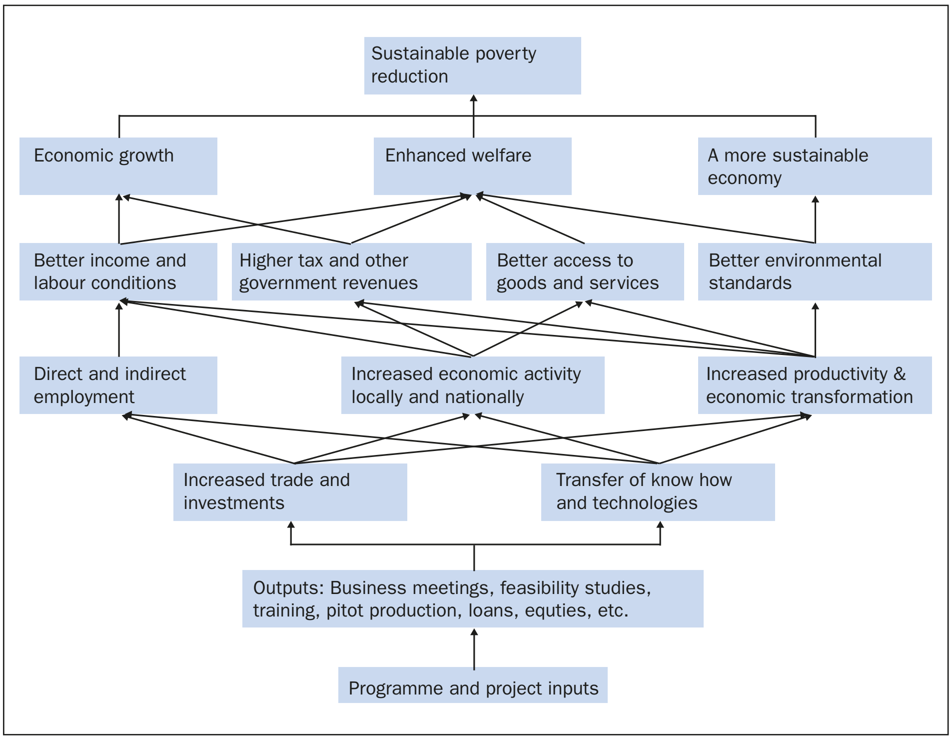
(iii) A last section, which sums up the evaluation and assesses the overall performance of the support against stated Norwegian policies and strategies. This is followed by recommendations on how the support system can be improved to create better value for money and greater coherence with policies.

2. The Conceptual Foundation for the Evaluation

2.1 The case for business-related assistance

Results chains and logic frameworks At the outset it is useful to summarize the theoretical proposition concerning the linkage between the overriding objective for Norwegian development assistance – poverty reduction – and private sector development taking place at the micro or company level. This linkage can be expressed as a 'results-chain', i.e. a system of assumed causal linkages, schematically described as in figure 1 below.[7] Such results-chains underlay explicitly or implicitly all Norwegian business-related assistance. Such chains are also the basis of logical framework analysis (LFA) often used by donors, but seemingly not often a feature in Norwegian PSD support.

Figure 1. The linkage between poverty reduction and PSD



The limits of evaluations An evaluation rarely or never can provide evidence of the full results-chain shown in the model above. The further up the chain, the greater the problems of counterfactuals and attribution. These problems are

7 The model is for illustration purposes and can vary dependent on the specific aid intervention.

particularly manifest in evaluations of assistance at the micro level. As further elaborated in this report, Norwegian PSD assistance often includes quite small projects, such as support for a company to undertake a feasibility study. The results of such interventions are soon lost in the multitude of factors impacting in the larger context. There is also the issue of aggregation; how to add and interpret results of a number of feasibility studies, loans and other forms of interventions. As evident from the case country studies such aggregations are difficult to make. A reader of this report looking for evidence that Norwegian business-related assistance impacts on poverty and economic growth at a national level in poor countries will be disappointed. The evaluation provides evidence at the lower levels of the chain, but the causal linkages to the overriding objectives remain assumptions.

Relevant indicators Key indicators often applied to business related assistance tend to be employment, tax revenues, increased income etc., not least because these indicators in theory can be quantified and aggregated. There is a weakness in using such indicators. Not only are incremental changes difficult to determine, especially for support to already on-going business ventures, but it is also a myopic approach because they say nothing of more systemic development impacts. While we have accounted for employment effects to the extent possible throughout the evaluation, our focus has rather been on impacts on 'systems' level, i.e. impacts that go beyond a specific enterprise. These are, for example, technology diffusion through the business sector, changes in capital markets and their institutions, corporate governance and in broad terms institution building in a private sector context towards modernisation.

Different types of assistance The evaluation deals with different types of official development assistance: grants, loans with different degrees of subsidies and equities in profit seeking ventures, all funds originally emanating from the Norwegian government budget and Norwegian taxpayers. Cross-border assessment of these different modes of assistance is a particular issue. In terms of costs, grants are once and for all lost for the development budget, while loans can be recycled to varying degrees (dependent on the subsidy level and loan performance) to be used for additional assistance. Equities can potentially recapture not only the initial provision, but may also generate a surplus to be used for further investments *ad infinitum.* These different forms obviously impact on the assessment of the cost-effectiveness of various instruments. If the same development results can be achieved through a loan rather than a grant, this is by definition more cost effective. Best of all is if the same results can be achieved without any cost, but provide a return on the capital which can be revolved.[8] Non-grant based support is a relevant option in this regard, especially for business-related assistance.

Why should commercial ventures be supported? A key question is why tax financed development assistance should support commercial, profit-seeking enterprises at all (and not just be limited to support of governments involved in the creation of 'enabling environments'). The justification is found in the existence of *market failures*, *transaction costs* and *externalities*. Thus, the theory is that market

8 Not everyone might agree with this, as it is contradictory to the charitable values which development assistance is founded on, and perhaps also grant aid might be perceived to have an effect on income distribution on a global scale, hence is good for equality.

players 'under-invest' due to perceived high transaction costs due to uncertainty, market imperfections, lack of institutions, etc. Grants or higher-risk taking capital provided through aid can pave the way for lowering such costs and reduce market-failures, which benefit other investors, hence breaking through binding constraints and realizing impact beyond specific investments. Pioneering ventures often also tend to have *'positive externalities'*, i.e. benefits that accrue to society, but not fully to a company, leading to 'under-investments' by commercial ventures from a society point of view. Such *positive externalities* might be higher environmental standards, human resource development, institutional development etc.

Additionality To capture the effects of PSD support mentioned above, the evaluation has used *additionality* as a key concept, i.e. the extent to which a project or programme adds anything to a process. If an aid financed PSD project supports a process which would have happened anyway due to market forces, the additionality is nil and the input of aid resources unnecessary.

Comparability As noted below, the PSD portfolio assessed includes a wide variety of projects, from minor, short-term projects with an aid budget of less than NOK 0.1 million to programmes with a budget of more than NOK 100 million implemented over several years. Obviously, the results of such different scales of support must differ in scope, and also in the way in which such projects are handled by implementing agencies. For example, the requirements for an implementing agency to appraise, supervise and monitor a project must differ considerably between a large-scale project and a small one.

3. The Norwegian Business-related Assistance

This section of the report maps Norwegian private sector development assistance as it has been delivered during the past 10-15 years.[9] It includes the organizations involved, the instruments (programmes) applied and also the policy or strategic framework for PSD assistance.

3.1 A changing structure

The organizational landscape of Norwegian development assistance has undergone some major organizational changes over the last 10-15 years which is of particular relevance for Norway's business-related assistance. First, in 1997 Norfund was created. Different from most OECD countries, Norway had lacked such an organization until then. Through generous transfers of funds from the aid budget over the years, Norfund has rapidly become the major player in Norwegian PSD assistance. Norfund's joint venture with Statkraft, through SN Power, formed a special vehicle for hydropower investments in developing countries and further diversified the organizational landscape. Similarly, Norfund's more recent joint venture with some Norwegian banks and insurance companies, the Norwegian Microfinance Initiative (NMI), adds yet a new structure.

A second major change in the Norwegian organizational system for development assistance was a major administrative reform in 2004. Many functions of Norad were at that time shifted to the Norwegian Ministry of Foreign Affairs and the Norwegian embassies in partner countries. The purpose of the reform was to decentralise development assistance and integrate this instrument with Norway's foreign policy. The slimmed-down Norad became a technical support function to the embassies. However, in respect of business-related support, Norad has maintained its various instruments aimed at the Norwegian business sector's engagement in developing countries, the so called *tillskudd til næringnærings- og handelssamarbeid*, here called *Application-based support* (ABS).

Yet another organizational change of relevance was the re-establishment of FK Norway – Norway's peace corps - in year 2000 as a third official channel for Norwegian development assistance. Finally, in 2007 the government established one more vehicle for Norwegian PSD assistance, the Information Office for Private Sector Development (IOPSD) with shared funding by Norad and Norfund.

9 The main period assessed is since the 1999 PSD Strategy. However, also selected instruments and projects prior to this date are included as requested by the ToR, explaining the term '10-15 years'.

3.2 The organizations and instruments

Given the elaborate organizational set-up and that each institution undertakes different forms of business-related assistance, quite a complex organizational web has emerged. The main instruments for Norwegian PSD in terms of institutions and programmes are elaborated below.

- ***Norad*** implements programmes with the purpose of mobilising Norwegian businesses to undertake investments and other forms of cooperation in developing countries.[10] These include:
  - *(i)* The ***Matchmaking programm***e (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).
  - *(ii)* The Application based support - 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, 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, including all the four case countries for the evaluation.
  - *(iii)* Application-based support for institution building a broad sub-programme of the (ii) above, aimed at Norwegian business-related organizations to support and develop 'sister organizations' in partner countries.
  - *(iv)* Norad's soft loans - an instrument, started in the early 1980s, but ended in year 2000 when outstanding loans were transferred to Norfund for administration.
  - *(v)* Mixed credits. The programme came to an end in 2009.

In addition to these specific programmes, Norad has framework agreements with various Norwegian organizations involved fully or partially in PSD as here defined. These include, for example, the NHO and Strømme Foundation, the latter being one of the main Norwegian channels for microfinance. All these Norad instruments, except the mixed credits, are subject for the evaluation as per the ToR.

- ***Norwegian embassies*** implement country-specific PSD support in the form of projects and programmes financed by country allocations from the Ministry of Foreign Affairs (MFA).[11] These projects and programmes are of many kinds, some in the form of national or regional multi-bi programmes, funds to local or international non-government organizations (NGOs), or national projects supported by the embassies directly. They range from small projects of less than NOK 1 million to substantial programmes of NOK 100 million.[12] Many of these are programmes initiated by Norad prior to 2004, hence the term 'embassy support' is misleading in a historic context.
- ***Norfund*** operates through direct investments in specific enterprises in developing countries; equities in funds specialised in investments in developing coun-

10 Also Norad receives its resources from the Ministry of Foreign Affairs, hence all forms of official development assistance stems per definition from MFA.

11 Norway undertook a major organizational change of its development assistance in 2004, shifting responsibility of implementation to the Ministry of Foreign Affairs and the Norwegian embassies. Much of the PSD assistance was thereby also delegated to be implemented by the Norwegian embassies from Norad.

12 Allocations over NOK 50 million have to be decided by the Ministry of Foreign Affairs.

tries and emerging markets; and loans to companies in developing countries and financial institutions. Norfund also provides technical assistance to its partners and clients through a grant Technical Assistance fund. Norfund has also invested in joint ventures of a more strategic kind. These include:

(i) *Aureos*, a SME fund management company and a joint venture established in 2001 between Norfund and the British Commonwealth Development Corporation (CDC).

(ii) *SN Power*, a joint venture established in 2002 between Norfund and the Norwegian state-owned power company, Statkraft.

(iii) *SN Power AfriCA*, a new venture started in 2009 between Norfund, SN Power and two regional Norwegian power companies. The company will focus on renewable energy in Africa and Central America; and

(iv) The *Norwegian Microfinance Initiative*, a NOK 600 million joint venture established in 2008 between Norfund and the Norwegian companies KLP, DnbNor, Storebrand and Ferd.

- ***FK Norway*** as mentioned above, since 2001 undertakes certain exchange programmes, which can be defined as business-related.

Two additional public organizations should be mentioned here with a broader mandate than development assistance, but partly used for that purpose: Norway's Export Credit Agency GIEK (*Garanti-intituttet for Export-kreditt*) and Innovation Norway, Norway's public agency that combines export promotion, tourism board and innovation. GIEK is not part of this evaluation according to the ToR, and Innovation Norway only included as an implementing organization of the MMP in South Africa.

In addition to the bilateral PSD support, Norway provides funding to various international organizations involved in PSD along the definition used here. This is both core funding and ear-marked funding of special programmes. Major such organizations are the World Bank, International Finance Cooperation (IFC) and the United Nations Industrial Development Organization (UNIDO).[13] Such funding is not subject to this evaluation in line with the ToR, except what is labeled as *multi-bi* support provided by Norwegian embassies in specific countries to specialized country programmes or projects through these organizations.

As will be further elaborated in this report, the complexity of the Norwegian PSD support has a series of consequences: it is a complex system which is not very transparent or easy to understand for actors outside the system; the mapping of its results is difficult as the projects undertaken are many and diverse; and it is a system which due to its pluralism tends to operate in a non-coordinated and fragmented way. There have been repeated calls for a more coordinated approach to PSD by the government, but the trend is rather in the opposite direction.

3.3 The scope of Private Sector Development

According to Norad, since 1999 more than 5.5 billion NOK has been used on direct and indirect business assistance worldwide. Nearly 700 other institutions, compa-

13 An example is Norwegian trust fund to the World Bank for private sector development, of in total NOK 400 million 2002-2008 (Norad *Result report 2009*)

nies and persons have been partners directly in disbursement of assistance.[14] The level of PSD support is, as noted in the ToR for the evaluation, difficult to determine. Various efforts have been made in recent years to define the level of Norwegian PSD support, with estimates ranging from NOK 0.7 to 1.9 billion per annum, depending on the definitions. For example, Norad's recently published *Results Report 2009*, indicated that the PSD support was at a level of NOK 0.8 billion in 2008, but the report only included Norfund and Norad's PSD operations.[15]

In our estimate, Norwegian bilateral PSD assistance, according to the definition given in this evaluation, is currently at a level of about NOK 1.2 billion in financial allocations by the government. Of this, about NOK 500 million is added to Norfund's capital annually, NOK 300 million is channeled via Norad's Private Sector Department (NUMI), about NOK 150 million provided for various microfinance operations[16] through Norad's framework organizations, and about NOK 200 million through the Norwegian embassies. A small share, or about NOK 20 million, is channeled through FK Norway as business-related assistance.[17] The importance of Norfund is further reinforced by the fact that the fund, operating on a commercial basis, revolves its capital including reinvesting its profits. Its current commitments are about NOK 1.4 billion. Thus, the volume of actual investments in PSD through the various channels is over NOK 2 billion per annum.[18]

14 Teigland, J. (2009): *Background memo: Evaluation of business-related assistance*
15 Norad (2009) *Resultatrapport 2009 - Bistand og økonomisk utvikling: ringer i vannet eller dråper i havet*
16 Norad (2009)
17 These estimates contain considerable uncertainties, especially PSD support through the embassies
18 The figures are commitments rather than disbursements.

4. The Policy Framework

4.1 The 1999 Private Sector Development Strategy

A key historical document in the Norwegian business related assistance is the 1999 PSD Strategy (*Strategi før støtte till Næringsutvikling i Sør*). While most donor agencies in the late 1990s had began to think about how PSD could be integrated into official development assistance, the Norwegian strategy was one of the first such documents to be promulgated within the donor community.[19] It reflected well the paradigm of the private sector as the engine behind economic growth and that such growth was a necessary condition for pro-poor economic growth and sustainability, and long-term poverty alleviation. The strategy also paid attention to the importance of an enabling environment for the private sector, in addition to the more narrow micro oriented business support. It also stressed that PSD involving the Norwegian business sector first and foremost should be judged on what it did for partner countries, rather than for its value to Norwegian companies.

The Strategy formulated three overriding objectives of the business-related support:

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

It 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 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. 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

19 For example, DFID issues its strategy *Making Markets work Better for the Poor* was published in 2000, and Sida's PSD strategy was not issued until 2003; United Nations' published its *Unleashing Entrepreneurship – making Business Work for the Poor* in 2004, and the World Bank issued its report *A Better Investment Climate for Everybody* in 2005.

9. make active and good use of the Norwegian competence base, including the business sector.[20]

These objectives constitute an important set of criteria against which we have assessed the results of the Norwegian PSD from 1999 and onwards.

4.2 The NIS studies

The 1999 PSD Strategy was followed in year 2000 by a plan to operationalize the strategy, suggesting country-specific action plans.[21] A number of ambitious diagnostic country studies called NIS 1 (*Næringsutvikling i Sør)* and NIS 2, were carried out in 2002 and 2003. 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 at the country level, and suggest future, comprehensive Norwegian PSD programmes, taking the specific conditions of the countries into account. Such studies were undertaken in seven countries, three of which are part of this evaluation (Bangladesh, Sri Lanka and Uganda). We have often been told during the course of this evaluation that both the 1999 Strategy and the NIS studies have lost importance, and rarely are referred to since the mid 2000s. As further indicated below, this seems to be more an interpretation by the implementing system than a result of an explicit change in government policy.

4.3 Reviews of the Private Sector Development instruments

Several broad reviews of the Norwegian PSD instruments have been undertaken since the NIS studies were conducted. In 2004 the government requested a review with the purpose of making the Norwegian PSD instruments more effective and usable. The review should also suggest how to increase the strategic focus and improve the possibilities for coordination.[22] Such a review was undertaken in early 2005. It assessed the various instruments implemented by Norad, the role of Norfund and FK Norway. The study recommended that these instruments should be expanded further, be made better known and that, given a narrow resource base in Norway of companies able and prepared to invest in developing countries, additional support at the identification and preparatory stages should be provided.[23] The report further highlighted that there was considerable critique in the Norwegian business community that Norfund had limited interest in partnerships with Norwegian companies. To mitigate this the study recommended a 'lending window for investments in Least Developed Countries (LDC)s' that would charge commercial terms on the loans, but was mandated to accept a higher risk/reward ratio than other Norfund operations. The study also suggested a new 'cost sharing Technical Assistance (TA) facility' open to direct and/or indirect clients of Norfund for improving operations. These recommendations were accepted by the government, resulting in, among other things, a Norfund grant-based Technical Assistance Facility.

The PSD instruments were again studied in 2007, this time through a study commissioned by the Ministry of Foreign Affairs.[24] The background was a desire by the

20 MFA: *Strategi før støtte til Næringsutvikling i Sør,* 1998 (translated to English)
21 Norad (2000), internal memo
22 Stortingsmelding nr 35 (2003 – 2004)
23 Nordic Consulting Group (2005): *Review of Norwegian Private Sector Development Instruments,* Norad
24 Econ Pöyry (2007): *Organisering av arbeidet med næringsutvikling i utviklingsland*.

government that Norwegian businesses should be more engaged in developing countries as a means of utilizing the essential components of the Norwegian resource base. The study concluded that:

- PSD, and specifically promotion of Norwegian investments in the 'South' had low priority in Norwegian aid administration, both at MFA and in Norad.
- The available instruments were fragmented, not transparent and their administration not competent in business, with little understanding of commercial principles, but driven by bureaucratic values.
- The largest companies had the highest potential to enhance investments, while available instruments mainly were oriented to smaller enterprises.

The study recommended assembling all the instruments in one organization and suggested Innovation Norway to be its home. This recommendation has not been implemented. The study also strongly recommended that the Ministry should be more engaged and give such support a higher priority, especially in the mobilization of larger companies.

It is noteworthy that neither of these studies commissioned by the government had a broad PSD approach, but focused on instruments for the mobilization of the Norwegian business sector.

4.4 The current government's policy

In October 2005 a new government took office in Norway. The new Minister of the Environment and International Development, Erik Solheim, outlined the role of business in the context of development in a speech in 2006, stating, *inter alia*, that:

> *In its policy platform, the Government emphasizes the fight against poverty and the right to economic development and participation in international trade. This means that the development of the business sector will be a high priority focus area for the Government in its international development cooperation.*[25]

He expressed that business-related assistance should take place at two levels: improving the framework conditions for economic activities both globally and nationally, and 'through stimulating more investment, the establishment of more new businesses and more trade in poor developing countries.' The focus would be on areas where Norway has expertise, for example in the hydropower, petroleum, fishery, fish-farming and maritime sectors, and in cross-cutting sectors such as environmental issues, employees' rights and the rights of women. Mr Solheim indicated several new initiatives to enhance the cooperation with the Norwegian business sector in the context of development assistance:

- A new first-line service to provide information, advice and guidance for companies about the instruments available for business development, i.e. the above mentioned Information Office for Private Sector Development which was put in place in 2007.

25 Erik Solheim: *Opening address at the business sector conference on development cooperation,* Felix Conference Centre, Oslo, 14 February 2006

- Streamlining of Norad's global application-based schemes for business development to make them more accessible and effective.
- A new, soft loan window in Norfund with greater acceptance of risk for direct investments in the least developed countries.

He also indicated commitment to start work in the Ministry and the embassies to establish a programme for business development in one or more partner countries as a follow up of the 1999 PSD Strategy.

Another issue which Minister Solheim has addressed on several occasions is Public Private Partnerships (PPP). He stressed e.g. in 2007 that 'the fight against poverty cannot be won by the efforts of the public sector alone. In the future the combined efforts of the private and public sector will be increasingly important in lifting people out of poverty'. In 2008 he also stated that 'the Government wants development funds from the commercial actors to be used for co-financing in a public-private partnership for development'.[26]

4.5 The 2009 development policy: Climate, Conflict and Capital

In early 2009 the Norwegian government issued a new development assistance policy called *Climate, Conflict and Capital*, which will be the steering document for Norway's future assistance.[27] The policy stresses that development assistance should be seen as a broad engagement by Norwegian society where the business community plays an essential role through investments in developing countries, transfer of know how, values and technologies. Through the policy the government wanted to see a stronger involvement of the Norwegian business sector in developing countries. Such involvement should be based on a high level of ambition in terms of corporate social responsibility concerning the environment, human rights and labour conditions, anti-corruption and transparency.[28] The policy gives special emphasis to 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.

Another form of Norwegian investments in developing countries which, according to the Policy, should be strengthened was portfolio investments by pension funds,

26 "*Africa needs a green revolution*", speech held on 30 August, 2007 and "*Norwegian Development Assistance in 2008 - Priority Areas*", extract from MFA budget proposal for 2008.
27 Storting Melding nr 13 (2008-09): *Klima, konflikt og capital. Norsk utviklingspolitikk i et endret handlingsrom*
28 Reference is made to St.meld. nr. 10 (2008–2009) *Næringslivets samfunnsansvar i en global økonomi*.

reflecting a recommendation by an official committee report in 2008.[29] This report suggested that the Government's Pension Fund should establish a special fund of NOK 10 billion over a 5 year period for investments in low-income countries with a focus on Africa. The fund would be owned by the Ministry of Finance and administered by Norfund separate from Norfund's other investments.[30]

4.6 Conclusions on the policy framework

This policy review shows that over the period subject for the evaluation there is strong continuity in policy and strategies concerning the role and orientation of PSD in the Norwegian development assistance. The key strands of this can be summarised as follows:

- ***The importance of PSD***. Norwegian policy statements reiterate that a dynamic, vibrant private sector is critical for long-term, sustainable poverty eradication as a means of creating value and wealth, tax revenues and productive jobs.
- ***The validity of the 1999 Strategy***. The PSD strategy, while often not referred to within the aid administration after the early 2000s, is still valid. Later governments have not revoked the strategy, nor replaced it, but rather made reference to it.
- ***The dual approach***. PSD should be addressed at two basic levels: at macro level for creating conducive framework conditions both globally and nationally; and at micro level for promoting investments and trade.
- ***Coordination is essential***. Throughout the period, there are calls that Norway should in its PSD assistance strive for strategic, coordinated efforts for effectiveness and impact.
- ***Ethics and environment standards should permeate***. Ethical standards concerning labour conditions, transparency, anti-corruption, gender and human rights are critical and important cross-cutting issues which should permeate all PSD support, as should environmental concerns, and more recently, reducing climate change impact.
- ***Utilisation of Norway's competence*** in a global context is stressed over the period, in resource based sectors such as energy, both oil and hydropower, but also in other sectors such as fisheries and marine-related activities, telecom and environmental ventures.
- ***The Norwegian business sector at the centre***. Over the period, there has been concerned policy efforts in creating and modifying various instruments for engaging Norwegian enterprises in development cooperation to make the cooperation more effective, more accessible and more comprehensive and user friendly, as well as a desire to make Norfund more of a partner to the Norwegian business sector.
- ***The importance of PPP*** There are useful experiences in Norway of development of partnerships between the public and private sectors in e.g. development of infrastructure which should be used in the PSD programme.
- ***Trade as a new focal area*** in the context of the aid-for-trade agenda with focus on Norwegian competencies in clean energy.

29 NOU 2008: 14: *Samstemt for Utvikling? Hvordan en helhetlig norsk politikk kan bidra til utvikling i fattige land.*
30 The Government's Pension Fund invests already in developing countries. In 2007 the fund invested NOK 20 billion in developing countries such as China, India, South Africa and Brazil, however nothing in LDCs (see St. Meld. No 13)

A policy contradiction Norway has upheld a tradition of untied aid over a long time. There is, however, a policy conflict in this respect concerning some of the PSD assistance. The *de facto* tying of instruments such as Norad's MMP and Application-based support is upheld through providing information about these instruments in the Norwegian language for most parts. Tying or untying of aid is a political issue. It is, therefore, beyond our mandate to provide conclusions whether this tied aid is useful and relevant or not. Rather, we take it as a policy statement and will provide advice on how such a system can be made more cost-effective as a means of development assistance benefiting poor countries than currently is the case.

II. Findings

This chapter contains two parts. The first assesses the Norwegian PSD in the context of the four case countries. Has it been relevant and effective given the (business) development issues in these countries and given Norway's overall policy framework for the countries? The second part evaluates the key instruments for the Norwegian PSD and their channels. In this part we assess the relevance, results (outcome and impact) of these programmes, the performance of the implementing channels, assess the cost-effectiveness of these instruments and provide lessons learned at programme level.

5. Norwegian Private Sector Development in a Country Context

5.1 Evaluation issues

In line with the suggested methodology in the Inception report, the four case country reports have made an effort to place Norwegian PSD assistance over the last 10-15 years in the context of the perceived key development issues and private sector development constraints in these countries as defined by the Norwegian government, country governments, Norwegian aid, the World Bank and other institutions.. The country studies have mapped the following for each of the specific case countries:

- key development issues identified by the government, the donor community in general and Norway in particular;
- binding constraints in economic growth and private sector development, for example assessed by the World Bank and/or in Norwegian studies;
- Norwegian development assistance over the period and the policies and strategies underlying this assistance;
- Norwegian commercial ties in the form of trade and investments; and
- Norwegian business-related assistance specifically over the last 10-15 years, its scope, orientation, underlying rationale and history.

5.2 The case countries: highly different Private Sector Development environments

The four countries selected for the evaluation are very different.

South Africa, with a Gross National Income (GNI) per capita of USD 5,700 is an Upper Middle Income country in the World Bank classification. South Africa only receives donor support, including the Norwegian, due to its history of apartheid and as a means to eradicate this legacy. South Africa has a sophisticated economy, in many ways at par with an industrialised country, and ranked high in competitiveness in indexes such the World Bank/IFC '*Doing Business* or the World Economic Forum's Global Competitiveness Index.[31] The overriding developmental issue is the integration of black South Africans into the economy.[32] Norwegian grant aid is expected to be phased out in 2010 and the continuous cooperation to be based more on equal status and mutual interest. Hence, trade and investment, rather than aid, have become of greater importance in recent years. The more recent approach also focuses on using Norway's specialist expertise, e.g. in climate, energy, corporate social responsibility.

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31 World Bank and IFC Doing Business 2010 (www.doingbusiness.org); World Economic Forum: Global competitiveness index
32 Economic data for the four countries from 2007, World Bank: *World Development Indicators 2009*

Sri Lanka, with a GNI/capita of about USD 1,500, is a Lower Middle Income Country, plagued by a devastating civil war since the early 1980s until 2009. Norway has played a unique role among donors in this country as mediator in the conflict for a number of years. Conflict resolution has been Norway's overriding political objective in Sri Lanka, dominating also the aid agenda. Sri Lanka has a sophisticated business sector, held back due to the civil war. It is seen by many as one of the most attractive destinations for foreign investments due to the quality of its labour force, its opportunities for tourism, shipping etc., once the war is over. While many Western donors have currently exited Sri Lanka, Norway has not yet made an official decision to do so.

Bangladesh and Uganda belong to the poorest countries in the world, both classified as Least Developed Countries according to United Nations. ***Bangladesh*** with its population of about 160 million is by far the most populous LDC and a major recipient of development assistance, including from Norway. Once characterized as a 'basket case' in economic development terms due to its masses of poor people and no natural resources, Bangladesh has emerged as an attractive Foreign Direct Investment (FDI) destination for export-oriented, labour intensive manufacturing such as garments, as well as being the home of microfinance with its potential to mobilise millions of informal entrepreneurs. Bangladesh continues to be a major recipient of Norwegian grant aid.

Uganda emerged from the Amin and Obote era in the mid 1980s as a model of development in Africa under President Museveni, attracting major inflows of donor support, including from Norway. However, a faltering democracy and issues of human rights have somewhat tarnished the country's image recent years. Landlocked Uganda, from which most of the entrepreneurial class left or was evicted during the Amin regime, has for many years had one of the most robust economic growth rates in Africa due to a reformed and dynamic agricultural sector. A major issue in economic development today is the transformation from heavy reliance on agriculture to a more diverse economy. Besides the need for robust economic growth to keep up with one of the fastest growing populations in the world, Uganda continues to be a main recipient of Norwegian grant aid.[33]

A key question for the evaluation is to what extent it is possible to draw conclusions from the results of the Norwegian PSD system as a whole, based on evidence from these disparate countries. This issue is dealt with later in this report.

5.3 Norwegian Private Sector Development and country policies

Coherence between policy and action In three of the four case countries, NIS studies were undertaken as follow-up studies on the 1999 PSD strategy. Only South Africa lacked such a NIS study. The coherence between what was actually implemented during the following 10 years and the gist of the NIS studies' recommendations varies. In Sri Lanka, the coherence was low as discussed in detail in the Sri Lanka report. Partly, this reflected that the NIS studies carried out 2002 and 2003 had to a surprisingly limited extent taken the overriding issue in the country

33 For details of the assessment of the economic and business environments, see the country reports.

into account, the on-going civil war. As Norway took on a high profile role in conflict resolution efforts and made this an overriding policy for all work in the country, the NIS studies fell on infertile ground. In addition, the Norwegian Sri Lanka policy was poorly reflected in the emerging PSD portfolio. Norway wanted its assistance to be impartial between the conflicting parties, have a regional balance, and a *do-no-harm* approach in terms of the conflict. The actual PSD work was heavily partial in favor of the Singhalese community and the most affluent Western part of the country, including Colombo. There were three key reasons for this elaborated in the Sri Lanka report: (i) the actual PSD portfolio was to a large extent not determined at embassy level, but by Norad and Norfund implementing programmes independently of such political concerns. The MMP especially triggered a considerable number of projects, which were all market driven; (ii) history determined part of the portfolio, hence old projects were carried on due to aid dependency and old ties to multilateral organizations; and (iii) the difficulties to balance the PSD portfolio in a conflict-ridden country where market conditions to a large extent determined the orientation of the support.

In Bangladesh, on the other hand, the coherence was better. As noted in the Bangladesh country report, the NIS studies identified SMEs as the main target group, and lack of SME credit as a major constraint and therefore a target for support. This was, and continued to be, the focus of the embassy support. Possibly the coherence between NIS and actual PSD support was facilitated by the fact that Norway lacked a strong political agenda for its engagement besides providing aid in Bangladesh as an LDC and that a considerable share of the support was determined by the embassy.

In Uganda, the NIS studies identified five areas for Norwegian PSD support: governance; energy; SMEs and entrepreneurship development; trade and export; and increased PSD capacity at the Norwegian embassy in Kampala. The actual PSD support initially covered at least the first three of these areas as elaborated in the Uganda country report. However, since 2005 a process has started where support to projects related to the business environment have been given less attention, while direct investments facilitated by the NHO have been a priority. A similar process is seen in the energy sector, where feasibility studies of a number of generation and transmission projects have been started with embassy support and new hydropower projects are being considered by Norfund. At the same time the support to the various government agencies in charge of policy development and sector regulation is toned down. It is noteworthy that microfinance, the most significant of the actual PSD efforts in Uganda, was not an identified priority. As it turned out microfinance not only became an important ‘sector’, but Norwegian support has also been successful in its assistance, addressing the sector at different levels, including policy. This has been accomplished with little or no internal coordination, and even limited information sharing between the Norwegian institutions.

South Africa lacked a NIS study as such, but the 1999 PSD strategy should still apply. As noted in the country report, South Africa had no embassy level PSD projects during the assessed period. The striking feature of the PSD portfolio in

South Africa is to what a minimal extent is has taken the issue of economic stratification into account, for example reflected in how little of Black Economic Empowerment it has contained. This is not consistent with Norwegian policy, with its focus on enhancing employment and income amongst under-privileged groups and support for human rights, nor with the priorities of the South African government, as elaborated in the South Africa country study. As in the other countries, market conditions determine the interest of overseas investors, whether Norwegian companies under the MMP or ABS schemes, or funds in which Norfund invests.

The 1999 PSD strategy and all the NIS studies voiced a concern over the fragmentation of the Norwegian PSD assistance. A conclusion from the country studies is that the actual pattern of PSD assistance at country level, with the possible exception of Bangladesh, has become increasingly fragmented over time. The reason is that there are more actors involved and each organization has its own agenda and priorities. Parallel to this, the administrative resources at embassy level to undertake any form of coordination or even information-sharing have declined over time. An added reason is the increasing importance of Norfund as an actor in Norwegian PSD. Norfund tends not to be seen as an integral part of the 'development assistance family', and tends to operate largely on its own. The Uganda case report gives a clear case for how independent different actors operate even within the same field, in this case microfinance.

5.4 Results in terms of addressing binding constraints

Most of the binding constraints for PSD identified in the four case countries cannot be met within the framework of business-related assistance. Those include political instability and ethnic war, high inflation, exchange rate volatility and other macroeconomic conditions, poor governance and land issues. Others can be met partially by PSD, particularly if governments put conducive policies in place and encourage the private sector, including its institutions, to take on a proactive role.

The table below is a summary of the identified binding constraints in the four case countries as identified in the case country reports based on information from World Bank assessments, Norwegian NIS and other studies, and how these constraints are matched (or not) by Norwegian PSD support during the last ten years.[34]

34 There are Norwegian supported projects and programmes in sectors/issues not seen as key binding constraints among the four countries, such as vocational training in Sri Lanka.

Table 1. Addressing binding constraints in the four case countries[35]

	Bangladesh	South Africa	Sri Lanka	Uganda
Access to finance	1. 'Missing middle through' through various embassy-level programmes (SEDP, SECP and SEDF) 2.Strømme, BRAC in Microfinance (MF) 3. FDI through Grameen, Scancem, Aureos	Well functioning capital market and banking system. Access to finance for SMEs without a track record and green field projects is difficult. Constraints only partly addressed by Norfund or Norad.	The constraint relates to SMEs. Addressed by Embassy SME projects and by Strømme	1.SME funding through DFCU Bank, Bank of Africa 2. MF policies through Ministry of Finance, apex through Strømme, MIF, like Pride Uganda, UML, BRAC
Labour conditions		Addressed through NHO/ Agri	Not addressed	May have been addressed within projects
Energy	Not addressed			Bugoye hydropower
Transpor-tation				Only addressed in one aborted project
Skills develop-ment		Adressed in various programmes (MMP, ABS, etc).		
HIV/AIDS		May have been addressed within some projects		

(Note, the grey coloured fields above indicate that these sectors/issues have not been identified as key binding constraints in the analysis above. Norwegian assistance in these fields has not been specified here.)

The table shows a reasonably good fit between binding constraints and Norwegian aid interventions in finance, and a more mixed picture for other fields.

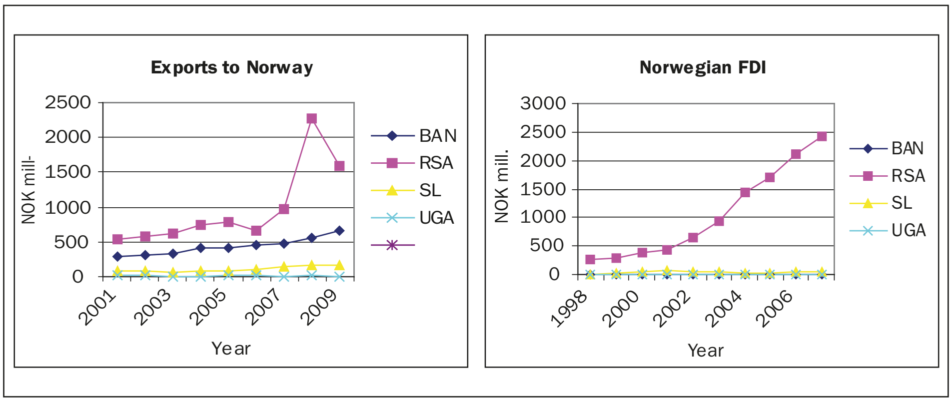
5.5 Impact on Norway's commercial relationships

The four country studies have mapped the commercial relationships between Norway and the case countries in terms of trade (exports from the countries to Norway) and Norwegian Foreign Direct Investments into these countries over the evaluation period.[36] The purpose of this, is first to find evidence whether Norwegian PSD support involving Norwegian companies (e.g. MMP, ABS, Norad loans, and SN

35 For acronyms in figure, see following texts and list of acronyms.
36 Data source used was Statistics Norway. Data derived from the countries were often not coherent with the Norwegian statistics.

Power) is reflected in commercial ties, and second, whether such ties could be of importance as a means of accomplishing economic change in recipient countries.

Figure 2. Norwegian commercial relationships with the four case countries



As noted in figure above, it is only with South Africa where Norway has any commercial relationship of some importance, which, furthermore, shows a significant positive trend since the mid 2000s both in trade and FDI.[37] In Bangladesh no FDI is recorded while imports have grown steadily to a level of NOK 600 million, almost all of this in textiles and garments. In Sri Lanka the Norwegian FDI has remained at a steady level of about NOK 40 million per annum during the last decade, while imports from the mid 2000s doubled to a level of NOK 160 million. Norway's commercial relationship with Uganda is extremely limited with no change in trend for the period. No FDI is recorded for the period, and imports have been at a steady level of NOK 10 million per annum. Overall, in none of the countries, the commercial ties with Norway account for more than a miniscule share of the countries' trade and inbound investments.

In terms of potential linkages between Norwegian PSD and Norway's commercial ties, we conclude that:

- As will be further discussed in the following chapter, Norwegian PSD support in South Africa involving Norwegian companies (MMP, ABS, Norfund) has been of such limited magnitude that it is negligible in the overall picture. The commercial relationship to South Africa is, on the other hand, well established, seemingly going on outside the aid system.
- In Sri Lanka, the support for Norwegian investments and trade coincide with the growth of imports, indicating a possible causality, especially due to the active MMP which has promoted trade from 2003 as discussed in the Sri Lanka report. However, the level is very low for both countries.
- In Uganda, the commercial ties are miniscule, and the Norwegian PSD programmes have seemingly had no ripple effects. As further discussed below, and in the Uganda case report, the efforts to promote Norwegian investments in Uganda have been plagued by problems.

37 It should be noted that Norfund's investments through funds are not included in the data.

- There has been a steady increase in imports from Bangladesh into Norway, almost all of it in textiles and garments. The Bangladesh report sees no link between this and Norwegian PSD support.

As a means of promoting the commercial ties between Norway and its partner countries in development, the PSD support over the last decade has seemingly had, at best, a very marginal impact, evident in the commercial statistical data in three of the four countries studied. In South Africa, the commercial co-operation and its growth over the period, much of which are related to the oil sector, seems difficult to attribute to the limited Norwegian PSD support. Sri Lanka might be the exception: albeit at low levels; both FDI and trade appear possible to attribute to some extent to the Norwegian PSD. In summary, the more dramatic changes in trade and FDI (as investments and trade in South Africa, and trade in Bangladesh) have seemingly emerged in isolation from the aid system.

5.6 Lessons learned

The lessons learned from the analysis of the PSD support in country contexts are:

- The pluralistic Norwegian PSD support system with several largely independent providers of PSD support work against creating coherence between action and country policies/strategies, whether these are general or PSD specific. The embassy as the natural coordination point, has limited leverage over suppliers such as Norfund and FK Norway, and even Norad/NUMI.
- The dependency on market players for most of the Norwegian PSD instruments, i.e. commercial entities, further reduce the opportunities for policy to permeate actions in PSD support.
- There seems to be a weak causal linkage between Norwegian PSD support involving Norwegian enterprises and the scope and dynamics of commercial ties (trade and FDI) between Norway and countries in the 'South' to judge from the four case countries. However, PSD support can play a role as the Sri Lanka case indicates.

6. The Private Sector Development Instruments

6.1 A programme-based assessment

In the second part of the 'findings chapter' we assess the various instruments for business-related assistance utilised by Norwegian development cooperation during the last 10-15 years and the channels for such support. The assessment is mainly based on the evidence from the four country studies, but also from available reviews of the PSD instruments and our institutional assessment. The evaluation is grouped in six categories based on the organizational structure of Norwegian business-related assistance described earlier, i.e.:

1. Norad's PSD support
2. Norad's NGO support in microfinance
3. Embassy level support
4. Norfund and its affiliates
5. The Information Office for Private Sector Development
6. FK Norway

It should be noted that the weight of our assessments, as they were undertaken in specific case countries, vary considerably due to the scope of the different forms of PSD assistance in the specific country settings. For example, in the Bangladesh study, embassy level support features strongly due to several major such projects which were implemented during the late 1990s and 2000s. In Sri Lanka, the MMP was given special weight due to the large number of such projects in this country. The order and space given to the instruments/ organizations above is not a reflection from our side of their relative importance in the total PSD picture, but as a means of capturing the requirements of the ToR for the evaluation.

6.2 Representativeness of the four case countries

In our assessment of the various channels and instruments, we have attempted to determine the representativeness of our samples, both from a country perspective and our selection of projects under each instrument. Independent of country selection and sampling, there is great variation from instrument to instrument. Thus, a programme such as ABS is centralised and standardised, carried out by the same unit in Norad independent of target country. This facilitates generalisation from a sample. The embassy-level support, on the other hand, is decentralised and non-standardised, with varying projects from country to country. Even with a good sample coverage of such support, generalisations to the support as a whole can not be made with confidence. Below is a summary of the representativeness of the assessed programmes.

Table 2. The representativeness of the PSD programmes evaluated

Org.	Instrument	Representativeness - triangulation	Scope for generali-sation
Norad/ NUMI	Matchmaking programme	The two most important of the four 'MMP countries' are included in the evaluation. Random sample of projects done in these countries. Independent evaluation 2003; good records by implementing agencies.	Very good
	Application-based support	Possibly a third of all ABS projects are in the 4 case countries. Random selection of projects for assessment. Recent independent review.	Good
	Soft loans	About 25% of all outstanding loans world-wide since year 2000 in the four case countries; near full overage of these in the evaluation. No other study available for triangulation.	Good
	Institutional support	Only two projects included in the assessment; hence very low degree of representativeness.	None
	NHO facilitation project	The project is so far only in Uganda; follow up of most of the active projects; triangulation with recent evaluation.	Very good
Norad/ SIVSA	Framework agreement with Strømme	No knowledge by the evaluation team of the total Norad 'portfolio'; only one actor included; fair country representation, but limited coverage in the case countries; recent organizational assessment for triangulation.	Low for total portfolio; fair for SF
MFA/ Embassy-level support	Direct PSD support in various projects	Good or very good coverage of the portfolio in case countries. Most projects have had independent reviews. Probably considerable variation from country to country to the decentralised nature of the support.	Low
Norfund	Aureos funds	Several Aureos funds with investments in 3 of the 4 case countries included; good coverage of underlying projects in these. Good records, but no independent evaluations.	Fair
	SN Power	Only one small investment in Sri Lanka (No SN Power projects in the other case countries).	Low
	Other investments	100% coverage in Sri Lanka and Bangladesh; large non-random sample in South Africa and Uganda. No triangulation. Standardised operations by a small Oslo-based organization.	Fair
IOPSD	Technical support	Assessment limited to the organization; no 'projects' included; triangulation with recent independent report.	Fair
FK Norway	PSD exchange programme	Good coverage of standardised portfolio; triangulation with independent organizational review.	Good

7. Norad's Private Sector Development Support

7.1 An overview

Norad's Department for Private Sector Development and the Environment, NUMI, *(Avdeling for næringsutvikling og miljø)* is vested with implementing the Norwegian support system for business development. This includes a number of instruments, some of which date back almost as far as Norwegian development assistance has existed. It is a portfolio of instruments which have changed over time. Some instruments have been closed down, while others have been created. They form an important part of the policy framework for PSD and certainly the part of the PSD framework with most continuity.[38]

The instruments, while from the outside often seem complex, fragmented and not easy to understand, have a clear internal logic. Thus, they provide support from the first initial identification by a Norwegian company of commercial opportunities in a developing country, support to undertake pre-feasibility and feasibility studies, support in the initial start of production or for marketing of 'South products' in the Norwegian market, support for training of staff in new ventures and also investments in environmental enhancement facilities. There was, until year 2000 also a soft loan facility for the establishment or expansion of production in Norway's partner countries, and until 2003 a mixed credit facility for financing larger infrastructure projects with Norwegian suppliers.

The various instruments are integrated with one another. Thus, the Matchmaking Programme uses the support for feasibility studies and other forms as incentives and the ABS feeds on links established through the MMP. Likewise, the Norad loans were in most cases accompanied or preceded by grants for feasibility studies, training, etc. The NHO implemented Facilitation project has also to a large extent used the grant facilities provided by Norad, and is in itself a form of matchmaking. The integration of the various programmes has been facilitated by the fact that they are administered by the same department in Norad, for a long time almost entirely by the same persons. There is also considerable flexibility in the budget, allowing shifting resources from one programme to another.

Due to the integral way the Norad instruments are used, it is difficult to attribute results to a particular programme. In our assessment of the MMP we must, for example, take into account that its ability to mobilize Norwegian companies to

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38 This contrasts to, for example, Sweden. There is today a strong criticism from the Swedish business community that it is kept out of Sweden's official development assistance since the creation of the new Sida in 1995 when several specialised facilities for business-related assistance were ended. Various programmes are today being designed by Sida to mobilise also the Swedish business community in Sweden's bilateral development cooperation.

explore business ventures in Sri Lanka and South Africa is reinforced by the possibilities for various support, should the initial contact succeed. As further discussed below, the existence of the MMP in these countries has triggered the use of ABS to a much greater extent than otherwise would have been likely. In the following sections, the Norad programmes are reviewed, followed by a section drawing the broad conclusions concerning the Norad programme portfolio.

7.2 The Matchmaking Programme

The programme Norad's MMP is a programme to stimulate industrial cooperation (joint ventures, licensing agreements, outsourcing, etc) using the Norwegian business sector. It was initiated in 1992 in India (4 states) based on requests from Indian companies to be matched with Norwegian companies. In 1993 it was expanded to Sri Lanka and Pakistan. India and Pakistan were suspended a few years later, while South Africa was added in 1997. India was resumed in 2003, and Vietnam was added in 2007. Since 2003 the programme also includes trade. The implementation is contracted out to different organizations. In Sri Lanka the Norwegian consultancy firm Advance Business Partners (ABP) manages the programme, while Innovation Norway is the implementing organization in South Africa, India and Vietnam.[39]

Norad's financial allocations to the MMP mainly covers the partner organizations' work in establishing company profiles for matching and the administration of such matchings. There is also a subsidy to firms enrolled in the programme to cover part of their travel costs in relation to matchings.[40] The programme is by virtue of its structure tied to Norwegian interests.

Objectives The purpose of the MMP is to establish 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.[41] Norad has also established quantitative objectives for the number of new participating (Norwegian) companies per annum, the number of visits to partner countries and initiated collaborations reflected in signed Memoranda of Understanding (MoUs). The performance against targets determines the payments to the implementing organizations.

Scope of the evaluation As further elaborated in the country studies for Sri Lanka and South Africa, the evaluation has based its assessment of the programmes partly on information provided by the implementing organizations, previous programme reviews, and follow-up in Norway, Sri Lanka and South Africa of a randomly selected sample of projects which led to a visit between 1999 and 2009. From identified projects for 1999-2009 in respect of which a visit had been made, a random sample of 15-20% was made (in each country about 25 companies).[42] These companies were, to extent it was possible followed up by telephone interviews, and when there was a project on-going in the partner country and where possible, a field

39 ABP cooperates with the Ceylon Chamber of Commerce (CCC) in Sri Lanka. In South Africa, Innovation Norway's office in South Africa undertakes the local work.
40 The Norwegian Embassy in Colombo has provided additional support to CCC with NOK 5 million for the period 2001-2009.
41 Norad Information sheet.
42 The sample size dependent on the size of the population

visit was done.[43] The evaluation has also utilized the organizations' internal studies and an evaluation by Norplan in 2003 for triangulation purposes.[44] Overall, the record keeping in the MMP is of good quality which greatly helped the evaluation.[45]

Representativeness As noted above, the MMP is only implemented in four countries of which two are the subject for the evaluation. Of these, Sri Lanka and South Africa are those with the longest story and largest number of participants. This, in addition to a random sampling of projects and that both of the implementing organizations have been included, should assure that the robustness of the findings for the MMP in its totality.

Results As demonstrated in the Sri Lanka and South Africa country reports, the MMP has shown very good results in both countries in terms of mobilizing Norwegian SMEs to explore business cooperation with partners in these countries. In Sri Lanka some 330 Norwegian companies have participated since 1994 and in South Africa about 290 companies since 1997.[46] The number in Sri Lanka is particularly impressive given that Sri Lanka has been plagued by a civil war since the 1980s. We believe that the reasons for this degree of mobilization are the following 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-or in-sourcing, but more importantly, an arranged system to identify potential partners. It provides contacts and a screening of such contacts.
- The active work by the implementing organizations to promote the programme in Norway and in the partner countries.
- As noted above, the MMP is integrated with the Norad funded ABS.
- The introduction of trade as a form of MMP has facilitated participation.

In both Sri Lanka and South Africa the programmes have over the years fulfilled or surpassed the quantitative targets for participation and signed MoUs. Hence, in both countries, the programme has been effective as measured against its stated objectives. As the signing of an MoU says little of the development of a business-relationship,[47] the evaluation assessed the number of *sustained forms of cooperation* (at the time of the evaluation) in order to get an idea of the development impact of the MMP. A 'success rate' was defined as 'sustained co- operations as a percentage of the number of Norwegian companies participating (and for which a profile was established)'. Based on this measure, the success rate is estimated to 14% for Sri Lanka and 8% for South Africa.[48] In numbers this corresponds to some 45 Norwegian SMEs which are undertaking business in Sri Lanka and 23 in South Africa.[49] Based on the total cost to Norad for the MMP since their start in each

43 In South Africa this was limited to the Johannesburg-Durban area due to constraints on time.
44 Norplan (2003) *Review of Norad's Matchmaking programs in Sri Lanka and South Africa.*
45 In Sri Lanka, the implementing organization also had undertaken a review of selected 'successful' cases which assisted the evaluation.
46 There is a degree of overlap between these numbers in a sense that Norwegian companies participate in several MMPs.
47 For example, the South Africa country report showed that a number of MoUs had not resulted in an active cooperation.
48 For details of calculation, see country reports. It should be noted that this is a different measure than the one used by Norad, which is basing its remuneration system to the implementing organizations on signed MoUs. In our analysis we have not included as 'successes' any project which was started but later abandoned of one reason or the other. From this perspective our estimate of 'success' (in, for example, terms of employment generation and technology transfer, and the corresponding 'cost per success', is conservative as noted by ABS in its response to the draft report.
49 The success rate can not be attributed to MMP alone. First, the existence of ABS is likely to have been incentive to participate in the MMP, and second, ABS inputs might also have contributed to the establishment of a sustained form of cooperation.

country, the Sri Lanka and South Africa country studies calculated the ‘aid cost’ per successful project seen over the full period to be NOK 0.7 million in Sri Lanka and NOK 1.3 million in South Africa.[50] In current terms, the cost per success is likely to be more, given that the fees have increased several fold since the beginning of the programme.

There is a wide range of sectors participating in the MMP: in Sri Lanka software and business services and marine products (such as boat building), and in trading garments and tea dominate; while in South Africa information and telecommunication technologies (ICT), engineering and energy (oil) are most prevalent. The joint ventures or investments resulting from the programme are generally small, sometimes only employing a few persons, but there are examples of MMP triggered companies with more than 100 employees. The country studies estimated that the direct employment effect in Sri Lanka has been in the order of 1,500 additional jobs and in South Africa some 600 jobs.[51]

As discussed in more detail in the country reports, there is a certain degree of technology transfer through the programme by which Norwegian companies bring new or better technology. However, this is limited and it is difficult to see any spread effects except occasionally. In most business ventures stimulated by MMP, the skills and technologies are already in place in the host country. The Norwegian SMEs rather utilize their capacities in out-sourcing to reduce production cost or for trade purposes. In some cases Norwegian SMEs have benefitted from reverse technology transfer (see the South Africa report for examples). The main value of the MMP lies in promoting economic ties between Norway and the selected partner countries, rather than in short-term development impact on the latter.

As noted above, there is a difference between the MMP in the two countries in terms of results. Sri Lanka is outperforming South Africa in terms of the ratio of sustained cooperation and employment creation. This is also consistent with the findings in the Norplan evaluation of the MMP in 2003. It could be argued that it should be the other way around as Norway has stronger commercial ties with South Africa than Sri Lanka. As shown in the country reports, current exports from South Africa are more than 10 times that of Sri Lanka, and Norwegian FDI in South Africa is about 50 times higher than in Sri Lanka.[52] There is, on the other hand, probably a better fit for Norwegian SMEs in Sri Lanka than in South Africa. In the former country, Norwegian companies are primarily looking for out- and in sourcing opportunities with Norway as their main or only market, rather than pursuing overseas markets. As such Sri Lanka with its highly qualified, efficient but low paid labor force is in general a better option than South Africa. Given the significant differences between the Sri Lankan and South African business environments, we refrain from drawing conclusions about whether ABP is more or less efficient in implementation than Innovation Norway. Both organizations are performing quite well given the orientation of the programme.

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50 ABS own calculation in response to the draft report, including also ‘abandoned successes’, is NOK 0.6 million. No similar calculation was provided by Innovation Norway for South Africa.

51 Also these figures must take account of additional ABS and other grant support, as well as such support has contributed to the results.

52 For data, see respective case country reports, also giving the trends in trade and FDI.

Additionality Both country studies concluded that to a high degree the matchmaking programmes have been instrumental for these collaborations to emerge. Hence the MMP has a high degree of additionality.

Determinants for success or failure One out of ten attempted matchmakings has resulted in a sustained cooperation, higher in Sri Lanka than in South Africa. Reasons for success seem to be related to several factors. First, the sector matters. Thus, trade has a much higher success rate than investments. (It is easier to start trading with a country than invest in joint ventures). Service industries seem to have a better chance of leading to a sustained match than manufacturing. Aborted attempts, on the other hand, are related to factors such as low product quality in the partner country, expensive production costs, general risk factors, etc. Overall, the implementing organizations have increased their 'success rate' over time both in terms of increasing the rate of MoUs and sustained co-operations, indicating learning on how to create successful matches.

Lessons learned MMP has proven to be an effective mechanism to mobilise Norwegian SMEs to explore business opportunities in selected developing countries, which has been not to a small extent dependent on an innovative form of outsourcing the implementation by Norad. In combination with Norad's grant scheme, ABS, a large number of sustained cooperations have been formed in Sri Lanka and South Africa, creating at least some 2,000 jobs. As a means of creating commercial ties between Norwegian SMEs and business partners in the 'South', the MMP is cost-effective. The MMP can therefore have a particular value as a means of transition from aid to non-aid for 'graduating' countries, and where Norway wants to maintain a partnership. The four countries which currently have an MMP programme are all 'graduates' from conventional grant aid, and are well chosen.

As a means to foster business and economic development in Norway's partner countries, MMP has clear limitiations. Thus, the employment creation under the MMP as seen in the context of the demand for new jobs in both countries is negligible. The same applies to the volume of direct investments. In general, Norwegian investments in and imports from Sri Lanka and South Africa are so limited relative to these countries' total inflow of FDI and exports, that their potential impact on economic growth or poverty is negligible in a macro context. This is an inherent constraint in MMP as currently designed (limited to Norwegian company initiatives). The cost-effectiveness of the MMP as a development instrument could be enhanced by (i) use local organizations for the matchmaking in partner countries; and (ii) strengthen the capacity of the local counterpart organizations to apply matchings and cooperations with companies from other partner countries besides Norway. This would allow scaling up and replication. It could also create an active instrument as a complement to the programmes of (inbound) investment promotion undertaken by most developing countries today.

Summary assessment

Criteria	Comments
Relevance	Very high as a means of mobilising Norwegian SMEs to explore investment and trading in selected countries; fair as a way to create sustainable business; low as a means to address economic growth and poverty due to inherent constraints on the supply side
Impacts	Broad exposure by Norwegian SMEs to selected partner countries business opportunities; one out of ten participant starts sustainable business (investment or trade; higher in Sri Lanka than in South Africa); some 2000 jobs created
Effectiveness	High in exposure; fair in creating on-going business relationships
Efficiency	Implementing agencies highly efficient in their operations
Sustainability	8-14% of all participants; a much higher share of those that initiate a business
Cost-effectiveness	Cost to the aid budget per 'successful' cooperation NOK 0.7-1.3 mill., excluding ABS and other forms of support.

7.3 Application-based Support

The programme Norad's 'Application-based support' started in the 1970s. It contains a number of sub-programmes such as support for feasibility studies, pilot production, training, marketing and environmental investments. The programme is based on a system whereby Norwegian companies can apply for support based on the established criteria and the applications are screened by Norad/NUMI. Different from MMP, the ABS is handled entirely by NUMI and its staff. The support is based on cost-sharing with varying percentages dependent on the sub-programmes. The grant share of feasibility studies is generally 50% of costs, while for environmental investments 80% of the cost can be provided by ABS.[53]

Objectives The specific programme objectives and its assumed results-chain are similar to the MMP, i.e. it aims at building local competence and capacities through linking and utilization of the (Norwegian) business sector for transferring technologies and know how, creating external markets, etc. According to the guidelines for the support, the specific objective is to contribute to a sustainable business sector in the *recipient country* (Italics in the guidelines).[54] Sustainable development and consideration of environmental standards is essential, as is promotion of female participation.

Scope of the evaluation There has been a considerable number of Application-based support 'projects' over the last decade (the period assessed) in the four case countries. In total some 180 unique recipients were identified in the four countries from Norad's data base of which only 80 are in Sri Lanka.[55] Many of these recipients had received two or more ABS grants. A random sample of 15-20% was selected from each country for follow-up in the evaluation.[56] These projects were

53 Norad (2009): *Retningslinjer for tilskudd til nærings- og handelssamarbeid.*
54 Norad *Forvaltningsregler for Tillskudd til Nærings- of Handelssamarbeid.*
55 It should in this context be noted that Norad's data base for the Application based support is not well developed and that gaps and unclear classifications exist. The figures above should therefore be interpreted with care.
56 Sample size dependent on the size of the population

followed up by: review of the documentation at Norad; telephone interviews with those than could be contacted; and field-visits to projects on-going when possible.

The ABS projects are small, on the average about NOK 0,2-0,3 million irrespective of country, but with great variation. The annual allocation varies between countries and years, but in the order of NOK 3-5 million in Sri Lanka and South Africa where the ABS has mainly been applied, but with lower figures in Uganda and Bangladesh. See the case country reports for further information.

The ABS has not been evaluated as such for many years. However, in December 2009, the Nordic Consulting Group (NCG) presented the results of an electronic survey among Norwegian ABS beneficiaries for feasibility studies between 2004 -2008.[57] We have used this for triangulation with our own results albeit it is narrower than our evaluation. Our assessment of the ABS is based on a review of the guidelines for the support,[58] reviews of Norad's files and documentation of the selected projects, follow-ups in the field with a selected number of companies and projects where the operations were sustained, complemented by telephone interviews with selected Norwegian and local partner companies.

Representativeness The Application-based support has been carried out over a long period in a large number of countries. Available data from Norad/NUMI show that in 2008-09 alone, over 40 countries were included.[59] These data showed that countries which had an on-going MMP were clearly over-represented among the ABS. In fact, of some 210 ABS projects during these two years, Sri Lanka and South Africa alone account for about a third of all projects.[60] Given the method of sampling indicated above and that the ABS is centralized in Norad in Oslo and has been implementing the programme over a long period of time according to standardized routines, it should be possible to generalize our findings to the ABS programme in general.

Results The ABS is primarily used for Norwegian companies to undertake feasibility studies. Of the assessed projects in the four countries, about 60% were for feasibility studies. Training of staff is the second most significant type of project, followed by marketing related projects. The companies utilizing the ABS tend to be quite small, often with less than 20 employees, but there are examples in our sample of projects with much larger numbers of staff.[61] ABS has been open to all types of Norwegian enterprises, and even large companies have used this support, for example in the context of a Norad loan before year 2000.

The results of the ABS supported projects are mixed. In terms of feasibility studies, the samples studied in the four case countries indicate that about 40% of the supported projects lead to some form of established cooperation, while a majority of attempted ventures are aborted for a variety of reasons. No judgment can be

57 Nordic Consulting Group (2009): *Kartleggning av Norads støtte til forundersøkelser.* It should be noted that this survey, addressed to some 185 companies, only 64 responded to the questionnaire in its totality, making the results less robust.
58 Norad: *Retningslinjer for tilskudd til Nærings- og handelssamarbeid* and Norad: *Forvaltningsregler for tilskudd til Nærings-og handelssamarbeid*
59 Excerpt from Norad's database concerning budget line 16170112-17 and 16170217. Regional and global projects excluded
60 Data provided by NUMI. Actual or planned projects 2008-2009 under the code 'næringnærings-og handelstiltak, including sociale tiltak, opplaering, handelsfremmende och CDM.
61 60% of the responding Norwegian companies in the NCG study had less than 20 employees.

made on this because the purpose of a feasibility study is weed out ventures which are unlikely to succeed. Based on our sample, we found that projects which were pursued had a high survival rate, indicating that the ABS for feasibility studies is an effective mechanism. This is in keeping with the findings in the NCG study.

Among the other forms of ABS projects, the country studies show examples of good results, including support to well performing and sustained ventures, in some cases with good development impact at local and company level through creation of employment. The South Africa report gives evidence that contributions to employment can be quite significant in selected cases. But there are also a number of projects, especially in market development, which have had meager or no results.

The ABS is a generally appreciated instrument by its Norwegian business clients. However, our assessment has led to some issues concerning the administration of the ABS as a developmental instrument. First, a noteworthy feature of the ABS is that a company can mobilize support for project after project. As a consequence, the subsidy levels to individual companies can become significant, or up to NOK 5-6 million for some recipients from more than ten different 'projects' as evident from our case material. These levels of support seem rarely justified in comparison to the scope of the operations of the subsidized companies. The multiple use of ABS seems rather to depend on the abilities of some companies to extract subsidies from Norad combined with no Norad policy concerning repeat support or a lid on grants to a specific company. There is, overall, a liberal attitude in the design and implementation of the programme, reflected by the fact that all applications fulfilling some minimum quality criteria are supported according to our interviews with NUMI staff. While this might be positive for the Norwegian business sector, it risks not being a cost-effective use of scarce aid resources. It might lead to 'corporate welfare' (subsidies to companies which anyway would carry out an investment or activity), rather than aid inputs which has a clear element of additionality as seen from the recipient country perspective.[62]

Second, Norad lacks a system for systematically monitoring the outcome of the ABS beyond the point when the recipient has delivered their report when the support has ended. Norad's knowledge of the effectiveness of the support system is, therefore, impressionistic. Thus, Norad has no systematic record of the impact of this old instrument, the sustainability of projects supported, effects in terms of, for example, employment generated, technologies transferred etc. As evaluators we are left with the impression of an instrument which is driven more by a purpose to benefit Norwegian companies than to deliver clear and cost-effective development results. As such, it reflects a perception of the old system which the 1999 PSD Strategy tried to change.

Third, the assessment of the underlying projects' health, safety and environmental standards, HSE, tends to be formalistic, indicating in the approval documents which rules apply and what responsibilities the companies are assumed and/or obliged to fulfill. The guidelines are well formulated, indicating the HSE criteria that should be

62 NUMI in its comments to the draft report has pointed to the fact that repeat support under ABS is in line with the policy and guides for the ABS, hence NUMI is performing in line with the policy.

fulfilled by the applicant based on international norms, etc. However, NUMI's ability to monitor whether the supported company actually fulfils these criteria is hampered both by the smallness of the support (not justifying major financial inputs at appraisal level) and the lack of a system to follow-up projects in the field to identify deviances and issues. As a result, there are potential risks that Norad supports out-sourcing of Norwegian manufacturing to developing countries where the company's motivation is to seek to take advantage of lower HSE standards compared to Norway or Europe. Given Norway's policy on ethical and environmental standards, this is a major issue even if there is no wrongdoing as such on Norad's side.[63]

Determinants for success or failure At feasibility stage about four out of ten attempts lead to an established business. Similar to the MMP, compatibility between countries in specific sectors is a key determinant for success. In the post-investment stage, the APS has a relatively high ratio of success in the sense that the applicant companies are sustained.

Lessons learned The ABS is the core programme whose purpose is to involve Norwegian companies in development assistance. It has been applied in a very large number of countries over the years and still retains the characteristics of its original form when the explicit support to the Norwegian business sector was strong. The ABS is an effective means to mobilize Norwegian businesses to explore business ventures in developing countries especially in combination with the MMP. It is a useful tool for the support of feasibility studies and here is where its additionality is likely to be high. The liberal attitude towards repeated support to the same company risks, however, becoming a form of 'corporate welfare', rather than a well-tailored and appropriate support with additionality, hence cost-effectiveness is less than desired. A special problem is related to the issue of whether or not Norad is involuntarily supporting out-sourcing of production activities with problematic HSE standards due to Norad's weak systems for monitoring such standards.

Our findings on ABS largely coincide with the review of some Norwegian PSD programmes carried out in 2007 by a Norwegian consultancy group (see earlier). There are numerous means by which the instrument could become more cost-effective as a development instrument and less sensitive to HSE issues. This is further elaborated in the final chapter of this report.

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63 An example encountered by the evaluation in Sri Lanka is glass fiber production, a common form for ABS support (boats, aqua cultural tanks, trailers, etc). The HSE standards in Norway (and Europe) have increasingly become strict due to health hazards to workers involved in the production process due to the cancer creating styrene gases omitted in the process. Today heavy investments in ventilation systems are required in Norway. Sri Lanka lacks largely such regulations and means to monitor the process. One interviewed company admitted that its outsourcing partly was triggered by this. Another company representative encountered during the field work who was looking for matches under the MMP for outsourcing in glass-fibre production, claimed he was appalled by the standards in the Sri Lankan companies visited (identified by the MMP and some which had previously been supported by ABS and Norad loans).The company representative claimed he 'would not risk his company's reputation by outsourcing to such partners.'

Summary assessment

Criteria	Comments
Relevance	High relevance in initial stage to explore business opportunities for Norwegian SMEs (feasibility); less relevance in later stages, low relevance for poverty reduction and growth due to inherent supply constraints by Norwegian SMEs
Impacts	Screening business ideas in feasibility; support of emerging Norwegian investments in human resource development etc. Indirect contribution to FDI and employment (see MMP)
Effectiveness	Good as a means to mobilise Norwegian SMEs when combined with MMP
Efficiency	Norad lacks effective results-reporting; assessment of HSE quality *ex-post*
Sustainability	Good for companies which pass investment stage
Cost-effectiveness	Lower than needed due to liberal support to same company leading to possible 'corporate welfare'.

7.4 The NHO Facilitation programme in Uganda

The Confederation of Norwegian Enterprise has undertaken development assistance with financing from Norad since 1997 when an institutional cooperation project began between the NHO and the Federation of Employers in Uganda.[64] The NHO has undertaken two forms of development assistance with funding from the aid budget through framework agreements with Norad and MFA.[65] These are:

- Cooperation with NHO's sister organization in the 'South'. The purpose of this support (not evaluated) is strengthening these organizations and developing the framework for positive relationship building between employers and employees. This work is undertaken in eight countries in South America, Asia and Africa, including Uganda.
- A business-related Facilitation programme started in 2003. This programme is currently only taking place in Uganda, but the plan is to expand it to Tanzania and Kenya in 2010. It includes facilitation (project identification, matchmaking, advice to potential partners, participation in feasibility studies etc) aimed at investments by Norwegian enterprises. The NHO has a programme coordinator in Kampala who administers the programme.

Programme objectives The NHO has been given a broad mandate to facilitate and advise on cooperation between Norwegian and Ugandan companies. The programme in Uganda resembles the Norad matchmaking support, and has a similar set of objectives. No specific qualitative or quantitative targets have been set out, nor have any criteria or indicators been determined upon which to assess the programme or for measuring its performance.

64 Web-site: www.nho.no/privatesectordevelopment (also in English)
65 In addition, NHO implements also with Norad funds the Norwegian business aid conference (a forum for debate and dialogue with the authorities), and arrange visits of business delegation from South to Norway.

Scope of the evaluation The NHO programme in Uganda was evaluated in early 2009.[66] We have revisited the 2009 review, and made follow-up interviews both in Norway and Uganda with a sample of the projects.

Representativeness Given that Uganda is so far the only country with this specific approach, that the evaluation has followed-up most of the projects, and that a recent evaluation can be used for triangulation, the robustness of our findings should be very good.

Results Since the start of the programme in 2003, about 30 projects have been attempted. Eight of those were judged by the NHO as being active in mid 2009. These projects are briefly presented below, including an assessment of their current status towards the end of 2009, as well as an assessment of the role the NHO has played for them to emerge.

Table 3 'Active' NHO projects as of mid 2009

(N= Norwegian partner; U= Ugandan partner)

Partners	Project status	NHO's role
Nortura (N), Uganda Meat Exporters, Min of Agriculture (U)	Initially a limited project to export a second-hand abattoir from Norway. Project much expanded to a complex and broad-based livestock-meat processing PPP value chain project. Norad has provided NOK 20 million for an initial phase.[67] Potential investment of USD 50-55 million, including the World Bank in the livestock sector.	The NHO project played a *significant* role in an initial 'matchmaking' process 2003 and afterwards
Green Resources (N)	Green Resources was established in 1995 and is today the largest reforestation company in Africa with a focus on Tanzania. GR employs 850 persons in Uganda in two commercial plantations of medium scale. Planned investments in a saw mill.	NHO has played a very *limited* role in the investment
Trønder Energi and Norfund	The Bugoye mini power project was initiated by SN Power in early 2000s, but aborted in 2007. The investment plans were taken over by Trønder and Norfund. Total investment of 55 - 60 MUSD. 10 MUSD in grant from MFA. Project commissioned in October 2009.	NHO has played a *very limited* role in this project.
Pride Architects (N), Oscar Ind. (U)	2200 houses planned with an innovative building concept for the middle class. Feasibility study with ABS support. Still at planning stage, looking for financing.	NHO has played a *significant* role
Reno (N); Norema (U)	Waste management project, involving 7 trucks. Major problems with client in Uganda. Trucks mostly parked. Limited contact between partners.	NHO has played a *medium* role

66 Sigvaldsen, E. and Obara, A.: *Review of NHO PSD Programme and the Cooperation programme with FUE, Uganda,* 2009

67 This allocation is taken from the application-based support, but constitutes an exceptional project in this context.

Partners	Project status	NHO's role
Genomar (N); Fourways (U)	Genomar dropped out, project stopped, no luck finding new partner. Aborted.	NHO has played a significant role
Mester Grønn (N)	An aquaculture project for fish farming. Support by Norad (ABS) for pre-feasibility, proposal for a larger feasibility study, but the latter not undertaken. Project abandoned thereafter.	NHO has played a medium role
TINE (N)	Dairy. Venture identified in the early phase. Pre-feasibility ongoing.	NHO played a significant role

The NHO has, in addition to these projects, worked on some 20 projects where no Ugandan partner has been found or where the Norwegian partner has withdrawn. The list includes a large hydropower project, solar panels, wind mills, oil and gas, floor laminates, horticulture, construction of school buildings, plastic packaging, private hospital, x-ray laboratory, cadastre, honey product development, telecommunications, air safety, tooth brushes, biomass and insurance.

As indicated in the table above, three of the eight projects are in some form of operation today, of which one is well established, Green Resources, a Norwegian forestry company operating in Africa since the mid 1990s. One project has just progressed past the investment phase, the Bugoye hydropower project. The contribution by the NHO programme appears to have been minimal in these two projects. Green Resources was established in Tanzania by Norwegian entrepreneurs in the mid 1990s and was a well functioning venture (in Uganda in collaboration with an embassy-supported forestry programme) when the NHO programme was launched. Bugoye is an SN Power initiative started in the early 2000s, aborted by SN Power in mid 2007, but taken up by Trønder and Norfund (see the Norfund section below).

In the Reno-Norema waste management, NHO played a more instrumental role. The project was also supported by a Norad ABS grant for a feasibility study. A joint project was initiated in Uganda in 2007. However, it has been faltering from the start. In the view of the Uganda case report, it was a project that was almost certainly destined to fail due to its ill-conceived business concept.

Three of the eight listed 'NHO projects' are in different stages of preparation. One of these, the 'Nortura project,' is potentially the most significant of all the projects and the most interesting from a development point of view. This project emerged out of a visit arranged by the NHO for the Norwegian meat cooperative Nortura, formerly Gilde Køtt, and started as a limited venture but has evolved into a potentially very large meat processing project. The project is a potential PPP between Nortura, the Uganda Meat Exporters and the Ministry of Agriculture in Uganda. The project is designed to address a range of issues in the value chain of the Ugandan livestock industry, from ranching of cattle in disease controlled zones, animal health control, slaughter house and meat processing plants, to quality control for exports to Europe. Norad has provided an initial grant of NOK 20 million for an interim phase, and the World Bank is expected to provide funds for the livestock part of the project.[68] The project has a strong backing politically. While the project has considerable potential benefits to Uganda and its livestock farmers, currently banned from meat export because of hygienic and health reasons, it also has high risks as a complex venture with multiple parties (the Ministry being the weakest link in the chain) as elaborated in the Uganda country report.[69]

Additionality For the two on-going projects the NHO's additionality was near nil. In view of the fact that for the third on-going project, where the NHO played some role, the project is faltering, and that no other project has yet become operational, there have been no significant results so far in the form of foreign direct investments, employment, incremental tax payments, know how transfers, etc. The main impact of the programme has been limited to the mobilization of Norwegian businesses to explore opportunities in Uganda, mostly with negative results, and the triggering of a potentially significant, but uncertain and risky, project with Nortura as a partner. See Box 1.

Box 1. Micro-macro interface

The Nortura project has one essential feature: it identified weaknesses in a value chain of an essential commodity (the issue of animal health), which severely hampered the development of the whole meat industry in the country, an issue which the original project would not have solved, but would rather have been constrained by. In addition and most importantly, Norwegian development assistance took through a rather unorthodox process steps to rectify this bottleneck in a broader programme, which was quite different from the initial project. This involved Norwegian and other donor funding to address these systemic problems. This feature of micro-oriented PSD, which identifies structural problems in a sector or in the business environment and builds problem-solving activities around this, is currently rare. I could, however, be a dynamic feature of a new style PSD, further elaborated below. From this perspective the Nortura project is a pioneer.

Determinants for success or failure As the NHO project has yet no clearly demonstrated success-stories, no determinants for success or failure can be identified. If the Nortura project emerges as such, a factor for success would be a strong degree of flexibility in the support from Norwegian aid, including the embassy and Norad as well as the NHO, to respond to changing circumstances. Factors behind failures are several, the most significant the inherently poor compatibility of the Norwegian and Ugandan economies, making the base conditions for sustainable business ventures difficult, especially for smaller enterprises.

Lessons learned The NHO project in Uganda is experimental, undertaken in a 'difficult' business environment for foreign investments and with no logic linking to Norwegian businesses, nor any record of established commercial ties between the countries. So far it cannot claim any major achievements from on-going business ventures in which the NHO project was more than marginally instrumental. However, the Nortura project, albeit high-risk, might emerge as a success story. In conclu-

68 The Norad grant is taken under the Application-based support budget, indicating the considerable flexibility of this budget, usually involving grants of a few hundred thousand Norwegian crowns.
69 President Museveni is probably the largest cattle-owner in Uganda, and would become a main beneficiary of the project.

sion, we are not convinced of Norad's rationale to expand this model to other, similarly complex, business environments in Africa as is currently the plan. Rather, the programme approach might be more cost-effective if applied in countries 'graduating' from grant aid as a means of paving the way for self-sustained commercial relationships once Norway exits as a donor.

Summary assessment

Criteria	Comments
Relevance	Mobilisation of Norwegian business in a land-locked LDC is very challenging; low relevance as a means to stimulate economic growth and poverty reduction due to inherent constraints in Norway's appetite for commercial operations in such a country. Untested as a generic model in other countries, but possibly high
Impacts	Mobilising interest among Norwegian investors in Uganda; screening of business proposals; contributing to the development of a major meat export projects
Effectiveness	So far little achieved in terms of fulfilling objectives
Efficiency	NHO's work is considered efficient
Sustainability	Low due to very few investments beyond preparatory stage
Cost-effectiveness	Low so far due to limited fulfilment of objectives

7.5 Norad's loan and guarantee scheme

The programme Norad introduced its loan scheme in the early 1980s, which included a guarantee component. The loans were given on soft terms with more attractive interest rates and tenure than the market offered, including what DFIs could provide. The loans were in Norwegian currency, given over a 5-10 year repayment period with 1-3 year grace period. At the end of 2000 the soft loan programme was closed down on instructions from the Ministry of Foreign Affairs. When Norad handed over the administration of the remaining outstanding loans to Norfund, 48 loans with an outstanding total value of NOK 402 million, were taken over. The transfer value was set at one Norwegian krona, i.e. a significant implicit subsidy was thereby given to Norfund as most of the portfolio was performing well.

Objectives The objectives of the Norad loans and guarantees were similar to that of MMP and ABS, i.e. to contribute to elimination of poverty through mobilization of Norwegian investments in developing countries. The support was expected to result in economic development, employment and income generation through productive use of local resources and mobilization of Norwegian-related investments in the partner country.

Scope of the Evaluation At the time the loan/guarantee scheme ended, 12 projects with a joint loan value of about NOK 150 million were outstanding in the four case countries.[70] Our assessment included 11 of these. It is based on the

70 The number of loans was 13 as one company had two outstanding loans. There was also a guarantee of 25 million to one of the loan-takers.

documentation concerning the loans available in Norad and Norfund, and a follow-up in the four countries with the companies when these were operational.

Representativeness The loans in the four case countries represent about a quarter of all loans outstanding in year 2000, and a third of the original loan amount for these. We judge the representativeness as good, hence the results should be reasonably robust for the programme as a whole. The follow-up of almost all the projects in the evaluation, including field-visits to those operational, further strengthen the robustness of the results.[71] We have not come across any recent evaluation of the scheme for the purpose of triangulation.

Results In the table below, the reviewed projects are presented, with an assessment of their current status and loan performance.

Table 4. Evaluated Norad loans in the four case countries

	Company	Type of operation	Loan NOK Mill	Comments
Bangladesh	Grameen Phone	Mobile telephone	50 (1997)[72]	Joint Venture 1996 between Telenor (51%) and Grameen Telecom. Grameen Phone highly successful and profitable. Strong role in spreading mobile phone applications in Bangladesh. The company, employing 5000 persons, is Bangladesh's largest tax payer. Loan repayment as scheduled. In addition, a Norad guarantee of NOK 25 million was granted (not utilised as the loan was repaid according to plan).
	Scancem	Cement	24 (1999)	Scancem bought a former parastatal company and invested in rehabilitation. Sustainable and operational with some 250 employees. Profitable. Loan repaid in 2003 according to schedule.
South Africa	Umkomaas Lignotech	Paper and pulp. Elimination of effluence and use it as by-product	30 (1998)	JV with Norwegian Borregaard. Company. The company today is the world's largest producer of speciality lignin chemicals. The environmental issues are partly solved as a result of the project. Loan fully repaid according to schedule.
	Radio P4	Radio station	6,2 (1998)	Station performing well and expanding, albeit with limited market as a jazz station. Employs some 50 persons. Loan fully repaid according to schedule.

71 It should be noted that the portfolio of outstanding loans at the end of 2000 is not fully representative for the loan programme as a whole as this portfolio probably included a higher share of non-performing loans than the programme in its entity. Non-performing loans are carried forward until they are written off.

72 An additional loan of NOK 25 million was provided in year 2000 by Exportfinans backed by a Norad guarantee.

	Company	Type of operation	Loan NOK Mill	Comments
Sri Lanka	Ceyland	Coconut husk processing for plant breeding	1,2 (1999)	JV between Norwegian entrepreneurs and a local partner. Sustained and operational with some 50 employees; problems of profitability. Loan not serviced properly.
	Ceylon Oxygen	Industrial gas	17,7 (1995/97)	Medium size old nationalised company bought by Norsk Hydro and rehabilitated. Well performing; company recently sold by Norsk Hydro to international venture capital group. Loans repaid according to schedule.
	Green Farms	Green ornamental plants for export	2,4 (1998)	Originally JV between Norwegian entrepreneur and local partner, thereafter 100% Norwegian owned. Established in the 1980s. Sustained and operational with about 200 employees; problems of profitability. Loan poorly serviced, rescheduled; partly written off.
	Viksund Asia	Glass fibre boat production	1,35 (1999)	JV between Viksund Norway and local partner. Company collapsed in a few years. New company based on the old established in 2006 and currently operational with about 100 employees. Loan and interest not repaid. Receivership.
Uganda	Clovergem	Fish processing Lake Victoria	10,5 (1992)	JV between Norwegian construction company and local partner. Problems of various forms from the start; receivership in 2003; production on-going in reconstructed company with new Kenyan owners. Part recovery of the loan.
	Africargo	Transport	2,24 (1996)	JV in 1995 between Norwegian exporter of vehicles and local partners. Problems from start. Vehicles soon disappeared into Sudan and Congo. No service of the loan. Loan written off.
	Jambo Roses	Rose export	3,22 (1995)	JV in 1995 between Akers Gartneri and local partners. One of the first rose exporters in Uganda. Sustained and operational with some 260 employees. Poor profitability, especially after mid 2000s due to general problems in the sector. Loan rescheduled.

Further details of the projects are provided in the four country reports.

Out of the 11 projects evaluated, only one (Africargo) is an unqualified failure in the sense that no sustained operation has been left and the loan had to be written off.

The balance comprises business ventures which in one form or another have been sustained and are operational today, i.e. 10-15 years or more after their establishments. In two cases this happened after a resuscitation of the companies following a receivership of the original business venture. Five of the 11 projects have performed well or very well, with one (Grameen Phone) becoming a significant success with impacts beyond the home country.

Almost all of the projects can be characterized as green-field operations, i.e. new, unproven ventures without a profit record. These are projects which tend to have considerable difficulties in attracting loan capital with longer tenure in developing countries, for example from DFIs. Furthermore, in many cases the mother companies or partners were small entities making their ability to raise such capital on local markets or among DFIs even more difficult.

The most significant success story is Grameen Phone; the joint venture between Grameen Telecom and Telenor from 1996 that has about 14 millions users of mobile services in Bangladesh, many of which are poor, rural women. Even compared to the expansion of mobile phone services aimed at the poor in many other countries, Grameen Phone has been a model of success and an inspiration.[73] It is also a success for the Bangladesh government which annually receives USD 0,5 billion in taxes from the company, constituting the most significant resources to the Bangladesh budget from corporate taxes. The project has also contributed to technology transfer where today 98% of the country is covered by a network providing basically the same service standard as in a Western country, and with a lower fee-rate than most developing countries. Furthermore, it has led to capital market development as Grameen Phone was the subject of the most successful public offering ever on the Bangladesh stock-exchange, with several hundred thousand buyers.[74]

Projects which have not performed well financially can show development impact nevertheless. Ceyland, a small venture set up to process coconut-husks for plant propagation, helped in pioneering the economic use of a waste product in abundance in Sri Lanka. The concept is now exploited world-wide by the Norwegian company Jiffy. Other examples are Green Farms in Sri Lanka and Jambo Roses in Uganda, both established as export-businesses in emerging sectors in these countries. These two fairly small projects, plagued by poor financial performance at times, have survived over 15-30 years, and jointly created some 400-500 jobs, mostly for unskilled women.

The combined employment of the companies that received the 11 loans is estimated to be in the order 6,000 jobs. If all these jobs were a result of the loans, the cost per direct job would be less than NOK 10,000. However, this is very unlikely to be the case. Taking only the smaller loans (less than NOK 5 million) into account where the additionality can be considered high, the aid cost per formal sector job

73 Mobile tele communication has proven to have strong poverty reducing effects in various studies to reduce transaction costs for the poor, for example in business, but also in welfare gains. It has become a business of the poor of its own, through entrepreneurs renting out mobile facilities.

74 Grameen Phone hit the media as a scandal in Norway in 2008 when a Danish TV film disclosed child labour by a subcontractor in the construction of Grameen Phone's networks. This led to strengthened control of Grameen Phone's CSR and HSE work.

would be in the order of NOK 15,000.[75] This is, nevertheless, quite cost-effective in comparison to many other schemes.

Financial performance In financial terms, the portfolio has not performed well. Only in five of the projects have the loans has been serviced and repaid according to schedule. Two of the loans have been non-performing with loss of the principal and no interest repayments, and the balance is a mixture of partly written offs loans and rescheduling. Norfund is likely to have to write off rate of about 8% of the loan value or, if non-payment of interest is included, a total of 10%. The grant element of the portfolio, calculated at the time of providing the loans to reach the 35% average stated by the DAC criteria, implies a cost to Norad of about NOK 50 million. Added to this is another grant cost in terms of write-offs of non-performing loans of about NOK 8 million,[76] i.e. making the total grant element of the assessed portfolio about NOK 60 million. It is noteworthy that this grant element has, to a great extent, been provided to projects with limited risk and where the loans have been repaid (with partners like Norsk Hydro, TeleNor and Borregaard), rather than to small high-risk projects.

An assessment of the full portfolio Of the 48 loans of the total original NOK 466 million taken over at the end of year 2000, Norfund has written off or is expected to write off 20 loans with total losses of NOK 62 million, i.e. 13% of the loan value.[77] The table below shows that the financial performance of the loans is directly related to loan size (which can be considered a proxy of the size of the company and the underlying investment). Thus, Norad's large loans over NOK 20 million have all been performing well, while two thirds of the small loans of less than NOK 5 million have been non-performing, with a loss rate in value terms of over 50%.

Table 5. Norad's loan portfolio at the end of year 2000: financial performance

Loan size NOK mill	No of loans	Loan volume NOK mill	Number Non performing loans	Real or potential loss NOK mill	Recovery rate
20-50	6	154	0	0	100%
10-19,9	16	217,4	4	30,9	86%
5-9,9	5	37,6	1	4,9	87%
0-4,9	21	52,4	15	26,6	49%
Total	48	466,3	20	62,4	87%

Loans to companies setting up operations in LDCs have performed better than in non-LDCs. Thus, of the 48 loans, 15 were provided to investments in LDCs with a total loan value of NOK 175 million. Of these, 7 were problem loans with a total expected loss of NOK 20 million. This implies a loss ratio of 11%, which is lower

75 The total employment in these 5 projects is estimated to about 550 persons, and the grant element of the loans, including a 35% subsidy level of the loan, and adding write offs of NOK 8 million, i.e. about NOK 15,000.
76 Assumed write off of NOK 12 million, i.e. 65% of 12 million.
77 Estimates at end of 2008.

than the portfolio as a whole. This might be partly explained by the fact that some of the largest and well-performing Norad loans have been provided to LDCs, such as to Grameen Phone in Bangladesh.

Additionality The additionality is overall good, but with significant variations from project to project. We consider most of the loans as being instrumental for making the projects happen, especially in the case of the smaller loans. Also for a larger successful project such as Grameen Phone there is a common view in Telenor that the Norad support was instrumental for the project to take off. See Box 2.

Box 2. Norad's additionality for Grameen Phone

Mobile telephony in developing countries is today a well established success, and can easily attract funding. However, this was not the case in 1996-97. Mobile telephone services for poor clients had an even less proven financial record. The initial investment of about USD 150 million in Grameen Phone was financed by a loan package involving Norad, IFC, ADB and CDC. Norad's loan and guarantee of about USD 15 million was a small share of the total. According to our interviews with Telenor, however, the company sees the soft Norad loan as instrumental in getting the other funders on board. In addition, earlier funding from Norad for fiber optic cable infrastructure development contributed to the emergence of the project. For further details, see the country report for Bangladesh.

Determinants of success and failure The Norad loans were not limited to SMEs, but also open to well established, large Norwegian companies. This has impacted on performance in the case countries as large Norwegian companies are behind most success stories. They have the necessary skills and resources to withstand problems in partner countries and to address challenges in the markets. As the Uganda case study illustrates, SMEs have had difficulties in accessing the necessary management and markets skills which are so necessary for sound performance and for financial sustainability.

Lessons learned The Norad soft loan instrument has provided robust development impact in terms of employment, technology transfer, direct investments, etc. Among all projects reviewed in the evaluation, the loan scheme included possibly one of the most successful projects ever (Telenor) from a developmental perspective, with the micro-project having evident effects at the macro-level. However, Norad's loan scheme was ended in year 2000. This leads to the question of whether the underlying approach of the programme, a higher risk preparedness by Norwegian aid for green-field (Norwegian) investments by larger companies, should be considered. This is further discussed in the concluding chapter of this report.

Summary assessment

Criteria	Comments
Relevance	High relevance for mobilising Norwegian companies, large and small. Potential high relevance to stimulate innovative ventures with far reaching impact
Impacts	Norwegian FDI, job creation possibly in the order of several thousands; possibly contributing to a major success study in spread of mobile telephone services to the poor, impacting on millions of people
Effectiveness	Good as means for Norwegian investments
Efficiency	Difficult to assess a decade after programme ended
Sustainability	Good, judged 10-15 years after the loans were provided
Cost-effectiveness	Lower than needed due to the structure of subsidy element

7.6 Norad's ABS for institutional support

In line with the ToR, the evaluation included selected projects under Norad's institutional support for business-related assistance, which is classified as a part of Norad's ABS. A list of projects from Norad's ABS data-base was constructed for the four case countries and a sample made from this for assessment. In the case of Sri Lanka, various forms of support for chambers of commerce were selected by us for the evaluation in line with the ToR. However, the Norwegian embassy in Colombo eventually identified all these projects as 'embassy projects', as they were designed, funded and supervised by the embassy with no involvement of Norad/NUMI. (These projects are reviewed below.) In Uganda, the NOK 20 million meat-export project selected for the evaluation turned out to be linked to the NHO Facilitation project, while financed under the Norad/NUMI budget line. This project was reviewed above.[78]

In South Africa, the evaluation reviewed the ***Agri South Africa project,*** supported by Norad through the NHO from 1999 – 2003. Its objective was to train farmers and farm workers in labour laws and labour management with a view to improving labour standards and creating a safer working environment, as well as enhancing awareness about HIV/AIDS. An important objective was to be instrumental in the eradication of child labour in the agriculture sector. The achievements of the project have, according to our assessment, been good and the stated objectives were reached: 12,000 participants were trained, more than double the planned target, and child labour was reduced dramatically (from 220,000 1999 to 19,000 2003). The latter result is almost certainly not entirely attributable to the project. However, the project would have had some bearing on the positive result. In addition, labour laws were increasingly complied with. It has been disappointing, however, that there were so few black participants in the training programmes, or only 15 % of the total. This is all the more so as an overall objective of the South African government has been to empower blacks. It is also contrary to Norwegian development policy to

78 In Bangladesh, no Norad institutional support project was identified.

support underprivileged groups. For further details of the assessment, see the country report on South Africa.

Lessons learned The evaluation found that Norad's data base for 'institutional support' has flaws, and there is, at least in the statistics, confusion about who has been doing what. With only one implemented project (Agri SA) and one project in a preparatory state (Uganda Meat Exporters), we refrain from drawing any conclusions or lessons about this instrument. According to Norad/NUMI's database for 2008-2009, there are some 60 ABS projects indentified as 'institutional' (code 16170117), of which 12 are in the four case countries. The representativeness of the South Africa project is therefore very low.

7.7 Conclusions concerning Norad's instruments

We have reviewed four Norad programmes with the same set of objectives, strongly integrated with one another. Our conclusions should, therefore, focus on the portfolio as much as on the individual programmes.

An integrated, comprehensive and effective support system A general conclusion is that the Norad instruments hang together well as a means of mobilizing the Norwegian business sector in development assistance. The instruments reinforce one another with apparent synergies, facilitated by a uniform organizational structure and a flexible budget system. Until the loan scheme was ended, it was a comprehensive package. The review of the instruments also shows some considerable successes: the loan to Grameen Phone in the early days of the company; the successful mobilization of a large number of Norwegian SMEs exploring business in Sri Lanka and South Africa under the MMP; the start-up of the Nortura venture under the NHO project; the high degree of sustainability of green-field projects under the loan scheme; and the good degree of sustainability of projects supported by the ABS scheme. We conclude that as a package, the instruments have been effective in the mobilization of Norwegian businesses, especially amongst SMEs, the main target of the programmes.

Issue of cost-effectiveness The package of instruments for the promotion of the Norwegian business sector under the MMP and ABS is, in financial terms, not insignificant. Given the fairly low rate of sustained commercial cooperation in the matchmaking efforts, the cost per successful project is substantial, if follow-up subsidies in feasibility studies, training etc., are included. Our estimate is that aid cost for each such sustained cooperation might be in the order of NOK 1.5-2 million. The average employment created by such a sustained cooperation might be in the order of 30 new jobs,[79] implying a cost per job of at least NOK 50,000 – 70,000.[80] Compared to the calculation above concerning the old Norad loans, this is considerably higher. While there is only scant evidence of cost per job calculations from similar programmes elsewhere, we believe, nevertheless, that the

79 The NCG survey of the ABS for feasibility studies found that the average employment in successful projects was in the order of 25, but that a few projects had over 100 jobs, while the great majority reported only a few jobs. The results of this spread are consistent with our findings, especially in South Africa.

80 The calculation is as follows: The average cost per successful project in MMP is in the order of NOK 1 million. Add ABS support of about NOK 0.5 - 1million (also including support which leads nowhere). The employment effect is based on the estimates for MMP in Sri Lanka and South Africa. Note, the NHO project in Uganda is not included here as is has so far not created any new jobs at all.

Norwegian instruments compare well with other schemes.[81] However, is it good enough? This is dependent on other effects by these inputs, and also on scaling-up opportunities.

Limited development impact Summing up the development impact of the instruments, excluding for a moment the loan scheme, the extensive support over a 10-15 year period cannot be said to have had any significant impact on the economies of the countries reviewed. The investments, trade and other effects are just too small in the country macro context. This should not come as a surprise: The ability of (mostly) the Norwegian SME sector to undertake commercial operations in far away, often high risk environments, is inherently limited. With a few exceptions, we do not find that the technology and other know-how transfers have been significant either. Many ventures with such a potential impact have failed, such as in aquaculture (see below). The transfer in sectors such as software has been between countries with rather equal competencies in mature sectors. Projects which have supported imports, such as textiles, tea or electronic components into Norway, have no real know-how transfer effects. In marine products (boat building etc), Norway has introduced new technologies and designs, but the spread effects have been very limited to the rest of the economy, or at least so far. The modest investments, and the limited opportunities to scale up the programmes due to the inherent constraints of a small economy such as Norway, on the one hand, and the enormous need for job-creation on the other hand, prevent these instruments from having more than a marginal effect from a macro, poverty reducing perspective.

Was the ended Norad loan scheme the most effective programme? The Norad loan scheme was ended in year 2000, hence this evaluation has looked at an instrument which has not been applied for a decade. While the comparison is difficult to make, it appears that the loan scheme was more cost-effective than any of the other subsidy schemes in the sense of having more developmental impact in terms of employment, investments and technology transfer, at a lower aid cost. There are several reasons for this: (i) the loans were not focused on SMEs, but included some of Norway's larger and most successful companies; (ii) the inputs were provided as loans, not grants, thus reducing the aid cost. While this comparison of the different instruments has weaknesses, [82] it nevertheless points to a potential gap in the current toolbox: risk capital for green-field, high risk operations.

Potential through innovations The possible negation of the statement above that the promotional instruments have had too limited an impact to make a difference in the target countries, is whether a few, or even one success story has had such ripple effects on a country's economy and beyond which can justify the totality. Among the assessed projects only Grameen Phone would potentially qualify as such a project. If the Norad support to this joint venture were instrumental and the full additionality could be attributed to Norad's contribution, the pay-off in development

81 A review of so called Business for Development projects and programmes undertaken by Sida, found that hardly any effort had been done to assess cost per jobs. Lindahl, C. (2009): *Business For Development. En kartläggning av svenskt B4D och några tankar kring ett meta program.* In a Sida project in East Africa in the mid 1990s, aiming at matching Swedish and Tanzanian/Zambian enterprises for joint ventures etc, an evaluation, nevertheless calculated the cost per created job to about in SEK 250,000 (NOK 0,2 million). The project was considered unsuccessful and closed down. Forss et al (2003): *Enterprise Development Programmes in Tanzania and Zambia*, Sida.

82 The comparison is faulted in the sense that the loans might have 'benefited' from earlier ABS inputs, for example for feasibility studies.

terms is considerable. The lesson of this is that, from a development perspective, it is not the volume of co-operations that matters. It is the innovative and timely features of the co-operation and the ability of a Norwegian entrepreneur to provide such models which result in impacts that are not counted in hundreds of jobs or even thousands, but in changes which positively affect millions of people. Norway is an innovation-driven economy. The challenge of utilize the Norwegian resource base for effective development assistance is to match this with the needs of developing countries, i.e. to motivate companies able to solve development issues in an innovative fashion. This issue will be further discussed in the concluding chapter.

8. Norad's Microfinance Support

The Norad support to microfinance operations is mainly carried out by the Civil Society Department, SIVSA. This evaluation has not attempted to review all the NGO support which has a larger or smaller component of microfinance. Given that microfinance has become a major focus of developmental many NGOs in recent years, we can probably assume that this is quite extensive, involving several Norwegian NGOs.[83] The evaluation is, in line with the Terms of Reference, limited to one NGO with a framework agreement with Norad: the Strømme Foundation, the Norwegian NGO with the strongest profile on microfinance.

8.1 Strømme Foundation

Strømme Foundation (SF) is a Norwegian NGO established in 1976 and evolved from the fund-raising initiated by Olav Kristian Strømme, a minister and chaplain in Kristiansand. SF has over the years specialized in two forms of programmes, education and microfinance. The latter form of support has been ongoing since the 1980s, thus making SF one of the pioneers in this significant field of poverty intervention. SF currently operates on an annual budget of about NOK 130 million of which Norwegian official development assistance accounts for about a third, or NOK 35 million. SF has a framework agreement with Norad since 2003, recently extended until 2013. Noteworthy is that the main share of the budget is provided through SF's own fund raising from Norwegian society. Furthermore, SF's dependency on Norwegian aid funds has decreased steadily during the 2000s.

The organization has a staff of about 100 persons, of which a third are placed in the head office in Kristiansand and the balance in SF's four regional offices. SF currently works in 18 countries in Africa, Asia and Latin America, but intends to concentrate on 12 countries. Bangladesh, Sri Lanka, Uganda, and Tanzania are the focus countries in terms of volume of operations. Of SF's total annual budget, about 25-30% is allocated to microfinance. However, microfinance, which is an increasingly self-sustained operation through commercialization, accounts for most of SF's work in terms of projects and activities. In 2008, SF had a total outstanding loan portfolio of about NOK 110 million across some 90 microfinance institutions (MFIs). SF claims some 0.7 million ultimate beneficiaries from its microfinance operations, over 80% of whom are women.

83 As noted earlier, a Norad report claimed a volume of NOK 150 million for microfinance under various framework agreements with Norad.

Microfinance in SF can be divided into two groups: 1) wholesale lending, mostly taking place in so called apex structures,[84] and 2) promotion of self-help microfinance groups. The first group accounts for the vast majority of interventions, while the latter is newer to SF. The foundation has over the years increasingly separated out its microfinance operations organizationally from its other activities. In Sri Lanka and Uganda, SF special legal business entities have been established for this purpose and the plan is also to do so in Bangladesh.

8.2 Objectives

SF's overall objective is to eradicate poverty through the empowerment of people. For its microfinance operations SF's objectives are to:

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

8.3 Scope of the evaluation

The evaluation concerns only SF's micro finance operations in Sri Lanka and Uganda.[85] The assessment has been undertaken through interviews with Strømme's regional offices in Colombo and Kampala, visits to selected partner MFIs, meetings with ultimate beneficiaries, and interviews with SF staff in the head office in Kristiansand. The country studies have consulted documentations from the SF operations. An important source for triangulation has also been the organizational review of SF undertaken in 2008 by consultants on behalf of Norad.[86]

8.4 Results

SF's microfinance operations have undergone a significant strategic change process driven by a series of factors: (i) SF's own cumulative experience of over 20 years in the field of microfinance; (ii) the overall change in microfinance globally, from an NGO charity operation to a commercial banking operation, in part necessitated by the rapid expansion of the 'sector'; (iii) development of best practices within the Consultative Group for Assisting the Poor (CGAP); (iv) internal stock-taking in SF aided by the organizational review mentioned above and the need to prepare for a new framework agreement with Norad; and (v) changes in the management of SF. These changes, also manifested in a strategic plan for 2009-2013, have resulted in an organization which is increasingly doing things differently compared to only a few years ago. This must be kept in mind in the evaluation of SF's microfinance operations.

The organizational review in 2008 concluded that:

- SF was an organization able to provide effective aid, and had been able to reach out to a large number of MFIs, most of them small and with few other accessible funding partners. The review was particularly impressed with SF's decentralised organization, which had '*facilitated a real empowerment of the regional*

84 A microfinance apex is an organization whose role is to wholesale money and in some cases also to provide and/or fund technical assistance to microfinance institutions.
85 Bangladesh was initially included in the design, but excluded during the field work due to time constraints.
86 Tenga, T. and Mersland, R. (2008): *Organizational Review of Strømme Foundation,* Norad Review 14/2008.

offices and their directors' and also that SF gave a strong role to local stakeholders and staff.
- SF had a fairly low degree of financial sustainability in the microfinance operation, ranging from 50-85% between different areas. The review was pessimistic for self-sustaining operations unless SF changed strategy. The review also found that SF's technical assistance work was (too) limited, and that its operations were spread amongst too many countries and projects to be cost-effective.

The findings of our country studies in Sri Lanka and Uganda largely confirm the 2008 organizational review of SF. However, we are more optimistic in terms of self-sustaining operations. SF is an organization which is becoming an increasingly effective instrument in the complex, fast developing global microfinance industry. Thus, our conclusions, based partly on the findings of the country studies in Sri Lanka and Uganda and partly on discussions with SF's head office staff, are that:
- SF is moving towards a higher degree of self-sustaining microfinance operations through concentration and increased professionalism at regional level, facilitated by the organizational change to make SF's microfinance separate, commercial, business driven entities. It is not unrealistic that SF will achieve the target of full financial sustainability of its microfinance within its current strategic plan period, ending 2013.
- SF is increasing its capacity building role for its client MFIs and has developed internal management systems to facilitate this. SF is moving towards becoming a well functioning apex microfinance organization in Africa and Asia. SF is gaining a reputation in the 'industry' of being one of the best players.

SF's claims in total some 0.7 million ultimate clients (clients to SF's MFI partners), over 80% of whom are women. The impact of the micro finance lending to these ultimate clients is not known to SF, for example to what extent the loans create additional employment and enhance income. From general evidence in microfinance, the ultimate clients use micro loans for a combination of consumer needs and investments in self-employment and household income generating activities. Regular employment of a more formal character is less common. Whether such findings are also true of SF's operations is basically unknown. It should also be recognized that SF, in most cases, is not the sole lender to partner MFIs, hence it is difficult to attribute impact to SF, which in turn makes an assessment of their operations difficult. Thus, a major draw-back of the organization is the lack of an internal results-measuring system linked to its stated overriding objective: to help the poor to help themselves out of poverty. This is acknowledged today by SF, and an ambitious system is being established.[87] Until such a system is in place, the effectiveness of SF in fulfilling its mission will remain basically unknown.

We conclude, nevertheless, that SF is becoming an increasingly professional organization through its apex body interventions. A significant strength is its ability to mobilize most of its resources from non-government funds, i.e. SF has an important leverage effect.

87 This is, among other things, a requirement by Norad in the current framework agreement.

Additionality Funding of microfinance today is abundant, hence the additionality of funds to MFIs is probably limited in contexts such as the three case countries reviewed where the microfinance industry is well established. In terms of organizations aimed at building capacity in client organizations through technical assistance, SF has a higher degree of additionality.

Summary assessment

Criteria	Comments
Relevance	Apex function in microfinance is considered highly relevant as a means of pro-poor operations
Impacts	Funds for MFIs for increased reach to clients; some 0,7 million people indirectly served by SF MFIs in total; improvement of MFI performance and sustainability through apex services; impact at client level not known
Effectiveness	SF's effectiveness at the MFI level is improving; as a means to reach SF's broad objectives, unknown, due to lack of results-measuring
Efficiency	SF is a well functioning organization, systematically improving its microfinance operations
Sustainability	Client sustainability judged as fair, albeit with some problems due to portfolio at risk issues.
Cost-effectiveness	Improving. SF is moving towards self-sustained operations through commercialisation.

8.5 Lessons learned concerning microfinance

Norway has become a major player in the field of microfinance, in which Strømme is an important actor. It is a field of rapid expansion world wide, and one that is also deepening in sophistication, but with numerous inherent risks. One such risk is a tendency for organizations to sometimes create an oversupply of funding in unregulated markets through a mixture of charitable, developmental and commercial reasons. Norway tends to approach microfinance from many different directions, without an overriding strategy or even occasionally, such as in Uganda, without knowledge of what other Norwegian organizations are doing in the same country. Thus, several Norwegian NGOs such as SF, Forut and many other NGOs are key players in this field. In addition, the embassies are involved through support of various local microfinance institutions (MFIs) and, in some cases, support to governments for policy development within the 'industry', as in Uganda. Norfund is becoming the most important player of all through direct investments in large and well established suppliers such as the Bangladesh Rural Advancement Committee (BRAC) and Grameen through various funds with microfinance as a focus, such as the pan-African Africap and, not least, the new NOK 600 million joint venture, the Norwegian Microfinance Initiative. Norway is at an important tuning point and in need of taking a broader, more comprehensive and more coordinated approach to microfinance. This is further elaborated in the concluding chapter in this report.

9. Embassy Level Business-related Support

9.1 Overall organization

The reform of Norwegian development assistance in 2004 shifted the responsibilities for aid implementation to a large extent from Norad to the Ministry of Foreign Affairs and the Norwegian embassies. This affected not only PSD support, but all types of support. The embassy-level support in PSD differs from the instruments reviewed above as they constitute discrete projects and programmes, specific for the country in which they are implemented. Some of these can be regional and even global as part of programmes carried out by international organizations. There is a challenge to evaluate the embassy implemented projects and programmes as they comprise a wide range of projects carried out over many years, rather than systemic programmes, such as those reviewed above.

9.2 Mapping the embassy support

The evaluation requested the Norwegian embassies in the four case countries to identify what they considered ‘their PSD projects and programmes’ for the last 10-15 years. The table below is a summary of the responses.[88]

Table 6. PSD support channelled through Norwegian embassies since the late 1990s

Country	Project/ programme	Period	NOK Mill	Comments
Bangladesh	* Agrani Bank Small Enterprises Development Project (SEDP)	1996-2004	(49,5)	Second phase of a credit project to a government bank for SME lending which started in 1990[89]
	* RAKUB Small Enterprises Development Credit Programme (SECP)	2000-08	38	Programme based on SEDP through the government rural credit bank, Rakub
	* South Asia Enterprise Development Facility (SEDF I and II)	2002-07 2008-14	50 50	Regional IFC Project. Multi-donor support. About 80% of fund for Bangladesh
	Quality Infrastructure Project		7	Implemented by UNIDO
South Africa	No PSD programme identified by the embassy for the period			

88 Projects smaller than NOK 1,5 million excluded from this list.
89 The total budget for both phases was about NOK 100 million. Most of these were disbursed before 2001. After 2001 the project continued until 2004 with Norwegian support, but without further funding. See details in the Country Report for Bangladesh.

Country	Project/ programme	Period	NOK Mill	Comments
Sri Lanka	National Cleaner Production Centre I and II	2000-08	13	Implemented by UNIDO
	Sri Lanka Maldives Enterprise Development Programme I and II (SMED)[90]	2005-12	30	Implemented by IFC. An extension of the regional SEDF programme by IFC (see Bangladesh). 90% of funds for Sri Lanka. Multi-donor support.
	Southern Credit Programme for SMEs	2007-09	15	Implemented by IFC. Only Norwegian financing. Replacement of an aborted bilateral embassy project.
	* 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. Background in the Hambantota Integrated Rural Development Programme during the early 1990s
	Sareeram Sri Lanka National Foundation	2007-09	5,4	Mainly microfinance
Uganda	* UNIDO Country Programme	2000-07	36,1	4 components: Food industry supply chain; textile and garments; women master craftswomen; cleaner production
	* PSD/SME Policy Unit, Min of Finance	2000-07	10,8	Policy development for microfinance and SME sector
	Enterprise Uganda	2003-10	9,3	Entrepreneurship development (emphasis on women entrepreneurs)
	* Bugoye Hydropower	2008	60	Grant in connection with Norfund/ Trønder Energi investment. Decision taken by MFA

90 References are made to this programme in context of the SEDF programme, given their similarities.

A first observation from the table above is that business-related support channeled through the embassies at micro-level has not been a main feature of the bilateral Norwegian development assistance in any of the four case countries in financial terms. PSD is not included at all in South Africa. In the other three countries, the average annual budget for PSD has been about NOK 10-15 million. This should be seen in a context of the overall Norwegian bilateral support to these countries, for example in Uganda at a level of about NOK 400 million per annum.

A second observation is that multi-bi support constitutes nearly 60% of the embassy support in financial terms, most of it channeled through IFC, the balance through UNIDO. One regional IFC programme, the South Asia Enterprise Development Facility (SEDF), with its extension to Sri Lanka is with a total budget of NOK 130 million by far the largest embassy supported PSD programme in the four countries.

Scope of the evaluation The projects and programmes marked with * in the table above were selected for the evaluation. The selection was based on the principle of providing as broad coverage as possible of the total portfolio. This was achieved in Bangladesh and Uganda where coverage was over 90% of the total funded projects. In Sri Lanka a different model was applied, covering one 'theme' (chambers of commerce), which was about 30% of the embassy-budget for the period.

Representativeness In spite of the very high share of embassy-level projects covered in two of the three case countries, we can not claim a good representativeness of the embassy-level projects for the total Norwegian portfolio of such projects and programmes. The reason is, as noted earlier, that the embassy-level support is decentralized, i.e. it varies from country to country, and includes a wide variety of approaches and implementing arrangements. A significant issue, which further reduces the robustness of our findings for this type of PSD assistance, is that the evaluation does not include 'the enabling environment' for PSD, a field which would be one of the most logical areas of focus for embassy-level support.[91] This omission is in line with the requirements of the ToR, however.

Results Given the above, the conclusions from the country studies in respect of the Norwegian embassy support are discussed in a thematic manner, including five such themes:[92]

- credit facilities for SMEs through government rural banks (Bangladesh);
- multi-bi technical assistance support for SMEs through IFC (Bangladesh and Sri Lanka);
- support for chambers of commerce development (Sri Lanka);
- support to microfinance in Uganda; and
- multi-bi support through UNIDO in Uganda.

For details of the assessment, including the impact assessments, we refer to the three country studies.

91 This point was raised in the comments to the draft reports by the Norwegian Embassy in Uganda and it is highly valid in our view.
92 The Embassy support to the Bugoye hydropower project in Uganda is discussed under the Norfund chapter above.

9.3 Financial intermediaries in Bangladesh

Two credit projects make up a substantial share of the embassy support in Bangladesh over the last 15 years, the Agrani Bank Small Enterprises Development Project (SEDP), and the RAKUB Small Enterprises Development Credit Programme (SECP). Both programmes, totaling a support of NOK 140 million from the 1990s, were targeted at government owned commercial banks in the country. The objectives of the support were to provide credit to small enterprises in mostly rural locations with the purpose of creating employment and income, and also targeting female entrepreneurs. The projects were aimed at the 'missing middle', i.e. services to clients in need of greater credits than microfinance programmes normally cater for, but with limited or no access to conventional bank loans. The projects included both financial support to the banks through revolving funds and significant technical assistance grants. Both projects were implemented by Norad until the 2004 reform and later by the Norwegian embassy with technical support by Norad.

The Bangladesh country report concluded that the project design in some respects went against donor wisdom of the time, i.e. grant support to government rural banks with a record of lax discipline for recovering loans, weak, bureaucratic management systems and large non-performing loans. However, the performance of the projects was reported better than expected in terms of established quantifiable targets (loans disbursed, job-creation etc). The job-creation in small enterprises, which are still supported by credits from the two banks, was reported to be some 150,000 jobs, indicating an effective job-creating mechanism if such figures are accurate. The jobs are mainly in the informal sector in micro enterprises in, for example in agriculture. The reported loan recovery rates by the banks of 90-95% are clearly better than other government banks, but they have been questioned by assessments made by external consultants used by the embassy and it is assumed that these are rather around 80- 85%. Overall, the financial reporting of the banks has been criticized by auditors and external reviews. In spite of this, the Bangladesh country report concludes that several years after Norway ended the support, both programmes are still in operation (as projects within the host banks), and that the government seems intent on maintaining the projects as self-sustained operations. The credit projects were based on a different style of lending to conventional SME lending in Bangladesh, combining training with credit, and a pro-active approach by the banks to canvas for clients. In conclusion the two programmes have performed better in the long run than could have been expected, especially in creating employment.

Both the credit programmes have been criticized by external reviewers and evaluators as the 'wrong' approach to financial development as they supported market distortion through their heavy subsidies of government banks, with limited attention paid to sustainability. As such, Norway did not apply what today is considered 'best practices' in these projects.

Summary assessment

Criteria	Comments
Relevance	SME credit in rural areas is highly relevant; grant support of government commercial bank as model is more questionable.
Impacts	Assumed job-creation in the order of 100,000 jobs; extended lending to client micro enterprises which are usually outside the credit system.
Effectiveness	Good. Targets achieved considerable effect on job-creation and some on institution building in banks. Uncertainty in terms of financial performance of projects, including non-performing loans.
Efficiency	As a donor implemented project, fair; in running the programmes by banks, low.
Sustainability	Fair-low, operations dependent on government/ bank cross subsidies
Cost-effectiveness	Good in terms of job-creation. (Aid cost per job created)

9.4 IFC' Asia SME programmes

The Norwegian supported IFC regional programme, SEDF in Bangladesh and the SMED programme in Sri Lanka (and the Maldives), have similar objectives and designs. The Sri Lanka/Maldives programme was, in fact, an extension of SEDF to include these South Asian nations a few years after SEDF was initiated.[93] The programmes also have similar implementation structures. SEDF and SMED are ambitious, large scale technical assistance programmes focusing on institutions for credit delivery to SMEs, enabling policy environments, direct technical assistance to enterprises and value chain analyses. The regional programmes have been operating with a staff over 50 persons in Bangladesh and Sri Lanka. Both programmes are financed by several donors, besides the core funding by the IFC. Thus, besides Norway, other donors of SEDF are the Asian Development Bank (ADB), United Kingdom, the Netherlands, EU, and Canada. The Sri Lanka-Maldives programme has been supported by Norway, the Netherlands and the EU.

SEDF was reviewed in 2006 when the report concluded that the programme had created some 16,000 new jobs, of which 65% were for women.[94] The country report for Bangladesh has reviewed the result-reporting on SEDF, especially two evaluations which were carried out in 2008, one commissioned by the IFC and the other by the European Union both, providing a different picture.[95] Both these evaluations made ambitious in-depth assessments of the programme. While the IFC study gave a mixed rating of SEDF, the EU commissioned study was highly critical, recommending the EU not to finance the proposed second phase (2008-2014). The critique of SEDF by the EU evaluation was summarized as:

> *SEDF has implemented a large number of interventions, mainly limited to short-term actions, of which a too large a number only consisted of diagnostic studies and assess-*

93 Bangladesh and Sri Lanka are by far the most important targets for the two programmes, Bangladesh accounting for 80% of the budget in SEDF, and Sri Lanka 90% in the SMED programme. SEDF also include North-East India, Bhutan and Nepal.
94 International Training Centre (2008) *The 2008 Reader on Private Sector Development,*
95 Pierre Mahy, Terence Burley and Alim Haider (2008) *Bangladesh: Final Evaluation of the South Asia Enterprise Development Facility (SEDF)*., Evaluation commissioned by EU; and Nexus associates (2008) *SEDF Impact Assessment*.

ments, which did not materialize in practical solutions to address the problems. SEDF has sown many seeds but the germination rate is not satisfactory and the yields from those that did germinate have not been as high as desired. In short, the SEDF productivity has been inadequate.[96]

While SEDF provides detailed data on outputs, neither of the evaluation studies was able to assess any clear impact of the SEDF on SME performance in Bangladesh. Rather, a strong criticism was that SEDF took credit for institutional changes (such as increased bank lending to SMEs) which was difficult to attribute to the programme. An IFC commissioned evaluation of the Sri Lanka-Maldives programme in 2008 provided a similar critique of the first phase of the programme but, given the limited implementation period, saw scope for an improved second phase.

In the second phase of the two programmes, the Netherlands dropped out of the funding. The EU eventually also ended its participation due to unacceptable demands on the other donors. Remaining funders are, besides the IFC itself, Norway and the United Kingdom for SEDF, and only Norway in the Sri Lanka-Maldives programme. The Bangladesh country study, reviewing the Norwegian embassy decision-making for the second phase, concluded that the embassy had apparently dismissed the EU study (which was not even available or mentioned by the embassy during the evaluation). The study speculates whether the embassy's decision-making might have been influenced by a combined desire to fund programmes with a low burden on the staff (given the limited staff resources) and trust in a reputable organization such as the IFC. The embassy appears to have disregarded the evaluation warnings about the questionable performance of a very costly technical assistance programme.

Summary assessment

Criteria	Comments
Relevance	Design to address SME problems is highly relevant (credit, framework and value chains)
Impacts	Evaluations reached different conclusions, but both mainly negative, concluding it was generally difficult to determine results at participating organization level, due to attribution problems. Limited impact evident in framework conditions
Effectiveness	Questioned by independent reviews.
Efficiency	IFC operation well managed, but expensive
Sustainability	Highly questionable according to the external review
Cost-effectiveness	Given the above, probably poor

9.5 Chambers of Commerce support in Sri Lanka

One of the focal areas of the Norwegian Embassy assistance in Sri Lanka has been support to chambers of commerce in the country. This support comprises three sets of projects during the 2000s: a long-standing support to a district chamber in Hambantota in the south of the country, a joint project with Sweden in support of

96 Mahy, Burley and Haider (2008)

the Federation of Chamber of Commerce and Industry, and a project supporting Sri Lanka's oldest and largest chamber, the Ceylon Chamber of Commerce (CCC) linked to its work with Norad's MMP programme. In total, the Norwegian chamber support is in the order of NOK 25 million since year 2000. The results of the chamber support are mixed as elaborated in the Sri Lanka case study. The Hambantota project reflects long-term development assistance from the 1990s under the umbrella of one of Norway's most renowned project, the Hambantota Integrated Rural Development project. As an effort to add a business-dimension to this project, Norway began building Sri Lanka's first district chamber of commerce in one of the poorest regions of the country. The Norwegian support has led to the establishment of Sri Lanka's first district chamber, which is a clear voice in regional development, a centre for business activities and for other forms of donor support to SMEs in the region, and considered Sri Lanka's most ambitious chamber of all of its more than 20 regional chambers. This was a clear, positive achievement and replicated in later chambers' development in the country. However, the chamber has become extremely dependent in continuous Norwegian aid ever since. Most of the development work was done before year 2000, and little has been added since. Thus, the project is a case of an initially over-ambitious donor design of an institution, resulting in strong aid dependency.

The Federation support, which is more recent, risks falling into the same trap. The Federation, due to massive donor support since the mid 2000s, is over-sized in relation to its mandate and aid dependent. Controversies related to its current management are reinforcing the risk factor. The third chamber project, support of CCC, must be seen in the context of the MMP in Sri Lanka. The embassy support appears to have strengthened the CCC's capacity in the match-making process with Norwegian companies. Such a capacity could be exploited by the CCC for MMPs with other countries to add to the effectiveness of the programme.

Summary assessment

Criteria	Comments
Relevance	Building of regional chambers is relevant, but the proliferation of those in Sri Lanka seems excessive. Design of projects as budget support is questionable
Impacts	Most impacts in main projects delivered before year 2000; support thereafter to keep chamber afloat. Support to CCC added to institutional capacity in the MMP.
Effectiveness	Low – unclear about chambers contribution to business development (CCC in context of MMP is an exception)
Efficiency	Fair – programmes administered by the embassy are done reasonably well
Sustainability	Low – chambers (except CCC) are highly dependent on aid funds in current mode
Cost-effectiveness	Low – limited achievements at a substantial cost of aid
Cross-cutting issues	Very low degree of female participation. Chambers male dominated. HSE standards not known and not part of support design

9.6 Microfinance in Uganda

The assessment below concerns broader Norwegian support than has been delivered through the Norwegian embassy in Uganda. Due to the actions of various Norwegian organizations (Norad, the embassy, Norfund and Strømme) a comprehensive 'sector' support in microfinance emerged despite limited information sharing between the suppliers.

The sector The microfinance sector in Uganda has grown considerably since the mid 1990s and has moved from a sector characterized by funding on a charitable basis to a sector which now shows good financial viability. An important decision was made in 2003, when a new Microfinance Act was introduced, which regulates the sector and allows qualified microfinance institutions to accept deposits as a funding base for their lending activities to poor people. Four Ugandan institutions became registered as deposit-takers, of which Norway has supported two: Pride Uganda through Norad/embassy, and Uganda Microfinance Ltd, (UML) through Norfund. The act also provides for a possibility for these institutions to become regular commercial banks.

In the late 1990s, Norway was among the first donors to support the emerging microfinance sector in Uganda. Norad's early initiatives led to the creation and development of Pride Uganda. Policies, including the above-mentioned Act, were developed by the Ministry of Finance's Micro and Small Enterprise (MSE) Policy Unit which was also financed by Norway through the embassy. After the introduction of the Act, Norfund made equity subscriptions in UML directly and via Aureos East Africa.

Scope of the evaluation An in-depth End of Project Review[97] of the support to Pride Uganda was made in 2007. The Review highlighted that there were issues of ownership and governance, which remained and where Norway still had a role to play to resolve these. These issues have been followed up by this evaluation. In addition to the projects referred to above, the evaluation also includes an assessment of the total Norwegian participation in the microfinance sector in Uganda including BRAC Uganda to which Norfund has provided a loan.

Results The Microfinance Act was largely the result of the drafting and coordination efforts of the MSE Policy Unit. Norwegian support at the policy level has thus been instrumental in creating the existing microfinance regulatory framework. At the implementation level important results can also be reported. Until 2004, when the Norad/embassy funding terminated, Pride Uganda was the largest MFI in Uganda. It eventually transformed from an NGO into a deposit-taking institution with Norad support. Financial viability was achieved and the outreach to rural areas was good. A key ratio established by CGAP for rating MFIs is Operational self-sufficiency. This was achieved at the time of the termination of Norad's support.

97 Sigvaldsen E., Odara A. and Fougner C. (May 2007), *End Review of Norwegian Support to Pride Uganda*

Norfund came in as an investor in UML more or less at the same time as Norad terminated its funding of Pride Uganda. The initiative was taken by Aureos, which structured a transaction whereby UML was transformed to a registered limited liability company with private shareholders and with Norfund and Aureos as institutional investors. In 2008, the latter sold their shareholding to a Kenyan bank with microfinance roots at a substantial profit; at least 2½ times what they paid for their shares four years earlier. Thereafter, the former UML has operated on a commercial bank license with largely the same client base as before.

The participation of Norfund in BRAC Uganda has its roots in Norfund's stake in the mother company, BRAC (Bangladesh), the world's largest MFI. The microfinance principles developed in Bangladesh have thereby been introduced in East Africa. These include targeting poorer clients than other MFIs and providing them not only with micro credits but also involving them in social programmes. The introduction of BRAC in Uganda will invigorate the sector through greater competition and sector know-how and will expand its outreach to clients in the poorest areas of Uganda.

To these remarkable achievements supported by Norway, which include reaching 200,000 borrowers, should be added the achievements of SF in its role as an apex microfinance organization in Uganda. It is noteworthy that the comprehensive approach, which Norway has taken in the sector, has come about by default rather than design. The decisions by different actors have been made piecemeal without much reference to the broader picture.

Ownership problems of Pride Uganda According to the Act, the transformation of Pride Uganda in 2004 should have included selling the former NGO to private shareholders. However, this process has been stalled by a contentious ownership dispute which has negatively affected the organization's performance. The matter now rests in the Ugandan courts. A more proactive approach by Norad/the embassy, including drawing on the corporate expertise of Norfund, may have solved this impasse more quickly and enabled Pride Uganda to continue on its growth path.

Summary assessment

Criteria	Comments
Relevance	High for all projects, and even more so due to (unintended) comprehensive approach by Norway. BRAC in particular as it introduces a dynamic element into the sector
Impacts	Expanding the microfinance services to the poor; diversification of suppliers; improving the overall management of microfinance in Uganda
Effectiveness	Norfund/Aureos are particularly effective. Also high for Pride and Ministry of Finance
Efficiency	Norfund/Aureos are highly efficient. The assessment of the efficiency is tarnished only by Norad's exit before the governance problems were solved

Criteria	Comments
Sustainability	Very good record for various reasons for the three projects: Ministry of Finance for being in a position to improve the framework, Norfund/Aureos for enabling the creation of the first bank grown from an MFI, BRAC for introducing innovative and competitive components into the market. Lower for Pride due to governance issues
Cost-effectiveness	Extremely profitable for Norfund/Aureos, Good for the Ministry of Finance, doubtful for Pride

9.7 UNIDO's Uganda Integrated Programme (UIP)

UIP was supported by the Embassy from 2000 - 2007. It included four components, of which two: the Master Craftsmen programme and Cleaner Production in enterprises, were assessed. This evaluation's assessment was preceded by two evaluations (in 2004 and 2008) by UNIDO's Evaluation Group.

UIP's objectives were to build capacity among SMEs and women entrepreneurs, to strengthen the agro-business network and to develop human resources to achieve that objective. UNIDO's own evaluation in 2008 was highly positive in terms of results achieved. Most programme objectives and sub-objectives were met. UNIDO had played an important and very welcome role, and was doing the right things at the right time according to this evaluation. However, the embassy has pointed out various flaws in the project implementation, the most important being the lack of local presence and project management by UNIDO for a considerable time. This resulted in a lack of ongoing dialogue about the project's progress and a lack of solutions to specific problems, as well as the project being overly managed from Vienna. Our assessment confirms the views of the embassy and notes that quantifiable results from the programmes were very scarce. As regards the two components specifically looked into, we note that there had not been sufficient efforts made to make clients pay for the cleaner production services, thus undermining the sustainable aspect of the project. More details are given in the Uganda report.

9.8 Conclusions concerning embassy-level PSD support

The confusion of the reform Our efforts to define 'embassy' level support in PSD resulted in certain confusions of what such support in fact comprises. This is partly linked to the organizational reform in 2004, which shifted responsibilities from Norad to the embassies. Older projects reviewed are thus often Norad projects, taken over by the embassies, but Norad/NUMI has also played varying roles in technical support to such projects as noted in Bangladesh, for example. Our overall conclusion is that the organizational reform has led to some negative consequences in project and programme management in PSD as discussed in more detail later in this report. There has been a loss of subject-matter focus and professionalism with regard to embassy level PSD, as it is just one of many subject matter areas to be handled by the embassies.

Too limited administrative resources The administrative capacity at embassy level to design and supervise PSD projects is a critical issue. The number of staff at the embassies tends to be small, and staff resources that are allocated for development cooperation even smaller. Norwegian personnel often stay for a limited number of years, and hence the knowledge and intimacy with often long term programmes may be limited. Furthermore, PSD is only one, and small share of the embassies' work load in development cooperation, sometimes counted in a hundred or more projects. Embassies rely on consultants, but these provide only advice, and do not make decisions. The technical support function which Norad was assumed to play does not always seem to function properly, or is not properly used by the embassies. A further complicating factor in the support system is the information systems. There is no easily accessible system providing comprehensive information about the history of projects and programmes, results-reporting, etc. Such information is often scattered in personal files kept by staff in their computers, in physical archives, etc. The institutional memory (if it exists at all) is thus often vested in one individual, often a local employee without any decision-making power.

Elusive multi-bi assistance Limited staff resources contribute to a tendency to prefer multi-bi arrangements which involve working jointly with other donors and with well-established international organizations. This is also in line with broader Norwegian policies. However, these organizations depend on donor funding and might have interests in making programmes larger than needed, to avoid criticism about weak performance and ineffective interventions, etc. A donor's ability to understand this is limited. Undertaking one's own assessments are contradictory to the Paris Agenda and sometimes also to the international organizations' own policies. When controversies emerge, with serious signals regarding effectiveness, the desire to fulfill official or unofficial targets for aid disbursement might work in favour of dismissing such signals.

Norwegian development cooperation is one of the most generous donors in funding international organizations in relative terms both in core support and through multi-bi projects. In terms of the latter, no overall assessment has been undertaken of the cooperation neither with the IFC, nor with UNIDO.

Missed opportunities for synergies and lessons learned The embassy level support in PSD gives an impression of many different forms of assistance with limited synergies between them. This is further reinforced by the independent operations of Norad, Norfund and FK Norway in their work. We have identified that even within the same 'sector', lessons learned from earlier projects have not been utilized in current projects. The lessons of the major Bangladesh credit projects were poorly integrated, and seemingly not used elsewhere or in the continuous PSD support in Bangladesh. The design of chamber support for a federation of chambers in Sri Lanka did not apparently learn from the aid dependency of the first chamber project. In Uganda, the embassy did not play a coordinating and information sharing role for a series of microfinance initiatives.

10. Norfund and Affiliates

10.1 The organization

Established in 1997, Norfund is one of the youngest DFIs in OECD countries. For example, among Norfund's Nordic sisters Danish IFU (*Industrialiseringsfonden for Udviklingslandene)* was created in 1967, Swedfund in 1978 and Finnfund in 1980. Discussions of the establishment of a Norwegian DFI started in the mid 1970s, triggered both by the increased focus in development cooperation on the private sector as a force in economic growth, and as Norwegian enterprises were seen to be disadvantaged in term of overseas investments compared to most other OECD countries.[98] However, it would take several decades until such a fund eventually emerged.

Norfund is fully owned by the Norwegian government and regulated by a specific law. Besides the initial share capital, the government has annually added in the order of NOK 500 million to Norfund's capital from the aid budget.[99] By the end of 2009, Norfund's capital base was NOK 5.8 billion, and in recent years the fund has committed annual investments in the order of NOK 1 – 1.4 billion.[100] Norfund is moving up the ranks of the European DFIs in size and activities. Today it is larger than all of the Nordic DFIs. In comparison to the largest DFIs of them all, the World Bank group's IFC, or the largest European DFIs, Germany's DEG, Holland's FMO, France's Proparco and British CDC, Norfund is still a small player despite its growth.

Norfund's current committed portfolio of NOK 5.3 billion in some 80 investments (equities and loans) comprises about half of its investments (in financial terms) in hydropower through SN Power, a quarter in SME funds, most of which is through Aureos, and the balance in direct investments. Equities in and loans to individual companies comprise about 10% of the portfolio. Norfund has a staff of about 40 persons. Its head office is in Oslo, and the fund has field offices in Johannesburg, Nairobi and Costa Rica. Norfund has become a profitable venture for the owner, the government; in 2008 Norfund's profit before taxes was NOK 0.25 billion, giving an Internal Rate of Return (IRR) of 21%. Norfund's annual IRR since the start of the fund is 11%.[101] The holdings in SN Power have been a particularly profitable part of Norfund's investment portfolio.

98 A Norwegian DFI was initially discussed in the 1970s, but rejected due to opposition from the labour union. The idea was renewed in a government white paper in 1995 (NOU 1995:5)

99 The capital injections in Norfund has increased over the years, from a level of NOK 150-200 million per annum the first years to near NOK 600 million in 2008.

100 Norfund: *Annual accounts for 2008*.

101 Information provided to the evaluation in October 2009.

10.2 Objectives

Norfund's mandate is, according to its statues and law, to "establish viable, profitable business activities which would not otherwise be initiated because of high risk". Norfund is expected "to work in accordance with the basic principles of Norwegian development policy and with high standards of business ethics and social responsibility."[102] In Norfund's own words, its role is to be additional to the market, in bridging the gap between commercial investments and state development aid; contribute or generate something in addition to that which would otherwise have taken place through the market, through contributing risk capital to activities in poor countries which are not financed by traditional aid or attractive to commercial players.[103]

10.3 Operations

Norfund acts as a long term investor, invests in equity in individual companies (directly or through funds) or extends loans to companies. Norfund is primarily an equity investor. The loan portfolio accounts for 15% of its operations. This makes Norfund quite different from many of its DFI sisters, for example FMO of the Netherlands, which primarily operates with loans. Norfund has a Technical Assistance Fund (TA), provided in addition to its share capital. The TA fund, which is annually replenished with about NOK 20 million, provides grants for preparatory stages or for management support in higher risk ventures. It also allows Norfund to be more ambitious in providing support for Corporate Social Responsibility (CSR).

Norfund's geographical coverage was initially wide, but has been narrowed down. Norfund was criticized in 2007 in a report by the Auditor General for not operating in line with its mandate to focus on LDCs and Africa, primarily because of the dominance of SN Power with its investments elsewhere. As a result of the critique, Norfund established a strategy in 2007 which stated that Norfund will itself invest only in a limited number of regions and countries, prioritizing Sub Saharan Africa, Central America, Bangladesh and the Mekong countries (Laos, Cambodia and Vietnam). Excluded from this focus are investments through SN Power. As a result of efforts in the last few years, there has been a shift towards Africa, which is now seen as Norfund's prime focus. Furthermore, according to the new strategy, Norfund's focus is on renewable energy, funds and financial institutions, the latter with an orientation towards microfinance and SME financing.

10.4 Norfund in the four case countries

The mapping of relevant Norfund investments and loans in the four case countries, including regional funds with investments, is shown in the table below.[104]

102 *Norfund Creates value Combats poverty* - Report on operations 2008
103 The purpose and objectives derived from Norfund's official home page www.norfund.no
104 Some global funds are excluded from this list. Also, the Norad loans taken over by Norfund in year 2000 are excluded.

Table 7. Norfund investments in the four case countries, including relevant regional funds

Company	Sector	Norfund's investment	Description
Regional Africa			
Africa Infrastructure Fund, AIF	Infra-structure	Equity (MUSD 5)	The largest equity fund for infrastructure projects in Africa. (MUSD 400) established in 1999. Lead investors are American International Group (AIG), IFC and African Development Bank (AfDB). Norfund's share is only 1,25%. Coverage all Africa.
AMSCO	Management services	Equity (MNOK 1.8)	Investment in 2001 in a South African based management company, providing services to selected private companies and public enterprises.
* Aureos East Africa Fund	SMEs	Equity (MUSD 8)	Total fund MUSD 40 started in 2003 for ten years, covering East Africa, including Uganda. Norfund's share 20%. Investment in 2 companies in Uganda out of 14 to date, both in the financial sector.
* Aureos Southern Africa Fund	SMEs	Equity (MUSD 12.6)	Total fund MUSD 50, started in 2003 for ten years focussing on Southern Africa. Norfund's share of the fund is 25%. Investment in 10 companies of which 6 are in South Africa to date.
Afrinord Hotel	Hotel	Equity (MNOK 69)	Investment in 2005 providing mezzanine financing for hotels in Africa managed by Rezidor SAS. Other investors are Rezidor, Swedfund, Finnfund and IFC. Afrinord has currently made two investments and are close to concluding another 4 investments in East and Southern Africa..
Africap	Micro finance	Equity (MUSD 3)	Largest equity fund in Africa's microfinance sector (MUSD 50). Set up in 2002. Norfund's investment in 2007 is an expansion of the fund. Large number of other investors, including IFC, the European Investment Bank, FMO, Swedfund, Finnfund, and private investors. Norfund's share 6%. Investments in micro finance in Uganda (Pride), and in South Africa (Wizzit)
* BRAC Africa	Micro finance	Loan (MUSD 5)	Syndicated lending facility of MUSD 74 established in 2008 for BRAC's activities in Southern Sudan, Tanzania and Uganda. (Half of the lending was earmarked for Uganda.) Other lenders included IFC and Bill and Melinda Gates Foundation. Norfund's share 6.8%.

Company	Sector	Norfund's investment	Description
Micro Africa Ltd	Micro finance	Equity and loan (MNOK 5)	A commercial microfinance company based in Kenya with operations in Kenya, Uganda, Tanzania, Southern Sudan and Rwanda.
Aureos Africa Fund	SMEs	Equity (MUSD 40)	Total raised capital MUSD 254 in 2008, aiming at MUSD 400. Covers all of Africa. Other investors include CDC, FMO, IFC and EIB. Norfund's share 10%.
Grofin Africa Fund	SMEs	Equity (MUSD 15)	MUSD 135 fund established in 2008 offering loans and equity to SMEs in Southern, Eastern, and Western Africa. Other investors CDC, FMO, AfDB, IFC and Shell Foundation. Norfund's share 11.1%.
* E+Co	Clean energy	Loan (MUSD 7.5)	Clean energy investments global facility operating in Africa since 2003. Invested MUSD 5 for about 50 projects. Norfund loan made in 2009. Norfund grant of MUSD 0.2 for project identification in 2009.
* Evolution One Fund	Clean techn.	Equity	Investment fund since 2008 for clean energy and environment. USD 59 million raised in 2008. Aim to raise USD 138 million. Norfund aims to invest USD 8 million. Two investments in South Africa so far.
South Africa			
* Horizon TechVentures	Techn. projects	Equity (ZAR 26 mill.)	Investment fund established 2001 of total ZAR 143 million for technology projects. Other investors include IDC, CDC and SECO (today SIFEM). Norfund's share 18%. Investments in four South African companies to date.
*Horizon Equity Partners Fund III	SME techn. projects	Equity (ZAR 50 million)	Started 2007 with total capital of ZAR 584 million. Invests in small and medium technology companies in South Africa, allowing 10% in other countries. Ten other investors, including IFC, CDC and Finnfund. Norfund's share 8.6%. Investments in six South African companies to date.
*Msele Investments	SME fund	Equity (USD 1,6 mill. 1998	A Black Economic Empowerment fund. Joint investment with several DFIs. Major financial failure with a write off of 80% of invested capital.

Company	Sector	Norfund's investment	Description
Uganda			
DFCU	Bank	Equity (MUSD 2.7); Loan MUSD 3)	Norfund acquired 10 % of DFCU in 2005 as part of a privatisation programme. A loan was provided in 2007 for 7 years. Norfund is represented on the board of directors.
*DFCU/Abacus	SME financing	Equity (MNOK 18.5)	Co-lending facility established 2007 by Norfund, DFCU and Norad for subsidised lending in the 'missing middle'. Norad grant of MNOK 6.8. Uganda first pilot country. 12 projects financed so far.
* Uganda Micro Finance Ltd	Micro finance	Equity and loan (MNOK 13)	Norfund acquired a 30 % interest in the company in 2005. Norfund exited this project, via a share sale to Equity Bank of Kenya, in 2008. Former UML now operates in Uganda under a banking licence
*Trønder Power Ltd (Bugoye)	Hydro-power	Equity and loan (MUSD 11)	Partnership with TrønderEnergi 2008 to build a hydropower station. Norfund owns 27.5% and TrønderEnergi 72.5% of TrønderPower Ltd. Project commissioned in late 2009. Parallel grant financing by MFA of MNOK 60.
Regional South Asia			
*Aureos South Asia Fund II	SMEs	Equity (MUSD 20)	Total raised capital MUSD 85. Started in 2006 covering India, Sri Lanka and Bangladesh. Other investors include CDC and FMO. Norfund's share 23.5%. Invested in 4 companies in Sri Lanka and one in Bangladesh to date[105]

105 Aureos South Asia I and II funds are for practical reasons treated as one.

Company	Sector	Norfund's investment	Description
Bangladesh			
* Scancem	Cement	Equity (MUSD 5	Investment in 2002 jointly with Nordic Development Fund (NDF) (loan). Exit in 2003 through a buy out by the company.
* Grameen Phone	Telecom	Loan (MUSD 10)	Loan in 2004 over 5 years of a MUSD 60 loan together with IFC and ADB. TeleNor majority co-owner of Grameen Phone. Norad had previously provided a soft loan in 1997 to the company (see Norad soft loans).
* BRAC	Micro finance	Loan (MUSD 10)	Loan equivalent to MUSD 55 provided in 2008 for 7 years jointly by FMO, KfW, and Norfund in local currency to finance expansion of BRAC's microfinance activities
Sri Lanka			
* Nividhu	Hydro power	Equity (MNOK 1,2)	Mini hydropower project initially with Trønder Energiverk and Lanka Transfers in 2001. Norfund's stake transferred to SN Power in 2002.
* Aureos South Asia Fund I	SMEs	Equity (MUSD 5)	Started in 2004, total capital MUSD 10. (Investments, see under Aureos SA II fund above) Other investor CDC. Norfund share 50%.

From the table above, we find that Norfund's investments in the four selected countries can be characterized as follows:

- Predominance of funds. The investments in individual companies are relatively few in the four countries. The funds are not only those established by Aureos Capital but also other funds, such as the large Africa Infrastructure Fund, Grofin (SME financing); Africap (microfinance), Horizon Tech Ventures (technology companies), Development Finance Company of Uganda (DFCU)/Abacus, a joint fund with Norad, and the new Evolution One for clean technologies. Fund investment is in general a hallmark of Norfund, and an explicit strategy to leverage its investments as a new comer among the DFIs. The case countries, and especially Africa, are a good example of this.
- Often limited stakes in the funds (other than Aureos) and in other investments. For example Norfund's share in Africa Infrastructure Fund is 1%; in Africap 6%, and in the syndicated loan to BRAC Africa 7%. This partly reflects that Norfund is a small player internationally as compared to large DFIs such as IFC, FMO and CDC, but also reflects a risk-mitigation strategy.
- A strong position in microfinance. In the four countries, Norfund has played an especially important role in Uganda as further elaborated in the Uganda country report.
- The absence of hydropower investments through SN Power (except the small investment in Sri Lanka) in the selected countries. Norfund's investments in renewable energy in Africa have been through vehicles other than SN Power; as a direct investment in Bugoye in Uganda with other Norwegian utility partners, and through funds such as Evolution One and E+Co.

10.5 Scope of the evaluation

The Norfund projects selected for the assessment in the four case countries are marked with a * in the table above. The criteria has been full coverage in the countries with limited number of investments (Bangladesh and Sri Lanka), and a sample covering different types of projects in the other two countries. For the selected projects, the evaluation has been undertaken through: (i) a review of documentation of the investments; (ii) interviews with Norfund staff in Oslo, Johannesburg and Nairobi, and with Aureos' management and selected investment officers; and (iii) field visits to most of the investments. In September 2009, Norfund arranged a two day seminar for the evaluation team with presentations of its activities. The evaluation has, furthermore, consulted Norfund's internal system for assessing development impact, and the annual reports on its development effects produced since 2007, besides the traditional annual reports and accounts.

Representativeness The sample of the assessed Norfund projects in the four countries is large in comparison with the total portfolio. As the documentation for each project is considerable, and most projects have been visited in the field, we consider the robustness of our findings as fair. Unfortunately, independent reviews or evaluations of Norfund's investments for the purpose of triangulation are lacking.

10.6 Results

Below, the results analysis of Norfund's investments in the four case countries is given.

Bangladesh. Norfund has followed-up earlier Norad loans in Grameen Phone and Scancem with loans and equities. Recently the fund also provided a loan to Bangladesh's micro finance flagship BRAC, and has invested in the up-market Apollo Hospital through a regional Aureos fund. In all of these, the loans and equities were provided to well-established, profitable operations, belonging to the largest set of commercial operations in the country. Thus, Norfund has had a low risk profile, except, possibly providing a long-term local currency loan to BRAC. Funding BRAC and Grameen Phone has had a clear pro-poor dimension, and contributed to the expansions of these successful operations involving millions of poor beneficiaries. Funding a top-of-the market private hospital may, however, cast some doubts about Norfund's intentions from a pro-poor developmental point of view.

In Norfund's results-reporting on employment is noted that 116,000 jobs have been created in BRAC and 5,000 jobs in Grameen Phone. Tax payments by Grameen Phone are reported to be in the order of NOK 2.3 billion. While the basic facts are true, the information is misleading if it is interpreted to mean that these development effects have been created by Norfund. These organizations were already major on-going concerns at the time Norfund entered. Furthermore, Norfund's share of their capital is small.[106] An assessment of incremental new jobs and taxes which can be attributed to Norfund is methodologically difficult but, based on the added capital stock, might be in the order of 1,000-2,000 jobs. Overall, the investments in Bangladesh are likely to provide a good return to Norfund. Hence, the cost to the aid budget at exit will most likely be nil, and probably a net return.

Sri Lanka Norfund started its operations in Sri Lanka in the energy sector with plans of a high stake in hydropower. The fund undertook a first small direct investment in mini hydropower jointly with Trondheim Energiverk in 2001.[107] However, this ambition came to very little. Norfund transferred its investment to its new subsidiary SN Power in 2002. As the latter company soon focused on other, more commercially attractive markets in Asia, Norfund and Norway have *de facto* withdrawn from the energy sector in Sri Lanka, much against Norwegian policy and PSD strategies for this country.

The Norfund investments in four local companies through Aureos' two funds covering Sri Lanka are all in well-established, profitable export-oriented manufacturing enterprises in different sectors (such as rubber gloves, trailers and plastic bags), some of them belonging to Sri Lanka's largest and most profitable conglomerates. The investments are characterized by a desire by Aureos to build a secure portfolio and a good financial record through a new fund manager in an emerging regional venture capital market. In addition, Sri Lanka is likely to generate a good profit to Norfund when the investments are exited based on the performance of the underlying investments.

106 For example, the total investment in Grameen Phone by 2008 was about USD 1.6 billion. Norfund's loan of USD 10 million to the company is thus a very marginal contribution to its capital base. In BRAC, Norfund added USD 10 million to an organization which has a balance sheet of near USD 1 billion, is also insignificant, even if the loan at the time it was issued represented about 4% of BRAC's loans at this time. No effort is here made to calculate the contribution to employment and taxes through the Norfund loan, given the attribution problems in such a context.

107 A regional Norwegian utility company, today part of Statkraft.

It is difficult to establish the counterfactual of Norfund's investments, whether or not the loans or equities in Sri Lanka and Bangladesh have fulfilled their objective to establish viable, profitable business activities which would not otherwise have been initiated because of high risk. In most of the nine investments in the two countries, our assessment is that Norfund's contribution probably did not play this role. The expansion plans of the companies would most likely have been undertaken from other sources of finance, should Aureos not have been available. The role of Aureos should, nevertheless, not be under-estimated. The timing of loans and equities is often critical. There are also other essential development effects of these investments, including effects on capital market development. Thus, Norfund (and Aureos) have added value by:

- contributing to building what today is the largest fund management company in the world focusing on SMEs in developing countries, as further discussed below;
- contributing to enhanced corporate governance at company level through active board membership by Aureos in its portfolio companies. This is recognised by several of the companies; and
- deepening of the local capital markets which have also triggered some private investments into Aureos venture capital funds and also into local currency financing (BRAC).

South Africa Norfund has, in relative terms, a stronger profile in South Africa than in the two reviewed Asian countries. Its portfolio through loans, direct investments and investments through funds, comprise some 25 enterprises.[108] These investments range from clean tech funds and financial services to services to the 'unbanked,' to more conventional investments in well-established businesses, including investments in Scandinavian-linked luxury hotels and a jeweler's distribution venture. Except for a few direct investments, all these companies are fund investments.

Aureos Southern Africa Fund has been one of the channels for Norfund's investments which today include investments in ten companies of which six are in South Africa. These companies are in financial services, telecom, construction materials, software development and engineering. Horizon Technology funds, which are two South African funds for higher technology SME ventures, form another Norfund vehicle. The latter funds have so far invested in nine South African ventures, mainly software manufacturing, financial technologies and medical equipment. Aureos' strategy in its regional African funds resembles that of its operation in Asia: building competence and a position as a global venture capital fund manager, avoiding green field operations and higher risk pioneering ventures. Its focus is on more secure, established companies, mainly family business with a good track record at a stage of expansion and 'corporatising', i.e. a stage before they can be listed on the stock exchange.

Norfund's contribution through the funds, in terms of adding capital not available on the private market is not easy to determine. There is capital for profitable ventures in South Africa. However, a gap exists for ventures which do not have a record of secure profits over several years, and especially companies which have not reached

108 The exact number is not known to us as some of the regional African funds have not been investigated by us.

break-even. Hence, in our assessment Norfund has been additional, adding to the capital market, and indirectly contributing to employment creation. In addition, we conclude that Norfund's impact is a contribution to: (i) increased willingness by other DFIs and the private sector to invest in SMEs, i.e. a contribution to capital market development; and (ii) strengthening corporate governance, including HSE standards. The additionality towards Norfund's key objective is more difficult to prove. The underlying investments in the funds are with few exceptions performing well financially, expanding rapidly and adding employment counted in several hundreds.

Box 3. Real People

An example of Aureos' investments in South Africa is Real People, a financial service company offering mortgage and consumer financing to "the unbanked". The company, with 2,000 employees and branches in six other African countries, is spreading its banking model focusing on clients above microfinance, but below the traditional bank customers (the 'missing middle'). It offers smaller loans, including cell phone post payment and micro insurance, but also housing finance and SME financing (service and retail). Aureos was instrumental in bringing in other DFIs to finance Real People, and has also added value in the 'corporatisation' of this family business.

Norfund has recently (2009) invested in two ventures focusing on energy and environmental projects. The first investment is in E+Co which is a company established 1993 for the purpose of investing in small energy projects in developing countries in all continents, such as LPG for cooking, improved charcoal stoves, solar systems and solar drying technologies. The second investment is in Evolution One, a new private equity fund for investments in clean technology in South Africa and the SADC region. Half of the portfolio will be in clean energy, renewable energy and energy efficiency, while the other half will be for environmental goods and services. These ventures reflect a more recent approach by Norfund, in line with its 2007 strategy focusing on renewable energy, and as such they are a diversification away from the reliance on SN Power in this respect.

Financially, Norfund is likely to do well in South Africa based on its undertaken exits and more mature underlying investments. The overall contribution to development and the justification of its operation from an aid perspective is, however, more questionable. 'White' South Africa is a developed economy, not much different from mature economies in parts of Europe. The specific development objective by donors for South Africa for the last 15 years, including Norway, has been to facilitate the re-orientation of the highly skewed economic power distribution between blacks and whites inherited from the apartheid era. But Norfund's investments through the various funds are in 'white' businesses. As such it is difficult to see a 'development dimension' in Norfund's investments in South Africa.

It could, justifiably, be argued that creating jobs and taxes for the government, and the overall strengthening of the South African economy through additional, successful investments will indirectly benefit the South African poor, black communities. Also, it can be argued that South African businesses are a main investor in Sub Saharan Africa, and hence there are regional ripple effects. Norfund may play a role in this but, given the size of the South African economy and the type of investments undertaken by Norfund, this role is too marginal to make a difference from a macro perspective.

Uganda Norfund has taken a more developmental, pioneering and risk-taking approach in Uganda compared to the other three countries. Norfund's involvement is, in relative terms of the size of the economy, also greater than in the other countries. This reflects Norfund's orientation in recent years of focusing on Africa and LDCs, although some of its investments predate the 2007 strategy. Norfund's Uganda portfolio (including Uganda investments by regional funds) is almost exclusively focused on the financial sector with a strong leaning towards the lower-end of the market and especially microfinance. Two investments in microfinance operations illustrate the point: Uganda Microfinance Ltd (UML) and BRAC Africa. In the first investment, Aureos and Norfund were instrumental in transforming an NGO to a limited liability company in 2004, and hence enabling the company to become a deposit-taking institution. The investment and the active role played by Aureos also contributed to the transformation of UML three years later into a registered commercial bank. It is, furthermore, an investment which Norfund (and Aureos) could exit with a high financial dividend, seemingly the best of all Norfund's ventures.

Norfund's loan to BRAC Africa in 2008 has been partly instrumental in mobilizing other investors to the newly established BRAC Africa (with a focus on Uganda), thus giving the opportunity to introduce the successful Bangladeshi microfinance model in Africa. Today BRAC Africa reaches some half million lenders in the lowest income bracket, besides adding to the depth and professionalism of microfinance in East Africa. ABACUS is another pioneering project by Norfund, undertaken as a joint loan operation with DFCU, a local bank in which Norfund is a shareholder, and with Norad grant support. It is a facility aimed at financial services to the 'missing middle', i.e. above microfinance clients, but below the clientele of the commercial banks. The project concept includes efforts to mobilize interest in the banking structure to serve this financial gap, initially in Uganda but eventually in other African countries. The Uganda country report, however, concludes that so far ABACUS has missed its mandate, providing much larger loans than envisaged, and even, it appears, providing financing for socially questionable projects, such as liquor distribution. Also, the efforts of an extended Norfund-Norad collaboration has not worked as planned.

Another pioneering investment by Norfund in Uganda is the Bugoye mini hydropower project, a run-off river station with 13.5 MW capacity. It is the first investment in hydropower in Uganda for a decade after a turbulent period of aborted projects, severe shortages of electricity and the construction of a series of thermal plants as a stop-gap measure. The majority owner of the USD 50 million project, the first privately owned hydropower project in Uganda and perhaps in Sub-Saharan Africa, is the Norwegian regional power company Trønder Energi. Bugoye has just recently been commissioned; hence its performance and profitability are too early to judge. The impact of the project in breaking the stalemate in Uganda's faltering energy sector is noteworthy and positive. In operation, Bugoye will also add about 7% to the current electricity supply in the country. From a strategic point of view for

Norwegian development assistance, the project is of particular interest, not least due to the fact that the investment was not undertaken by SN Power, but by Norfund jointly with a regional Norwegian power company, a company which until Bugoye had no investments outside Norway, and was thus completely inexperienced in a developing country context.

There are a few questionable issues related to the project, however. Firstly, Norway provided a NOK 60 million grant (from the Uganda allocation) to Norfund to finance the project. This was supposedly required to make the project sufficiently interesting commercially for Trønder Energi. As a result, the project by-passed a competitive bidding process which was contrary to the Norwegian policy of untied aid, and just a few years after Norway made its mixed credits untied. The large subsidy, 20% of the investment, also makes the project questionable as a model for replication. The price at which electricity will be sold to the government according to the Purchasing Power Agreement underlying the project, is high relative to a more recent similar hydropower project, although the price is still low as compared to thermal power installations. As further elaborated in the Uganda report, this is possibly a result of a weak negotiation position by the Ugandan government. In summary, Bugoye is a path-breaking venture by Norfund, which was ready to step in when SN Power exited, but with some major issues in its design as a joint MFA-Norfund project.

Summary assessment

Criteria	Comments
Relevance	Good as a means to stimulate private sector development, and especially as a means for capital market development with focus on microfinance and renewable energy
Impacts	Deepening of capital markets, contribution to significant employment creation and expansion of business, including FDI, contribution to CSR, development and strengthening of microfinance with hundreds of thousands of clients mostly poor and women.
Effectiveness	Measured against main objective, fund investments were sometimes questionable. Increasing through better targeting, more pioneering ventures with additionality
Efficiency	Highly efficient
Sustainability	Very good record in underlying investments
Cost-effectiveness	High – operations self-sustained and mostly profitable

10.7 Norfund's strategic investments

As mentioned earlier, Norfund has established four subsidiaries or affiliate companies with strategic partners. Two of these are mature, SN Power and Aureos Capital, the latter exited in 2009, and two are in the early phase of development, SN Power AfriCA and NMI. Norfund's approach is the same for these strategic partnerships: to take the initiative, to provide funding, to contribute to the development of these ventures, and to eventually spin them off as self-sustained enterprises. The leverage effects of these Norfund investments, if they are successful, would be far greater than any micro investment the fund would undertake. In view of this, the next section of the report deals with three of these four partnerships, two of which are exclusively with Norwegian partners (and so is NMI).

At the micro level, Norfund has limited investments with Norwegian business partners, to the extent that there is not a small degree of criticism of Norfund in the Norwegian business community. But looking at Norfund as a whole, the majority of its investments are in fact with Norwegian companies, of which the Statkraft part-owned SN Power accounts for about half of Norfund's total current portfolio as mentioned earlier.

10.8 Aureos

Aureos consists of various funds managed by Aureos Capital, a private equity fund management company established in 2001 jointly by Norfund and CDC, the UK government owned DFI and 'fund of funds'. The creation of Aureos was a spin-off of CDC's investment team that focused on SME investments during the privatisation of CDC.[109] Thus, Aureos' staff came initially almost entirely from CDC. Aureos Capital's first task was to be responsible for managing the funds set up by CDC in Africa, Latin America and the Pacific at the end of the 1990s and before this date. Aureos raised its first own fund in 2002. It then established further funds for Africa and Asia. Recently, Aureos initiated the Aureos Africa Fund, with the objective to raise USD 400 million by the end of 2009. About USD 320 million has been raised so far despite the financial crisis which confirms the good reputation that Aureos has on the market. Another recent African initiative is the Health in Africa Fund initiated in 2009 with investors such as the IFC, African Development Bank, and the Bill & Melinda Gates Foundation.

Aureos has expanded very rapidly over its short life span. It currently manages a portfolio worth USD 1.2 billion invested in some 15 investment funds covering more than 50 developing countries. Aureos Capital is the largest fund management company of its kind in the world with a staff of 85 investment officers and 28 regional offices. CDC and Norfund exited Aureos Capital completely at the end of 2008, while maintaining their stake in the various funds of which Norfund owns 15 %. Aureos has been able to attract over 70 investors in its funds, including private pension funds.

The impact of Norfund in Aureos The backing of CDC, with its 60 years of experience, has been critical for Aureos' development. Norfund's role for Aureos' development has mainly been willingness to provide equities for its many funds at a time when Aureos was unproven as an independent entity. CDC obviously had a lot to contribute in the initial stage versus Norfund, a newly established, small DFI. CDC has continued to be the most influential owner, for example through the introduction of an intricate and ambitious Monitoring and Evaluation system to track financial, economic, environmental and private sector impact as later described. Norfund has initiated the SME Sustainable Opportunities Initiative, which provides financing for environmental and social improvements projects through concession-

109 CDC created two fund management companies at this time as a part of a privatisation process. The other one being Actis, taking over CDC's larger investments. At this time, Aureos saw themselves as the poor cousins in the family, vested to take care of the financially more problematic segment of CDC's portfolio, according to some Aureos staff.

ary loans and grants. The bulk of this facility is earmarked for projects in clean energy, energy efficiency and carbon emissions' reductions. Norfund has played an essential role in adding value to Aureos work at the company level in Africa through supporting HIV/AIDS assessment and interventions. In general, the joint venture in 2001 between the oldest DFI and one of the newest must be considered a successful cooperation.

The development impact of Aureos can so far be summarized as:

- Development of a very large, global fund, investing directly in medium-sized companies and indirectly in SMEs and MSEs through venture capital funds, with a good reputation and a healthy record of profitable ventures. This is especially important in Africa where the history of donor funded venture capital funds in the 1980s and 90s was overall poor and with heavy losses.
- An ability to attract increasing volumes of DFI capital and also, and more importantly, private capital, which earlier shunned investments in SMEs, especially in Africa. In short, Aureos has contributed to deepening the capital markets in many countries and has proven its excellent access to the global financial markets, even at a time of financial crisis.

However, we have already raised several issues in the context of Aureos:

- Aureos' interpretation of SME enterprises in terms of its investments tends to deviate from the common view of the size of such enterprises. With investments up to USD 10 million in minority holdings, many companies in which Aureos invests cannot be called SMEs, applying standard terminology.
- Aureos needs to establish itself as a fund providing a good return on investments to attract funding from DFIs and other investors. These criteria seem to have made the fund focus on larger, profitable companies with good track records. Aureos Capital does not take high risks in green field operations.

10.9 SN Power

In 2002, Norfund established SN Power (Statkraft Norfund Power Invest) in a joint venture with Statkraft. The purpose of the new company was to build, own and operate renewable energy projects in developing countries. Since then, SN Power has expanded rapidly. The company currently owns 17 power plants under operation or construction in Asia and Latin America (Chile, Peru, the Philippines, India, Nepal, and two small plants in Sri Lanka), with an installed capacity of about 1,000 MW. SN Power has a pipeline of capacity of 1,500 MW in new green field projects under development in Chile, Peru, India and Nepal. New business opportunities are being pursued in the Philippines, Columbia, Brazil, Vietnam, Laos and Bhutan. SN Power has evolved from a perceived high-risk venture in the early 2000s to a well performing and profitable company for its owners with substantial growth potential. In 2008, SN Power made a net profit of about NOK 300 million.[110] In Statkraft's overall operations SN Power is still a small player. For Norfund, SN Power accounts for half of its portfolio and a large share of its profit.

110 This must, however, be placed in the context that in 2008 Statkraft, Europe's largest hydropower company, had an installed capacity of about 15,000 MW, and made a net profit of about NOK 8 billion.

It should be noted that the strategic decision to form SN Power was taken at a time when utility companies in many other OECD countries were withdrawing from developing countries to focus on their core markets. This was partly in the wake of the Enron bankruptcy, and partly a process triggered by various problems in the deregulation and privatization process of power markets in many developing countries, not least in Africa. Private power did not become the rapidly increasing business that was expected in the late 1990s.[111]

Norfund's investments through SN Power currently deviate from the rest of its portfolio both in terms of the geographical orientation and the length of its holdings. As noted above, SN Power's key markets so far are India, Nepal, the Philippines and Chile, with none of these being a priority for Norfund according to its 2007 strategy. SN Power has showed little interest in Africa and other LDCs except Nepal, because of the considerable potential for hydropower development in this country, and also due to the fact that Statkraft was already established in Nepal in the mid 1990s. As discussed in the Sri Lanka case country report in detail, SN Power never pursued the ambitious plans Norfund had in the early 2000s in Sri Lanka. In addition, SN Power's attempted Africa venture in the mid 2000s, Bugoye, was, as noted earlier, abandoned.[112] From this perspective, SN Power, while a profitable undertaking for Norfund, has a poor geographical fit with Norfund's current strategy. Norfund started a de-investment process from SN Power in 2009 when its share of the company was reduced to 40%.

SN Power AfriCA This new subsidiary of SN Power and Norfund was established in January 2009 to focus on renewable power development in Africa and Central America. SN Power AfriCA was originally owned by Norfund (49%) and SN Power (51%), but in mid-2009, the Norwegian regional power companies BKK[113] and Trønder Energi jointly bought 33.5% of the company, reducing Norfund's stake to 15.5%.[114] Norfund's interest in creating this special purpose vehicle came after realizing that SN Power was moving its strategic focus away from Africa. The new company's target is to reach a portfolio of investments of 700 MW by year 2015, mostly through hydropower. SN Power AfriCA has a pipeline of projects and the first commitment is expected by the end of 2009. Whether the new company will succeed or not is too early to determine, but from a development point of view, the strategy is right. Most African countries have a very low degree of electrification, there is a shortage of supply, public entities tend to be inefficient, and they are often nests of corruption. The early enthusiasm of the private sector to move in when the sector was liberalized in the 1990s has waned, replaced by disillusion. If SN Power AfriCA can survive and thrive in this environment it will clearly have ripple effects and become a model for the sector.

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111 The development in Norway constitutes an interesting contrast to Sweden. Vattenkraft – Sweden's sister to Statkraft – disinvested at that time from emerging markets, for example Laos, to focus on Europe. Swedfund, the sister of Norfund, has later tried to emulate Norfund's concept of SN Power, but without success.

112 Bugoye was not SN Power's only abandoned African attempt. The company also had some early interests in Mozambique and Zambia, both abandoned.

113 BKK (Bergenshalvoens Kommunale Kraftselskap) is owned by Statkraft and the Bergen municipality, with 16 other municipalities owning minor stakes

114 Trønder Energi is a Norwegian conglomerate of power companies in production (mainly in hydropower but also wind power) and distribution, but also with interest in IT, engineering and industrial production. The group is owned by mainly some 20 municipalities in Norway, and had in 2008 a turnover of about NOK 1 billion.

Summary assessment

Criteria	Comments
Relevance	Good as a means to stimulate private sector development, and especially as a means in capital market development and hydropower
Impacts	Very good, mobilisation of commercial resources for SME development especially in Africa creating employment and FDI; and renewable, clean energy development
Effectiveness	Very high in mobilisation of partners for large scale operations of different kinds (hydropower, microfinance, SME investments)
Efficiency	Norfund is highly efficient
Sustainability	Very good record in underlying investments for on-going ventures
Cost-effectiveness	High – operations self-sustained and profitable; high leverage effect on Norfund's capital

10.10 Lessons learned – Norfund

Strengths in strategic investments Over a period of little more than a decade, Norfund has established itself as one of the more dynamic organizations in the European DFI family. Its partnership model, elaborated above, is a unique approach, and an approach that enables its capital to have strong leverage effects. In addition, this model has shown an ability to mobilize considerable capital from Norwegian companies for investments in developing countries without any subsidy element. This has been done with good financial returns to Norfund so far. The fund is professionally managed. Norfund's recent readiness to invest in LDCs and Africa is positive, albeit this is a trend in most DFIs today, which are under increased pressure from their owners to be more developmental in focus. Likewise, Norfund's focus on financial instruments aimed at lower-end users, especially microfinance, and being able to do this with seemingly good financial returns, is a real strength.

Determinants of success and failure Norfund has had a high degree of success in its investments in terms of sustainability and profitability. This is across countries and sectors. Our hypothesis is that this reflects a combination of a skilful investment company and an avoidance of high-risk ventures. It is noteworthy, however, that some of Norfund's most financially successful ventures have been in difficult business environments such as Uganda and in microfinance, a sector which was long plagued with commercial problems. This is an interesting contrast to the experience of the NHO in Uganda discussed above. A lesson from this might be that the focus of the NHO approach (as in the ABS and the MMP) on only Norwegian partners restricts the achievement of successful and sustained business models.

Box 4 CDC's M& E System

The Monitoring and Evaluation system set up by CDC in 2008, and utilised by Aureos includes four performance parameters and an effectiveness assessment. The performance indicators are: ***Financial*** (Primarily the Internal Rate of Return on the investment), ***Economic*** (Profitability of companies, EBITDA, i.e. earnings before interest, taxes, depreciation and amortisation; turn over growth; employment and growth in employment, taxes and other government revenue sources), ***Environment, Social matters and Governance*** (Labour and working conditions, health and safety, and other social matters, and governance, including business integrity and corporate governance), ***Private sector development*** (Increased availability of capital for investment in poor countries; local capacity building to improve efficiency of capital markets; types of investments and exits to indicate efficiency of local capital markets; and funds and businesses that expand into multiple poor countries and regions. Improved regulations, enhancements to the sectors where portfolio companies operate which benefit consumers more broadly in terms of better access to improved quality goods, services and infrastructure, ***Organizational effectiveness*** (Added value and catalytic effects - the extent to which the organization is helping to attract commercial investors to poor countries and the added value to these investments.

(Source: CDC Annual report 2008)

Increasing integration in the aid system In the past Norfund has operated largely outside the rest of the Norwegian aid system. The co-operation, and even sharing of information, experiences and lessons learned at central and country level with other organizations, such as the embassies and Norad, has been limited. This is still the case, as exemplified in the country reports of this evaluation. Co-operation is, however, emerging as reflected in a number of joint ventures with Norad (such as Abacus), and also co-financing aid projects at country level through the embassies; Bugoye is one example. In the past, Norfund has implicitly had a strategy to avoid being too strongly associated with the grant-based Norwegian aid system in order to build credibility among DFIs as a competent investor. As such credibility has been established, Norfund can 'afford' a closer link. This is also in line with international experience as aid organizations and DFIs have begun to co-operate more closely for synergy effects in business development with a developmental focus.

The impact of Norfund Norfund is increasingly trying, like most DFIs, to determine and account for its development impact. The key indicators used by Norfund are (i) creation of employment, especially for women, and (ii) generation of taxes by the companies in which Norfund invests. In addition, Norfund assesses a number of qualitative dimensions of the investments, such as whether an investment has a demonstration effect in the sector or business community, if it improves the competition and adds to economic diversification, if it includes human resource development, good corporate governance and social responsibility, including HIV/AIDS mitigation. Today, such assessments are done for all investments and used as a basis for Norfund's development reports. Thus, Norfund's development report for 2008 indicates that about 250,000 persons are employed in companies in which Norfund has invested, of which about half are women, and that these companies delivered NOK 3.2 billion in taxes.[115] Such statements, while factually correct, are misleading nevertheless. What matters is Norfund's contribution to such employment and tax revenues. As Norfund is generally a minority stakeholder in the investments, which, furthermore, are generally not green field but on-going concerns, employment and taxes which could be attributed to Norfund's participation are far less than may appear so. The methodological issues in assessing such incremental effects are considerable, but should, nevertheless be attempted in the development of these systems (combining the incremental effects with an assessment of additionality). The work by CDC, which has been adopted by Aureos Capital, is an interesting example of this. See Box 4.

Investment through tax havens We are aware of a recent report to the MFA by a Commission which recommends that "Norfund must take a new course and gradually reduce its new investments in tax haven jurisdictions to zero over the next three years". We have not been influenced by this report in our evaluation or in our recommendations as we understand that the Commission's report has not yet led to a final decision by government.[116] It is noteworthy that Norfund's operations in this respect are common in the DFI family and to a large extent determined by the co-financing agreements with other partners.

115 Norfund(2009): *Bidrag til Utvikling 2008*
116 Commission on capital flight from developing countries NOU 2009:19 June 2009 *Tax havens and development.* Norfund, which participates in 18 funds registered in Mauritius, has objected to the Commission's recommendations, arguing i.a that tax havens often have regulations well suited to investment funds, that the funds are not used for money laundering and that Norfund cannot determine where the funds are located.

11. Information Office for Private Sector Development

11.1 The organization

The Information Office for Private Sector Development, *(Veiledningskontoret for næringsutvikling i sør)* is a special joint project by Norfund and Norad. The Office was opened in 2007 with the objective to simplify the process for Norwegian companies to invest in developing countries.[117] It provides information about the various support schemes available. In addition to schemes at Norfund and Norad, the office provides overall information on what FK Norway, Innovation Norway, GIEK and the Norwegian Emergency Preparedness System can offer. It also helps Norwegian companies to understand how to tap the contract market provided by international financing institutions such as the World Bank Group and the regional development banks.

IOPSD was established with an explicit objective to improve the effectiveness of Norwegian business support in development assistance. This was to be achieved by: (i) facilitating contacts by the business with the various aid instruments; (ii) increasing the quality of applications submitted to various funding entities through a screening and support process; and (iii) acting as a communicator and promoter towards the business community.

IOPSD belongs administratively and organizationally to Norfund, but is physically located at Norad. It has two full time staff. The Office receives requests, often meets with the applicant company, reviews the requests and provides short-term assistance to improve an application if the minimum standards are not met. The Office sees one of its functions being to discourage inquiries which are judged not to have the minimum requirements to undertake business in developing countries. Another key function is to improve the applications of those that meet such standards. The Office has a small budget to provide consultancy services to promising applicants.

IOPSD receives in the order of 300 inquires per annum in spite of very limited marketing of its services. Most inquiries are from Norwegian enterprises, with the majority from very small companies with only one or a few employees. About 35 percent of the inquiries tend to result in an application of some form, mainly to Norad's Application-based support programmes.

117 Website: www.veiledningskontoret.no (only in Norwegian)

11.2 Scope of the evaluation

Our assessment of the Information Office in the overall structure of the Norwegian business-related assistance is limited to reviewing documents, interviews with the Office staff, and, in the context of field work, selected questions to Norwegian companies which have utilized the Norwegian aid instruments. We have also drawn upon a recent evaluation of IOPSD carried out in 2009 which surveyed clients of the office.[118]

11.3 Results

Our conclusions are the following:

- IOPSD clearly plays a useful role in the complex and not very transparent system of various aid instruments aimed fully or partly to promote Norwegian business involvement in developing countries. Its services are appreciated both by the clients, Norwegian businesses interested in exploring business ventures in developing countries, and the suppliers of support for such ventures.[119]
- The office is run by experienced professionals with good knowledge of development assistance. The screening mechanism and 'value adding' of applications and approaches especially for the smallest companies is essential both to reduce the burden especially on Norad and for the companies. Norad claims much improvement in the quality of applications submitted to them since the office was established.[120] IOPSD plays a cost-effective role in this regard in our estimation. Our judgement is based on the fact that a small office of two staff has: 1) reduced the administrative burden especially on Norad/NUMI for reviewing a large number of sub-standard applications; 2) increased the quality of the applications through screening and assistance; 3) increased the transparency of the system, and 4) further increased the information of the various schemes available.
- Norfund plays a very limited role as a destination for companies approaching IOPSD. There is a poor fit with Norfund and the mostly small companies which utilise the IOPSD's services in the sense that Norfund is not tied to Norwegian interests and does not see itself as a 'promoter' of Norwegian companies. Norfund is only marginally involved in green field operations; and prefers much larger projects than the IOPSD pipeline.

In summary, IOPSD is a useful first-line entry point for clients to understand and access the range of available instruments to promote Norwegian business ventures in developing countries. The Office is not of a particular value to Norfund, except perhaps as a gate-keeper. The 2009 evaluation proposed that the office is maintained,[121] that it should be made into a formal structure and physically moved to Norfund. It was also recommended that it be given a stronger role, reflected in a clearer mandate, in promoting the various instruments. As further elaborated in chapter 14, we support all of these recommendations, but for a different reasons.

118 Vislie, K. and Uthusli, T. (2009): *Gjennomgang av Veiledningskontoret for næringsutvikling i sør*
119 The partners, i.e. the Norwegian organizations which are providers of support, were identified by the study as Norad, Norfund, FK Norway, Innovation Norway, GIEK, NHO and Handel og Servicenæringens Hovedorganisasjon (HSH).
120 A reflection of this is that about half of the contacts with the Office are referrals by Norad and almost two thirds of the proposals submitted to the Information Office are returned to the applicants for development and improvement (or discouragement to continue).
121 It was set up on a two year trial period.

11.4 Summary assessment

Criteria	Comments
Relevance	Relevant in context of mobilisation of Norwegian SMEs
Impacts	Impact is limited to making the application system by Norwegian SMEs smoother, reducing the administrative burden for recipient organizations and improving the quality of applications.
Effectiveness	Good – Office appreciated by both clients and providers
Efficiency	Good – a small outfit with excellent skills
Sustainability	Not an issue as the office is a facilitating organization
Cost-effectiveness	Good

12. FK Norway

12.1 The organization

In 2000, FK Norway was re-established as an independent organization administratively under the Ministry of Foreign Affairs. In the decision by Parliament it was stated that FK Norway shall contribute to strengthening civil society in the South while promoting contact and cooperation between people and organizations in Norway and in the South.[122] FK Norway is today one of Norway's three official channels for development assistance.

FK Norway is running three types of exchange programmes: (i) North – South; (ii) South-South, and (iii) a Youth programme. The division of participants in the three programmes since 2000 is about 40% North-South, 20% South-South and 40% the Youth programme. FK Norway's annual budget is currently in the order of NOK 185 million and some 500 persons annually participate in its programmes. The exchange programme is usually for about one year, and the cost to FK Norway is in the order of NOK 0.3 million per person.[123] The exchange is based on 100% support up to established ceilings. The projects are based on applications from participating organizations, appraised by FK Norway, leading to a contract between the parties with spelled out objectives and conditions. The programmes cover the costs of standard fees, travel and accommodation, and the pre- and post-visit arrangements. FK Norway operates in a large number of DAC countries in the South without any direct link to Norway's bilateral assistance orientation. The target is, nevertheless, that at least 50% of the programmes shall take place in LDCs. FK Norway, with a home-based staff of 28 persons, has offices in Africa (Kampala) and in Asia (Bangkok).

While most of FK Norway's exchange programmes concern NGOs and public organizations, Norwegian enterprises can also participate. Business-related exchange is a small part of FK Norway's overall programme, estimated to be about 10%. Some 50 enterprises have been involved during the period 2001-2008, with some 350 persons participating.[124]

12.2 Organizational objectives

The official 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.' Increasing interest and commitment

122 Stortingets proposition nr. 67 (1998-99)
123 North-south programme
124 FK Norway's Annual Report 2008.

for the South amongst Norwegian society is another of FK Norway objectives. FK Norway wants to increase the share of business-related exchanges from the current level of 10% to about 20%.

12.3 Scope of the evaluation

Based on information provided by FK Norway, a total of about 20 business-related projects have been carried out since 2001 in the four case countries. Out of these we selected a random sample in all the four countries. We have interviewed staff in FK Norway Oslo and Kampala, reviewed documents concerning the selected projects, made field visits or had other forms of contacts with the sample projects. We have also utilized an evaluation of FK Norway commissioned by Norad, carried out in 2006.[125]

The assessment was based of the following projects:

Table 8. FK Norway's business-related projects in the four case countries 2001-2009

Case country	Partner	NOK mill.	Period	Type of exchange
Bangladesh	Strømme Foundation	1.2	2005-10	Exchange in the Asia Region of 13 persons (micro finance)
South Africa	Debio, Norway – BDOCA, South Africa	1.2	2006-07	One exchange (2 persons) (organic certification)
	Ekeby gård, Norway-Fairview, SA	0.8	2008-09	2 person exchanges (wine and goat cheese)
	Ecro, Norway – Icarus Marine, SA	0.8	2009-10	Exchange 2 persons (speed boat building)
	National African Federated Chambers of Commerce - Norwegian South African Chamber of Commerce	0.9	2004-06	Institutional exchange
Sri Lanka	Jiffy International Norway and Sri Lanka	0.7	2004-05	One exchange within the group of 2 persons (coconut husk products)
	Strømme Foundation	1.9	2005-10	5 rounds of exchange in Asia and Africa (micro finance)
	Eco Tours, Sri Lanka – Laos National Tourism Administration	0.3	2008-09	One South-south exchange Sri Lanka-Laos (eco tourism)

125 PEM Consult & Norwegian Institute of International Affairs (2006): *Evaluation of Fredskorpset*, Norad

Case country	Partner	NOK mill.	Period	Type of exchange
Uganda	Norplan	1.3	2002-08	4 rounds of exchange between Norplan Norway and Norplan East Africa, involving 7 persons (consultancy services)
	Green Resources	0.2		An ongoing exchange in the GR group, involving several countries, of which one person was in Uganda (forestry)
	Strømme Foundation	2.8	2004-09	Several rounds between Strømme Asia and Africa, involving about 10 persons (microfinance)

Representativeness The size of the sample versus the total 'population' of business-related exchanges undertaken by FK Norway in its totality is 20%, which must be considered good. The findings should offer opportunities for generalizations.

12.4 Results

Today FK Norway has a streamlined approach to its exchange programme. It has a standardized 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 overall structure is transparent and efficient. We believe the organization has improved since the evaluation undertaken in 2006, which raised several questions on the exchange programmes. Interviewed personnel and organizations in the case country studies overall expressed that the exchanges were of considerable value and that FK Norway's administration is efficient.

As indicated in the table above, Strømme Foundation has taken particular advantage of FK Norway's exchange programmes for exchanges of personnel between mainly client organizations in Africa and in the micro finance sector in Asia. Not only is Strømme the main beneficiary in three of the four countries, their exchange programmes are also the most extensive and long-lasting. Our judgment, based on the case country studies, is that Strømme Foundation has added value to its operations by utilizing the opportunities of the exchange programme to share experiences between MFIs in different countries. In this context it should be kept in mind that the exchanges are provided in addition to other forms of Norwegian grant support to SF.

The impact of FK Norway's support is institutional strengthening of participating organizations, through training of participants and exchange of experiences. Strømme Foundation has especially utilized this service for the benefit of its client MFIs. It is impossible to translate such institutional development into impacts such as incremental employment etc at the client level of the MFIs. SF is a hybrid of an NGO and a commercial venture in microfinance, hence the fairly substantial subsidies implied in the programme might be justified. However, FK Norway's exchange programme as a system aimed at conventional commercial ventures, is too rigid (for example in terms of length of stays) to be a cost-effective mechanism (and justifiable as subsidies). Should FK Norway want to develop the business exchange, a more flexible system is required.

12.5 Summary assessment

Criteria	Comments
Relevance	Low – the current business exchange programme is very limited and not adapted to commercial operations. More relevant for SF's micro finance exchange
Impacts	Impact is limited to institution building and human resource development mainly in SF and its MFI clients
Effectiveness	High – FK Norway's targets and objectives for the exchange have been fulfilled
Efficiency	High – FK Norway runs an efficient organizational system
Sustainability	Underlying organizations are generally sustainable
Cost-effectiveness	Low – grant costs too high for business training

12.6 Lessons learned

Excluding exchange programmes involving the Strømme Foundation, FK Norway provides a marginal form of business-related support in the context of Norwegian PSD, involving odd projects here and there. The scope of such support is much too limited to have any bearing on the development of the business sector in Norway's partner countries. Should FK Norway want to expand this form of support, the most interesting element as seen from a PSD perspective, is the South-south programme. The opportunities for commercial ventures in different countries through subsidized exchange mechanisms are few, while the opportunities for learning and establishing south-south collaborations should be considerable.

13. Cross-cutting Themes

13.1 Environment

The terms of reference for the evaluation state that in the evaluation, the 'effects on the environment should be taken in to account, when relevant and possible.' The evaluation of the Norwegian PSD has made a concerned effort to assess the support from an environmental point of view. This has been achieved through two different approaches. First, in all the project and programme assessments included in the four case countries, we have made the environmental aspects (and HSE in general) an integral part of our assessment as evident from the assessment questionnaire used (see Annex 2). Second, to further assess the environmental dimension, a separate study has been undertaken focusing on selected project cases in South Africa and Uganda.

The objectives The policies for Norwegian business related assistance since 1999 states the following objectives for environmental effects:

- According to the 1999 Strategy: the same environmental guidelines that apply to Norwegian aid in general shall also apply; the whole production cycle shall be assessed, from supply of raw material to the end product, and include transport, use of energy and chemicals.
- Since 2006, according to "*Regjeringens handlingsplan for miljørettet ut-viklingssamarbeid*": the overall objective is to be a leader in environmentally adapted aid. A key point in this strategy is to put effort into making environment and sustainable development an integral part of the counterpart countries' own strategies, plans and budgets. Norway will focus on competence and capacity development for improved governance in environmental issues.

13.2 A case study

The special study on environment in the context of Norwegian PSD was undertaken based on a sample of 15 projects in Uganda and South Africa (see table below). These projects were chosen from the overall portfolio of PSD projects included in the evaluation for these two countries, based on the principle that they should be likely to have positive or negative potential environmental consequences in one form or the other. Two sectors were specifically singled out: energy and marine, including fishing and aquaculture, which account for 10 of the 15 projects. The rationale for this sector selection is that both are priorities in Norwegian (business) development assistance, and both have strong potential bearing on the environment.

Below is a brief summary of the environmental issues and the identified impact on this of the PSD support for each of the 15 projects. The larger of these projects are described in more detail in the country case reports for South Africa and Uganda.

Table 9. Environmental assessment in selected projects South Africa and Uganda[126]

Company/ Location	Norwegian support/ year	Type of production	HSE & climate standards	Impact of Norwegian PSD support
South Africa				
Akvaforsk (Norwegian)	MMP 1999	Research organization, breeding abalone	MoU signed in 2004, workshops held, but not active today.	Possibly some know how transfer.
Aqua Optima (Norwegian)	MMP 2009	Aquaculture technologies; water treatment	Company applying to join MMP; no action as of date of the evaluation.	Too early to assess.
Biowood (Norwegian investors; Hafslund as main partner)	ABS NOK 0.9 million	Production of pellets from wood waste	Establishment stage of a large scale plant for renewable energy with a 250,000 ton capacity. Planned construction starts in 2010 and production in 2012. Biowood is a renewable energy resource with market potential in exports, and replacing coal in South Africa.	Several rounds of ABS since 1999 for feasibility studies.
Fugro Oceanor (Norwegian)	MMP 2007	Marine environment surveillance	Project of high environmental relevance. However, it is still in an explorative stage.	Norad declined ABS.

126 For explanation of acronyms, see the text below

Company/ Location	Norwegian support/ year	Type of production	HSE & climate standards	Impact of Norwegian PSD support
Umkomaas Lignin (JV Sappi Saiccor and Borregard Norway)	Norad soft loan NOK 30 million in 1997 ABS NOK 1.7 million for training	Paper pulp - Reuse of effluent	Purpose of project is to reduce negative impact on environment (sea) and make export products from the residue. Since 2003 the company is the largest single producer of speciality lignin chemicals in the world. The environmental problem was partly solved.	The full Norad PSD support had the objective of solving an environmental issue, which was achieved with expected results. There was little monitoring by Norad of the project's environmental performance during implementation and afterwards (see the South Africa report for further details).
SA Block (South African company)	Aureos investment of USD 4.1 mill in 2006	Reuse of coal ash dumps into building blocks	Well functioning and profitable company; good HSE standards in line with strict government regulations. Environmental management plan and regular inspections, all employees at SA Block are given HSE training.	Aureos has explicit HSE policy and plays an active role on the board. Support for health and safety expertise.
Kaldness Miljøteknologi (Norwegian)	MMP 1999	Wastewater treatment	MoU with partner signed in 2003, but not active today.	No impact due to lack of continuation.
Uganda				
Bugoye Hydro power (Norwegian)	Norfund USD 11 million; Embassy grant support NOK 60 million	Hydropower production	Good adherence to environmental standards in construction phase in accordance with Norfund policies at project level. Project expected to cover 7% of Uganda's current need for electricity. This will reduce dependency on coal for generation of power.	Norwegian PSD was critical for the project to emerge. HSE of good standard and part of the project's implementation. Issue: whether large grant should be used to support commercial operation.

Company/ Location	Norwegian support/ year	Type of production	HSE & climate standards	Impact of Norwegian PSD support
Clovergem (JV Norway-Uganda)	Norad soft loan of NOK 10.5 million in 1992; Part-financing with IFC ABS NOK 0.8 million	Fish products (export fillets of Nile perch from Lake Victoria)	Problem project, bankruptcy, company in receivership, sold to Kenyan interests. Norad loan partly written off. Factory currently operational, but details and HSE standards not known. Over-fishing in Lake Victoria has emerged as a problem since mid 1990s. Uganda exports of processed fish also banned at times due to quality issues.	At loan appraisal (1992) Norad found the environmental and hygienic issues well taken care of in the company plan, but noted potential problems of contaminated spill-water. Norad foresaw no problems of over-fishing in its environmental assessment at this time. When company ran into problems in mid 1990s, Norad focussed on financial issues and was instrumental in forcing a receivership. Environmental issues were a low priority at that time.
Green Resources (Norwegian)	NHO and ABS (NOK 0.7 million) in Uganda	Forestry plantation	Norwegian owned company established 1995 with focus on Tanzania. (Norfund loan to company, but not to Ugandan operations). Largest reforestation company in Africa. HSE and CSR well taken care of. Positive climate impact: sales of CER to the Norwegian government part of the business model.	Ugandan operations not supported by Norwegian aid, except ABS support for CSR. This has no direct environmental element.
Jambo Roses (Norwegian)	Norad soft loan NOK 3.2 million in 1995 - 1998 Several ABS NOK 2 mill. for feasibility, training, environment	Cultivation and export of roses	Good environmental and HSE standards applied by the company. Project criticised by media in year 2000 for poor HSE, but critique appears not substantiated. Today the market drives high environment standards.	No special assessment of HSE in approval document by Norad for the loan. HSE support through an ABS environment grant.

Company/ Location	Norwegian support/ year	Type of production	HSE & climate standards	Impact of Norwegian PSD support
MesterGrønn (Norwegian)	NHO facilitation ABS support for pre-feasibility	Fish farming in Lake Victoria	Project abandoned before feasibility study was conducted in 2008.	NHO facilitation of exploration in 2006. Initial ABS for pre-feasibility with positive results. Embassy highlighted potential environmental issues at pre feasibility stage, recommended further studies. ABS support for a more refined study granted by Norad, but this was not used as company abandoned project. A sensitive project due to the ecological issues in Lake Victoria and over-fishing issues.
UNIDO Cleaner production (Ugandan companies)	Embassy-level support 2000-2008	Reduction of use of input materials and energy.	Part of a global UNIDO programme. While the design is specifically aimed at improved environmental standards, the performance has been lack-lustre.	Achievements systematically overestimated by UNIDO. Results based outputs (what was done) rather than what the outcomes and impacts have been in UNIDO reporting
Regional Africa				
E+Co (Fund)	Norfund loan of USD 7.5 mill. in 2009 TA grant NOK 2 mill.	Small-scale energy services	Small scale clean technology fund established in 1993 working on 'NGO principles' for investments in energy saving, clean energy technology, etc.	Project is a diversification of Norfund's portfolio for renewable energy. Project will provide Norfund with experience in carbon monetisation. Project is too young to assess Norfund's impact.
Evolution One Fund (Fund)	Norfund investment in equity in 2009 of USD 8 mill.	Clean energy and environmental technologies such as waste management	New fund for clean energy and environmental services/products in Southern Africa, tapping the rapidly expanding market. Highly competent management of environmental issues.	Norfund diversification of its energy and environment portfolio. Investment to young to assess Norfund's impact.

13.3 Results

Problematic marine project attempts. As noted in the table above, five of the assessed projects have not resulted in any sustained business ventures so far: Akvaforsk, Aqua Optima, Fugro Oceanor, Kaldness Miljøteknologi, and MesterGrønn. All of these are in the marine sector and all of them involve Norwegian PSD support to Norwegian companies/organizations in the form of participation in the MMP or support through the NHO facilitation project and ABS.[127] Three of these five projects are aquaculture related, either Norwegian companies exploring opportunities for aquaculture projects overseas, or marketing technologies related to aquaculture. In several of the MMP projects in South Africa, MoUs were established between the Norwegian company and a local partner, but very limited activities have (so far) emerged. These projects indicate the difficulties that Norwegian advanced marine technologies, including aquaculture, have had to develop sustained business cooperation in the two selected countries. Complexity of the environmental issues might be a contributing factor.[128]

One project, the Clovergem fish venture for export, supported by Norad in the form of a soft loan and ABS in the early 1990s, was a failure in the sense that the company was forced into receivership and part of the Norad loan had to be written off. In retrospect, the project also became controversial from an environmental point of view due to dwindling fish resources in the lake as a result of economic pressure, i.e. the rapid expansion of the export-oriented fishing industry based on Nile perch requiring raw material.[129]

Innovative energy projects Four of the 15 projects studied concern renewable energy (Biowood, Bugoye, E+Co and Evolution One). Three of these are major Norfund investments, while one (Biowood) has received ABS support from Norad for feasibility studies. They are all in an early stage of development as seen from a Norwegian perspective; hence the actual environmental impact is too early to evaluate. However, our assessment is that all of the projects will have positive environmental consequences. Both Bugoye and Biowood are likely to replace coal-based generated power utilities once in full operation; in the case of Biowood, probably outside South Africa. The two Norfund supported funds have an orientation towards renewable energy and energy saving technologies. At least in the case of Bugoye, Norfund has been instrumental in the emergence of the project, while the additionality of Norwegian aid in the other three projects is probably less. It is noteworthy that for the Norfund project, the fund has applied a strategy to diversify in the energy sector from its strong reliance on SN Power; in the case of Bugoye through joint investments with other Norwegian utility companies, and in two energy-related regional funds in which Norfund has invested directly.

A mixture of other projects For the remaining five studied projects, four are considered to have taken care of the environmental issues well or reasonably well:

127 In one case, Aqua Optima, there was no MMP investment at the time of the evaluation, hence the project
128 However, it should be noted that several of these projects are still in an explorative stage.
129 Nile perch, a predatory fish introduced in Lake Victoria in the 1950s, has created a major ecological problem in the lake, dramatically reducing biodiversity and depleting the favored fish for local consumption, Tilapia. It is difficult to criticize Norad's handling at appraisal as the emerging industry was a new source of employment for local fishermen. Furthermore, the appraisal was done jointly with IFC which in its thorough assessment did not identify a problem. However, as noted in the Uganda report, at the time of problems in the company, Norad took a hard financial line, promoting receivership, and paid little attention to the environmental issues.

SA Block, Umkomaas, Green Resources and Jambo Roses. The first three have had positive environmental impact as a part of their business concept, and the last included dealing with potential negative effects using best practices driven by market demands. The impact of Norwegian PSD support varies in this respect. Umkomaas received a substantial loan and ABS grants, which probably played a role for the joint venture to emerge with a Norwegian partner. However, even without such a loan, Sappi Saiccor would have been likely to establish a JV of a similar nature. The company needed to solve the environmental problem in order to be allowed to continue operations by the South African government. Hence, the additionality was probably limited. Jambo Roses received ABS grants in support of its environmental work, driven by the company's own policies. Green Resources, while highly interesting from an environmental point of view (re-forestation and selling of Certified Emission Rights (CER)), has not utilized Norwegian support in this respect, but for CSR work. Aureos provided general HSE support to SA Block as part of its investment in the company.

In the case of the Norwegian support to UNIDO's clean production programme in Uganda, we are more critical of the support for three reasons: (1) UNIDO in Uganda appears to have systematically overstated its positive impact to the funding party, the Norwegian embassy; (2) UNIDO has poorly attempted to create sustainability of the services; and (3) UNIDO has reported on outputs rather than outcomes or impacts, making *ex-post* assessment of performance difficult.

13.4 Lessons learned

In summary, none of the assessed projects can be claimed to have created 'environmental harm', (with the possible exception of Clovergem), a third of them have had no impact at all (as they have not taken off), while about half of the assessed sample have had, or are likely to have, a positive impact in terms of transfer of environmental friendly technologies, investments in clean energy, etc. From the sample it is difficult to argue that Norwegian aid has deviated from the first stated objective above on environment, i.e. the 1999 PSD Strategy. Higher ambitions can always be asked for. However, most of the assessed projects had such limited PSD support (MMP, ABS), or were products of the 1990s (loans), that a realistic level in retrospect has to be assumed.

In terms of the second policy directive from 2006, i.e. to be a leader in environmentally adapted aid by making environment and sustainable development an integral part of the counterpart countries' own strategies, plans and budgets, and building capacity, Norwegian PSD support has at least partially attempted this by providing support to Norwegian companies which could provide technology transfer in this respect, or in the case of Norfund, invested in such ventures. From the cases reviewed, the PSD support has so far fallen short on the objective of being a leader. First a number of attempts have failed in the marine sector. Second, the environmental dimension has rather been driven by the companies due to market demands than the PSD support.

In our assessment of the environmental aspects in projects in Sri Lanka and Bangladesh, there is nothing to indicate a deviance from the picture above. In Sri

Lanka, the case report noted that in the early 2000s Norfund took a position to provide investments and become a leader in small-scale hydropower projects in this country. This ambition was abandoned as SN Power was created and took over the portfolio in 2002. SN Power's drive for commercial returns and its shift of attention to countries with greater potential in hydropower meant, in effect, a conflict between a developmental (environment) agenda and a commercial agenda.

13.5 Gender

The results-reporting by various actors in Norwegian business-related assistance often make a point in indicating, for example, share of women employed in companies supported. Norfund has a systematic approach to this, covering every project in its portfolio. Such reporting shows generally a fair or high share of women. For example, Norfund reports about half of the employees in its companies are women, the MMP in Sri Lanka reports about three quarters, and in microfinance projects, the ratio is generally over 80%. We draw two conclusions: (i) gender is at the forefront of Norwegian aid agencies' perception and dutifully reported; and (ii) we detect little effort to specifically promote a gender agenda in Norwegian PSD. An exception is the ABS where there is a higher grant element for training support for women, compared to men.

The overall high share of females in the labour force in companies and organizations supported is thus more of an inherent feature rather than being driven by Norwegian aid: for example, clients of microfinance have predominantly been females for historical reasons; Grameen, and other early microfinance suppliers, in Bangladesh worked with nearly 100% women, and women have also turned out to be much better clients in microfinance with lower ratios of bad loans.

13.6 Corporate Social Responsibility (CSR)

A Government White paper was presented to parliament on CSR early 2009.[130] The CSR concept as presented includes respecting human rights, upholding core labour standards, maintaining HSE standards that safeguard employees' safety and health, taking environmental concerns into account, combating corruption and maximizing transparency. It was mainly addressed to Norwegian companies operating on the world market but also includes recommendations directly addressed to Norad and Norfund. Accordingly, Norad should place particular emphasis on CSR in relation to its PSD support and use the International Labour Organization (ILO) core conventions as a criteria for the use of Norwegian aid funds. Norfund should actively exert its influence through directorships in order to influence working conditions and create an improved social responsibility in its investment projects.

While the White paper is recent, the underlying arguments have been in the fore of development policies for a long time. Human rights, environmental concerns and addressing corruption have been core issues in all aid programmes and are normally addressed, as the country studies indicate. As regards workers' freedom of association and child labour, an MFA evaluation report of Norfund in 2003[131] has noted that there was a discrepancy between the standards, which Norfund, CDC

130 Report No. 10 to the Storting (2009): *Corporate social responsibility in a global economy*
131 MFA Evaluation Report 1/2003: Evaluation of the Norwegian Investment Fund for Developing Countries

and IFC apply and those which were followed by Aureos. We understand however that, through Norfund's dialogue in steering committees and other fora with Aureos Capital and through CDC's influence, a compliance with the necessary standards has been achieved by Aureos since then. We have in our evaluation not found any evidence to the contrary.

Child labour has been of concern related to FDI in Bangladesh, particularly in the textile and garments sectors. The direct investment projects which Norad and Norfund have supported in Bangladesh have no record of child labour in their own production entities nor with their suppliers. Grameen Phone, however, became a centre of a media debate when it was disclosed that one of its sub contractors used child labour. As a result, Grameen Phone has introduced a 'Business Assurance programme' that certifies suppliers and sub suppliers with regard to Child labour, Health, Work Safety and environment See the Bangladesh country report for further details. In South Africa, the Agri SA project has played a role in significantly reducing child labour in the agriculture sector.

Norfund has introduced a scoring system of HSE practices used by its project companies. As most of them are funds and financial institutions with diversified investment and loan portfolios the assessment is based on policies and practices used by the investee companies. In this evaluation companies responsible for various underlying investments have been visited. Some of them are large companies like Apollo Hospital in Bangladesh (an Aureos client), others are smaller like SA Block in South Africa. In these cases, we have recorded good or improved HSE practices; for Apollo Hospital by adhering to a recognized accreditation system.

There is no systematic monitoring of CSR and HSE practices by Norad in its current PSD support (MMP and ABS) beyond stating the requirements in guidelines and application-forms. It is up to the companies to assure this is pursued. As Norad has no systems to actively monitor this, we see a risk as highlighted in the case of Sri Lanka where outsourcing of glass fiber production by Norwegian companies might have been based on low HSE standards in Sri Lanka than at home. On the other hand, some companies have made good use of the opportunities which are created through beneficial ABS regulations. A case in point is Jambo Roses in Uganda which has developed an ambitious community development and social welfare system, including HIV/AIDS prevention, around its investment. HIV/AIDS combating has been made possible for Aureos East Africa through the use of funds provided from the Technical Assistance Facility with Norfund.

Corruption is increasingly a key issue in development cooperation, and also in Norwegian assistance. Given the complexity of the issue, the evaluation has not systematically attempted to address corruption. The implementing organizations all apply safe-guards, but opportunities for corruption depend on the type of assistance, possibly more so in grant-based aid than commercial loans and equities.

14. Utilizing Norwegian Competencies and Business

The evaluation gives a good overview on which business sectors are important in Norway's business-related assistance and which are less so. As most support is market-driven, i.e. dependent on commercial entities, such an overview provides a picture of where supply and demand meet. The following section includes a few reflections on where particular Norwegian competencies and resource bases have been used.

14.1 Hydropower

Hydropower[132] has become a focal point within Norwegian policy for development of renewable resources. There is a core of technical consultants experienced in all phases of the projects from assessing alternative solutions, to meeting the needs for energy, to supervising the construction of power stations. There is a good supply of experienced construction firms. The experience of using Build-Operate-Transfer (BOT) solutions in infrastructure development in Norway has created a competence base for PPP projects in the sector with Norwegian companies in the role of owners. Norfund has, through its joint venture with Statkraft, access to the best existing competence in managing large hydropower schemes. It has developed an alliance with regional power companies which have staff that are able to work as project developers in difficult and professionally challenging environments. In this respect, the Bugoye project in Uganda has possibly had a ripple effect within the Norwegian hydropower community[133] which the new company, SN Power AfriCA, can draw on. In conclusion, in hydropower development, Norwegian competencies and industries are used to their full potential.

14.2 Fisheries (aquaculture)

Fisheries, a sector in which Norway has world-leading competence, and which has been a focal point for much government-to-government development assistance over the years, has a low profile in the business ventures in our assessed portfolio. There have been quite a few attempts by Norwegian companies, especially in aquaculture in Uganda, South Africa and Sri Lanka, but little has come of these. The environmental case study noted how research-oriented aquaculture firms, some with a mixed commercial and idealistic approach and bringing cutting edge technology to Norway's partner countries, had problems in finding suitable matches under the MMP. Our findings, based on our case countries, coincide with Norfund's

132 The evaluation has not included oil in its analysis, which would add even more focus on energy.
133 This focus, however, is so far generally outside Norway's target countries for development co-operation.

overall negative experience in the sector of making sustained, successful investments.[134]

14.3 Other renewable resources

Agriculture, livestock development and forestry, are highlighted as a priority in the government's new development policy. Our portfolio contains some examples of this, for example forest plantations and rose production in Uganda, green plants in Sri Lanka, and meat processing in Uganda. These are examples of Norad loans, MMP, and NHO projects, while Norfund has no agro-based projects in the four case countries.[135] All the agro-based projects reviewed are export-oriented, either at an early development stage, or are old projects with a lackluster financial performance.[136] A common negative factor for those established is difficulties in export-market competitiveness, especially for those which are relatively small-scale operations. The resource base might be a limiting factor, particularly in agriculture, as the industry in Norway is inward-looking with little exposure to the world markets. An exception to this is Yara, which is not, however, represented in our case country studies.

14.4 Information and communication technologies

Telecommunication is another strong Norwegian competence, and includes one of the most outstanding examples in our assessed portfolio, Grameen Phone. However, besides this success story, attempts by Norfund (in fund investments) and by Norad through its ABS have largely failed for different reasons, e.g. because of poor timing or too small size. While since the early 2000s telecom with mobile applications has been one of the most successful and profitable ventures for DFIs in general, Norfund has, beyond its limited stake in Grameen Phone, not been a part of this. Today, telecom is too well established commercially to justify most forms of aid-related support.

Software development and business services have been features in many of the PSD instruments and is a key sector in successful small and medium sized ventures in MMP/ABS projects, and also in some of Norfund's SME fund investments. The MMP/ABS developments are mainly driven by Norwegian companies which desire to tap into competence bases in countries such as Sri Lanka and South Africa as means of out-sourcing to reduce costs of production. While the commercial rationale is obvious, there is marginal development impact from this.

14.5 Environmental technologies

Environmental technology is a high government priority and also part of the portfolio. The Umkomaas project in South Africa as a joint venture with Norwegian Borregaard and supported by a Norad loan is an example in this regard. UNIDO's Clean Technology technical assistance programme has been supported by Norway in

134 An evaluation of Norwegian development cooperation in the fisheries sector came to different conclusion. It found that Norad ABS support had contributed to a considerable number of successful operations, and job-creation of some 2,000 jobs in about 50 ventures. (MRAG et al, 2008: *Evaluation of Norwegian Development Cooperation in the Fisheries Sector*, Norad)

135 Norfund highlights on the other hand in its promotion a new, interesting venture in Mozambique, a banana project which eventually will employ some 3000 persons.

136 The most successful of all Norwegian ventures of this kind in East Africa, Green Resources in forestry, has very marginally been involved with Norwegian development assistance in Uganda. But in Tanzania the company builds on experiences from plantations at a saw mill at Sao Hill, supported by Norad since the mid-1970s. Norfund jointly with IFC has recently invested in an expansion of the Tanzania project.

three of the four countries for many years, and it has not had links to Norwegian business or technology interests. The impact of this in Uganda is questioned in our assessment as noted above. Norfund had no direct investment in environmental ventures in the four countries assessed until 2009. Its new investments in Evolution One and E+Co in South Africa reflect a possible new trend in Norfund's operations in this respect. In terms of environmental technologies, the Norwegian resource base and business sector has so far been only marginally engaged.

14.6 Microfinance and other low-income financial services

Microfinance for which Norway can show considerable success, has no apparent foundation in a Norwegian 'competence base', nor in a comprehensive policy framework. It has rather been demand driven in the sense that Norwegian NGOs, embassies and especially Norfund has responded to opportunities and demands from developing countries or requests from other DFIs and also, in the case of NMI, from private companies in Norway which see becoming social investors in developing countries an important aspect of their focus. As further discussed below, there is a need to take stock of what Norway is doing in microfinance on different fronts, create a broader framework for this and take the opportunity to add value beyond volume in this internationally fast expanding sector.

Financial sector development in the 'missing middle', i.e. providing access to finance for clients with credit needs beyond microfinance, but generally outside the reach of conventional banking services, is a feature of Norfund's portfolio through fund investments and direct investments in financial institutions. This has had its limitations in Uganda, however. It has also been prominent in embassy support in Bangladesh. The experience of these efforts, despite no previous Norwegian competence base or participating companies, suggests the field could be of great importance in PSD development globally and in building up some interesting Norwegian experience. The links between this sub-sector and that of microfinance should be explored further in order to develop a competence 'cluster'. As there is experience in Norfund as well as in the embassies and in Norad, this is a field where increased co-operation could create further win-win situations.

14.7 Travel and tourism

This service sector, which was highlighted in the 2009 policy as a priority area, has featured only marginally in the assessed PSD portfolio. Norwegian enterprises which have pursued such ventures in the MMP or ABS are few and far between, and do not feature as success stories. No embassy project or Norad loan is targeted on this sector, and the Norfund portfolio is limited to investment in one hotel chain (not assessed) and one smaller project under the ABACUS scheme.

14.8 Public private partnerships

There is a considerable experience in PPP solutions in Norway, such as toll roads, tunnels, bridges and ferry traffic, as a means of establishing needed public services with private sector operators as contractors. An increasing demand for such solutions has been seen in developing countries but very few successful projects have been developed. This is partly due to the private sector withdrawing from the sector in the aftermath of the Enron bankruptcy and the market's perception that these are high risk ventures, e.g. PPP projects using the Build-Operate-Transfer concept or its derivatives.[137] However, PPP solutions may be broader than this and also cover other sectors where there is a natural interface between competencies which exist in the public sector and private sector initiatives, where natural win-win situations may be created and where particular Norwegian solutions could be emulated. A case in point in the Uganda country report is the four-party collaboration between the Norwegian Ministry of Agriculture and its Ugandan counterpart together with commercial actors such as Nortura and the Ugandan farmers' cooperative. PPP solutions have been mooted by Minister Solheim as highlighted earlier in this report.

137 BOT, Build and Operate by the private sector and then Transfer to the public sector has sister models in BOO, where the second O stands for Own (by the private sector).. The Bugoye project in Uganda is an example of a BOT solution.

15. Institutional Assessment

The institutional set-up for PSD in Norway has several dimensions:

- Headquarters vs. field
- Policy level vs. the project implementation level
- Government organizations vs. the semi-independent Norfund
- The aid administration in Norad vs. public or private institutions to which implementation has been delegated
- Norfund vs. its affiliated companies
- NUMI vs. SIVSA. Both departments are within Norad, the latter in charge of civil society support

The question is whether in this multi-facetted set-up and the split of functions is rational, efficient and transparent and whether capacity exists in the system to manage the different functions and to implement what is expected. Further questions closely linked to the above are whether economies of scale are possible and whether a required critical mass has been achieved. Needless to say, this evaluation does not have the necessary information to answer these questions in any comprehensive way. Nevertheless, our conclusions are presented below for consideration.

The transfer of responsibility to MFA/embassies in 2004 of a substantial PSD portfolio was not accompanied by an increase in staff capacity. A mismatch was created which does not seem to have been rectified. There has been a definite risk that this mismatch would impact on the quality of the project portfolio and the ability of the embassy to effectively perform its coordination and information dissemination roles at country level. A case in point, elaborated in detail the Bangladesh country report, is the Dhaka embassy. With three expatriate staff and qualified local staff, it does not have the capacity to cope with a large and complex PSD portfolio in addition to its other functions. The devolution did not lead to a staff increase but rather to a down-sizing of the embassy's capacity, resulting in an almost skeleton organization.

In such a drastic devolution it is important that the parties are aware of the risks that issues will fall 'between the chairs'. We have seen this in Pride Uganda where the Norwegian organizations lost important momentum which resulted in the whole privatisation process being negatively affected, which in turn led to the then board members deciding to privatise the organisation and access the organization's accumulated capital for their own benefit. This is discussed in the Uganda report. We have also seen the lack of capacity in the reorganization phase of SECP (Bangladesh), when a lack of attention was given to governance problems as highlighted later in a Mid Term Review.

NUMI's mandate has been reduced twice during the period under review; first when the soft loan portfolio was transferred to Norfund and second in connection with the 2004 reform, when NUMI's role was changed from having responsibility for the whole PSD portfolio to only the ABS component (including the function to negotiate and supervise contracts with the organizations commissioned to implement the MMP and the NHO facilitation). The second role which NUMI received as a consequence of the devolution was to be the technical adviser to the MFA and the embassies, or when the project value exceeded NOK 15 million. Occasionally, as is the case with Dhaka, the delegation has been reversed and the responsibility has been transferred back to NUMI. As result the role of NUMI is unclear, which is not positive in terms of staff morale and capacity development.

PSD is different from most other fields of aid. PSD is not a genuine sector but is more of a cross-cutting approach, which can be applied in different sectors in addition to trade and industry. Public Private Partnership solutions add to the possibility that the PSD approach and instruments may be used in sectors like agriculture, infrastructure, health and education. A critical mass of know-how is required in order to have a meaningful PSD dialogue and to develop systems to understand and capture the commonalities of PSD projects in order to create a knowledge base of "lessons learned". There is a substantial risk that the critical mass is lost with the current organizational set-up and the associated loss of relevant and current input for new policy formulation and implementation planning.

There are a large number of new and visionary initiatives that have an impact on the PSD programmes which have been taken at the ministerial level, some of which have been manifested in White papers. But they normally lack an analysis of the capacity within the aid administration to implement them. The ability of MFA to produce new policies is high while there is seemingly weak capacity to systematically monitor the implementation of policies and plans.

The system of project responsibility which has been adopted has led to a weakness of the Norwegian aid system vis-à-vis multi-bi partners like the IFC and UNIDO. What the embassy in Kampala tells UNIDO in connection with its clean production project is not known to the embassy in Colombo, which also have a similar project in its portfolio. The "glue" between similar projects is sometimes delegated to consultants who tend to become the knowledge holders and prevent embassy staff from developing the required ownership and technical knowledge to effectively oversee the implementation of PSD projects. This is seen for instance in the microfinance field, where there is a system that outsources the storage of technical project experience, knowledge and capacity to consultants. This way is not a robust and efficient system.

As noted elsewhere, the Norwegian aid system is one of the largest microfinance providers in the international arena. This is, for example, reflected in SF's proactive and increasingly commercial approach to the sector. As an NGO, SF receives its aid funding from SIVSA, which follows an application based model to provide their funding and monitor the effectiveness of their aid (including framework agreements, organizational studies etc). This is different from the traditional project analysis which NUMI uses and Norfund for that matter. There is a potential risk for clashes of different aid philosophies and cultures which might impact negatively on the outcomes.

Norfund is semi-autonomous with its own board of directors and with a discrete revenue stream, which has created an ability to build up its own staff who have a background in the financial sector rather than in development aid. There is a high degree of professionalism in Norfund's work which no doubt stimulates unconventional and innovative solutions and unbureaucratic approaches. The professionalism is enhanced by a frequent interaction with other DFIs, often within jointly funded projects. Norfund has, however, only limited contacts with Norad and also with the embassies. No ongoing professional dialogue between them seems to exist, nor any exchange of services in order to use the respective capacities in an optimal and synergistic manner. A case in point when such an exchange was required is given in the Uganda case study where the corporate governance know-how of Norfund could have assisted Norad and the embassy to find solutions to difficult ownership issues related to Pride Uganda. Organizational resources and capacities are not being leveraged to maximise benefits across Norwegian aid organizations. Evaluations, like the current one, seem to be one of the few fora for such interaction and sharing of information.

Norfund has very strong affiliates in SN Power and Aureos Capital. It is our assessment that Norfund has been successful in its dialogue with the affiliates to influence them in a direction which is in line with Norwegian policies and to take the consequences when the paths lead in different directions. The compromise solution which underpins the establishment of SN Power AfriCA seems well crafted and in line with Norwegian development cooperation principles.

In an organizational study in 2007, the consultant proposed to the MFA the establishment of a "Centre for PSD in the South"[138] where all the instruments established to stimulate Norwegian companies to increase their developing country exposure could be coordinated under a single structure. Innovation Norway, Norad and Norfund were considered by the consultant as possible alternative homes for the centre. The recommendation was to give the mandate to Innovation Norway because Norad gives too low a priority and status to PSD within the organization, while there would have been a conflict of interest for Norfund to handle grant support instruments in parallel with its investment instruments. The recommendation has not been accepted by the MFA, presumably because some dividing line needs to be retained between business-related aid, on the one hand, and the promotion of commercial relations on the other. We consider that this line should be maintained and will not, therefore, revisit the proposal to give the mandate to Innovation Norway in our chapter on recommendations.

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138 Econ Pöyry (2007): *Organisering av arbeidet med næringslivsutvikling i utviklingsland*

III. Conclusions and Recommendations

The evaluation has covered a wide range of instruments for Norwegian business related assistance carried out over a 10-15 year period. In this section we draw the broad conclusions from the assessments, particularly as they pertain to the second key question for the evaluation: *the potential for improving Norwegian assistance in the future and preconditions for successful assistance in former and new partner countries*. In the following section we shall, based on the analysis of the current system, respond to the last key question of the evaluation: the *recommendations on future policy and guidelines.* Firstly, however, we summarize the results of the past against the objectives established for the Norwegian PSD and for general policy directives in Norwegian development cooperation.

16. Reality Versus Strategic Objectives

As discussed in chapter 4 the 1999 PSD strategy established three overriding objectives and nine performance criteria against which the Norwegian PSD support should be judged. We summarise our assessment of the Norwegian PSD support during the last decade against objectives and criteria below.

16.1 Fulfilling the key objectives

The overriding objectives of the 1999 PSD strategy were:

- 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); and
- Adhering to the broad objectives of Norwegian development assistance, including environment, gender and human rights.

Strengthening profitable enterprises As evident from section II of this report, this objective has been achieved through most of Norway's business-related support. Most Norfund supported projects have performed well, been profitable and expanded their operations. There are a large number of green-field enterprises due to the Norad schemes, some performing very well, some with more lacklustre financial performance, but overall with a good degree of sustainability. Although difficult to assess in detail, there is reason to believe that Norwegian supported credit schemes in the 'missing middle' (for example in Bangladesh) have contributed to a growth in large numbers of small enterprises. The question is not if the *strengthening profitable enterprises* objective has been attained, but to what extent. Are the results of a magnitude that they make a difference at local, regional and national level? Before responding to this question, we shall address the second key objective: employment creation.

Increased employment and income Norwegian PSD has contributed to formal sector employment in large and medium size enterprises in all the four countries. There are numerous such examples in our assessed portfolio, including ICT and software companies (South Africa, Bangladesh and Sri Lanka), medical equipment and services (Bangladesh, South Africa), export-oriented resource-based ventures (Sri Lanka, Uganda), a utility company (Sri Lanka) and a cement factory (Bangladesh), financial institutions and banks (Uganda, South Africa), environmental technologies (South Africa) and various forms of trading companies. These enterprises tend to provide secure jobs, often at a higher salary level than general for the country, and often with good HSE standards. These companies also trigger a degree of indirect jobs up-stream (in transport, trading, etc), and down-stream (supply of raw materials).[139] If the direct employment creation in the assessed portfolio is aggregated, taking the possible attribution by the Norwegian support into account, in the order 10,000 jobs can perhaps be attributed to such support. While not an insignificant number, and adding indirect employment, we must recognise that such a level of job-creation over a 10-15 year period in four countries with a joint labour demand growth of almost 3 million persons per annum, is a drop in the ocean.[140]

The support has also likely contributed to informal sector jobs through microfinance operations. Norwegian supported MFIs in the four case countries have around 0.5 – 1 million clients in such schemes.[141] The Norwegian contribution to income generation and job-creation as a result of such microfinance schemes is unknown. No efforts have been made by the implementing organisations to assess such income generation and/or job-creation, or how much of the microfinance organisations' operations can be attributed to Norwegian support, bearing in mind that Norwegian support is often only one of several sources of funds and assistance. This evaluation has not been able to shed light on this due to the lack of base data.

From various studies on microfinance in Africa and Asia we know that clients of microfinance institutions are generally self-employed, partly using microfinance for consumption purposes and partly to enhance their informal business activities which are mostly in smallholder agriculture, petty trade or services.[142] Studies have found that there tends to be a very small employment creation element in the conventional sense, as these businesses generally depend on un-paid family labour.[143] When job creation takes place, this is in informal microenterprises, with poorly paid and temporary jobs with low skills content. While microfinance is clearly very important for the poor and has strong, manifested welfare gains, it is increasingly recognised that microfinance is not a panacea for economic growth, nor a source of mass employment in a formal sense, and not a vehicle for development of the formal SME sector. It has been argued that countries which, over the last decades, have been successful in reducing poverty, from China to Mauritius, have not relied on microfinance and the informal sector, but in economic modernisation, where formal, often large scale businesses, have played a key role, and where linkages to global capital markets and investments have been key factors.

A third category of jobs might be defined in enterprises which suffer from poor access to finance from established institutions, and with greater needs than can be fulfilled by microfinance. Thus, there is a 'missing middle' in the financial system. It is important to note here that SMEs which are targets for Norfund's fund investments, especially Aureos' funds, tend to be much larger than the 'missing middle', and, as noted elsewhere in this report, 'SME' is a miss-leading term in such con-

139 One case in the evaluation is Scancem in Bangladesh, a company initially supported through a Norad loan and later by a Norfund equity, today employs about 250 persons but have an estimated indirect employment effect in transport and trading of 5000. (See Part II)
140 The calculation based on total population x share 15-64 x labour force participation x annual growth rate (World Bank World Development Indicators 2009)
141 BRAC in Bangladesh has about 8 million clients, but Norfund's contribution to this is quite limited.
142 See, for example Bernd Balkenhol (2006) *The Impact of Microfinance on Employment: what do we know?* ILO
143 Some studies have even found a reverse relationship – that micro credits shift people from wage earning to self-employment presumably with the objective to getter a better and more secure income. See for example Khandker, Samad and Khan, World Bank

texts. The evaluation has assessed two credit schemes in Bangladesh which can be defined as rural credits in the 'missing middle,' and also the Norad-Norfund scheme, ABACUS, in Uganda which has targeted this market segment. With all their faults as subsidised public banks, the first two projects indicate direct employment creation possibly in the order of 100,000 jobs. This is a considerable number for two country projects, indicating a low aid cost per job. However, also these jobs tend to be informal and often temporary. The enterprises, while essential as sources of income for low-income groups, are not those that drive modernisation, technology change and sustainable economic growth.

Targeting the poor in rural areas and women Norwegian contribution to formal sector employment has not specifically targeted the poor, rural areas or women. Norfund, Aureos and Norad have all been market-driven. The supported companies and entrepreneurs have determined the type of investments undertaken, including their locations and employment profiles. Some companies are located in rural areas, sometimes in poor regions and some employ mostly women. This is due to the business opportunities perceived and not the result of a developmental objective from either the aid organisation or the entrepreneur. A broad estimate suggests that probably 30-40% of the formal sector direct jobs might be held by women.

In microfinance, women account for often 80% or more of the ultimate borrowers.[144] Women have shown to be better clients with higher repayment rates than men. Empowerment of poor women is also an objective of many microfinance schemes, inherited from the initial efforts by Grameen Bank in the 1970s in Bangladesh. The Norwegian supported microfinance projects adhere to these principles, not as a specific strategy, but due to the character of the MFIs supported. In the 'missing middle' category, the Bangladeshi credit schemes had about 25% female borrowers, and the schemes are located in poor, mostly rural areas. While no quantitative benchmark was established, we conclude that overall, Norwegian PSD fulfils the gender objective reasonably well.[145]

Adhering to the broad objectives Reduction of poverty is the overriding objective in Norwegian development cooperation. Has the PSD support over the last decade reduced poverty in Norway's partner countries? We can confidently answer yes to this question in <u>local</u> contexts, in the many localities where successful enterprises thrive, probably where microfinance schemes are operating and where the credit needs in the 'missing middle' are met. Moving from unemployment or low-paid self-employment to a formal sector employment, even at prevailing low wage levels, often means a transition out of poverty (in UNDP/World Bank's terminology). But has the Norwegian PSD support had an impact beyond such localised effects? Our conclusion is that it has not, except in very few cases. The leverage effects of the PSD support have, with very few exceptions such as Grameen Phone and Norfund's joint venture Aureos, been so limited that the scale of the support leads to no more than localised effects. This conclusion corresponds to a common finding in the donor community in respect of PSD support: projects and programmes, albeit well

144 This is a general figure for the whole industry. In Bangladesh MFIs such as Grameen and BRAC tend to have 95% women as borrowers, while Strømme in its micro credit in the three countries included has about 80%.
145 The ABS has a higher subsidy element of training of women than men, which is one of the few steering instruments for gender in the PSD system.

implemented and effective in their own rights, have such limited effects that their overall impacts are marginal in a macro context. Scaling-up is a common concern and a main challenge in PSD support in the donor community. To judge from our evaluation, this also applies to Norway. This issue and how it can be addressed, is discussed in the final chapter of the report.

16.2 The Private Sector Development support versus the 1999 performance criteria

The 1999 Strategy identified nine objectives as performance indicators. Comparing the Norwegian PSD support over the last 10-15 years to those indicators gives the following table:

Table 10. Fulfilling the 1999 PSD strategy objectives

Indicator/objective	Comments	Rating
1. Reduce the economic marginalisation of the poorest nations	The PSD portfolio in total has weak targeting on LDCs as it is almost exclusively market driven. In the two reviewed LDCs there is possibly a marginal impact in Bangladesh, but none in Uganda.	Weak
2. Increase the commercial links and trade between developing countries	There has been no explicit targeting of this and no trade-related PSD as such in our assessed portfolio, except a minor FK Norway support. The objective has been achieved to a minor extent in some of Norfund's investments, but the overall impact can be assumed to be marginal.	Weak
3. Work towards 1) a more comprehensive support for business development at country level, and 2) identify the most important constraints and prioritised needs. 3) Assure better coordination and synergies in what is done in different areas and through different channels	Attempted by the NIS studies 2002-03, but the overall impact on this was limited; the studies were soon forgotten. Overall, the situation is possibly worse today than at the outset for reasons explained in section II of this report.	Weak
4. Improve the frame conditions for business development in developing countries	Framework oriented PSD support was not included in the evaluation. The assessed portfolio has very marginally attempted to impact or actually impacted on framework conditions.	Not known
5. Promote increased investments both through domestic and foreign capital, including Norwegian capital	An explicit target especially for Norfund and Norad has had reasonably good results. The result in terms of mobilising Norwegian capital is particularly good. The leverage effect of Aureos' SME funds has also been good.	Good

Indicator/objective	Comments	Rating
6. Promote trade with developing countries and stimulate exports from them	Not addressed explicitly, no significant impact is evident. However, many of Norad's and Norfund's underlying investments are export-oriented. As trade support is not included in the evaluation, there is a question mark on our assessment of this.	Weak??
7. Work towards untying aid	Of the total current PSD estimated support of NOK 1,2 billion, about half is *de facto* tied to Norwegian interests. (Half of Norfund, all of Norad, except projects in the financial sector).	Weak
8. Increase the use of local suppliers to aid financed projects	Not explicit in most of the PSD support; the use in other Norwegian aid projects is not known.	Unknown
9. Make active and good use of the Norwegian competence base, including the business sector	Strong efforts by Norad in various sectors and also by Norfund in hydropower with good results.	Good

The result of our assessment gives 2 'good', 5 'weak (of which one is uncertain), and 2 unknown (due to the design of the evaluation), i.e. an overall bleak picture. The reasons for this are to a large extent inherent in the system: the Norwegian PSD support is not designed in a way that a strategy or a policy permeates the implementation. A pluralistic system with a weak centre, both at Norwegian level and at country level, may have positive features in itself, for example in developing professional organisations and promotion of innovation, but it does not lend itself to support centrally determined and co-ordinated policies, plans or strategies.

16.3 The PSD support versus the current CCC development policy

The 2009 development policy *Climate, Conflict and Capital* provides the framework for Norwegian assistance which also applies to business-related assistance in the future. How well is past and current PSD support living up to the focus described in the CCC policy document? What areas require change for greater policy coherence? Below, is a summary of our assessment against five objectives/criteria derived from this policy:

Table 11. PSD performance against CCC Policy indicators

Policy objectives	PSD performance	Rating
1. Engaging the Norwegian business sector in development assistance.	Strong efforts and good results, especially for SMEs. There is a limited involvement of larger Norwegian companies (except in hydropower) after the closure of Norad's loan scheme in 2000.	Good, but can be strengthened

Policy objectives	PSD performance	Rating
2. Utilize Norwegian technical competencies in areas such as hydropower, petroleum and fisheries.	Very good in i.e. the energy sector, problems in fisheries as a business sector, for example in aquaculture´. Petroleum not included in our evaluation.	Good
3. A high level of CSR in business development and investments in terms environment, human rights and labour conditions, anti-corruption and transparency.	Only Norfund has an explicit policy in this respect and systems for monitoring. Norad has guidelines, but lacks an effective monitoring system. Overall, the PSD system is not strong in this respect.	Weak, should be improved
4. 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.	This is not a feature which is strong in the current PSD portfolio we have evaluated.	Weak
5. Equal rights, inclusion and economic justice. Focus on the fair distribution of resources, and focus on equal rights for marginalised groups.	Not permeating the PSD support. As the support to a large extent is market-driven, i.e. dependent on the investors, entrepreneurs and companies, such a dimension is unlikely to emerge in its current structure.	Weak

As noted above, our assessment of the past, and current PSD, is positive with regards to the utilization of the Norwegian resource base in development orientated PSD (companies and technical know how), but otherwise weak measured against the objectives of the new policy *Climate, Conflict and Capital.* In the first mentioned respect, there has been a strong policy orientation over the period evaluated which has been translated into instruments and actions. The power of this objective is reflected in the fact that when a policy conflict emerged, untying of Norwegian aid, a *de facto* exception was made for PSD support delivered through Norad. However, there are inconsistencies regarding this objective. First, since year 2000, when the Norad loans were closed down and 2003 when mixed credits were made untied, larger Norwegian companies have not featured to any extent in Norwegian PSD support with the exception of the energy sector. To judge from earlier support, such as Telenor's Grameen Phone joint venture, it is the larger, technology driven companies which can accomplish systemic change. It is possible that the Nortura meat processing project in Uganda could bring about a change in the Ugandan meat industry.

Second, in terms of utilizing identified Norwegian sector competencies, it is only in energy (hydropower) that this is evident.[146] For various reasons, Norwegian competencies in fisheries, especially aquaculture, while possibly good at the institutional

146 The evaluation has not included the petroleum sector, which, evident from other sources, is a well utilised competence with its special programme *Oil for development*

level, have not born fruit in business development to judge from the four case countries. Neither has environmental technologies been a strong feature. The reasons for this are not fully clear, but are possibly due to a combination of the structure of the Norwegian business sectors and the framework conditions in partner countries. There are efforts, as shown in the South Africa country report, but Norwegian companies have had problems to find suitable matches.[147] Promoting environmental technologies at the business level probably need stronger public-private-partnerships, an area for potential future co-operation between Norfund and Norad or the embassies.

For the balance of the criteria identified, our judgment is that the past and current PSD support is rather weak. The overriding reason is an inherent conflict between a *policy-driven agenda* and a *market-based PSD support*. The former, if forcefully pursued, will limit the opportunities for PSD support in its current form. There is a complex balancing act in using the market forces and entrepreneurs to pursue political objectives. This is a particular challenge for the policy makers and the organizations and instruments available to them.

147 Norfund attempted a series of investments in aquaculture with poor financial results, and has downgraded this sector as a priority. Norfund's recent investments in environmental technologies are, to judge from our assessed portfolio, through other parties than Norwegian companies.

17. Policy Implications – What Should Norway do Differently in the Future?

17.1 Premises

The policy analysis in chapter 4 defined what can be considered as principles for future Norwegian business-related support. These are:

- private sector development continues to be an expressed priority for the Norwegian government. This is reflected in Ministerial policy statements and in generous allocations of funds to Norfund, but not in the focus of the aid community at large. To bring about a change in this would require a greater interest in PSD from the Ministry of Foreign Affairs at the operational level. It is time for a new strategy replacing the one from 1999, taking lessons from the past decade into account, combined with the latest thinking in international development.
- the dual approach of addressing both the enabling environment and investments is valid and central. This would require a stronger interface between micro interventions and framework support than the existing one, as further elaborated below.
- there is clear government policy that the Norwegian business sector should play an important role in Norwegian PSD and that Norwegian competencies such as in energy should be utilised. We believe this can be achieved with stronger development impact and lesser costs than currently is the case.
- coordination and strategizing for better impact, synergies and cost-effectiveness is essential. This has been requested by policy-makers throughout the assessed period, but with a reverse result since the early 2000s. Our recommendation includes some suggestions about how to achieve this without detracting from the benefits of the pluralistic, decentralised system of Norwegian development cooperation.
- the overriding objectives of Norwegian aid in terms of equality, human rights, gender, environment and climate, should strongly permeate the assistance, expressed as comprehensive and dynamic CSR in line with the White paper from 2009. For this to happen, there is a need to close the current gap between policy and implementation, as elaborated below.
- poverty reduction is at the centre of Norwegian development cooperation. For PSD to play a role in this there is a need to scale-up the support through a higher degree of ***leverage*** than is presently the case. Norwegian assistance will never be more than a small input into the economies of partner countries, and to achieve any impact in macro terms on poverty, considerable leverage of the PSD investments is required in one form or the other.

17.2 Norfund as a central player

Norfund has emerged as the main instrument for PSD in financial terms in the Norwegian system. The current flow for PSD, including investments through revolving funds, is in the order of NOK 2 billion per annum, of which Norfund accounts for 70%. This pattern is likely to be even more pronounced in the future. Assuming no drastic policy changes in allocations of aid from the current 1% of Gross Domestic Product (GDP), and no major shifts in allocations to various categories of aid, the grant based PSD aid is likely to grow along the lines of Norway's GDP, or at best 3-4% per annum. Norfund is in a different category: even without any further funds from the government, the fund will have an increased investment flow of 10-15% per annum based on its current rate of return on its capital. Furthermore, the Norwegian government seems intent on expanding this flow even faster, not only through steady additions of NOK 0.5 billion per year to Norfund's capital so far, but also through the proposed NOK 10 billion fund within the government pension system to be administered by Norfund. If this fund gets off the ground, Norfund will, within a few years, totally dwarf any other form of Norwegian micro-oriented PSD assistance in financial terms. A future PSD policy must take this reality into account, and rather see Norfund at the centre and as a prime mover, than an outsider or at the periphery as it is currently seen.[148] Norfund at the centre would be a means of scaling up PSD activities. Norfund has also found means to effectively leverage its operations, as manifested in the joint venture, Aureos, and the creation of SN Power, and potentially through its two new joint ventures: SN Power AfriCA and NMI.

Norfund has an in-built weakness as a developmental agency; it operates and should operate at micro-level and in the financial sector through investments, and not at the policy or framework level. Norfund needs to make a profit or at least break-even, which reduces its ability to take commercial risks. Norfund as a key player needs a complement from two perspectives: 1) a platform for needed improvements in the 'framework conditions' in Norwegian partner countries; and 2) an opportunity to take higher risks in green-field operations and to be able to multiply the recent initiative of creating a venture capital fund for start-up business in East Africa.[149]

17.3 Strategic and operational recommendations

Our recommendations are provided in two formats. Firstly, recommendations aimed at reforming PSD support in a broad sense, centred on strategising and a changed division of labour between different players in the system. These strategic recommendations are aimed at the Ministry of Foreign Affairs as the policy setter and vested with the overall responsibility for Norwegian aid. Secondly, recommendations focusing on improving the current system and its existing instruments, which can be achieved by the various organisations involved without requiring major policy and/or organisational changes. We label these operational recommendations.

148 Perhaps an indication of the water tight barriers between Norwegian aid on the one hand, and Norfund/SN Power on the other, is reflected in an evaluation of Norwegian assistance to the energy sector, including hydro power, which was conducted in 2007. The report mentioned Norfund once in a footnote (in the ToR) and SN Power not at all. Another indication is that when the embassy in Kampala recently drew up a very ambitious plan for Norwegian interventions in the renewable energy sector, Norfund was left out.

149 Norfund recently launched the fund Fanisi targeting green-field companies and capitalised at US$ 55 million, which IFC has now joined. Linked to Fanisi is a US$ 4 million grant business advisory facility. Target investments range between US$ 0,5 million and 3 million.

18. Strategic Recommendations

18.1 Revise and update the PSD strategy

We recommend that the Ministry of Foreign Affairs updates the 1999 PSD strategy to include all the key players in the support system, and introduces measurable performance indicators for the overriding objectives of Norwegian aid as expressed in recent policies. More than a decade has passed since the strategy was formulated and over this period the Norwegian business-related assistance has changed dramatically, not least due to the emergence of Norfund and the closing down of Norad's loan schemes. The broader policy framework has also altered, for example through the CCC policy, and international learning in PSD has progressed considerably since the late 1990s.

18.2 Division of labour: an organisational restructuring

We suggest a clear functional and organisational split between, on the one hand, activities aimed at 'framework conditions' for private sector development, here named the 'enabling environment', and, on the other hand, assistance at the enterprise level. Each of these should be pursued by a specialised, professional organisation. We suggest that Norfund becomes the organisational home for investments and support at the company level, and Norad/embassies for the enabling environment. Thus, all the support, whether in grant form, loans and equities aimed at Norwegian and other companies should be managed by Norfund. As part of the mandate, Norfund should also be the home for capital and financial market development in the sense of working with commercial entities in this sector. This is already today a strong-hold of Norfund, and a natural role for it to play as a DFI.

NUMI in Norad should end its various forms of direct business support and become a specialised entity in the development of institutional, regulatory and policy framework for private sector development, particularly in LDC countries. As such it should both have a budget to undertake its own projects and be a technical support function to Norwegian embassies in such endeavours. The rationale for such a separation of functions is as follows:

- Norfund is the entity with strongest professionalism in business dealings, in assessing investments and business ventures. Such work is increasingly done with a developmental objective in mind and systems to measure development results. Norfund will grow fast from its own generated resources and from added funds by government. This will not only make Norfund a dominant player, but will also allow the organisation to become increasingly professional and specialised, using its wide network of DFIs and other actors in the capital markets. As a commercial entity, Norfund can operate on the conditions of business and employ the number and quality of staff which is required for the task. Norfund has already shown its flexiblity and willingness to undertake unorthodox approaches in the DFI family, as seen with the recent launching of the green-field venture capital fund, Fanisi, as an outstanding example. We are impressed with the management and dynamism of the organisation.

- NUMI is a part of the government administration. It has natural links with other parts of this inside Norad which are essential for the development of enabling business environments. Norad operates with grants, which are the normal mode for work with mostly public authorities essential in the business environment. It also deals with environment as a subject matter which is, or should be, an integral part of the policy and institutional framework for business. Furthermore, its current direct enterprise assistance tends to have a low status in the organisation, and hence it is not given the strategic or management attention it deserves. Norfund and NUMI should, jointly and severally, develop their capacity as professional 'business environment enablers.'
- Embassies, to the extent they focus on private sector development, mainly do so in terms of addressing the 'enabling environment.' This is an important function, which should be given stronger attention, and be the subject for Norwegian assistance. As the embassies tend to have very limited administrative resources to undertake ans supervise programmes, they either require working through multi-donor facilities such as international organisations' programmes, or with technical support from the suggested new Norad/NUMI. To provide better synergies, it is suggested that Norad/Embassies and Norfund work in tandem on this, with Norfund systematically providing feed-back on perceived problems and issues in the business environment in countries and sectors where the fund invests and operates. This can become a truly innovative form of PPP.

It is suggested that microfinance be an exception from this division of functions. The reason being that microfinance constitutes such an essential part of Norwegian NGOs' work, for example in framework agreements with Norad (SIVSA). We suggest, on the other hand, that microfinance operations by different players in Norway are integrated into a policy and information sharing framework further elaborated below.

The need for a restructuring of Norwegian PSD support has been highlighted in earlier studies, most recently in 2007. As suggested by several comments on the draft report, we agree that such a restructuring should be further reviewed. See Annex 4 for more information.

18.3 Build on Norfund's strategic approach for leverage

As noted earlier, we see Norfund's model of leveraging its own funds through joint ventures in strategic fields as one of its strengths, and also something making Norfund a unique DFI. This model can be taken further in areas of high Norwegian priority, utilising Norwegian competencies and its international network, and also in fields of special importance to poor countries. For example, such initiatives could be created in environmental technologies and in PPP solutions in line with the government's recent development policy. Norfund might in this case have to seek partnerships with players outside Norway.

The strategic approach should have its focus in fields where Norway has cutting-edge competencies, such as in aquaculture. The experience of such business ventures are so far not promising, but this might be a question of timing, of sufficient resources to prepare the initiatives and establishment of the right format for work. PPP solutions, based on Norwegian experiences in the infrastructure sector, might be used not only in this sector but also in other types of projects such as the proposed meat-processing value chain project in Uganda. Forestry and management of forestry resources is a third field with good Norwegian competencies and models for development, as shown by the Norwegian company Green Resources (see Uganda report). In spite of Norway's own limits in agriculture, Norwegian business related assistance has to some extent been involved in agro-based ventures, which has also included Norfund. As food security becomes an increasingly important global issue and primary production for the foreseeable future will be the main economic base for the poorest nations, and especially those in Africa, investments in agriculture might also be a field that should be given increased focus by Norfund.

Norfund might form strategic alliances in sectors and areas based on critical needs in developing countries, and especially in the least developed countries. Water issues are already a key problem, and likely to become even more critical. The formation of strategic alliances[150] and future joint ventures of this nature will, in many cases, require resources in a preparatory stage which will not necessarily provide a quick financial return. While Norfund from its own resources can finance part of such development, there is a limit, leading to a need to focus on the 'low hanging fruits'. However, if Norfund becomes in charge of placing pension funds in LDCs, the need for the development of new business ideas will grow quickly. The government should facilitate such a process by grant funds from the development budget for the preparatory and development phase. The existing TA fund is a start, but is not sufficient.

Norfund 1 and 2. Transferring the current Norad instruments for promotion of Norwegian businesses involvement in developing countries is a different form of business to Norfund's current operations, which is based on non-tied investments and larger investments on commercial terms. The support schemes should not be mixed with Norfund's basic operations, but be kept in a separate unit in the organisation, suggested to be a revamped and formalised IOPSD. This office should also take over the fledging operations of the LDC loans. Only one such loan has been made by Norfund so far.

18.4 Stream-line support involving Norwegian enterprises

Maintaining a support system to mobilise Norwegian businesses is a clear government priority with the dual objective of utilising this competence in development cooperation and strengthening the acceptance for high levels of development aid in Norwegian society. While such a support system has its limitations as a develop-

150 There is a consortium of donors (Swedish, British, Dutch, Austrian, Swiss, German and Irish aid agencies and IFC), which has formed a partnership called PIDG (Private Infrastructure Development Group) covering water and sewerage as a host of other PPP types of infrastructure projects from sector studies and policy development to project development and further to project finance and capital markets development, and which has mobilised USD 11,3 million in private sector funds. This may be an alliance which Norfund (as well as Norad) may wish to join.

ment tool, especially if it is focussed on SMEs, we realise its importance as a means to mobilise the business community to stand behind Norway's very generous aid policy. Such a system can be made more cost-effective than currently, however, and thus provide better development results at lower aid costs, and also be a stronger tool as a 'mobiliser'. To achieve this, there are both strategic considerations and operational considerations. Below are our strategic, policy-oriented recommendations. In the following chapter we provide additional operational recommendations:

1. Reinstall a loan facility for higher risk ventures which has a grant element for securing bad loans and high risk-taking in green-field operations which have clear development values (as pioneering ventures, as sources of potential mass employment; as addressing key problems or needs of the poor, etc). The loans should also, given the experience of the old Norad loans, be provided to smaller ventures, with the implicit understanding that the costs are higher, the ratio of non-performance is also higher, but the additionality is usually stronger. The high-risk loans should thus be open to all sizes of companies. We suggest, in line with what is said above, that Norfund is the administrator of such a loan facility, which is maintained in a manner which avoids ethical hazards and kept as a separate fund in Norfund, guaranteed or supplied with capital from the government development budget. The model for similar fund arrangements exists, for example in the Dutch FMO, often referred to as the most dynamic and developmentally oriented of all DFIs.
2. Broaden the contact promotion and matchmaking system from the current MMP approach (or the NHO model) to also include new forms. For example, a system of well prepared, subsidized business delegations and visit programmes, with a well thought through system of follow-up, can achieve as much as the MMP at lower cost to the aid budget. Such visits might be sector-specific, and should be open to any type of business. They must be clearly different from export-promotion undertaken by, for example, Innovation Norway. The preparatory element is essential as is establishing a permanent system. Such matchmaking should, like the MMP, be contracted out to implementing organisations, and, like the MMP, preferably by based on a performance-based payment. Overall, we are sceptical of the cost-effectiveness of a permanent programme such as the MMP over a large number of years for the same few countries.
3. Replace the current too broad-ranged *Application-based support* system with grant-based subsidies for the initial pre-investment stages of business development, and complement this with a loan facility. In the initial stage there is the highest degree of uncertainty in a business venture, and subsidies are likely to be most additional at this stage, and thus most cost-effective. Replace the other forms of ABS support, if at all required, with a flexible loan facility, possibly with a subsidy element if the applicant company is undertaking additional investments with 'positive externalities', i.e. environmental investments, HSE and CSR investments well beyond local requirements. Also specific incentives through subsidies could be added for gender positive investments and for HIV/AIDS prevention, care and mitigation investments. As a principle, however, fulfilling the ethical and environmental standards should not be an 'add on', requiring subsidies, but an integral element of the business proposition and model in line with current government policy.

4. Place the modified support system for mobilising Norwegian businesses in a separate entity in Norfund (i.e. point 2-7 above). A revamped and formalised IOPSD might be the right structure for this. It is essential that such as an office is separate from Norfund's other activities, and that its funding is provided directly in grant form from the development budget, and its staff is not mixed.

18.5 Develop mechanisms for meta-management

The pluralistic system of PSD support (and more broadly for all Norwegian development assistance) is a basic structural feature. It has advantages of developing professional, specialised organisations, and allowing innovation. However, it requires overriding 'meta governance' through effective information sharing for each player to know what is going on, and how *ad hoc* alliances can be created, besides the need for the government to monitor its overall development cooperation. Much can be achieved by developing transparency about what different parties are doing, preferably maintained at a central location. Such a role must be played by the Ministry of Foreign Affairs, but the technical inputs can be provided by other organisations, for example Norad as a secretariat. Meta management does not necessarily mean building new organisational structures, but can be maintained through interactive processes between the different players such as regular, say annual, high level development conferences, Internet-based information systems, etc.

18.6 Improve the results-management system

An essential tool both for meta management and management of the Norwegian implementing organisations is an effective results-monitoring system. The current results-measuring and reporting in Norwegian PSD assistance is weak. All the actors involved in the system suffer from such weaknesses: Norad tends to treat its PSD interventions in an administrative manner, assuring a proper handling of 'projects', but it lacks a system to monitor development results in any meaningful way; Norfund, while ambitious in its effort to assess developmental impact, reports on employment etc. in the companies in which it invests, but it does not assess Norfund's role and contribution to this, nor does it address Norfund's development impact at a higher systems level other than at enterprise level, for example in terms of technology transfers, impact on institutions and policies, development of capital markets, etc. The embassies rely mostly on implementing organisations' own evaluations or extensive use of consultancies, but they often lack the capacity to critically use these.Results-management in international development assistance has developed sufficient tools today to improve the situation.

18.7 Review at a systems level the multi-bi arrangements with key organisations

Overall, Norway has a positive and liberal attitude towards the international organisations involved in development cooperation, both at the centre and in financing multi-bi programmes at country level. Much of the funding of multi-bi programmes seems to be based rather on good-will and ease of administration, than on what is delivered by these programmes. We suggest that Norway initiates a review of the effectiveness of such multi-bi support at a systems level. Norwegian embassies are, in our opinion, generally too weak administratively to effectively supervise such programmes, and are often even formally hindered from doing so. No general assessment of such support has been carried out by Norad or the MFA according to our interviews. The issue was, however, highlighted in a Background paper to this evaluation as a matter of concern.[151] An ambitious independent evaluation of, for example, various PSD programmes funded by Norway and carried out by the main multi-bi channels for PSD, the IFC and UNIDO, might find means to assure better value for money in multi-bi support, new forms for joint results-assessment, and provide a better basis for decisions by embassies in their support.

18.8 Develop systematic interface between micro and macro

There is currently a gap in the interface between Norwegian support at the enterprise level and in the 'enabling business environment' in specific countries. The prime reason is that the aid system is pluralistic and that Norad, and especially Norfund, operate as independent entities. Country strategies and overriding Norwegian policies at country level are not permeating the work at enterprise level as has been shown in several of our country studies. There is also limited feed-back from micro-level investments to the 'higher' levels. This is not just a top-down issue, but also a bottom-up one. Constraints in the business environment experienced by a company could be a subject for problem-solving by Norwegian development assistance at country level, either as specific projects in dialogue with government, or highlighted in donor committees. Such constraints might be found in the regulatory framework, in institutions such as customs or tax authorities, in sector policies, pricing mechanisms, etc. The point is not that Norwegian aid necessarily should pave the way for (Norwegian) investments, but when the problems are systemic their solution would benefit everyone and reduce transaction costs in the economy. Interventions should thus not be market distorting, but market enhancing and creating.

An interface can be achieved through different means. For example, Norfund, as the key player at investment and company level, should systematically analyse its portfolio, identifying systemic problems related to business environments, and especially the ventures which fail or never take off. Such analysis could be communicated to embassies for consideration and to Norad/NUMI in its proposed new role.

18.9 Create a Norwegian framework for microfinance

As mentioned earlier, micro finance has become a focal area for Norwegian development assistance, which today spreads over many channels including Norfund (with experience of a number of microfinance initiatives), Norad (foremost as a framework organisation with a number of NGOs with microfinance on their agendas), NGOs such as Strømme, one of the main players in microfinance with several decades of experience, NMI, the new initiative by Norfund, and some embassies (in Uganda working with MFI policy and in Sri Lanka financing local MFIs, etc). While this pluralism is a good thing, there is a need for policy guidelines to assure that the various activities are coherent, not contradicting one another, and following internationally established best practices in the field. There is also a need for defining roles and responsibilities and information sharing to determine who does what in Norway.

151 See Teigland, J. (2009): *Background memo: Evaluation of business-related assistance*

Microfinance is an 'industry' which is mushrooming, involving more than 100 million clients world wide, with annual lending of USD 6-7 billion, and increasingly with commercial capital as a basis. It is, therefore, essential to do the right thing in this field. We propose that:

- As a first step a review is undertaken of the Norwegian engagement in microfinance, identifying the various players, mapping what they are doing, their experiences and future plans, with the view to identifying key issues in this pluralistic system, and areas where systems development can benefit the whole field is required.
- Establish basic policy principles for how Norway should address microfinance, not as a straight jacket, but as 'best practices' or rules of conduct, grounded in international experience, but also in Norwegian experiences.
- Establish a unit for policy guidance and information sharing on Norwegian microfinance initiatives. Such a unit should preferably be placed at the Ministry of Foreign Affairs. Such a unit might, for example, issue a periodic newsletter of what is going on in microfinance in Norway, and internationally.

18.10 Moving into financial systems in the 'missing middle'

Today, 30 years after the idea was conceived by Nobel Peace Prize laureate Muhammed Yunus, microfinance has become a mainstream and commercial venture. There is scope for expansion as millions of poor are still not covered by any financial services supplier. However, the driving force for its expansion is in place. The attention in the donor community is increasingly shifting to the 'missing middle', the micro and small enterprises with capital needs larger than what most MFIs are prepared to supply, and outside the capital markets where DFIs operate, including 'SME' funds such as Aureos. Banking systems in many developing countries are weak in meeting the needs of this business segment. Norwegian PSD has some experience, good and bad, of the 'missing middle' such as the reviewed credit schemes in Bangladesh and Norfund's new ABACUS scheme in Uganda. A focus on development of models in this financial sector, perhaps jointly with a Norwegian bank, might be an avenue for Norwegian PSD focusing on ways to leverage its resources and experience.

18.11 Explore new concepts in Business for Development (B4D)

A number of methods and techniques are being applied and developed in the donor community to enhance private sector development, not least to mobilise the private sector in developed economies to engage more strongly in countries marginalised from the world economy. Norway is currently not at the forefront of these efforts. Examples of this are *challenge funds* which are especially utilised by the British Department for International Development (DFID) to mobilise major corporations in addressing development issues; *Bottom of the Pyramid* (BoP), a concept emerging from the writings of the management professors Prahalad and Hart, arguing that the 'bottom 4 billion' people in the world is the largest, emerging market and that multinationals should develop products and services to specifically serve them. BoP is currently being explored by a large number of donors, including Denmark, the Netherlands and Sweden; G*uarantees*, as an alternative to loans or a complement to loans. American aid has pioneered such schemes, and an instrument for independent guarantees has also been utilised by Sida for some years, using risk-reflecting, but not market-based, premiums;[152] Norway had a system linked to the old Norad soft loans, but this was closed in year 2000. Seven national aid organisations, including DfID and IFC have established a few years ago the *Private Infrastructure Development Fund (PIDG)* which through various innovative solutions have managed to develop a substantial portfolio of PPPs, particularly in Africa, but it is currently underfunded and is seeking additional resources. *Output based Aid (OBA),* a concept developed by the World Bank group, whereby poor public utility customers are the targets for subsidies rather than the suppliers of public utility services (electricity, water and sewerage etc.), thereby increasing the customer base and the potential demand in the market. *Innovation funds* is a concept developed and applied by, for example, the Bill and Melinda Gates Foundation to stimulate innovations addressing the problems of the poor and poor countries, for example in the medical field. In addition, Sweden is in the process of developing a programme of this nature.

These new style programmes have one thing in common: to stimulate the business community and research organisations in industrialised countries to use their creative energy and economic power to engage more fully with economically marginalised countries. We believe Norway should enter at least some of these new fields in its PSD support.

152 An agreement was signed recently between USAID and Sida through which they will coordinate their efforts in the guarantee area.

19. Operational Recommendations

This section provides operational recommendations which could be implemented directly by the current channels for PSD.

19.1 Improving the Norad PSD schemes

MMP. The existing MMP is an innovative programme given its objectives, and has an effective and successful implementation modality. The MMP could, nevertheless, become more cost-effective as a development tool by:

- Using local counterparts (instead of own organisation) for the matchmaking, and build their capacity through systematic support. This done in Sri Lanka today.
- Expand the programme, not just to fit Norwegian matches, i.e. support the counterpart organisation to undertake and promote matchmaking with companies from other countries, and link this with the partner countries' existing (in-bound) investment programmes.
- Have a timeframe limit for the MMP in a specific country and move the programme to other partner countries. There is likely to be reducing returns to the programme as and when the programme has run for some years and the Norwegian business community has used the opportunities.
- Use tendering procedures for the programme (rather than the extension of existing agreements) to broaden the number of implementing organisations.

ABS We recommend both a revision of the current guidelines/policies for application-based support and the procedures under which it is implemented. In terms of guidelines we recommend:

- Establish more strict criteria for the support, especially on how many times a company can apply for ABS. Make sure that the support is judged from an additionality point of view, rather than being based on some implicit 'rights' for Norwegian companies;
- Reduce the number of support categories to make them more manageable and transparent. Focus on support in the initial phase (such as exploration, feasibility studies, matchmaking, etc.)

Establish new procedures for screening and monitoring the programme by:

- A more careful screening of applicants, in order to weed out the most obvious 'fortune-seekers';
- More stringent procedures for HSE, especially to weed-out Norad support companies seeking more lax conditions than at home in terms of HSE. There is also a need to monitor in the field the actual work by companies. Any support

system should avoid the risk that, for example, out-sourcing is due to lower HSE standards in developing countries than in Norway.

- Improve the record keeping of the ABS;
- Establish a monitoring system for ABS. Such a system should have two functions: *accountability* (what is being achieved and how conditions are actually implemented) and learning (how can the system become more targeted and effective).
- Keep a high degree of transparency of provided support for other players in the Norwegian system to avoid 'corporate welfare' behaviour;

The NHO model We recommend that Norad reviews the NHO model as a PSD modality in poor countries where there are few or no commercial ties between Norway and the country, and at least partly shift the model to countries 'graduating' from aid, where the model can pave the way for *post-exit* commercial ties. The model should also include a project screening function as suggested in the Uganda country report.

19.2 Strengthening the embassy-level PSD support

The main constraint for the Norwegian embassies in PSD lies in too scarce administrative resources and the inability to develop long-term professional capacity in this field. This problem is, however, systemic and beyond the control of an embassy.

- The most important recommendation at embassy-level is to focus on the business-environment, rather than micro-level support. This, however, requires often professional support in design and monitoring.
- Institutionalise an exchange of experience with other Norwegian embassies for similar projects, such as institutional support to chambers; multi-bi projects with the same organisation and same programmes;
- Utilise the experience of Norfund in the country, and especially seek the experience of the fund on constraints in the business environment, which might be subject for embassy-support;
- Be transparent about what type of PSD projects are funded within the Norwegian aid system; and
- Support the capacity building of local organisations involved in other PSD programmes (such as the MMP).

19.3 Improving Norfund

On an operational level, we recommend that Norfund:

- Improves its results-reporting to provide as correct information as possible in terms of the impact of its efforts and investments, for example in the creation of incremental jobs in line with the discussion earlier.
- Be transparent about its activities in specific countries in a dialogue with the Norwegian embassies and with Norad/NUMI, and as a matter of routine, liaise with the embassies.
- Initiate a dialogue with Norad/NUMI and the Norwegian embassies concerning systemic problems in business environments in which Norfund operates in order to stimulate possible Norwegian support for development of the 'enabling environment', i.e. exploit the micro-macro linkage.

- Reformulate together with Norad the experimental ABACUS project for it to live up to its objectives (see the Uganda report for further information)
- Explore business ventures focusing on the 'missing middle' in financial systems;
- Propose that PPPs also include public partners such as embassies and Norad where risk-taking and/or business-environment constraints hinder essential Norfund investments.

19.4 Improving FK Norway's business related support

Should FK Norway want to play a larger and more effective role in business development, the organization needs to:

- expand its operations with a focus on the business sector form the current very low level, especially if SF is excluded;
- focus more strongly on the south-south cooperation where we believe FK Norway could have a strong comparative advantage in a field where there are few forms of support;
- create a more flexible approach to business exchanges for example in shorter length of stay required;
- establish a cost-sharing mechanism in order to increase FK Norway's resources for the business exchange, and assuring that such exchange is justifiable and avoid the 'corporate welfare' syndrome;
- create stronger links to Norad/NUMI's ABS programme to develop potential synergies;
- avoid repeated support to the same commercial operator as this risk leads to distortion effects on the market (the Uganda report provides an example).

Annexes

Annex 1: Terms of Reference for the Evaluation

1 Purpose

There have been a number of reviews, studies and also appraisals of different elements of the Norwegian assistance to business sector developments during the last 10-15 years, but no evaluation of the results, the performance and interplay of the main actors or the different policy instruments. This evaluation has therefore three purposes;

- 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.

The main purposes are to:
- Provide information about the results of Norwegian business sector assistance both at the *project/programme level* and at the *policy instrument level, and assess the performance of the main actors involved and their interactions as perceived also by the users.*
- Outline *lessons* that can be used in design and implementation of future result-oriented programmes and projects in partner countries.

The main users of the evaluation results will be the Norwegian policy makers in the Ministry of Foreign Affairs (MFA) and the eight other public institutions[153] that are involved in developing and implementing business related assistance. The reports will also be useful to partner countries and other stakeholders, including non-governmental organizations (NGOs), private companies and consultants in Norway and their counterparts in the South. The findings should also be of value for different beneficiaries including individuals, households, communities, and relevant local and national Business Sector actors that benefit directly or indirectly from the interventions.

The first results should be ready early autumn 2009 and the final report delivered in spring 2010.

153 The active public institutions include Ministry of Foreign Affairs (MFA), Ministry of Trade and Industry, the Norwegian embassies, the Norwegian Agency for Development Cooperation (Norad), the Norwegian Investment Fund for Developing Countries (Norfund) and its Information Office for Private Sector Development, Innovation Norway, GIEK (the Norwegian Export Credit Agency) and FK Norway (Fredskorpset.

2 Background

The first formal guidelines for implementation of Norwegian assistance to private businesses who wanted to invest i the South were formulated by Norad in 1978-79[154]. Later these guidelines were supplemented by a Private Sector Development (NIS) [155] strategy document published by Ministry of Foreign Affairs in 1999. The main focus of this strategy document is on bilateral assistance at national level. Since the publishing of the strategy more than 5.5 billion NOK has been used on direct and indirect business assistance worldwide. Nearly 50% of this assistance has been channeled through the Norwegian Investment Fund for Developing Countries (Norfund). In addition nearly 700 other institutions, companies and persons have been partners directly in disbursement of assistance. This is in addition to the nine main public institutions in Norway that have been involved in the administration of the assistance. Altogether, Norway has since 1978-79 assisted a number of projects in more than 80 countries.

Norwegian assistance and trade with partner countries in the south has been a subject of public debate at various occasions. A report delivered in 2008 by a public committee established by the Ministry of Foreign Affairs (MFA) examined Norwegian investments and trade as two of its main themes. The report documented differing view-points among the policy makers and stakeholders concerning the analysis of the current situation, as well as on the way forward[156]. A key recommendation of the report was the development of a Fund for investments in the South, with 10 billion NOK as the starting capital. The last budget Proposition to the Storting (No. 1 2008-2009) emphasizes an increase in level of Norwegian investments in partner countries in the South, and especially in the Low Income Countries south of Sahara. The new white paper presented in February 2009 argues also for the need for strategic public partnership with private business sector, to leverage private investments. The conditions for private investments will, however, vary substantially among partner countries, and Norwegian policy will be adapted accordingly.

3 The Evaluation Process, Involvement of Stakeholders and Confidentiality

The evaluation will be conducted in three phases:

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

The planning and organizing is undertaken by Norad's evaluation department (EVAL). Consultations with relevant Norwegian institutions and other stakeholders will ensure relevance of the Terms of Reference (ToR), the tender process and

154 However, prior to this The Norwegian Parliament already in 1963 had approved a number of measures related assistance to business sector development in developing countries.
155 Næringsutvikling i sør (MFA 1999) or Business development in the south
156 NOU 2008:14. Samstemt for utvikling

criteria for selecting the evaluation team. Stakeholders will be invited to give their comments before the inception report is approved.

The draft final report will be sent by EVAL to partner countries representatives, the involved Norwegian embassies and other involved stakeholders, giving them the opportunity to comment on the findings, conclusions, recommendations and lessons learned which are presented in the draft report. DACs quality standard for evaluations require that the final evaluation report reflects and assess such comments, and acknowledge any substantive disagreements. The stakeholders will also be invited to participate during the follow-up phase in discussions about the conclusions and recommendations in the final report.

An evaluation team, independent of the stakeholders and EVAL, will be selected after an international tender process and is responsible for the findings, assessments, conclusions and recommendations in their reports. EVAL has the professional responsibility for the evaluation process and choice of consultants. EVAL is also responsible for its independent advice to the Norwegian Minister for international development on policy change and management response.

Confidential information about individual business enterprises will NOT be disclosed in draft and final reports or in other recognisable ways. To secure strict confidentiality sensitive information about enterprises will be published only on aggregate level combining statistical data or other forms of information for no less than 3 different enterprises. The design of this evaluation is therefore based on choosing at least 3 enterprises of the same type for analytical purposes which makes it possible to protect business-information.

4 Objective and Scope

The main objective of the analysis is to evaluate the results on output, outcome and impact level of the Norwegian assistance to the Business sector in the partner countries, both managed directly through Norwegian channels and by different partners abroad.

The focus will be on the on following two objectives;

1. Document and assess to what extent Norwegian and partners assistance to Business Sector at **project level** has produced:
   - The anticipated or planned results for the partner countries, institutions, businesses, local communities and/or households,
   - Identify unplanned positive or negative results for the involved stakeholders,
   - Identify reasons for why interventions have been successful or not.
2. Document and assess the main Norwegian policy instruments used after the Private Sector Development (NIS) of 1999 was established according to DACs usual criteria, with emphasis on assessments of:
   - the planning, designing, implementation and the follow-up phase of assistance used normally by Norwegian assistance agencies, but also requirements by the application based activities of Norad and investment initiatives managed by Norfund and partners.
   - the cost-effectiveness of selected key policy instruments

Business sector development is often a term which includes private sector enterprises and those public sector enterprises that operate under market conditions. This evaluation will cover private enterprises, Norwegian public enterprises or institutions who are involved in businesses in the South and public/private institutions in partner countries that assist or regulate activities in the private sector. The Norwegian assistance includes both donations and investments based on commercial terms after negotiations which have to be assessed accordingly. The evaluation will not cover mixed credit instruments.

The focus is on *direct assistance* in the form of investments in enterprises, improvements in frameworks and the building of public institutions that assist development and regulations of private sector. *Indirect assistance* will also be covered through a few selected examples from prioritized sector elements as infrastructure projects related to energy, telecommunication and finance, but also from management of renewable resources and travel/tourism[157].

The evaluation is limited to assistance at bilateral level and covers only interventions where Norway alone or in cooperation with other donors have planned or implemented interventions, pooled assistance included. Assistance through multilateral organizations is not included.

The projects assessed in this evaluation shall cover both the support provided directly by MFA, the embassies, Norad, Innovation Norway and Fredskorpset, but also the investments of the Norwegian Investment Fund for Developing Countries (NORFUND), including Norfunds investments through funds managed by Aureos Capital and their regional/local partners in the South. A few projects organised by NHO and a key NGO will also be included.

The scope of the evaluation shall cover the assistance following the adoption of the Norwegian action plan for private sector development in 1999. However, to capture the long term impacts of assistance, the evaluation shall also include a sample of projects started before or during 1990-1999. The reason for this broader time frame is that results of Norwegian input most often will manifest itself long after the assistance takes place, meaning there is a considerable time-lag between input and results. It is therefore important that the evaluation not only covers projects and programmes that have been implemented more recently.

This scoping is based on a preliminary statistical study of the main elements of Norwegian business related assistance which clarifies the evaluation object in general, and a "background paper" that refers to the main "programme theories" behind earlier policies and strategies, in addition to some of the knowledge base documented internationally. Appendix A-5 includes the background paper and some key statistical information.

157 These sector elements have priority in the very recent white paper to the Norwegian Parliament (Stortingsmelding nr. 13: 2008-2009)

5 The Evaluation Questions

5.1 Assessments of Results

i. What have been the results at local, national and regional levels of Norwegian project assistance for the partner country, its business sector, institutions, enterprises, and when applicable to local communities and households?

Results here refer to direct or indirect, positive or negative, intended or unintended **changes** in legal or regulatory frameworks for the business sector, institutional competence and capacity development, creation of employment and income (including tax revenues, export earnings, import savings and incomes among households), creation of local business opportunities and infrastructure, changes in enterprise profitability, corporate governance and labor working conditions, transfer of technology, know how and also standards (administrative, economical or social). Of particular relevance is a documentation of the distribution impacts of these changes across stakeholders and beneficiaries. The impacts on women, particular in terms of work and income, should be identified and assessed. Similarly effects on the environment should be taken in to account, when relevant and possible.

ii. Provide an assessment of the project level results, and outline the reasons for success or failures.

The assessments shall be based on well defined objective indicators that are common for the comparable interventions. The result indicators used for assessments and comparisons shall be common for different types of businesses, as between small and large businesses or institutions. If they differ, for example because of different guidelines for Norwegian donations and commercial investments, or different contexts and regulatory frameworks in partner countries, that should be explained in the final report. Assistance that has been influenced by internal conflicts or war should especially be identified and such contextual challenges clarified.

The assessments shall identify the result chains for long-term effects. When relevant the assessment of the assistance to individual companies should cover the full period from the grants for pre-studies to possible investments and business operations, and in particular identify the risk management strategies used in the different stages of the project[158].

Changes that take place over time is often be related to other external factors than conflicts/war. The evaluation team shall analyze how these external factors or processes have influenced the results. Included herein are the changes in partner countries' policies and institutional arrangements, privatization policies, interventions by other Donors, changes in the market conditions, and access to inputs such as energy and credit.

The evaluation shall identify how the performance and interactions of the different Norwegian public institutions and their partners in the value chain, including private

158 Assistance to enterprises may start after the planning process and be based on "un-normal" risk criteria as the enterprises have to assess the whole risks themselves.

commercial and not-for-profit organizations, have influenced the results. The perception among private sector users of the services delivered by different public actors should be a key indicator. In addition, the evaluation shall assess the quality and effectiveness of the monitoring and reporting routines of the involved public actors and, when relevant[159], how threats or risks have been handled by the responsible units. The response of Norwegian public actors to weaknesses and recommendations in mid-term project reviews, progress reports or other documents are of special interest in this context.

5.2 Assessments of instruments and the performance of actors

The evaluation shall focus on the following two instruments in Norwegian assistance to the Business sector development:

- Financial support provisions directly to enterprises and institutions, with focus on Norads provisions including the Match-Making Programmes (MMPs)[160]
- The Norwegian Investment Fund for Developing Countries (NORFUND), including investments in financial institutions and funds managed by others, in particular by Aureos Capital.

The evaluation shall provide a mapping of how these types of instruments have been used from 1999 onwards, how the actors have been involved and what their contributions to results in different contexts have been. The mapping will identify the main public and private, commercial and not-for-profit Norwegian actors and their partners involved in assistance or investments through these instruments. For Norfund it will also provide an overview of their investments in financial institutions and through Funds, including key fund managers in the South, and Norfund's assistance in capacity and competence building with focus on Africa.

Key evaluation questions are:

- What has been the performance of the financial support provisions, the match-making programmes and other forms of direct assistance as instruments to promote the efforts of the small and medium size Norwegian businesses who have been involved in trade (not including export from Norway) or have undertaken direct of indirect foreign investment in the Norwegian partner countries in the South?

The evaluation should give a clear description of the instruments and the interventions by the involved actors in selected four case countries and regions. This description should include the objectives and content, volume of resources, the time pattern, influence area, partners and cooperation with other donors and relationships to other relevant interventions taking place in the same geographical area.

- What has been the performance of the direct and indirect portfolio investments of Norfund, Aureos Capital and their partners, including the performance of investments made through regional or local funds and financial institutions?

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159 Risk assessments, mid-term reviews and normal reporting are not relevant for many short term financial support provisions managed by Norad. Investment assessments by Norfund and partners have also different requirements.
160 As support for feasibility studies, provisions for loans and guarantees, support for investment in basic infrastructure, training and marketing efforts

The emphasis shall be on Norfund's and Aureos funding of direct and indirect investments in Africa south of Sahara. The evaluation shall track the channeling of funds through the different involved partners to document the performance in terms of the different actors. A limited number of partner funds and investments will be selected for fact-finding regarding resource use and results. The evaluation shall also identify factors and forces which have influenced the design and implementation of the investments and capacity building efforts, and assess especially the quality of the Monitoring and Reporting routines for such actions.

6 Methodological Comments

6.1 The quality standard and evaluation criteria

The evaluation will be conducted in accordance with the mandate of the Evaluation Department and follow the norms and quality standards laid down in OECD/DACs evaluation guidelines[161]. The assessments will cover all of the internationally adopted DACs criteria of Relevance, Effectiveness, Efficiency, Impacts and Sustainability, as appropriated:

- Relevance then refers to the extent to which the selected projects, programmes or policy instruments were consistent with the Norwegian priorities and guidelines, and the needs and requirements of the beneficiary countries. These assessments should be based on the requirements that were relevant when projects/programmes was planned or implemented, not what has been required later on.
- Effectiveness refers to the extent to which the selected interventions have attained (or are likely to attain) their objectives, taking into account major factors influencing the achievement or non-achievement of the objectives
- Efficiency will measure the benefits/outputs or outcomes in relation to the resources/inputs. The expected benefits/costs in appraisals (ex ante) or project documents should be compared with the observed realities ex-post.
- Impacts refers here to long-term benefits or negative effects, intended or unintended
- Sustainability is the degree of or likelihood of continued long-term benefits of interventions and the resilience to risks after the intervention is undertaken.

6.2 The methodological design

Norwegian Business sector cooperation programmes have been a subject of reviews and evaluations in a number of earlier reports and studies. The evaluation will avoid duplication of work, and the discussion of the previous evaluations will be limited to a brief comparative overview of the main finding of the earlier studies. This evaluation shall draw on the previous work where relevant, and primary data collected in the evaluation shall be quality checked through use of appropriate triangulation strategies. The evaluation will focus on *results* of the assistance and be based on methods developed for measuring results of private sector development[162]. The consultant will reconstruct the *intervention logic* for the main policy instruments used in Norwegian Business assistance in consultations with the stakeholders involved in the policy development.

161 Including the guidelines in DAC Evaluation Quality Standards, March 2006
162 As for example the 2008 report from ITC of the ILO "Measuring and Reporting Results. The Reader on Private Sector Development.

One of the main methodological challenges will be that several interventions are not based on explicit or documented objectives, or a well formulated "programme theory" of how anticipated results will be achieved. Another methodological challenge is how to obtain information from a representative sample of Norwegian interventions which makes it possible to draw general conclusions. The Norwegian business related assistance has covered more than 80 different countries and a very complex mix of interventions in very different contexts. The main alternative strategies for designing the evaluation have therefore been to do a limited number of thorough case studies or a broad more "superficial" study.

The proposed design is a methodological compromise and based on a case study design which covers four of Norway's partner countries. It will be supplemented by a study at regional level in Africa south of Sahara which focuses on the assistance through Norfund and partners, as Norfund so far has not been broadly involved at country level. New primary data will be collected mainly through field studies in these four countries and on regional level in Africa south of Sahara.

6.3 The case country studies

The four partner countries proposed for in-depth case studies are Bangladesh, Sri Lanka, South Africa and Uganda. Norway has been involved for a long period in all of these countries with comprehensive assistance programmes for business sector development. The aid has covered both small and large enterprises in various sectors, direct investments and assistance on the development of policy frameworks and institutions. Sri Lanka and Uganda were identified as key nations early in the implementation phase of the NIS strategy. South Africa has the largest number of Norwegian businesses establishments supported through the Norwegian assistance. This is also a country where the business climate differs from the three other country cases.

6.3.1 Assistance to enterprises

The *Bangladesh case-study* should cover 3 Norwegian investments in the telecom, cement and energy sectors (Grameen Phone & Telenor, Scancem, Solør Treforedling and/or ABB), a microfinance project organised by Strømme Foundation, and 3 smaller projects in jute and other industries selected at the end of the inception phase. The study in Bangladesh should also include one enterprise related project involving Fredskorpset.

The case studies in *Sri Lanka, South Africa and Uganda are good candidates for assessments of different types of* ***direct assistance to enterprises.*** *Case studies in Sri Lanka and South Africa* are especially relevant for assessments of the financial support provisions and the Match Making Programmes, including the performance of the administration of the MMPs by Innovation Norway and a private company. The evaluation should cover in each of these two countries 3 projects through the Match-Making Programme and 20 projects where enterprises have got financial support for feasibility studies after 1999. 20-30% of the enterprises that got support for feasibility studies have normally follow up with investments. The analysis should follow up the later phases in business developments to clarify if – and why – investments and productions have become a reality or not. It is important to investigate why actions have taken place or not, and the short and long-term outcome and impacts of investments. The selected enterprise projects should cover the sector elements given priority in the recent White Paper, but also 3 randomly selected projects. Among the selected projects in Sri Lanka will be 3 of 4 projects by Trondheim Energiverk, Hydrogas, Green Farms and ABB. The number of projects to be included and the final selection of projects will be decided at the end of the inception phase when information will be available on how many of the supported feasibility studies have resulted in investments. It is, however, important that the evaluation covers at least 6 investments that have become a reality (3 in each of Sri Lanka and South Africa).

These two studies of enterprises in Sri Lanka and South Africa should be supplemented by studies of the support to 3 enterprises in ***Uganda*** with focus on agri-businesses (Jambo Roses Ltd, Gilde Norsk Kjøtt and Green Resources). The study of the assistance by Fredskorpset to enterprises should be limited to two projects in each of these three countries.

6.3.2 Institutional capacity building

Case studies in Sri Lanka, South Africa and Uganda makes it also possible to evaluate different types of assistance to business related institutions and commercial association. Norway has given long-term assistance to build capacity in local business and trade associations in Sri Lanka, and especially to a District Chamber of Commerce (in Hambantota). Long-term institutional assistance on national level has also been given in South Africa and Uganda. The later assistance has been channeled through The Norwegian Confederation of Norwegian Enterprises NHO to their partner organizations in these countries. The case study in *Uganda* can in this case draw on the ongoing review of NHO's programme in that country.

The intention is that each country study should include at least three *Norwegian investments and one major project related to institutional capacity building.* The sample of enterprise projects to be covered will emphasise the sectors that have high priority in the recent White Paper. The final selection of projects or programmes will be finally approved by EVAL in the inception phase.

6.4 The regional study of investments and capacity building through Norfund and partners

A key issue is the results of Norfund's investments and capacity building efforts, directly or through separate financial institutions and private equity funds managed by others. The evaluation of Norfund will especially include the activities of funds managed by Aureos Capital. It will follow the resources from Norfund through Aureos-managed funds and other financial institutions to the underlying enterprises, and assess the results of a sample of their investments with focus on funds, institutions and investments in Africa south of Sahara. The evaluation should assess the results of Norfund not only by the goals given in recent budget or programme documents, but by aggregated result data from a sample of individual investments during the last 5-10 years. The assessments will be according to DACs criteria, with emphasis on value creation, development impact and cost-efficiency. Potential catalytic effects of actions together with sister organizations should also be clarified, but with fact-finding limited to cooperation in Africa south of Sahara. The sample of financial institutions and regional/local private equity funds will cover investment activities and capacity building especially in Uganda, but also on regional level. The final sample will be decided at the end of the inception phase after an assessment of the evaluation team. When relevant the results from the evaluation of Norfund should be compared with the case country studies, looking for general patterns or dissimilarities in the results and the quality of Norwegian assistance.

7 Evaluation team and tender process

The tender process will be international and in accordance with EU rules. The main competition criteria will be the quality of team, the design and methods proposed, the quality assurance system, availability of team members and price as specified in the tender document.

All members of the evaluation team are expected to have relevant academic qualifications and evaluation experience. In addition, the evaluation team shall cover the following competencies.

Competence	Team Leader	At least one member
Academic	Higher relevant degree.	
Discipline	Relevant disciplines	Economics, investment analysis
Evaluation	Leading multi disciplinary evaluations	Impact assessment methods, institutional assessment
Sector	Private sector finance	Energy, private equity management, renewable resources/agrobusiness, infrastructure,
Development Cooperation	Yes	Yes
Country/region	Developing countries	Southern Africa, South Asia
Language fluency		
English	Written, Reading, Spoken	
Norwegian		Reading, Spoken

The evaluation team should as far as possible, include both international and experienced local consultants from the South.

8 Budget and deliverables

The project is **budgeted** with a maximum input of 60 **person-weeks (5 days & 42 hours).** The **Deliverables** in the consultancy consist of following outputs:

- Work-in-progress reporting **workshops** (maximum 2) in Oslo, arranged by the EVAL on need basis.

- **Inception Report** not exceeding 30 pages shall be prepared in accordance with EVAL's guidelines given in *Annex A-3 Guidelines for Reports.* It will be discussed with the team and the relevant stakeholders before approval by EVAL.
- **Draft Final Report** for feedback from the reference group, stakeholders and EVAL. The feedback will include comments on structure, facts, content, and conclusions.
- **Final Evaluation Report** prepared in accordance with EVAL's guidelines given in *Annex A-3 Guidelines for Report.*
- **Seminar for dissemination** of the final report in Oslo or in the case countries, to be arranged by EVAL. Direct travel-cost related to dissemination in the case countries will be covered separately by EVAL on need basis, and are not to be included in the budget.

All presentations and reports are to be submitted in electronic form in accordance with the deadlines set in the time-schedule specified in the *Tender specification*. EVAL retains the sole rights with respect to all **distribution, dissemination and publication** of the deliverables.

Annex 2: The Methodology for the Evaluation

1 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.
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.

2 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 organizations, 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?

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.

3 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).

4 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	620 projects 1994-2009 in Sri Lanka and South Africa	15% random sample of companies which made an active matching visit 1999-2009 in both countries	**A. Good** – sufficient random sample **B. Good** – extensive available 'result records'; telephone interviews with Norwegian companies and selected company visits in Sri Lanka and South Africa. **C. Good.** Repeated internal assessments by ABP and external evaluation 2003
Application based support	110 projects 1999-2009 for 80 companies in the four countries	20% random sample of companies provided support 1999-2009;	**A. Good** – sufficient random sample. **B. Good** – review of extensive records, telephone interviews with Norwegian companies and selected visits to companies in the four countries. **C. Fair** triangulation with a study 2009 but no systematic results-reporting by Norad
Norad soft loans	13 active loans to 12 companies/ organizations as of 31.12, 2000, the end of the programme	All projects except one reviewed	**A. Good.** All but one loan included. **B. Good.** All companies available interviewed and visited, and underlying documents in Norad/ Norfund reviewed **C. Weak.** No systematic result reporting or external evaluations
NHO facilitation programme	About 30 attempted projects in Uganda	Follow of all projects deemed 'alive' in mid 2009 by NHO	**A. Good** – all projects alive **B. Good** – follow up in field work with most projects **C. Good** Recent report (2009) as a review by independent consultants

Programme	Population	Sample system	A. Representativeness B. Robustness of results C. Triangulation
Norad institutional support	About 20 projects identified from available records	Selection of a theme in each country, limited to one project	**A. Poor** Database unreliable. Chambers of Commerce selected for Sri Lanka not Norad, but embassy. No follow up in Bangladesh **B. Poor,** only 2 projects of which in preparation stage (Uganda) **C. None** available
Embassy projects	Diverse: projects and programmes identified by embassies., No such projects in South Africa	Almost all projects in Bangladesh and Uganda, Only chamber support in Sri Lanka.	**A. Good,** near 100% cover in Bangladesh and Uganda. **B. Good** Visit and interviews with projects and organizations; extensive documentation **C. Good.** Several previous reviews and evaluations
Strømme Foundation	SF's micro finance operations 2002-2009 in Bangladesh, Sri Lanka and Uganda.	Organizational reviews and limited sample of client MFIs in Uganda and Sri Lanka only	**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.
FK Norway	Some 12 business related exchanges	Majority of projects in all countries	**A. Good** **B. Fair.** Extensive documentation in FK Norway; interviews stakeholders **C. Weak.** No external review available except general study of FK Norway 2006.

5 Definition of terms and a standard assessment sheet used for the evaluation

Below is the standard format used through-out the case country studies. 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
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 organization	0-5	E.g. institutional development of private sector organizations such as chambers of commerce
Employment direct	0-5	Employment in companies or organizations 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

Assessment criteria	Rating	Explanation
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 organizations (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 organizations 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)
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 organizations 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

Assessment criteria	Rating	Explanation
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 organizations
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 1999 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)
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 3:
Primary and Secondary Sources of Information for the Evaluation

Persons met in Norway

Persons met in the case countries are listed in the Country reports

Organization	Name	Title
Ministry of Foreign Affairs	Mette Masst Johan Sørby	Senior Adviser Programme Manager Uganda
	Arne Folleräs	Adviser
Norad	Bjørn H. Eriksen Christian Fougner Dag Larsson Tor Morten Sneve John Tore Vatnar Hans Henrik Thaulow Åshild Strand Vigtel Asbjørn Eidhammer Jon Teigland Britt Fisknes Hans Petter Melby Geir Hermansen Kaja Stene Tore Selvig Elin Røhme Bente Humberset	Director, PSD Department Dep. Director PSD Dept Senior Adviser, PSD Senior Adviser, Energy Coordinator, Oil for Dev. Senior Adviser Senior Adviser Director Evaluation Department in Norad Senior Adviser Senior Adviser
Norfund	Kjell Roland Elizabeth Lee Marinelli Elin Ersdal Mark Davis Kjartan Stigen Marianne Halvorsen Sarita Bartlett	Managing Director Head of Department, Financial Institutions and Funds Head of Department, Direct Investments Investment Director Investment Director Investment Manager Investment Manager SEG
Information Office for PSD	Erik Strømsøe Halvard Lesteberg	Head of Office Senior Adviser
Innovation Norway	Gunn Wenche Andersgaard	Team Manager
	Eivind B Nyhuus	
	My Ngo	

Organization	Name	Title
FK Norway	Helge Espe	Deputy Director General
	Live Bjørge	Head of Department
	Vigdis Holm	Programme Officer
Confederation of Norwegian Enterprise (NHO)	Tori Tveit Niels Christian Nøckleby Åsa Sildnes Inger Ostby	Head of PSD Secretariat Director NHO Uganda Programme 2003 - 2009 Programme Director Assistent Director
Strømme Foundation	Lars Erik Harv	Microfinance Director
	Johannes Sannesmoen	Consultant
Nordic Microfinance Initiative	Richard Weingarten	CEO

Documentation

Documents consulted for the main report. For documents consulted in country report and the environment-climate study, see these reports

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Econ Pöyry (2007): *Organisering av arbeidet med næringsutvikling i utviklingsland*.

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Forss, K. et al (2003): *Enterprise Development Programmes in Tanzania and Zambia*

ILO (2008) "*Measuring and Reporting Results. The Reader on Private Sector Development*

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Lindahl, C. (2009): *Business for Development. En kartläggning av svenskt B4D och några tankar kring ett meta program*

Mahy, Burley and Haider (2008): Bangladesh: Final Evaluation of the South Asia Enterprise Development Facility

Ministry of Foreign Affairs (1998): *Strategi før støtte til Næringsutvikling i Sør*

Ministry of Foreign Affairs (2007): *Aid for Trade – Norway's Action Plan*

MRAG et al, (2008): *Evaluation of Norwegian Development Cooperation in the Fisheries Sector*, Norad

Nexus Associates (2008): SEDF Impact Assessment.

NHO (2008): *Sekretariatet for Næringslivsutvikling i Sør - Rapport for 2008 og Planer for 2009*

Norad (2009): Resultatrapport 2009 - Bistand og økonomisk utvikling: ringer i vannet eller dråper i havet

Norad (2009): *Årsrapport 2008*
Norad (2009): *Retningslinjer for tilskudd til nærings- og handelssamarbeid.*
Nordic Consulting Group (2005): Review of Norwegian Private Sector Development Instruments
Nordic Consulting Group (2009): *Kartleggning av Norads støtte til forundersøkelser.*
Nordic Consulting Group (2009): *Review of the NHO PSD Program and the Cooperation Program with FUE*
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Norfund(2009): Bidrag til Utvikling 2008
Norplan (2003) *Review of Norad's Matchmaking programs in Sri Lanka and South Africa*
NOU 2008: 14 (2008): *Samstemt for Utvikling? Hvordan en helhetlig norsk politikk kan bidra til utvikling i fattige land.*
NOU 2009:19 (2009): *Tax havens and development.*
PEM Consult & Norwegian Institute of International Affairs (2006): *Evaluation of Fredskorpset*
Sigvaldsen E., Odara A. and Fougner C. (May 2007): *End Review of Norwegian Support to Pride Uganda*
Sigvaldsen, E. and Obara, A. (2009): *Review of NHO PSD Programme and the Cooperation programme with FUE Uganda*
Solheim, E. (2006): Opening address at the business sector conference on development cooperation, Felix Conference Centre, Oslo, 14 February 2006
Solheim E. (2007): Africa needs a green revolution", Speech held on 30 August, 2007
Solheim E. (2008): Norwegian Development Assistance in 2008 - Priority Areas, extract from MFA budget proposal for 2008.
Stortingets Medling nr. 67 (1998-99)
Stortingets Melding nr 35 (2003 – 2004)
Stortingets Melding nr. 10 (2008–2009) Næringslivets samfunnsansvar i en global økonomi.
Stortingets Melding nr 13 (2008-09): Klima, konflikt og capital. Norsk utviklingspolitikk i et endret handlingsrom
Strømme Foundation Microfinance Dept (2009): *Annual Report 2008*
Teigland, J. (2009): Background memo: Evaluation of business-related assistance
Tenga, T. and Mersland, R. (2008): *Organizational Review of Strømme Foundation,* Norad Review 14/2008.
UNIDO(2009): *Independent Evaluation Uganda*
United Nations (2004): Unleashing Entrepreneurship – making Business Work for the Poor
Vislie, K. and Uthusli, T. (2009): *Gjennomgang av Veiledningskontoret for næringsutvikling i sør*
World Bank (2005): A Better Investment Climate for Everybody.
World Bank (2009): World Development Indicators 2009

Annex 4: Stakeholder Responses to the Draft Evaluation Report and Our Comments on These

Note that the comments are only those concerning the Synthesis Report.

Stakeholder	Main comments	Devfin response
Norad EVAL	'EVAL commends the team for extensive work done, delivery on time, systematic assessments, and findings, conclusions and recommendations which without doubt will be of value for Norwegian stakeholders and decision makers.' A number of points are given below to improve quality.	
	1. Summary should focus more on key evaluation questions, results, performance, cost-effectiveness indicating the most important recommendations, targeted to the stakeholders…	1. Summary modified according to EVAL's guide
	2. Team should go through the reports to draw additional lessons and recommendations beyond what is done.	2. This has been done
	3. Recommendations should be more actor specific and specific, draw upon the recommendations in the country reports	3. Recommendations in final report are elaborated in line with this. A split is made between policy/ strategy recommendations and operational
	4. The findings of the evaluation seems to imply that the aid cost per new job is in the order of NOK 0.5 million. What is the logical conclusion of this?	4. Such a conclusion cannot be drawn as there is a wide variety of types of employment created. Direct, formal sector jobs are, nevertheless, rather few, but aid cost is much less than NOK 0.5 million. (Examples given in text for different programmes)

Stakeholder	Main comments	Devfin response
	5. The 'micro-macro paradox' could be a more important part of the result presentation	5. There is really no micro-macro paradox, but only a realisation that micro interventions very rarely lead to any significant impact on economic growth, poverty reduction, etc. The issue is designing micro interventions which do have significant impact at macro level due to ripple effects. This is elaborated extensively in the report.
	6. Conclusions are not always substantiated by findings and analysis, and recommendations not always followed logically from conclusions.	6. The report has been reviewed from this perspective, and clarifications for findings and conclusions added when required.
	7. The 'comparability problem' (between instruments and countries) could be stressed in the introduction	7. A valid point which is now discussed in the introduction chapter and followed up at other places
	8. The monitoring and reporting system of Aureos and Norfund should be better described.	8. Aureos system (based on CDC) is indicated in box 4 of the text. The same M&E system is being implemented by Norfund
	9. The differences concerning responsibility between so called 'embassy-level support' in Sri Lanka and Bangladesh is confusing and be clarified	9. The problem has a background in the organizational reform 2004. We have tried to explain the issue of responsibility more clearly
	10. There should be a higher degree of transparency in how cost-effectiveness is assessed. For example, the claimed cost-effectiveness of the IOPSD should be substantiated	10. This is added
	11. There is no comparison of cost-effectiveness between the three models of MMP (Sri Lanka, South Africa And NHO in Uganda), and the forthcoming recommendations in the Sri Lanka report of improving the effectiveness is not followed up.	11. Such a comparison would not be prudent, given the differences between the countries. However, the Sri Lanka MMP has inherent strengths by working through a local organization. This is now elaborated in the text. Also this is a means by which the MMP could become more cost-effective as a development programme. This is elaborated in the report

Stakeholder	Main comments	Devfin response
	12. It would be interesting to see what Norad requires from its partners (such as SIVSA), own projects and Norfund in terms of tracking development effects. Is it correct that SIVSA requires such as system while NUMI does not?	12. It is correct, but the comparison is not valid: SIVSA has a long-term framework agreement with Strømme, while NUMI supports often small, short-term diverse projects under the ABS.
	13. To avoid critique for undue generalisation, the report should clarify better the underlying population and sampling methods	13. This was shown in an annex to the report, now highlighted and elaborated in the text throughout.
	14. The reports should explicitly clarify information sources and its ability to triangulate.	14. The report has been edited with this in mind
	15. A number of formality points (correct figure numbers, acronyms, explain professional terminology, etc.)	15. These are checked and edited in the report
NUMI (unsigned)	A very critical set of comments, especially related to the report's assessment of NUMI's handling of HSE and CSR in the ABS programme. Allegations of unprofessionalism of the consultants.	
	1. Lack of coherence between sub-reports and main report. Often unfounded statements in the latter.	1. We disagree with this statement. No examples given. Nevertheless the main report has been revised to more clearly make reference to evidence for its conclusions.
	2. We would have expected the team to be more humble in drawing general conclusions as the evaluation based on only four case countries, of which only two are LDCs.	2. A more detailed discussion on representativeness of the case countries and samples is included in the final report. As shown in the final report, the case for generalisation especially for most of the NUMI programmes is good.
	3. Consultants are either not familiar with the policy directives for næringslivsordningene, or if familiar, make unfounded allegations of 'weak systems and lax attitudes concerning cross-cutting issues', raising question of flaws in the Consultant's way of working.	3. We are familiar with these directives. The basis for the statement in the draft report is not the policies or guides, but the implementation and especially the lack of systems for monitoring of adherence to guide and policy. This has been expressed more clearly in the final report.
	4. Consultants are critical of repeated support under ABS to same company. This, however is in line with policy	4. True, but this is in our view a policy weakness further elaborated in the final report

Stakeholder	Main comments	Devfin response
	5. Report claims Norad's assessment of HSE in underlying projects tend to be weak. This is unfounded given the policy directives and procedures indicated above. (This is repeated in several points by Norad/NUMI)	5. See our response under 3 above
	6. There is contradiction in the text concerning Norad loan to Telenor in terms of its additionality.	6. The report reiterates only the classic dilemma in determining the counterfactual. Our overall conclusion is, nevertheless, that Norad was instrumental in the case of Telenor.
	7. The Consultant demonstrates a lack of understanding when it comes to what an extent micro interventions can be read as quantifiable impacts in statistics on the macro level.	7. We have not assumed such measurable impact. Only that there should be a plausible causal linkage between higher development goals and the specific project, which we believe there is not for most of these projects.
	8. The statement in the draft report that 'there is no systematic monitoring of CSR and HSE practices by Norad' is difficult to understand given the actual work	8. The final report tries to better explain the difference between policy/guides, and actual follow-up of company performance, i.e. the lack of a monitoring system for assessing outcome and impact of, for example, ABS
	9. Chapter on recommendation needs to be rewritten due to the various allegations and misunderstanding in previous chapters. The consultants should also take a more humble approach in its generalisations due to the limit to only four case countries	9. We disagree that the draft contains unsubstantiated allegations and misunderstandings, and have, when unclear, made the report more clear on these points, including in the final chapter. We also believe the case material is sufficiently representative to do generalisations as indicated through out the report.
NUMI (Dag Larsson)	1. Solid work, comprehensive, with generally good values. Problem that conclusions are made from the selected countries.	1. Selection of the case countries are given in the ToR. The representativeness of these is further discussed in the final report.
	2. Various factual mistakes indicated	2. These have been corrected
Embassy Bangladesh	No comments delivered on the synthesis report	
Embassy South Africa	No comments delivered on the synthesis report	

Stakeholder	Main comments	Devfin response
Embassy Uganda	1. The impression of the report is that the team has an a priori conclusion of strengthening Norfund at the cost of other options, which makes the report less relevant and less credible.	1. None in the team has such an a priori bias, nor would the team members' professional background indicate even a subconscious bias. Furthermore, it is a misunderstanding that our recommendations favour Norfund. It rather separate out different roles in PSD based on comparative advantages by the players, a division which, furthermore, an increasing number of donors adhere to today.
	2. The report lacks highlighting the role the embassy has done at macro level to pave the way for success at micro PSD level (examples given).	2. This is a valid point. However, this reflects the design for the evaluation as laid down by the ToR.
	3. Some factual mistakes indicated	3. Corrected
	4. Report states that embassy has not been pro-active (versus Pride Uganda). We disagree and consider embassy highly pro-active	4. We stand by our assessment.
Norfund	Congratulations to a very comprehensive and interesting report'	
	1. Some factual mistakes indicated	1. Corrected
	2. The recommendations in the report need to be discussed with the Norfund Board, before Norfund makes a statement on these.	
FK Norway	1. Some factual mistakes are specified, which might lead to different conclusions concerning 'the costs' of the programme	1. These factual mistakes have been corrected.
	2. The conclusions in the country reports concerning FK Norway are not reflected in the main report. A summary view on FK Norway would be useful	2. This has been included in the final report
NHO	1. We lack a discussion on multilateral support for example through the banks, and trade.	1. Neither of these subjects was included in the ToR. Multilateral support was explicitly excluded.
	2. The report could more precise in its findings.	2. The final synthesis report has taken note of this
	3. Agree with recommendations in the report that Norad and embassies should focus more strongly on the 'enabling environment' issues.	3.

Stakeholder	Main comments	Devfin response
	4. Disagree with the report recommendation that Norfund should be provided with NOK 10 billion from Statens Pensjonskasse.	4. The report has no such recommendation, but only noticed that this appears to be a Norwegian government plan.
	5. The recommended organizational changes of Norwegian PSD needs to be subject for further analysis in the context of the recently undertaken (ECON) organizational evaluation	5. We agree and have added a line of this in the final report (see also comment from Innovation Norway)
Innovation Norway	We are overall happy with the evaluation	
	1. Some factual mistakes are indicated.	1. These have been corrected
	2. Report states 'MMP Sri Lanka is outperforming South Africa' – this needs to be qualified due to differences of the countries.	2. The report contains a further discussion on this
	3. Recommendations of the organizational reform should be discussed further, also in the context of the ECON evaluation	3. We agree and have added a line on the latter. (See also NHO's comments)
Advance Business Partners	1. Result-analysis based on too narrowly defined results parameters, but also indicators beyond the responsibility of the implementing agencies. Suggests a different 'results-measurement'.	1. This issue, discussed throughout the evaluation with ABP, has been taken further note of in the final report.
	2. Devfin has not drawn the conclusions that MMP Sri Lanka is better performing… Hence a private company has comparative advantages to run MMPs.	2. Agree that ABP has been effective, but we cannot with confidence claim this to be a general truth given the different country situations
	3. Norad is a better owner of MMP than Norfund would be (as suggested in the report) of different stated reasons	3. Recommendation in the report concerns the whole package of direct business support in which MMP is an integral part.

EVALUATION REPORTS

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 Effective-ness 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 Coopera-tion1994–1997
5.99 Building African Consulting Capacity
6.99 Aid and Conditionality
7.99 Policies and Strategies for Poverty Reduction in Norwegian Develop-ment 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 Coopera-tion1988–1997
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 theNorwe-gian 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 in Develop-ment 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)
3.09 Study Report: Evaluation of Norwegian Business-related Assistance Sri Lanka Case Study
4.09 Evaluation: Evaluation of Norwegian Support to the Protection of Cultural Heritage
4.09 Study Report: Norwegian Environmental Action Plan
5.09 Evaluation: Evaluation of Norwegian Support to Peacebuilding in Haiti 1998–2008
6.09 Evaluation: Evaluation of the Humanitarian Mine Action Activities of Norwegian People's Aid
7.09 Evaluation: Evaluation of the Norwegian Programme for Development, Research and Education (NUFU) and of Norad's Programme for Master Studies (NOMA)

1.10 Evaluation: Evaluation of the Norwegian Centre for Democracy Support 2002–2009
2.10 Synthesis Study: Support to Legislatures

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: 500
postmottak@norad.no
www.norad.no