

## ***Squaring the Circle of Impact, Interests and Politics:***

### **A niche for Norway within poverty eradication, sustainable development and global public goods**

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## *Prepared for the Civita Project on Norway's Development Policy*

### **Abstract in English and Norwegian**

Development cooperation deals with long-term issues of political economy, investments, technology, power and society-building. The dominant diffusion of aid on a multitude of goals, fashions and stakeholders is ineffective. All actors in international development cooperation want to do too much. This is typical of a policy that is financed by tax transfers, driven by lofty goals and ideologies, and aimed at results that are far away and which cannot be fully documented because of the small size of aid and its flexibility and fungibility: Aid can be used for anything and everything, which is its strength and its weakness. The gap between goals and promises on one hand and results and reality on the other is glaring.

Development cooperation must impact poverty, enhance donor interests in global public goods and engage all stakeholders in the politics of sustainability. Over the decades, Norway has used its development policy and aid proactively for these purposes on top of the humanitarian desire to do good for the world's poorest. The huge goals and thin spread produce symbolic policies and ineffective aid. The broad narrative for Norwegian development policy and aid has survived due to increasing aid volumes, highly diverse stakeholder interests in the use of aid, and a surprising combination of support and distrust by citizens of the results achieved. A new political narrative is needed.

Norway must link its development goals directly to its means. Three strategic options seem available: a) Norway is *the white knight* attacking extreme poverty and human rights violations wherever they occur. This option is, however, likely to enhance the gap between goals and results. b) Norway is an *international welfare state* redistributing wealth to poor countries and their elites. This option faces the dilemma of supporting local ownership in contexts where local elites are not concerned about poverty, equity and rights. c) Norway is a *world actor* in pursuit of long-term Norwegian interests where poverty reduction, sustainability and global public goods interact. This option is feasible and politically relevant, if based on clear strategic choices. Norway cannot do everything.

Under the third option, Norway should: 1) focus its international development policy and its bilateral aid on a few of the approximately 60 least developed countries (LDCs) and fragile states; 2) engage in focused multi-stakeholder partnerships (MSPs) in LDCs (aid-supported) and in middle-income, emerging economies (without aid); 3) strengthen its political, institutional and, if possible, commercial presence in a few LDCs and fragile states, supporting local political-economic actors and movements; 4) focus its development policy and aid on the global public goods that are of long-term interest to Norwegian society; 5) work to make recipient-led MSPs more effective and democratic through results-based delivery mechanisms; and 6) aim its political strategy and narrative on activities that have a direct impact on poverty reduction and sustainability in those countries, where aid makes the biggest difference, and on the provision of global public goods that are of long-term interest to Norway and of direct importance to sustainable development and poverty reduction in LDCs and fragile states.

## Sammenfatning på norsk

Utviklingssamarbeid handler om politisk økonomi, investeringer, teknologi, makt og samfunnsbygging – langsiktige prosesser uten kjappe løsninger og muligheter for raske resultater. Likevel spres bistanden fra et utall givere til svært mange mottakere på utallige måter, for å nå et utall mål - og helst i en fei. Det er ikke effektivt.

Alle ønsker å oppnå altfor mye på en gang. Det er slett ikke særnorsk, men det preger tydelig også norsk bistand og utviklingspolitikk. Mye av grunnen kan være at bistanden er finansiert av skattepenger og følgelig drevet av gode ønsker om å nå høytsvevende mål. Dessuten er bistand et felt der resultatene er fjerne og ofte udokumenterbare, fordi betydningen som regel er relativt liten i forhold til andre utviklingsdrivere. Legger man penger i et godt formål, er det dessuten ingen garanti for at den totale pengebruken til formålet øker tilsvarende – landet selv kan velge å flytte sine egne penger til et annet formål.

Bistandspenger er veldig fleksible for både givere og mottakere. De kan brukes til nær sagt alt, nesten overalt. Det er både en styrke og en svakhet. En styrke fordi det åpenbart gir mange muligheter. En svakhet fordi fristelsen til å spre det tynt utover på alt som er godt og politisk attraktivt, dessverre ofte blir for stor. Avstanden mellom visjon og virkelighet, mellom mål og resultater, er sjeldent større enn nettopp i internasjonalt utviklingssamarbeid.

Utviklingssamarbeidet må brukes til å adressere fattigdom og øke både rike og fattige lands innsats for globale fellesgoder og bærekraftig utvikling. Dette har alltid vært styrende for norsk bistand, i tillegg til å gi nødhjelp til de som rammes av katastrofer. Vi har kommet til en situasjon der nærmest alt og alle skal med. De store målene og spredningen av både faglige og økonomiske ressurser på alt som er godt, har ofte resultert i symbolpolitikk og ineffektiv bistand.

Den norske bistanden baserer seg på gode ønsker og uttrykk for solidaritet med land og folk som er langt dårligere stilt enn Norge og nordmenn. Dette er flott, men det er underlig at denne motivasjonen er upåvirket av at bistanden er flerdoblet på et par tiår og at buketten med bistandsaktører er blitt svært sammensatt. Støtten til bistand i det norske samfunnet er massiv, samtidig er det stor skepsis i befolkningen til om bistanden gir resultater. Støtten bør ikke tas for gitt. Det er behov for å se nærmere på begrunnelsene for valgene i bistanden: fra gode ønsker om å gjøre godt overalt, til å bruke ressursene der de kan oppnå mest. Det krever en ny bistandsfortelling.

Norge må i større grad knytte målene til virkemidlene. Og Norge må velge. Tre mulige strategiske valg er:

- a. Rendyrking av rollen som den hvite ridder som angriper ekstrem fattigdom og brudd på menneskerettighetene hvor enn det skjer i verden. Dette valget vil sikkert øke avstanden mellom mål og konkrete resultater. Det er en stor risiko for at betydningen blir større i den hjemlige debatten enn i den vanskelige verden der ute.
- b. Norge kan satse på å bli en slags internasjonal velferdsstat som bruker bistandsbudsjettet til å omfordele velstand til fattige land. Det er samtidig anerkjent at lokalt eierskap til løsningene er viktig for å få til langsiktig utvikling. Da er det ikke til å unngå at mye av pengene og samarbeidsinnsatsen tar veien om landenes elite. Faren er at eliten i fattige land ikke alltid har fattige folks ve og vel øverst på sin agenda.
- c. Norge kan velge seg ut noen områder der vi potensielt kan bli en betydelig verdensaktør. En slik tilnærming kan ivareta Norges langsiktige interesser i redusert global fattigdom, bærekraftig utvikling og ivaretagelse av globale fellesgoder (klima, helse, fred, politisk og økonomisk stabilitet mm). Men dette fordrer avgrensning. Norge kan ikke gjøre alt overalt.

Det tredje scenarioet kan bli effektivt og få støtte fra både befolkning og politikere. Et ønske om å bli en verdensaktør på utvalgte områder, bør følges opp med å:

1. Konsentrere bistanden om noen få av verdens aller fattigste land og sårbare stater.
2. Ha en langsiktig tilstedeværelse i disse få landene og støtte økonomiske og politiske aktører på deres premisser. Det norske engasjementet må ta hensyn til at fattigdom har flere dimensjoner enn mangel på penger til å dekke daglige materielle behov.
3. Satse på politisk, institusjonell og kommersiell tilstedeværelse for å følge opp lokale samarbeidspartnere. Partnerne finnes der, men det krever tilstedeværelse å finne de rette, og langsiktighet for å utvikle partnerskap som gir resultater.
4. Konsentrere utviklingspolitikken og bistanden om de globale fellesgodene som i det lange løp også gagnar det norske samfunnet.
5. Delta i noen få store partnerskap med andre land, private investorer og multilaterale organisasjoner, der mottakerne selv har et reelt eierskap, og Norge bruker sin stemme til å fremme resultatbaserte mekanismer for å oppnå mer effektivitet, åpenhet og demokrati.
6. Prioritere land der bistand har størst betydning. Det vil i praksis si de fattigste landene og de mest sårbare statene.

## OVERVIEW: A STRATEGIC CHOICE FOR NORWAY'S DEVELOPMENT POLICY

Norwegian aid and development policy-makers need to address three challenges:

- *There is an ever-increasing gap between goals and implementation:* The goals of international development cooperation have constantly been expanded, while aid resources remain stagnant and decline relative to other flows to developing countries. Aid is spread on ever-expanding goals, objectives, strategies, themes, countries and stakeholders.
- *The call for local ownership of development and aid is hypocritical, since it is combined with continued donor control of allocation and delivery and with overload and complexity of the aid delivery system.* Support for poverty reduction through local ownership of development has for decades been the dominant narrative in OECD's Development Assistance Committee (DAC), i.e. the donors club. However, donor countries have tended to speak with two tongues in their development policies, calling for local ownership, while pursuing explicit donor priorities and donor-controlled aid delivery. Some donor governments, such as the US and France, have been open and transparent in their pursuit of national interests – both political-ideological and economic-commercial. For them, international development policy has always been an effective tool in their foreign policies.
- *The current political narrative of locally owned and managed poverty reduction faces inefficiencies and declining legitimacy, because both donors and recipients of aid use international development cooperation for an increasing variety of purposes related to international politics, economic globalization, security, etc.* The prevailing aid narrative does not fit with the aspirations of Northern taxpayers and the ambitions of Northern politicians, nor with the changing power structures in international politics (including the self-confident 'Southern' nation states and political elites) and the practice of stakeholders in international development cooperation that is characterized by organizational self-interests.

Norway needs to find a new place in this changed international framework, while still preserving the strengths of aid (ODA, official development assistance). Norwegian long-term interests in the provision of global public goods, such as financial, political and social stability, should be recognized, and ways should be found to enhance the impact of development cooperation in the form of influencing societal change on the ground. The challenge of squaring the circle of impact, interests and politics can be solved through a niche for Norway within poverty eradication, sustainable development and global public goods in the poorest countries.

The group of 'like-minded, progressive donor countries', which is also called 'Nordic+', remains the strongest proponent of the existing aid narrative. The group has included the Nordic countries and – from time to time – Canada, Ireland, the Netherlands and the UK. Jointly with the DAC Secretariat, these governments have retained poverty reduction as the overriding goal of ODA. They have pushed for international frameworks for development cooperation, including over the past decade, the Paris, Accra and Busan agreements on aid and development effectiveness, and the Global Partnership for Effective Development Cooperation. These frameworks emphasize "Ownership of development priorities by developing countries: Countries should define the development model that they want to implement." (OECD-DAC, 2014a)

Norway has been a leader in Nordic+ and the group of like-minded donors, in terms of ODA volumes and the rhetoric of ownership by developing countries. Around 1990, when most donors and the international development community pursued structural adjustment and good governance, i.e. Western models of economy and society, Norway launched *recipient responsibility* as an advanced form of national ownership with accountability towards the citizens of developing countries.

All actors in international development cooperation use the concept of *partnerships* to gloss over the double-tongued call for national ownership and donor interests. Partnerships coexist with the 'donor-recipient' dichotomy and with the use of donor-initiated projects as the primary mechanism of development cooperation. Norway has used its flexible aid budget and its desire to be active at all international policy platforms to support public-private partnerships and new initiatives and programmes of international organizations, also when these do not respond to explicit demands from developing countries.

In its practical development cooperation, Norway has lost leadership on recipient responsibility, because Norway proactively pursues multiple goals and objectives globally. Each objective may be legitimate, such as: Support for local ownership; Interventions to protect the rights of the oppressed; Support for new regimes and global public goods related to climate change, education, health, capital control, security etc.; and Support for internationalization of specific strengths of Norwegian society within oil and gas, energy, natural resource management, taxation, etc. When Norway pursues multiple goals, it speaks with sweet, multiple tongues, not with the sharp twin tongues of the donors that pursue national interests openly and flagrantly.

Can Norway continue with multiple objectives that are partly contradictory, e.g. between local ownership and Norwegian values? There is increasing discrepancy between goals and delivery in Norwegian development policy. Multiple goals and fragmented delivery may have been possible in the past, given Norway's rapidly expanding aid policies and volumes and its flexible and innovative aid narrative, but the short-term nature of the pursuit of multiple goals undermines the effectiveness of Norwegian development cooperation. No one can be held accountable for specific results of the development policy as long as *flexibility* in the pursuit of policy goals, initiatives and platforms has

become the guiding principle for politicians and civil servants as well as their partners in civil society and private sector.

If the development policy cannot continue to aim to do everything, Norway faces a strategic choice between what appear to be three policy options and political narratives:

1. *The white knight*: Proactive, even zealous, pursuit of poverty eradication and human rights protection wherever the poorest people are located and whatever the human rights violations are. The underlying political narrative builds upon altruism and 'doing the good and right thing' based on Norwegian values of humanity and the good society. Since human rights violations happen everywhere and in all spheres of society, the white knight is terribly busy. Concern for local ownership cannot be a top priority for a white knight.
2. *The international welfare state*: Use of the development budget to redistribute wealth to the poor and of development policies to mitigate forces of inequality. The political narrative of international solidarity emphasizes national ownership and recipient responsibility, recognizing that people and countries are the best masters of their own development, needing and deserving unconditional, international support. This option may include a rights-based approach to development, but emphasizes local ownership and hence also the rights of elites to set their own priorities.
3. *The world actor*: Pursuit of long-term Norwegian interests where poverty reduction, sustainability and global public goods interact. The political narrative recognizes long-term Norwegian interests in international stability, redistribution and sustainable growth, while enhancing the effectiveness of Norwegian development cooperation through much more concentrated efforts.

Even if they are not exclusive, the three options should not be pursued at the same time, although this is precisely what was attempted so far. The two first options are legitimate in themselves and deserve further analysis, though they are not examined in detail in this paper. Some of their weaknesses are:

The main challenge to the 'white knight' option is its ideological foundation and the significant risk of failure. Norway can do – and does – much good in poverty reduction and human rights protection, but extreme poverty affects one sixth of the global population, and human rights violations are pervasive. Both poverty and human rights reach far beyond Norway's capacity and influence. Extreme poverty and inequality are found in middle-income countries and emerging economies that have the resources themselves to reduce poverty and inequality. Human rights violations are found also in countries that are Norway's partners in international politics, leading to clashes between foreign and human rights policies.

The 'white knight' is forced to work mainly through short-term policy interventions and aid projects, because solutions to extreme poverty and human rights violations require determined action by local powers and institutions themselves, in which they may not be interested. Like Don Quixote, a white knight risks tilting at windmills.

The main challenges to the 'international welfare state' option are financial and political. Financially, wealth redistribution is not achievable, for the ODA community in general and for Norway in particular. Politically, it is necessary to strike the same balances as in domestic social policies: Can welfare transfers be effective in mobilizing action by the recipient, i.e. are they both protective and productive? Are continued welfare transfers acceptable to the taxpayers without evidence of results and change on the part of the recipient? If such solid evidence cannot be provided, also because of

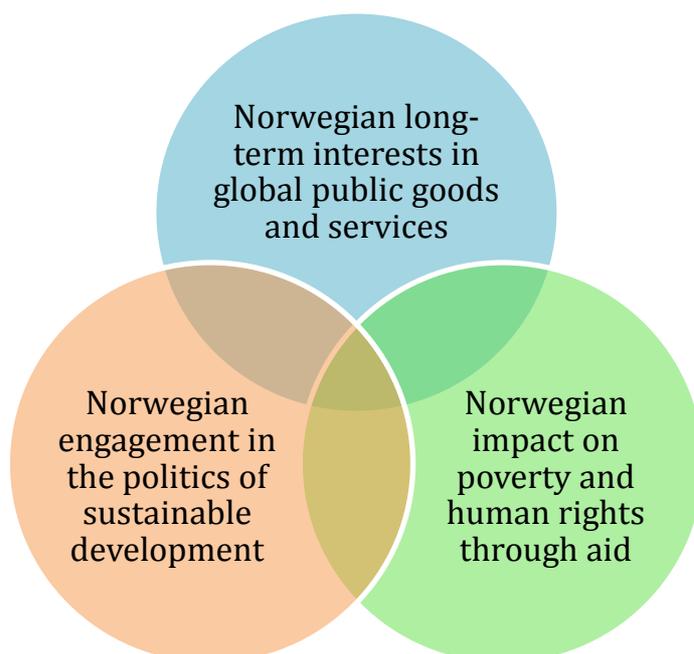
problems of attribution, this policy option loses effectiveness and legitimacy among both providers and recipients.

The third, 'world actor' option contains elements of the two first options, yet calls for strategic choices by Norwegian politicians to enhance the effectiveness of delivery. The two first options cannot effectively reach their too wide political goals. Examining the third option, this paper explores 'squaring a circle' between achieving *impact* on poverty and development, implementing the *politics* of sustainability, and pursuing *Norwegian interests* in global public goods and services. This is still a very ambitious agenda and requires a niche to be effective.

Development cooperation aimed at poverty and human rights must be about *impact*, without which there is no justification for tax-based transfers. Norway's engagement in the promotion of sustainability is a question of *politics* because of the need to change prevailing patterns of production and consumption to stay within planetary boundaries for the use of natural resources (Klein 2015). Questions of climate change, political and financial stability, social equity and protection are public goods that by definition are in Norway's long-term *interests*. The world actor option pursues long-term Norwegian interests, not the short-term commercial interests in accessing new markets, etc.

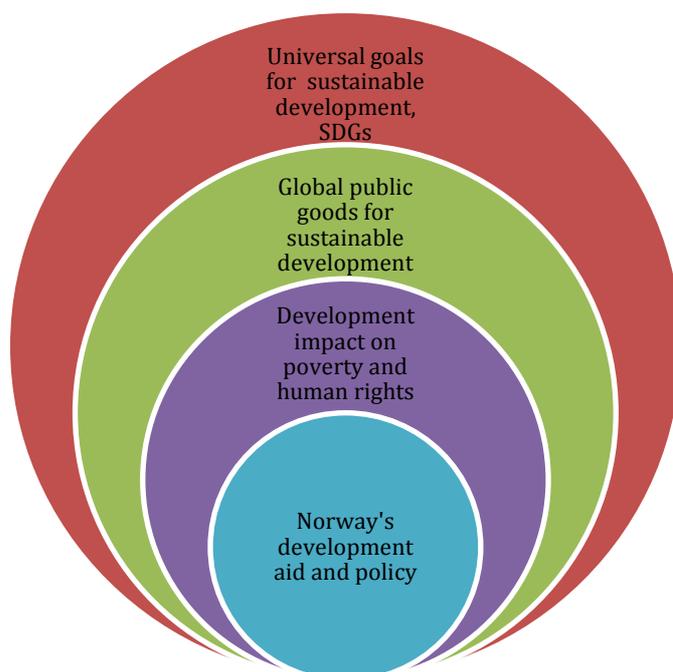
Where these three legitimate concerns overlap, Norway's development policy and government-funded ODA can be effective and legitimate. The Venn diagram in Figure 1 suggests that the *overlap* of these three policy objectives is relatively small and well-defined, which is good from the point of view of *effective delivery* of the development policy. The lessons from 50 years of international development cooperation are that the centrifugal forces of multiple stakeholders with vested interests end up spreading aid too thinly. In the short term, this may give legitimacy to the development policy, but it reduces the effectiveness of its delivery. Therefore, pursuing the *overlap*, i.e. the centre of the Venn diagram, would be good for effective aid delivery. Development policies that incorporate other stakeholders and do not rely on aid can better address the wider circles, particularly through self-financed multi-stakeholder partnerships.

**Figure 1: The overlap of long-term interests, international politics and impact of Norwegian development cooperation**



Norway's development policy and aid should concentrate on activities that have a direct impact on poverty reduction in those countries, where aid makes the biggest difference, and on the provision of global public goods that are of direct importance to sustainable development and poverty reduction in the least developed countries (LDCs) and fragile states, cf. Figure 2. This political narrative for Norway's development policy and cooperation has the potential to be both legitimate and effective, i.e. to promise goals that are supported by Norwegians and partners alike, and which can be achieved through effective delivery.

**Figure 2: Concentration of Norway's development efforts on the overlap of sustainable development, global public goods and poverty impact**



This paper offers the following steps to understand and clarify Norway's strategic choice:

1. The agenda for international development cooperation is constantly expanded, as witnessed in the upcoming sustainable development goals (SDGs). While this is unavoidable, Norway needs a niche for its aid delivery, to minimize diffusion.
2. Global problems and global public goods set the stage for local development. International public efforts and flows, such as ODA, are needed to provide global public goods, such as knowledge and stability, for LDCs and fragile states.
3. There is a need to expand the financing tools for sustainable development and global public goods provision and to narrow down the role that ODA can and should play.
4. There is good scope for MSPs to mobilize non-state actors and resources for targeted efforts of sustainable development. Norway should distinguish between aid-dependent MSPs in LDCs and fragile states and self-financed MSPs elsewhere.

5. However, there is a need to enhance the effectiveness and legitimacy of such MSPs through better targeting, involvement of Southern actors and results drives.
6. Norway faces three strategic options for its development policy and aid, and a need to choose one to enhance the legitimacy, effectiveness and impact of development cooperation. Conversations on a new political narrative need to go hand in hand with a strategic choice and a greater focus in the delivery of the development policy and aid.

## 1. THE WIDENING GOALS OF INTERNATIONAL DEVELOPMENT COOPERATION

The original purpose of development aid (in the 1950s and 1960s) was to *close gaps in the poorer countries*. Developing countries lacked the capital and capacity for their economic growth to take off. The DAC definition of ODA, which has been applied since the 1960s, emphasizes “the promotion of the economic development and welfare of developing countries as its main objective” (OECD 2014a). Unfortunately, this objective has never been achievable for ODA on its own, especially given the ever-expanding dimensions and objectives of sustainable development and state-building, as well as the need to provide global public goods that have a direct impact on the economic development and welfare of developing countries.

The goals have expanded and the demands on development actors have multiplied. Yet, the donor-driven narrative on aid and development cooperation has remained the same and is likely to be confirmed as part of the international agreement in 2015 on sustainable development goals (SDGs): development cooperation is to eradicate poverty through development interventions that are owned and managed by developing countries themselves within the broad framework of SDGs.

The ODA definition and purpose have survived for fifty years because they are sufficiently broad to incorporate most evolving interests. The absence in the purpose of the political dimensions of development – governance, equity, rights, peace, security, refugees – has been dealt with through gradual expansion of what is ‘DAC’-able, that is, what may be counted and reported as ODA. For understandable political reasons, there has been a strong appetite for keeping the ODA purpose as it is and to add wider forms of collaboration on top.

There is discrepancy between the current, country-based, government-owned and poverty-focused ODA narrative and the reality of ever-widening objectives and institutional ownership of development cooperation. The current aid narrative does not fit with the dominant drivers of globalization, including the explicit pursuit of the national interests of donor countries and the requirements of global public goods (GPGs). There is no longer a geopolitical and economic justification for ‘North-South’ collaboration between aid donors and recipients, yet the donors still have their own club in the form of the OECD DAC, and developing countries are still organized in the G-77 negotiating group in the UN.

While *politicization* – that is, the explicit political use of ODA – characterizes the donors’ development policies, *fragmentation* characterizes both the developing countries and the international partners that deliver the cooperation. Among developing countries, fragmentation is due both to economic growth and poverty reduction in many middle-income countries and emerging economies, and to increased marginalization and vulnerability to multiple crises in the LDCs and fragile states. In the international system for development cooperation, fragmentation is due to the competition for resources for policies, programmes and institutions. Sixty years of calls for coordination in

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international development cooperation have had little effect. The declining role of UNDP within the UN system – and even more within international development cooperation in general – provides evidence of this.

The official narrative for ODA and development cooperation assumes that all state-bearing elites share common goals and universal values of democracy and rule of law. After the Cold War, the 1990s saw optimism on global convergence around human rights protection and good governance. Today, there is recognition of the existence of competing, occasionally even contradictory political values, combined with acceptance of increasing economic and social inequality both within and between countries. The elites of developing countries no longer accept to be viewed as willing recipients of Western aid, societal models and values. The perception of consensus-driven political elites, who pursue national and societal interests, is not valid in many developing countries, and this challenges the underlying presumptions of development cooperation.

Development assistance is the most flexible tool in OECD governments' foreign policies and international relations. ODA originates from government budgets and is controlled by donor states. Contrary to many domestic policy areas, ODA goals are so wide that it can be used almost everywhere for almost everything. For example, DAC's list of eligible ODA recipients comprises close to 150 'developing countries'.

DAC's recent High-Level Meeting (December 2014) confirmed the widening goals and the need for multi-stakeholder partnerships and additional finance, and also maintained a relatively narrow role of ODA:

"The job of ending global poverty is unfinished, and we encounter continued instability and conflict, humanitarian crises and rising inequality. Addressing all these challenges in a sustainable way requires a renewed global partnership for development. ... ODA will remain a crucial part of international development co-operation in implementing the post-2015 agenda, particularly for countries most in need. ...

We reaffirm our respective ODA commitments, including those of us who have endorsed the UN target of 0.7 per cent of Gross National Income (GNI) as ODA to developing countries, and agree to continue to make all efforts to achieve them. We also agree to allocate more of total ODA to countries most in need, such as least developed countries (LDCs), low-income countries, small island developing states, land-locked developing countries and fragile and conflict-affected states. We have agreed today to commit to reversing the declining trend of ODA to LDCs. ...

We remain committed to maintaining the integrity of the ODA definition and further strengthening transparency regarding its measurement and use. ... We agree to urgently undertake further work to reflect in ODA the effort of the official sector in catalysing private sector investment in effective development. ...

The development agenda is becoming broader. It is therefore important to recognise and further incentivise the efforts that are being made above and beyond ODA. Accordingly, we agree to continue to develop the new statistical measure, with the working title of Total Official support for Sustainable Development (TOSD). This measure will complement, not replace, the ODA measure. It will potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions, regardless of the types of instruments used and associated terms." (OECD-DAC, 2014b)

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The concept of Total Official support for Sustainable Development (TOSD) suggested by DAC reflects well the need for *an outer circle of development support* to build upon ODA. Its two main features – total *official* support for *sustainable* development – have the clear advantage of requiring and enabling *political* debate and decisions on the engagement of donor societies in sustainable development. The disadvantage is its limitation to *official* efforts at a time when *private flows* (in and out of developing countries) and engagement by *civil society*, including social movements and philanthropic foundations, are essential to move beyond state-to-state collaboration. Secondly, the concept of sustainable development may or may not be sufficient to address the *global public goods and services* that are needed for an effective paradigm shift towards equity, peace and sustainability.

## 2. AID, SUSTAINABLE DEVELOPMENT AND GLOBAL PUBLIC GOODS

The interest in GPGs for development and the links between aid and GPGs peaked in the period 1999-2005, from the launch of the seminal work by Inge Kaul et al. (1999) to the report of the International Task Force on GPGs (2006). Then the interest faded and was taken over by work on complementary efforts, such as capacity-building and policy reforms, and on global programmes, as led by the World Bank (2007). In recent years, ODA for development-oriented GPGs has come back on to the international agenda because of the universal sustainable development goals (Kaul 2013); the realization of climate change as the fundamental global public problem; and the emergence of multi-stakeholder initiatives and partnerships dealing with GPGs, which started with health and knowledge and moved into climate change mitigation and energy transitions.

Inge Kaul took her original economics-based definition forward in 2013: “Public goods ... are goods that are non-excludable, meaning that the goods’ effects (benefits or costs) are shared by everyone. [...] Global public goods are goods, whose benefits or costs are of nearly universal reach or potentially affecting anyone anywhere” (Kaul 2013: 10). The OECD applies a very broad definition of GPGs, which includes issues such as food security<sup>2</sup>. In a *development* context, the GPG areas of concern have been expanded and concretized over the past two decades:

- Conserving the environment -> climate change mitigation and adaptation
- Controlling communicable diseases -> disease prevention and health strengthening
- Strengthening international financial architecture -> control of illicit capital flows
- Participation in the global trading system -> reducing subsidies and trade barriers
- Sharing knowledge for development -> securing access and benefit sharing
- Humanitarian aid -> disaster risk reduction and development
- Peace-building -> conflict resolution, humanitarian interventions, human rights

Often, the justification for the use of ODA on GPG provision has been that it is cost-effective: “The scarcity of public resources raises the importance of investing in international public goods as the cost of lifting one person out of income poverty, for example through agricultural research and global trade expansion, is estimated to be much lower than the cost of the same impact through traditional aid to poor countries” (OECD Development Centre 2004). While this sounds valid, there is, unfortunately, little solid evidence to back up the statement.

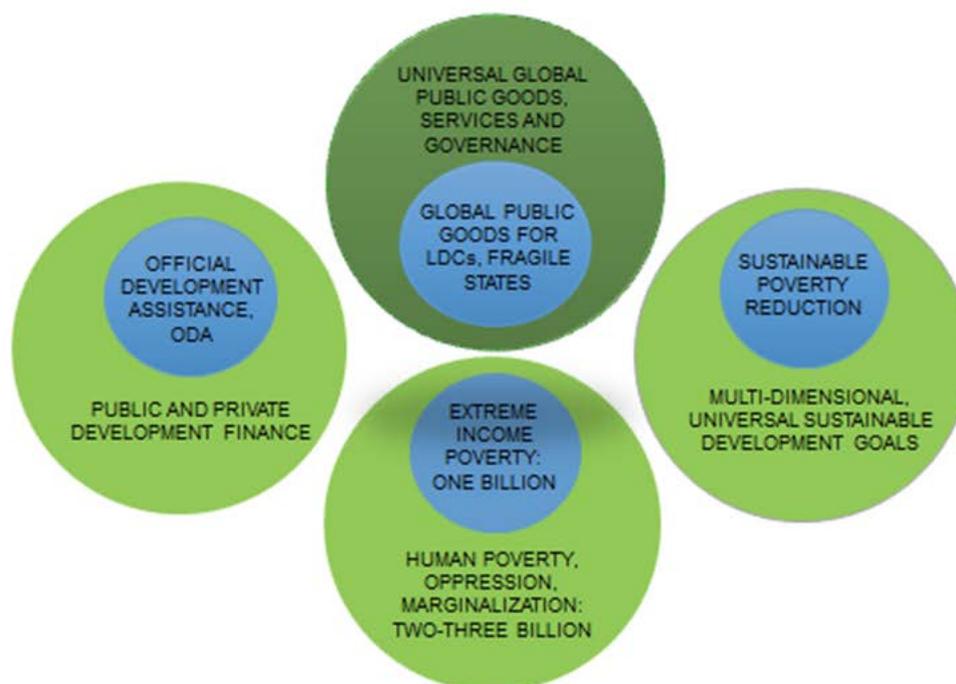
It is desirable to retain *ODA as an inner circle* of international development cooperation, because it has a strong element of international solidarity, which should not be thrown out with the bathwater at the

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present time of fragmented governance and the pursuit of national interests among global public goods. ODA is at its core a tax on wealth, where the revenue is shared with the less fortunate. One of the greatest deficiencies in international governance is the lack of international resource mobilization through taxation to provide the finance for the far-reaching goals agreed internationally. Figure 3 presents *four concentric circles* that are needed to define the purpose and role of international development cooperation in the coming decades.

**Figure 3: ODA and international development cooperation for poverty reduction, sustainable development and global public goods**



Clockwise from the left, the four concentric circles are:

1. ODA provides an inner circle of international development cooperation that also involves other official flows, as well as investments and lending by the private sector, and the involvement of civil society and foundations in development promotion. This definition of the larger circle is wider than the 'total official support for sustainable development' proposed by DAC, because it involves non-official flows. The ODA definition is limited to official efforts, which makes it conducive to political debates and decisions regarding its aims and results. Private efforts have a different purpose, decision-making structure and accountability, but they are needed more than ever, as the aim of development cooperation incorporates SDGs and GPGs. The catalytic potential of ODA must be exploited, for example, through risk-taking for private engagement.

A weakness of the narrow ODA definition is that it excludes development efforts by civil society, except when NGOs serve as channels for and partners in ODA. For decades it has been difficult to distinguish public ODA activities and civil-society programmes at the delivery level. NGOs have often become smaller versions of the bilateral and multilateral development agencies. In some donor countries, civil society, private foundations and institutional investors play much larger development roles than in Norway. The current modernization of the ODA concept by DAC is unlikely to address this issue, since donors and recipients prefer to retain control over ODA

delivery (Roodman 2014; OECD 2014d; Barder and Klasen 2014). However, ODA remains a strong starting point for international development cooperation with wider objectives.

2. Global public goods and services are, by definition, universal, and their governance must be international. The disadvantage of LDCs and fragile states vis-à-vis GPGs is double. First, LDCs and fragile states suffer the most from adverse global phenomena such as climate change, illicit financial flows and collapsing states because they lack the resources to control, mitigate and adapt, and because these phenomena often produce spill-over effects in their regional neighbourhood. Second, LDCs and fragile states cannot contribute their share in the provision of GPGs simply because they lack resources.

The role of development cooperation is therefore three-dimensional: 1) to minimize the impact of adverse global public phenomena on the LDCs and fragile states through, for example, climate change adaptation, communicable disease control, or the provision of ODA to compensate for expensive and volatile private capital flows; 2) to assist LDCs and fragile states in building capacity to provide their share of GPGs, for example, climate change mitigation through carbon capture in forests or land restoration; and 3) to provide GPGs of particular benefit to LDCs and fragile states, for example, transparent control of business investments in natural exploitation.

3. As regards sustainable poverty reduction, the SDGs to be adopted by the world's nation states in September 2015 will also be universal (contrary to the Millennium Development goals of 2000-2015). Hitherto, universal goals have been met with little interest by the governments of industrial countries that have often provided ritualistic, self-congratulatory reports on their achievements in fields related to gender and social equality or even energy transformation. However, there is a huge need for support to the achievement of SDGs by governments and societies in LDCs and fragile states. The wider circle of international collaboration covers the multi-dimensional, universally applicable SDGs, and it remains to be seen what significance these will have in industrial countries.
4. The eradication of extreme poverty remains an essential goal for international development cooperation because more than one billion people still face a daily struggle in this regard. Many Western leaders see this as the primary cross-cutting goal of the SDGs, recognizing that upwards of 60% of the extremely poor live in middle-income countries (MICs), including India and China. G-77 leaders have resisted this focus on the extremely poor because it would mean that there is little in it (i.e. in the UN agreement on the SDGs) for their growing middle classes, who are poor and struggling relative to many SDGs, and who are also the political constituencies that carry the elites in MICs. A focus on the extremely poor makes little sense either politically or as a sustainable development strategy (Pritchett 2014). MIC elites are also hesitant about international interference in the non-income-related poverty challenges in MICs, including the absence of several political freedoms.

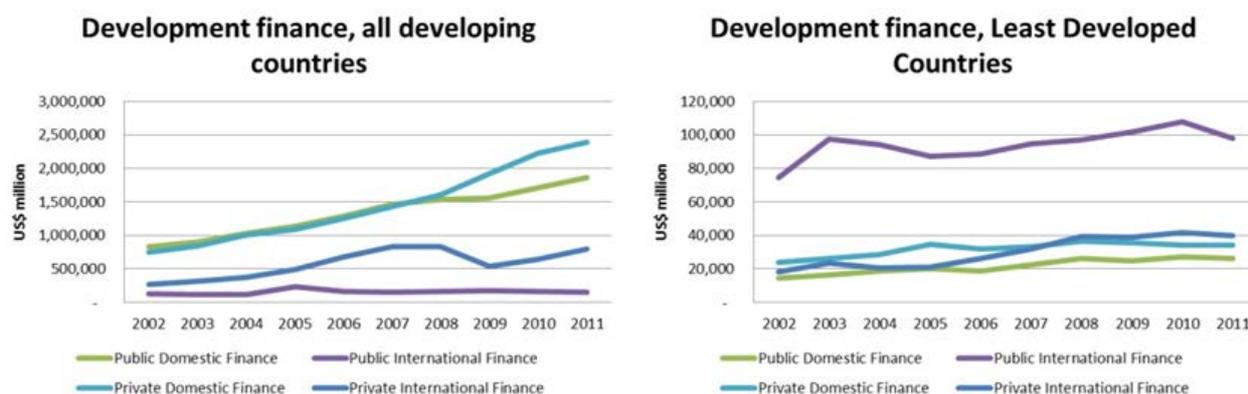
For reasons of effectiveness caused by its small size, ODA-based international cooperation will have to prioritize (within the bottom concentric circle of Figure 3) between 1) the extremely poor in all developing countries; 2) selected non-income-related poverty-reduction goals, including protection, rights and empowerment; and 3) all dimensions of poverty eradication in the poorest countries, that is, the LDCs and fragile states. Without such prioritization and targeting, development cooperation will be ineffectively spread over too many countries, aims and target groups. The next section argues why the 3<sup>rd</sup> proposed prioritization of ODA – on *LDCs and fragile states* – makes the most sense.

### 3. THE USE OF ODA WHERE IT MAKES A DIFFERENCE

Development cooperation is, by definition, engaged in a mixture of poverty reduction, the promotion of sustainable development and the provision of global public goods. As part of international negotiations on the post-2015 development agenda, 2015 will see summits in Addis Ababa in July (on development financing), in New York in September (on SDGs) and in Paris in December (on climate change). In preparation, the Intergovernmental Committee of Experts on Sustainable Development Financing (2014) agreed on a solid approach to development finance.

The Committee of Experts analysed the difference between 48 least developed countries (LDCs) (of which 34 are in Sub-Saharan Africa) and all developing countries with respect to four sources of development finance: public and private, domestic and international. Figure 4 shows how *domestic* development finance – both public and private – has become the most important source over the past decade for developing countries as a whole. Since the global financial crisis of 2008, domestic private development finance is the most important source for developing countries as a group. Looking only at the 48 LDCs, *public international finance* is by far the largest source.

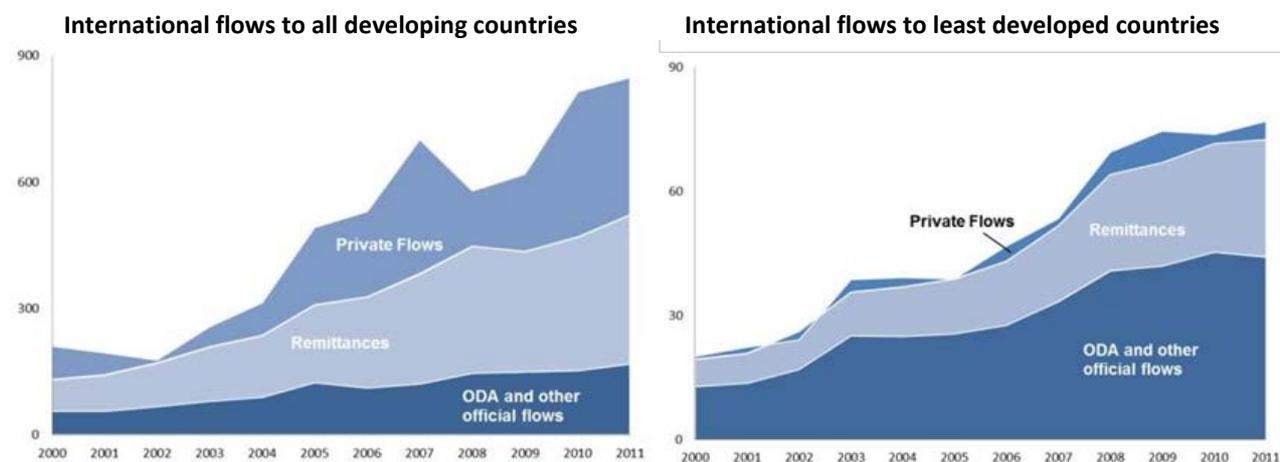
Figure 4: Development finance in developing countries and LDCs, respectively



Source: "Report of the UN Intergovernmental Committee of Experts on Sustainable Development Financing, Final Draft", 8 August 2014, based on OECD and World Bank data.

Figure 5 breaks down the international flows to all developing countries and LDCs, respectively. International remittances provide the 'new', large, stable source of funds for all developing countries, as well as for LDCs. However, remittances are – and should be – outside the realm of official development cooperation, with some possible exceptions provided by wealthy individuals, who may launch targeted multi-stakeholder partnerships for their countries of origin. The most significant characteristics of international development finance are the volatility of private flows to all developing countries and the continued significance of ODA and other official flows to LDCs, as seen in Figure 5.

Figure 5: Financing flows to developing countries and LDCs, in billions of USD



Source: "Report of the UN Intergovernmental Committee of Experts on Sustainable Development Financing, Final Draft", 8 August 2014, based on OECD DAC Stats, World Bank Migration and Remittances Data.

Figures 4 and 5 show the much greater role of 'ODA and other official flows' in LDCs. The Report notes: "ODA continues to provide essential financial and technical cooperation to many developing countries, including least developed countries and many African countries, landlocked developing countries, small island developing states, and countries affected by conflict. In most countries with government spending of less than PPP\$ 500 (purchasing power parity) per person per year, ODA accounts for an average of more than two-thirds of international resource flows, and about one-third of government revenues. About 40 per cent of ODA currently benefits LDCs. However, ODA to LDCs, particularly in sub-Saharan Africa, has fallen in recent years, and according to preliminary results from donor surveys this trend is likely to persist" (2014: # 50).

To establish where ODA can make the greatest difference, a further step has to be taken to identify where extreme poverty is concentrated and ODA is significant. DAC has examined 'where does ODA matter most?', covering five groups of developing countries (cf. Table 1). The discrepancy is clear between the financial significance of ODA and the number of poor people in different country categories. With 10-13 USD per capita of ODA allocated annually to MICs, ODA cannot achieve multiple objectives for the 57% of the world's extremely poor who live and survive in MICs.

The search for a manageable and relevant subset of developing countries on which to focus ODA must consider that, at one end, although some sixty least developed countries and fragile states are those most in need of ODA, no existing development organization or donor focuses exclusively on this group. The World Bank has the most elaborate, practical target group for its heavily subsidized credits, consisting of 77 countries. India has just graduated from this group, but for the next three years it will remain eligible to receive such credits. Including India, the 78 eligible countries comprise 2.8 billion people, of whom 1.8 billion live on less than USD 2 a day. At the other extreme, OECD-DAC's list of developing countries eligible to receive ODA includes nearly 150 countries. This legitimizes a very thin spread of ODA allocations, which is not effective.

**Table 1: Where are the extremely poor? Where does ODA matter the most?**

Developing country groups	Share of world's extremely poor	Annual ODA receipt per capita	ODA share of external flows	ODA 'share' of domestic tax revenue
33 fragile, least developed, LDCs	24%	USD 51	70%	43%
15 non-fragile LDCs	6%	USD 79	75%	59%
16 other fragile countries	13%	USD 30	27%	13%
22 mainly lower income MICs	35%	USD 13	18%	5%
60 mainly upper middle-income	22%	USD 10	6%	0.8%
Total of 146 ODA-countries	100%			

Source: OECD Development Assistance Committee: "The where" of development finance: towards better targeting of concessional finance, DCD/DAC(2013)29.

Some donors, including for example Denmark, distinguish politically between three groups of developing countries: 1) LDCs and fragile states; 2) 'classic' developing countries, with weak capacities and much poverty, and with an elite reasonably committed to the broad development of their country; and 3) emerging economies that are politically important, commercially interesting and significant for global public goods provision. One challenge for Western donors is that the governments of the 'classic' aid recipients now benefit from having alternative development partners, notably China, and that they have sufficient political self-confidence to decline the Western value-based development paradigm of good governance, rights-based inclusive growth and sustainable development. For example, the many bilateral dialogues and country-specific projects on human rights have not led to consensus in UN platforms on political, economic and social rights. For ODA to be effective under these changed circumstances of poverty eradication, sustainable development and global public goods, its aims and methodologies will have to be reconsidered.

Norway has been generous and risk-willing in its engagement with LDCs and fragile states, yet has also pursued GPGs and Norwegian interests through allocation of ODA to middle-income countries such as Brazil and Indonesia (forests and climate change). According to the *DAC 2014 Development Cooperation Report*, Norwegian ODA was allocated more to LDCs than was the case for the EU or DAC in total, cf. Table 2. Viewed from another angle, Norway allocated only a bit more than half of its ODA to the 48 least developed countries that are most desperately in need of international support, and where – according to Table 1 – ODA has the greatest potential impact.

**Table 2: Distribution of ODA by income group, for Norway and DAC, percentages**

Donor	ODA to LDCs		ODA to other LICs		ODA to lower MICs		ODA to upper MICs	
	2001-02	2011-12	2001-02	2011-12	2001-02	2011-12	2001-02	2011-12
Norway	53	55	3	4	27	26	17	15
DAC-EU	42	43	3	4	32	30	24	23
All DAC	37	47	3	4	32	30	24	23

Note: LDCs: Least developed countries; LICs: Low-income countries; MICs: Middle-income countries. Source: OECD-DAC: *Development Cooperation Report 2014*, Table A-10, page 407.

The DAC peer review of Norway conducted in 2013 found that Norway needs a more coherent strategy for its support to LDCs and fragile states. At the other end of Norwegian ODA, the 2014 evaluation of NICFI (Norwegian International Climate and Forest Initiative) found that the generous NICFI contributions to MICs, particularly the one billion USD committed to both Brazil and Indonesia, served more as political motivators for processes already underway, than as financial incentives. The original purpose of REDD investments was to provide financial incentives for behavioural change among recipient institutions and communities. It is questionable whether a political motivator to *procedures already underway* can justify the use of so much ODA to relatively rich countries.

Norway must find its niche in the allocation of global ODA for a) the poorest people (eradicating extreme poverty through cash transfers etc.); b) the poorest and most fragile and vulnerable countries (addressing sustainable development in the LDCs); and c) global public goods of interest to all categories of developing countries (and the donor countries themselves), using ODA catalytically for the private sector, civil society etc. Global ODA should go more to the LDCs and fragile states, where it makes the biggest difference, while development cooperation with MICs should rely more on other sources of finance and multi-stakeholder partnerships. The implications for Norway are discussed in Section 6 below. First, Section 4 looks at the policy and institutional mechanism that has come to dominate international development cooperation in recent years – the multi-stakeholder partnerships (MSPs).

#### 4. MULTI-STAKEHOLDER PARTNERSHIPS AS TOOLS OF STRATEGY AND POLICY

Norway has been a leader in the launch and support of multi-stakeholder partnerships (MSPs) in immunization drives, forests and climate change, primary education, illicit capital control, clean energy development, etc. Since MSPs tend to be better targeted than international development cooperation in general, and since they involve the private sector and other non-traditional partners in joint efforts, MSPs are promising vehicles in the interface of poverty impact, SDG politics and GPG provision.

Yet, MSPs tend to be characterized by limited involvement of developing country partners. MSPs have actually undermined the political narrative around poverty eradication, which is meant to be led and managed by the authorities of developing countries. The question is how Norway can take its leadership forward in MSPs as effective and legitimate platforms of international development cooperation. Due to the deep-rooted flexibility and generosity of its development policies and aid allocations, Norway has been a dream partner for the Gates Foundation. They have agreed on the need for results targeting and accountability, though Norway may face tougher political demands for local ownership and participation.

As outlined above, demands on international development cooperation have increased, because of its flexibility in addressing global challenges such as climate change, natural disasters, political and institutional collapse, refugee flows, illicit financial flows, contagious diseases, and economic and social inequities – on top of the extreme poverty that still affects more than one billion people. The

international system of nation states and organizations that has to deliver this is institutionally complex, financially starved and politically challenged by geopolitical changes. It is not an easy task.

Into this challenging set up comes a diversity of targeted, international multi-stakeholder partnerships that involve actors from the public and private sectors, civil society and, occasionally, target communities. Traditional distinctions in international development cooperation between bilateral and multilateral channels and between the state, business and civil society are deliberately broken down. However, such formal and informal MSPs are not new. There has been impatience with the results of state-based development cooperation, and hopes for greater effectiveness have been advocated at least since the turn of the century, when the Gates Foundation launched major MSPs in the health sector jointly with Norway and a few other governments and international organizations. Since then, the number and coverage of MSPs aimed at providing solutions to specific problems have grown, but data is scarce.

In this paper, MSPs are defined simply as collaboration of two or more partners from the public, private and institutional sectors or civil society in joint *international* efforts for development. Individual MSPs deliver one or more of four functions, often related to specific themes, sectors and problems to be solved jointly (Engberg-Pedersen, 2014):

- services delivery and implementation
- knowledge generation and dissemination
- norm- and standard-setting
- government, corporate or institutional commitments for action

MSPs fuel the institutional proliferation that has characterized international development cooperation for the last five decades. Due to vested organizational interests and consensus-oriented decision-making in the international system, new policies, programmes and organizations are added on top of existing ones, which are very rarely dismantled. The launch of MSPs is usually based on new knowledge and innovative approaches to common problems; yet MSPs also create new challenges of effectiveness and legitimacy. MSPs are needed to create space and incentives for private businesses, foundations etc. to join international development cooperation because ODA and other public interventions cannot on their own achieve the intended goals of poverty eradication, human welfare and sustainable development.

MSPs also face political opposition. Developing countries, through the G-77, have used UN negotiations to warn against MSPs, emphasizing that they are rarely accountable to intergovernmental or other democratic bodies. This negative political reaction found its way into the Busan Principles for Effective Development Cooperation, adopted by OECD and developing country governments at the Fourth High-Level Forum on Aid Effectiveness in Busan, Korea, in December 2011. While the shared principles include “Ownership of development priorities by developing countries” and “Partnerships for development: Development depends on the participation of all actors, and recognises the diversity and complementarity of their functions”, the Busan participants also agreed to “establish common principles to *prevent the proliferation of multilateral organisation and global programmes and funds*” (OECD, “The Busan Partnership for Effective Development Cooperation”, 2012, emphasis added).

Over the past fifteen years, the launch of MSPs has had a number of *drivers and justifications* (Engberg-Pedersen, 2014). For the present analysis of strategic choices for Norway’s development policy, the following are key:

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- 1) *Gaps in the governance of global commons.* The international system is built around nation states whose governments are politically accountable to their national electorates, and it is therefore not geared to govern the planet's climate, oceans, freshwater, biodiversity and other global commons that have to be kept within so-called planetary boundaries (Stockholm Resilience Centre 2014). In the past the international monetary and financial system has emerged from the financial system of the politically and economically dominant nation state – as with the US and the dollar in recent decades – whereas the governance of global commons requires new specific agreements such as the UN Convention on the Law of the Sea from 1982. Well-resourced MSPs with authority are needed to govern the global commons.
- 2) *Ineffective international cooperation.* Frustration with the weak performance of current international cooperation has been a key driver behind the launch of new MSPs. As noted, this was explicit in the Bill and Melinda Gates Foundation's investments in knowledge generation and operations in the health sector, jointly with selected donors and international organizations, which were aimed at results-based payments for immunization drives. Frustration with the slow progress and even failures of UN negotiations on climate change has led to investments by major cities and private businesses in reduced CO2 emissions in the building, energy and transport sectors (Natural Resource Defense Council 2014; Norden, Nordic Council of Ministers 2014). Yet, everyone agrees that, without an effective and implementable political agreement among the nation states responsible for the largest CO2 emissions – whether or not the agreement is UN-based – the world economy will not become sustainable. The MSPs are mostly seen as implementing mechanisms and as advocates for action, not as alternatives to formal negotiations.
- 3) *Mobilization of the private sector and civil society for international development cooperation.* The belief in public–private partnerships (PPPs) is the main driver behind the UN's call for new partnerships that gathered momentum after the World Summit on Sustainable Development in Johannesburg 2002. Formally, this Summit agreed on PPPs as a channel of delivery 'next to' intergovernmental negotiations. The UN concept of partnership has, however, remained diffuse, since it is all-inclusive, with no clear roles or limitations.
- 4) *Knowledge as a global public good.* The definition of public goods implies that they can be used by everyone without being depleted or diminished in value. However, most of the world's R&D is aimed at non-development issues and at the needs of industrial societies. R&D is commercialized, priced and owned by private businesses under the international intellectual property rights regime. As a compensating global public good, UN specialized agencies such as WHO have for decades encouraged research and knowledge dissemination with a special focus on the needs of developing countries, for example, through the tropical diseases programme. The Global Agricultural Research Partnership (formerly the Consultative Group on International Agricultural Research or CGIAR) has played a lead role in tropical agriculture, including various attempts at green revolutions. These are MSPs because of the involvement of research institutions, international organizations and private businesses. Today, the need for development-oriented knowledge GPGs is a driver for MSPs in all sectors and themes.
- 5) *The pursuit of vested interests by international organizations.* The intergovernmental system consists of organizations that are dependent on funding from the tax revenues of member states. The core budgets of international organizations specialized in trade, culture, finance, agriculture, health, etc. are often financed from the national budgets of the related, specialized government departments of trade, culture, etc. But whenever new and innovative programmes, or programmes aimed specifically at developing countries, have been established, the source of

funding has typically been the ODA budgets of donor member states. This has led to competition among international organizations, including international NGOs, over funding for their own expansion into new areas of intervention. The launch of MSPs is also a way to mobilize such funding from donors and possibly to mobilize new and additional funding from the private sector. This “semi-market” nature of the non-core funding of international development cooperation has been a strong driver behind the diversification and proliferation of MSPs over the past two decades. As ODA budgets are likely to stagnate due to financial constraints in donor countries, such competition and pursuit of organizational interests is likely to intensify.

MSPs can and do play critical roles in the pursuit of poverty reduction, sustainable development and GPG provision, precisely because MSPs tend to be better targeted than development cooperation in general. However, better targeting typically comes with less democracy and local ownership in the running of MSPs. Norway needs to respond strategically to these positive and negative drivers behind the launch of MSPs across international development cooperation.

## 5. ENHANCING THE EFFECTIVENESS OF MULTI-STAKEHOLDER PARTNERSHIPS

MSPs have both more and less legitimacy than the intergovernmental organizations of the UN system. On the one hand, MSPs lack the political authority of interacting nation states, which makes the decisions of the latter enforceable and legitimate. On the other hand, MSPs derive their legitimacy precisely from the participation of the key societal stakeholders for the issue at hand, for example, the public, private and community actors engaged in land use and land use change.

Norway has been an active and willing provider of capital to launch and support MSPs through its development policy. The question is whether these have been effective. It is not possible here to examine in depth the effectiveness and legitimacy of the MSPs that have received Norwegian finance and policy support. Pattberg and Widerberg (2014: 11-12) have summarized multiple assessments of the performance of 340 MSPs that operate in the field of *sustainable development*:

“The overall picture that emerges is rather sobering. Multi-stakeholder partnerships have, by and large, not lived up to their promise. There are certainly some that perform excellently and have had impressive impacts on their issue areas but these should be considered as anomalies. ...

- A number of partnerships are simply not active, while approximately 40 percent have no measurable output. ...
- (A) majority of partnerships are led by international organisations and state agencies while business actors are less prominent. ...
- At the level of individual partnerships, the lack of organisational capacity, resources and transparency becomes evident. Only around 15 percent (of the total sample of 340) indicate a budget plan, 23 percent report on office space, only 30 percent have dedicated and identifiable staff members and just about 5 percent of all partnerships have an openly available memorandum of understanding (that would outline the precise roles and responsibilities of partners).”

Pattberg and Widerberg (2014: 19) conclude that “the verdict has been quite harsh on partnerships to date and data show how countries from the northern hemisphere, along with large international organisations, are overrepresented, whereas poorer southern countries, CSOs and private

stakeholders are underrepresented.” This depressing verdict should in itself give Norway cause for concern.

The extent of *accountability for follow-up action and results* seems to determine whether an MSP achieves its purpose. Lessons from decades of international development cooperation suggest that accountability is only achievable if the purpose is precise and tangible and if there is follow-up action to document results based on indicators that are SMART: specific, measurable, achievable, relevant and time-bound. This is a challenge for some of those MSPs that have evolved from within international development cooperation. It suggests that the first function of MSPs (services delivery and implementation) should be a defining feature of ODA-supported, development-oriented MSPs.<sup>3</sup>

MSPs can be effective in programme services and delivery because they can be better targeted than multilateral programmes that have to be universally accessible. MSPs can mobilize precisely the relevant stakeholders for the issue at hand. But MSPs can also be ineffective because they overlap with the activities of permanent organizations, whether national or international, and because their resource mobilization tends to lag behind their goal- and norm-setting, producing a risk of more talk, less action.

The legitimacy of MSPs can be enhanced through the delivery of outcomes. An MSP that delivers can achieve the support of providers and recipients and therefore become legitimate. Over the past two decades, international development cooperation has experimented with performance-based incentives to enhance both effectiveness and accountability for development efforts, and hence the overall legitimacy of interventions. Scholars from the Center for Global Development have offered “12 Principles for Payment by Results (PbR) in the Real World” (Barder et al. 2014). These are significant for service-oriented MSPs because a move towards outcome-based programmes could overcome many challenges of effectiveness and legitimacy. According to Barder et al., the advantages of payment by results are that it:

- Enhances the autonomy of both implementers and recipients
- Instils a performance measure close to the underlying objective
- Reduces ‘gaming’ and perverse incentives and recognizes political economy
- Forces transparency in risks and accountability for results
- Encourages a concern about verified results and not just financial incentives
- Places a ‘reality check’ on intangible objectives and co-benefits
- Increases autonomy and risk-willingness even in fragile contexts
- Moves costs from input monitoring to results verification
- Can support people’s intrinsic motivations or provide incentives to implementers
- Invests long-term through performance-based contracts, possibly via intermediaries
- Pursues outcomes and possibly desirable process requirements such as participation
- Offers multiple PbR types: cost reimbursement, cash-on-delivery, prizes or rewards.

Payment by results has also been criticized for the perverse incentives it may create and the critical issues of political economy and empowerment that it may ignore (Perakis & Savedoff, 2014, 2015). Overall, MSPs need payment by results to enhance their accountability and hence their effectiveness and legitimacy.

Payment by results is an aid delivery modality which requires significant financial, institutional and professional investments by the donor agencies and their partners, particularly in LDCs and fragile states. Under REDD+, Norway promised USD 1 billion for emission cuts to both Brazil and Indonesia.

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However, one cannot hand over such amounts to the Ministry of Finance or the national development bank of LDCs and fragile states – even in Indonesia as an MIC it is a challenge for Norway. It would take much political capital and professional homework on the part of the donors to engage in the ‘local autonomy and experimentation’ in fragile situations called for by Barder and colleagues. Still, this is the way forward, because MSPs that engage in micro-management throughout the project and programme cycles (contrary to payment by results) have proved less effective.

## CONCLUSIONS:

### **A strategic choice and a new narrative for Norway’s development policy**

All actors in international development cooperation want to do too much. This is unavoidable in a policy field that is financed by tax transfers, driven by lofty goals and ideologies, and aimed at results that are far away and which cannot be fully documented because of the small size of aid and its flexibility and fungibility. The needs and the demand for aid are endless, and even if focused, aid contributes a very small share of the needed resources and efforts. Aid has been and can be used for everything. Despite constant calls for SMART indicators and results management, accountability for results is notoriously difficult because of the need to consider political issues and qualitative goals, the absence of counterfactual evidence, and the influence of more powerful political, economic and social forces (so-called ‘noise’) at all stages from input to output to outcome and especially to impact and change.

An individual donor and development actor, such as Norway, which provides less than five percent of global ODA, should focus its development policy and portfolio. The centrifugal powers of vested interests (politicians in Norway and partner countries, and national and international organizations and stakeholders all along the implementation route from taxpayers in the North to beneficiaries in the South) pull aid in all directions, under the cover of a new fashion or even a call for holistic integration. Development cooperation deals with long-term issues of political economy, investments, technology, power and society-building, so *short-term diffusion of aid on a multitude of goals, fashions and stakeholders is simply ineffective*.

In Scandinavia, polls show continued support for high levels of ODA, though usually combined with a preference for humanitarian assistance and with scepticism about the effectiveness of development assistance. People’s expectations of corruption in aid are equally high. Over the decades there have been repeated calls – largely in vain – for clearer *political priorities* and for de-prioritization of goals, policies, programmes and partner countries. Why, then, is it necessary to suggest concentration once again?

Firstly, the gap keeps widening between ever-expanding goals (soon with the sustainable development goals on top) and effective implementation, because of new insights, vested interests, political cycles (new governments, etc.), and increased diversity in the lives of poor people and in the capacity of weak and vulnerable countries.

Secondly, ODA is used in LDCs and fragile and vulnerable states, where by definition the risks are the highest and it is most difficult to achieve results. These risk levels require full intellectual and commercial competence and political and institutional concentration behind the aid efforts. It is unlikely that Northern taxpayers and politicians will continue to accept large, long-term challenges such as in Afghanistan, Palestine and Somalia, where development assistance cannot change the

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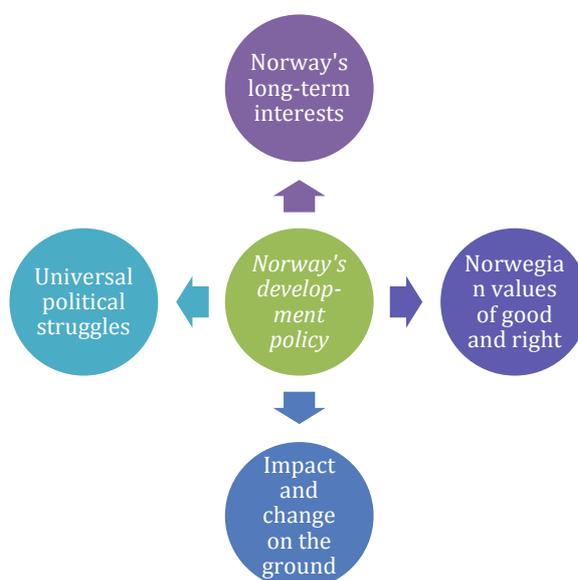
political and social dynamics, and where the risk of state collapse requires continued humanitarian assistance and politically controversial containment programmes.

Thirdly, the long-term relative decline of ODA as an international financial flow to developing countries is due both to pressures on ODA and to increases in private and non-state flows; yet the goals of international development cooperation are still set as if ODA is a major contributor.

Hence, there is a need for a strategic choice for Norway's development policy, tied with an updated political narrative on the purpose and results of development cooperation. To encourage an open debate on the basics of Norwegian development policy, one needs to decide the balance between different underlying goals and interests. Figure 6 shows how four valid goals pull Norway's development policy in four different directions. They consist of two pairs:

- In a development context, *Norway's long-term interests* as a society, economy and nation state lie in equitable and effective provision of global public goods such as political, economic and social stability, fair and transparent financial interactions, mitigation of climate change, management of rights and inequalities, control of diseases and environmental externalities. At the other end, development effectiveness and *impact* means elimination of poverty, greater equity and social and economic change *on the ground* to the benefit of the poorest half of the world's population. It is necessary to strike a balance between these two goals.
- With a combination of globalization and shrinking planetary boundaries, Norway's engagement in international cooperation becomes *explicitly political*, for example, to change the predominant production and consumption patterns, distribute wealth and provide equitable access to global public goods. This is a huge arena for Norway's development policy. The pursuit of *Norwegian political values of 'right and wrong' and 'good and bad'* can add to the political struggles on the future of the world and become independent leit-motifs for a nation state seeing itself as particularly progressive. Solving explicitly political issues requires give-and-take collaboration, whereas pursuing the right policies expresses strong national self-confidence. The development policy is relevant for both, but not at the same time.

Figure 6: Four goals pulling Norway's development policy in different directions



Could each of the four directions be seen as a *scenario* for Norway's development policy, requiring a strategic choice of one of them? This is unrealistic, because politicians and taxpayers expect that Norway's development policy has elements of all four. It may be better to build three *strategic options* that here are given slightly provocative titles, to encourage debate:

1. *The white knight*: Proactive, even zealous, pursuit of poverty eradication and human rights protection wherever the poorest people are located and whatever the human rights violations are. The underlying political narrative builds upon altruism and 'doing the good and right thing' based on Norwegian values of humanity and the good society. Since human rights violations happen everywhere and in all spheres of society, the white knight is terribly busy. Concern for local ownership cannot be a top priority for a white knight. This option draws heavily from the right circle in Figure 6.
2. *The international welfare state*: Use of the development budget to redistribute wealth to the poor and of development policies to mitigate forces of inequality. The political narrative of international solidarity emphasizes national ownership and recipient responsibility, recognizing that people and countries are the best masters of their own development, needing and deserving unconditional, international support. This option may include a rights-based approach to development, but emphasizes local ownership and hence also the rights of elites to set their own priorities. This option builds upon the bottom circle in Figure 6, yet draws from all four circles.
3. *The world actor*: Pursuit of long-term Norwegian interests where poverty reduction, sustainability and global public goods interact. The political narrative recognizes long-term Norwegian interests in international stability, redistribution and sustainable growth, while enhancing the effectiveness of Norwegian development cooperation through much more concentrated efforts. This option starts in the top circle of Figure 6 and provides an approach to pull the other circles together in an updated development policy and narrative for Norway.

The two first options deserve to be studied further. However, they are both too *ambitious* and too *narrow* to provide a new development policy and narrative for Norway.

1. The 'white knight' offers a political direction that is inherently versatile, requiring a large number of visible interventions and projects that cannot easily be followed-up because of local political resentment (when it comes to human rights violations) or 'drops in the ocean' (because of the extent of extreme poverty in large MICs). At the same time these ambitions make the 'white knight' option too narrow, because Norway would have no time or capacity to engage all over the world in the political economy and long-term development prospects that are underlying human rights and poverty.
2. The 'international welfare state' builds on solidarity and on the correct lesson that development must be owned by local political, economic and social forces. But it faces a fundamental dilemma: Welfare transfers are inevitably too small to make a difference in those countries (i.e. MICs with well-functioning states and markets) where local ownership is the most effective. Welfare transfers in the form of ODA are still of significant size precisely in the LDCs and fragile states where local ownership does not guarantee poverty reduction and sustainable development. In these countries, welfare transfers are too narrow, because they would have to depend on power structures that are not necessarily developmental.

So what are the development issues that Norway can address as the 'world actor' under the third option? Where is the overlap between poverty reduction, sustainable development and global public goods? Based on the analysis above, Norway should pursue the following:

**First, Norway should focus its development policy and aid on a few of the approximately 60 least developed countries and fragile states.** As noted, OECD-DAC operates with five groups among the 146 developing countries that are 'DAC-able' (Steensen, 2014). The worst off are the 33 countries that are *both fragile and LDCs* (including Afghanistan, Bangladesh, Burkina Faso, Ethiopia, Madagascar, Nepal, Somalia, South Sudan and Uganda). 15 countries are *non-fragile LDCs* (including Cambodia, Mozambique, Rwanda, Tanzania and Zambia). 16 countries are *fragile but not LDCs* (including Bosnia-Herzegovina, Egypt, Iraq, Kenya, Nigeria, Pakistan, Sri Lanka, Syria and Zimbabwe). There is a lot for Norwegian development aid to do in a subset of these countries. These are the countries that global ODA should focus on. This should be the *inner circle* of development cooperation, consisting of ODA and related development policies.

Outside these currently 64 countries, the World Bank offers subsidized credits (in part) to 22 countries (including Bolivia, Ghana, India, Mongolia, Nicaragua, Uzbekistan and Vietnam). *In addition*, OECD-DAC accepts the use of ODA to some 60 upper middle-income countries, including Brazil, China, Indonesia, South Africa, Turkey, and Ukraine. *Norway's development policy should use other means than ODA to collaborate with these countries, including multi-stakeholder partnerships (MSPs) that may include public funding.* In MICs, partnership means that Norwegian and local partners have a genuine, recognized common interest, whether they are public, private or civil society actors. They should not need tax finance from Norway, in the form of ODA, to sweeten the partnership. These MSPs would provide the *outer circle* of development cooperation, where the public sector is still very active, although with limited use of ODA.

**Second, in its few, selected partner countries among LDCs and fragile states, Norway should be present for the long-term and support local political-economic actors and movements in accordance with their needs.** In these settings, Norwegian development policy should engage in all dimensions of sustainable development, since poverty reduction and sustainable development is achievable only through broad-based growth and society-building.

The expansion in themes and issues that has characterized five decades of development cooperation, cannot be ignored. Poverty has multiple dimensions, including rights and security. Sustainable development requires multi-sector investments. The theory of change, which now underlies development efforts, comprises political economy and leadership across all societal sectors. External actors should not apply blue-print models or home-grown values to impose development. The good lesson of local ownership must be applied, and it requires deep insight on the part of the external actor / donor.

**Third, for these reasons, Norway should expand its political, institutional and commercial presence in the few, selected partner countries of the Norwegian development policy.** This is needed to provide the above-mentioned insight in the search for strong local partners even in LDCs and fragile states. These partners are there to be 'found' and then to be supported in the long term. Long-term presence is also needed to achieve the link with Norwegian interests in global public goods.

The existence of *Norwegian competence* on a particular issue (country, sector or theme) has always been a deciding factor in determining regional and thematic priorities for Norway's development policy. With the strengthening of developing country expertise over the decades, and with the easy

access to the best international expertise through information technology, the question of Norwegian competence rather has two dimensions: 1) Norwegian experience as a society is indeed in demand, but there are few areas – such as the management of natural resources for the benefit of society – where Norway's experience is unique. 2) Norwegian societal interest in a particular country, sector or theme may have historical, accidental, political, religious, commercial or knowledge reasons, but they should be recognized simply because they help sustain the engagement of the Norwegian society in its international development cooperation.

***Fourth, the global public goods approach enables Norway to focus on areas of common interest between the Norwegian society and the partners among LDCs and fragile states.*** Political, economic and social *stability* in LDCs and fragile states is always in the long-term interest of Norway as an open society fully dependent on international, sustainable growth. It is not always in the interest of the current regimes of these countries, which is why Norway needs to be present in full intellectual and political strength in its weak partner countries in order to work with progressive forces within them. Some will consider this neo-patrimonialism, but it is a necessity to move out of the hypocrisy of automatic local ownership, when it is clearly not in Norway's long-term interests to hand over ownership to regimes with no interest in poverty reduction, human rights and equitable sustainable development. Norway must have the competence and will to ask: Ownership by and for whom?

Stability is about reduced risks of state collapse, undemocratic ideologies, refugee flows, illicit capital flight, communicable diseases, over-exploitation of natural resources, natural disasters with ripple effects, etc. Global public goods such as climate change mitigation and transition towards low-emission development through investments in energy efficiency or carbon capture etc. are better provided by industrial countries themselves or in collaboration with high-growth MICs. This is why Norway used significant ODA amounts to launch and sustain REDD+ even in upper MICs such as Brazil and Indonesia. In a development policy that is better focused on needs, such investments and partnerships of the MSP type should be undertaken without the use of ODA grants. However, ODA should be used to enable *the LDCs* to contribute their share of global public goods, e.g. within freshwater conservation and nature-based solutions to disaster risk reduction, including multi-purpose conservation of rainforests.

***Fifth, Norway should adapt its engagement in multi-stakeholder partnerships to the ODA requirements of the developing country.*** For all developing countries, MSPs should become less dominated by Northern stakeholders and international organizations, including NGOs. MSPs should receive ODA support mainly if they actually leverage international private sector investments and commitments by developing country institutions, and if they have targets that can be monitored and rewarded through payment-by-results. As outlined by the Intergovernmental Committee of Experts on Sustainable Development Financing (2014) ahead of the Addis Ababa Summit on Sustainable Development Finance, the extent of concessionality, i.e. the reliance on ODA, should be directly related to the weakness and vulnerability of the participating developing country.

The reliance on payment-by-results in the support to MSPs is feasible only if the MSPs focus on policy *implementation* and delivery of *services*. This has two implications for the traditional *multilateral* part of Norwegian development policy. On the one hand, democratic and effective, ODA-dependent MSPs should be promoted whenever there is scope for performance-based payments. Thus, general support for multilateral organizations delivering services without the involvement of developing country institutions should be limited. On the other hand, there is still a strong argument for multilateral support for the delivery of non-service global public goods such as *knowledge, norms and standards* by

permanent multilateral institutions in the UN that have the legitimacy and universal reach to provide such knowledge (or perhaps rather: experience) and set such norms and standards.

***Sixth, the narrative for Norway's development policy should recognize the search for efforts that reduce poverty, strengthen sustainable development and provide global public goods of Norwegian interest.*** Since Norwegian development policy should continue to work on poverty reduction and sustainable development, which is a huge and very demanding agenda, the element of *concentration* should be provided through:

- the focus of ODA on a few LDCs and fragile states as the long-term partner countries
- the use of ODA-funded MSPs mainly in and for these countries
- the focus on issues that are global public goods and hence of long-term interest both to Norway and to the partner countries.

Norway's updated *political strategy and narrative* should therefore be that *Norway's development policy and aid should concentrate on activities that have a direct impact on poverty reduction and sustainable development in those countries, where aid makes the biggest difference, and on the provision of global public goods that are of long-term interest to Norway and of direct importance to sustainable development and poverty reduction in the least developed countries (LDCs) and fragile states.*

This political narrative for Norway's development policy and cooperation has the potential to be both legitimate and effective, i.e. to promise goals that are supported by Norwegians and partners alike, and which can be achieved through effective delivery, including MSPs that involve 'Southern' actors and institutions, and which receive performance-based payments-by-results.

Squaring the circle of *international politics on sustainability, Norwegian long-term interests in global public goods and local impact on poverty and development* is possible if Norway seriously focuses its efforts and builds a long-term plan and political narrative through a direct dialogue between Norwegian politicians and their international partners and local constituents.

This presumes that Norway addresses three operational dilemmas in its development policy: 1) the balance between effectiveness and legitimacy in multi-stakeholder partnerships (MSPs), where 'Southern' actors and institutions need to be more and better involved; 2) the need to focus on least developed countries (LDCs) and fragile states, where results are most difficult to achieve and where Norway's national interests are more indirect through long-term global public goods; and 3) the need to balance Norway's famous political and institutional flexibility with a plan and strategy for long-term impact and accountability.

The full integration of Norway's foreign and development policies has placed flexibility in ODA allocations and in the launch of programme initiatives at the top of Norway's self-image, narrative and peer-reviews. However, the pursuit of policy flexibility and Norwegian visibility risks undermining the effectiveness and impact of development cooperation and hence the underlying political narrative of poverty eradication. A long-term strategy or plan built around the above-presented six recommendations, including the updated political narrative, could enhance the effectiveness and accountability of Norwegian development policy. It requires political leadership and a desire to engage in open conversations with the Norwegian population about the goals and intended results of the inner and outer circles of Norway's development policy.

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## ENDNOTES

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<sup>1</sup> Poul Engberg-Pedersen was director general of Norad (Norwegian Agency for Development Cooperation) during 2005-2010. He has worked with Danish and international development cooperation since 1977 and is a member of the Steering Committee for Civita's *Project on Norway's Development Policy*. The views expressed are those of the author, thus the opinions and perspectives expressed in this report does not necessarily reflect the views of the Bill and Melinda Gates Foundation.

<sup>2</sup> "Global public goods: Goods or services which are available to everybody. A public good becomes a global public good if it is quasi-universal in terms of countries (covering more than one group of countries), people (accruing to several, preferably all, population groups) and generations (extending to both current and future generations, or at least meeting the needs of the current generations without foreclosing development options for future generations). Natural global public goods include oceans/ivers, sunlight/moonlight and the atmosphere; the sustainable management of natural global public goods (e.g. climate stability) is also a global public good. Food security, peace, economic stability, protection from communicable diseases, inclusive healthcare, international communication and transport networks, access to information and knowledge are other global public goods. Most global public goods call for cross-border co-operation among different actors and as a consequence, their provision suffers from obstacles to collective action" (OECD 2014c: 422).

<sup>3</sup> It falls outside the scope of this analysis to explore whether clearer purposes, niches and accountabilities are also needed for MSPs in international governance that is not development-oriented.