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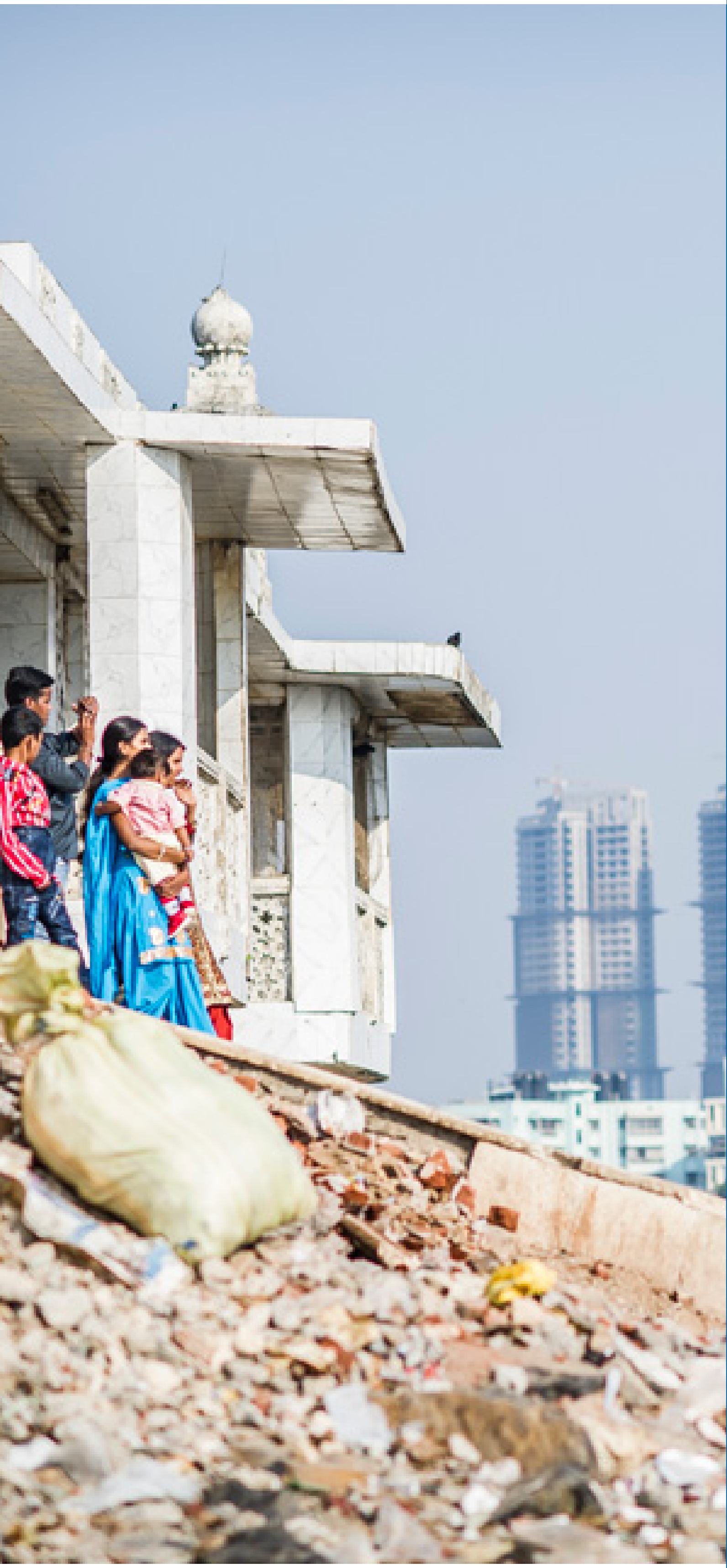

DEVELOPMENT BEYOND AID:

Global challenges and national reform

BY IRJA VORMEDAL AND LEIV LUNDE
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Content

Foreword

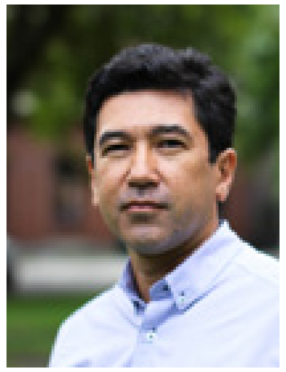
Everything is connected to everything, as former Norwegian prime minister Gro Harlem Brundtland once put it. The maxim applies no less to development. A just and sustainable development can only occur if policies pull in the same direction, without undermining each other. This includes international rules and agreements, national laws and regulations. Norwegian policy that has ramifications for prospects in developing countries should be coherent.

Erna Solberg's government has recognized this. The Sundvollen declaration, the coalition government's political platform, states clearly that the Norwegian Government will "pursue an integrated development policy, in which measures within the various sectors point in the same direction to the greatest possible degree." This is a worthy ambition, but to date it is difficult to see what, if anything, our Government has done to move towards achieving this goal.

Written by Irja Vormedal and Leiv Lunde at the Fridtjof Nansen Institute, the Norwegian Forum for Development and Environment (ForUM, a network of 50 Norwegian NGOs) has commissioned this report for the simple reason that, in our view, too little has taken place for too long to advance the issue of policy coherence for development. Since the Policy Coherence Commission's report in 2008, policy coherence has been reduced to a neglected chapter of the National Budget. Written by the Ministry of Foreign Affairs, these annual reports have failed to arouse much interest from, let alone debate within, the Norwegian parliament.

ForUM's member organisations grapple with the issue of policy coherence on a daily basis. Examples of incoherent policy abound. Norway takes a lead on peace issues, but continues to export military equipment to repressive regimes. Norway seeks to advance the environmental agenda, but remains a major producer of fossil fuels. Norway has a strong position on human rights, but is often shown to be weak on human rights in its investment practice.

To make progress, the Government needs to up the ante, with a more systematic effort to realize ambitions. This report suggests a number of institutional reforms that can facilitate this. The analysis and the recommendations are those of the authors, but we hope that these will provoke a debate about how to move the agenda forward, and, more importantly, lead to concrete measures to make it happen.



Andrew Preston
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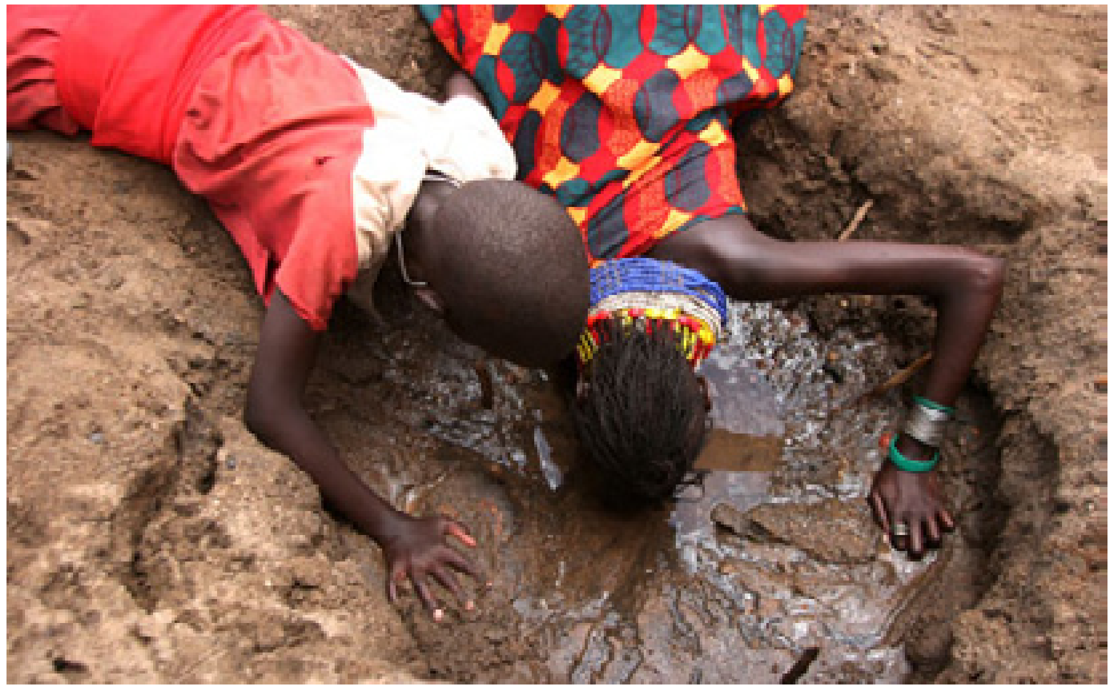
Introduction

Development is about more than aid. In today's globalized and highly interconnected world, national policies in a wide range of issue areas, including trade, the environment, finance, agriculture, migration and security profoundly affect the lives of the poor. To effectively deal with future development challenges, donor countries must commit to a development agenda that goes "beyond aid", by promoting domestic sector policies that do not unduly conflict with the interests of the poor, and maximize opportunities to promote development through non-aid measures.

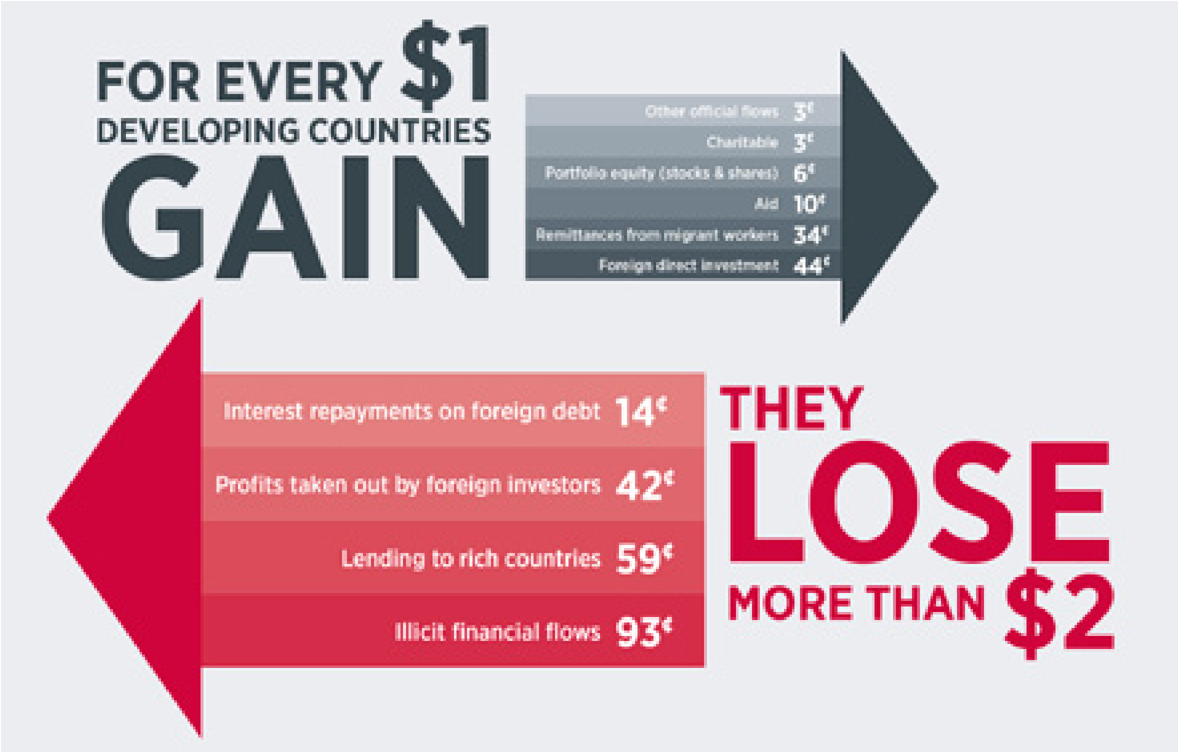
"It is a paradox that the economic growth often sought to alleviate poverty is based on activities that exacerbate global warming..."

Globalization, accelerated economic interdependence and environmental degradation are increasing the interfaces between different policy fields. This requires policy-makers to consider how regulatory measures in one sector can undermine policy goals in another, and how to tap potential synergies and efficiency gains between them. The successes of development efforts also depend on supportive framework conditions, such as fair trade rules, sustainable investment practices and equitable labor regulations, to help strengthen aid measures and realize their intended effects. As a minimum, governments should ensure that non-aid framework conditions do not inhibit or offset aid policy priorities.

For example, the complex challenge of environmental degradation, including climate change mitigation, highlights the contentious nature of the traditional development paradigm and the co-dependency of issue-areas. It is a paradox that the economic growth often sought to alleviate poverty is based on activities that exacerbate global warming, which will in itself create more poverty. A failure to respect



Climate change in Kenya: *Young girls drink water directly from a shallow hole dug in the sand along River Tarash in Kakuma township in Turkana, 2009. Most rivers in this region have dried up, and only sand is left on riverbeds due to climate change. The little water that is available is shared with animals. Photo: Stephen Mudiari/Flickr*



Cash flowing out of poor countries in illegal activities, debt, lost profits and loans is more than they receive through aid, investment and remittances, according to a 2014 report from Eurodad quoted in the Guardian. The largest losses were illicit financial flows.

ecological constraints in aid and development policy may yield short-term benefits, but undermine future opportunities for poverty alleviation (White Paper 14, 2011). Thus, promoting coherence between environmental and development policy goals is essential to establish enabling framework conditions for inclusive, green growth and a sustainable use of resources that does not undermine future conditions for development.

This report is commissioned by the Norwegian Forum for Development and Environment (ForUM), an independent civil society network for policy coordination and advocacy. The main objective is to provide a discussion of the rationale for a global "beyond aid" agenda, examine recent advances in efforts to promote such an approach, and analyze the need for institutional reform to promote development beyond aid in Norway. First, the report reflects on what beyond aid means, and gives an account of the historical evolution of this development approach and its most prominent governance initiatives. Second, it distinguishes a range of characteristics central to Norway that are relevant to translating global development goals into a national context, and proposes a systematic approach to establishing national priorities. Third, it reflects on some key dilemmas and opportunities in promoting beyond aid development goals in five specific areas we deem to be of particular relevance. Finally, it reviews the existing, state-of-the-art institutional efforts in EU countries, and discusses the need for administrative reform in Norway. The report demonstrates how Norway is lagging behind its Scandinavian neighbors, and argues that the government and foreign minister currently lack a clear agenda, specific goals and a systematic, administrative approach for promoting development beyond aid. In conclusion, it provides a number of concrete recommendations for institutional reform measures in support of a more holistic development policy.

Continuity and change

The notion that OECD countries' policies and footprints 'beyond aid' matter as much or more than ODA (official development assistance) is not new. It provided a central tenet of the 1970s new international economic order (NIEO/NØV) discourse, which called for a structural reorganization of the world economy to the benefit of newly decolonized developing countries. Key issues since the very start have been poor-country access to global markets and trade, finance and technology on achievable terms, debt management/relief and ensuring a positive development impact of investments by multinational companies. Later, in the 1990s, these issues translated into the so-called ***policy coherence for development*** (PCD) agenda (see section 2). PCD can be defined as "the need to promote mutual reinforcing policy actions across government departments and agencies to achieve development objectives" (OECD, 2001:90). In addition to the beyond aid concerns raised by the NIEO discourse, the PCD agenda focuses on a number of emerging issues such as developing country security, migration, environmental degradation and climate change.

Globalization and geopolitical change has increased the salience of going beyond aid in development policy. This is partly due to globalization, which has caused a growing global footprint on the part of Norwegian industries, and increased the global engagement of Norwegian ministries and other domestic, public sector players. Moreover, the rise of emerging economies and diversification within the traditional category of 'developing countries' have also raised questions regarding the future of conventional aid (see White Paper 25, 2013). There is now ample reason to explore alternative pathways towards realizing poverty alleviation and sustainable development.

"The report demonstrates how Norway is lagging behind its Scandinavian neighbors"

To be sure, traditional aid measures and policies are closely related to and often quite difficult to distinguish from those associated with 'beyond aid'. In Norway, development ministers (Hilde Frafjord Johnsson, Erik Solheim and Heikki Eidsvoll Holmås) have consistently expanded the focus of the development policy agenda into areas far beyond the traditional responsibility of the foreign ministry. Examples are debt relief, elimination of tax havens and the removal of subsidies on fossil fuels. Foreign and development ministers and officials spend more and more time mediating with colleagues in other ministries in support of cross-sector measures. Recent White Papers by the Ministry of Foreign Affairs, including "Climate, Conflict and Capital," (2009); "Corporate Social Responsibility in a Global Economy" (2009); "Towards Greener Development" (2011); and "Sharing for Prosperity" (2013) demonstrate the administration's recognition of the links between development and other sector policies. The current government also recognizes the existence of such links in their policy platform, which expresses an intent to pursue a coherent development policy and ensure that measures in different sectors pull in the same direction (The Sundvolden Declaration, 2013).

But there are important distinctions. A progressive development minister may pursue policies that reach beyond the traditional scope of the foreign ministry, but often, other ministries will be constitutionally and financially responsible for implementing them. In such cases, when a given development policy measure requires the action of other, domestic ministries, we find ourselves at the core of the PCD and beyond aid agenda.

The OECD defines the main challenge of policy coherence for development (PCD) as "working to ensure that the objectives and results of a government's development policies are not undermined by other policies of that same government which impact on developing countries, and that these other policies support development objectives where feasible." One can identify many examples of how such contradictions between domestic policies and development goals may arise:

> *"...promoting policies in the interests of the poor might require a sacrifice of some specific national interest."*

- A trade minister can uphold or increase trade barriers against poor countries, and inhibit progress on trade liberalization in multilateral forums like WTO.

- A defense minister can be susceptible to pressure from domestic arms producers and allow arms exports to governments that might use imported equipment in illegitimate ways against its own population.

- An agriculture minister may ignore threats of global proliferation of communicable disease in order to protect her own farmer constituency.

- A finance minister might impede global efforts to promote financial transparency in an attempt to further the interests of domestic financial institutions.

- An energy minister can undermine efforts to reduce climate emissions as part of a strategy to support national production and export of coal, oil and gas.

- A prime minister's office can neglect the salience of the policy coherence for development agenda (PCD), and as a result, fail to coordinate overall government performance in the interest of global development goals.

- Parliaments may overlook important development challenges due to rigid committee structures that fail to involve sector politicians on global issues.

- Private companies can exploit loopholes in national and global regulation, and/or implement superficial social and environmental policies that may enhance their reputation, but result in the exploitation of poor and vulnerable populations.

These examples illustrate how PCD requires a wide range of ministries and stakeholders to mobilize in a collective pursuit of development goals. The challenge of coordination and oversight grows with increasing complexity and the number of stakeholders involved in a given policy area. Incoherent policies may result from lack of coordination and insufficient information, which may result in what we deem as benign and manageable PCD challenges (section 3). But often, it boils down to explicitly conflicting interests or competing objectives. This calls for negotiation, compromise, tugs of war and trade-offs – the stuff that politics is made of. Indeed, in some cases, promoting policies in the interests of the poor might require a sacrifice of some specific national interest.

Norwegian CSOs have a long history of monitoring and constructively criticizing the Norwegian government's efforts (or lack thereof) to promote beyond aid issues and PCD (see the RORG Network website rorg.no ; Curtis, 2010). Norwegian Church Aid (NCA) have conducted regular evaluations of progress on beyond aid development issues in Norway. The most recent demonstrates that there is still vast room for improvement, and that established policies in several domestic sectors, which constitute the ultimate responsibility of non-aid ministries, in many cases still undermine important development objectives (NCA, 2014). After the next section's brief account of PCD's historical evolution and key institutional agents, we return to a more in-depth discussion of such concrete Norwegian PCD challenges and opportunities.

A beyond-aid agenda for development: Key actors and processes

The Organization for Economic Cooperation and Development (OECD)

The impact of national, non-aid sector policies on conditions for development was first debated in the context of aid effectiveness among donor countries at a 1991 high-level meeting of the Development Assistance Committee (DAC) in the OECD (Forster and Stokke, 1999). With emerging globalization and increased state interdependency, members agreed it was a matter of time before aid would be rendered an insufficient approach to promoting long-term development, and that national sector policies, including trade, investment, jobs, security, agriculture, health, education and the environment, could seriously inhibit aid effectiveness and economic growth. This acknowledgement became central to a subsequent and much-quoted report, *Shaping the 21st Century* (1996), where the OECD/DAC urged all donor countries to avoid implementing sector policies that could undermine development objectives (OECD, 1996). In the 2001 DAC Guidelines to Poverty Reduction, the organization coined the term as Policy Coherence for Development (PCD), and called for a consideration of trade-offs and potential synergies across different policy areas to encourage greater coherence in support of internationally agreed development goals (OECD, 2002; Picciotto, 2005).

Since then, the OECD has continued to provide leadership and define the frontiers of the PCD debate. Through regular peer reviews of DAC-country performance in the field of development cooperation, they have scrutinized members' PCD agendas (or lack thereof), and held them accountable to OECD recommendations on institutional design. The 2013 review of Norway conveys praise, criticism and some practical suggestions on how to improve PCD (OECD 2013). We build on the OECD's work in our recommendations for institutional reform to promote a Norwegian beyond aid approach to development in the last chapter (9) of this report.

The European Union (EU) and member countries

The EU also represents a long-standing front-runner on beyond aid development policy (Carbone, 2008). Already in 1992, a provision on PCD was included in the 1992 Maastricht Treaty, but this became subject to criticism for being weak and vulnerable to powerful sector interests in trade, fisheries and agriculture (Carbone, 2008:330). In 2005, however, the Commission proposed a comprehensive reform package, which proposed that aid was not sufficient to realize the Millennium Development Goals (MDGs), and established specific PCD commitments for seven policy areas (EC, 2005). In 2007, PCD was finally made a legal obligation in the EU, under article 208 of the Lisbon Treaty (EU, 2007), which states that "The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries". Since 2009, the Commission has undertaken sustainability impact assessments, a tool utilized to assess the economic, environmental and social effects of new policies and regulations on developing countries, and published a biannual PCD status report (EC, 2013).

Several EU member states, such as the Netherlands, Denmark and Sweden, have adopted ambitious PCD agendas. PCD has been an official Dutch priority since 2002, when they introduced an explicit institutional framework and set up a special Coherence Unit with a staff of six within the Ministry of Foreign Affairs (Droeze, 2008). Sweden introduced a holistic approach to development in 2003, with the adoption of Government Bill 2002/03:122 "Shared Responsibility: Sweden's Policy for Global Development", which grounds a legal obligation to promote measures for equitable and sustainable development for the poor in all national, policy sectors, including trade, agriculture, environment, security, migration and economic policy. Denmark has recently launched a PCD action plan that formulates an ambitious agenda and concrete national prioritizations, and establishes a systematic institutional approach for realizing it (DANIDA, 2014). It also illustrates how the EU decision-making system ultimately defines the scope of PCD action, and the importance of member states engaging at the EU level.

The Commitment to Development Index

While the OECD and EU represent the most important intergovernmental PCD agents, the Center for Global Development (CGD) – an independent "think and do" tank which works to reduce global poverty and inequality through rigorous research and active engagement with policy-makers – has also played a key role in driving the PCD agenda. Since 2003 it has produced an annual "Commitment to Development Index" (CDI), which compares and ranks OECD countries' performance along eight global development issues. Seven out of eight indicators evaluate measures beyond aid, and the 27 participating countries receive a score and a rank on each issue-area. Norway is placed at the top on Migration (1) and Security (1), due to its large acceptance of immigrants and refugees and high contribution to peacekeeping and participation in brokering peace treaties. It is ranked within the top 10 on Aid (4), Finance (7) and Technology (6), as it gives a large amount of foreign aid, promotes productive investment in developing countries, promotes transparency in financial transactions, and contributes to the development and dissemination of new technologies. But Norway also ranks next to bottom on both Trade (26) and Environment (26), as the government employs some of the most restrictive trade barriers against poor countries with its high tariffs on agricultural products, and produces the largest amount of fossil fuels per person of any OECD country.

"Denmark has recently launched a PCD action plan that formulates an ambitious agenda and concrete national prioritizations"

The UN post 2015 process

Beyond aid issues and the timeliness of policy coherence have also become central to the ongoing negotiations on post-2015 sustainable development goals (SDGs), which are intended to replace the MDGs. The reframing of MDGs to SDGs echoes a broad recognition of the need to integrate environmental and development concerns, and the specific goals reflect an increased focus on issue-linkages and areas that would require measures in non-aid sectors, including climate change and energy, green industrialization, private sector development and jobs, trade and ocean governance (SDG Working Group, 2014). A holistic approach to development as such is intended to tackle the root causes of poverty, rather than simply treating its symptoms through aid (OECD, 2014a; EC, 2013; Alarcòn, 2014). The SDG draft refers to the need for more policy coordination and coherence to strengthen means of implementation (Goal 17), and calls for enhanced cooperation with non-governmental agents to mobilize and share knowledge, technologies and financial resources (SDG Working Group, 2014). The UN expects Norway to pioneer in implementing the SDGs, which will require the involvement of a range of different sector ministries, private actors and CSOs (UN NORWAY, 2014).

The High-Level Panel on the Post-2015 Development Agenda also stresses the importance of beyond aid issues: "It is time for the international community to use new ways of working, to go beyond an aid agenda […] We must fight climate change, champion free and fair trade, technology innovation, transfer and diffusion, and promote financial stability[…] Everyone involved must be fully accountable" (HLP, 2013).

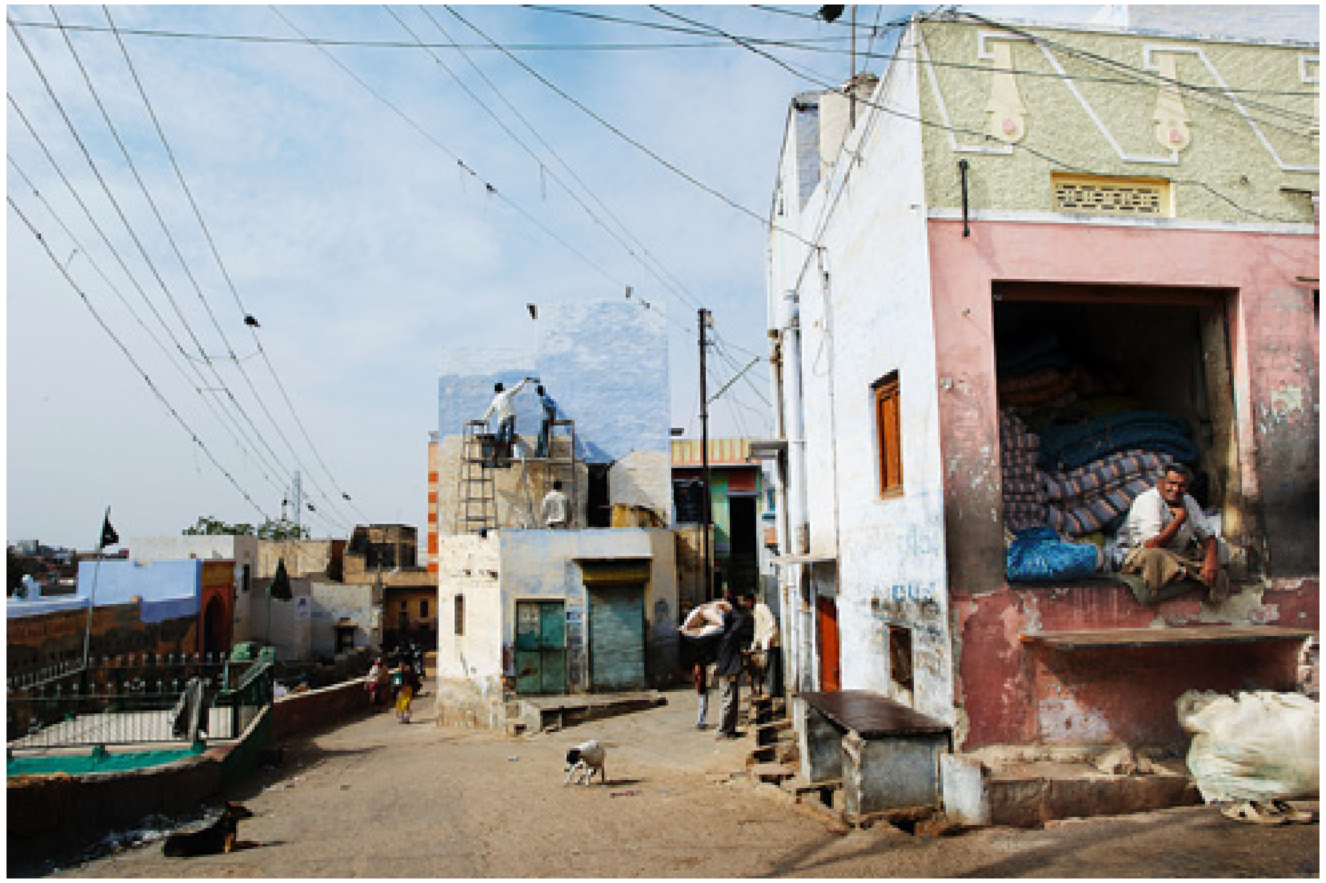
Norway beyond aid: From global goals to national priorities

A beyond aid development agenda is inherently global, common to all developed countries and increasingly relevant to emerging economies / Middle Income Countries (MICs), who are expected to scale-up their commitment to development in the future (see White Paper 25, 2013). Yet, every country harbors different national characteristics, which act as intermediates and create specific constraints and opportunities that determine the viability of policy change. No single country can make a difference in every development issue-area, and to maximize impact, it is important to target efforts strategically.

The OECD recommends focusing on three areas to develop a systematic, institutional approach to PCD. First, a government should establish and prioritize policy objectives. Second, it must coordinate policies in the policy fields relevant to the identified policy goals, with the aim to maximize synergies and minimize conflict. Third, it must establish routines to monitor and report on goal implementation, which involves collecting and assessing evidence, and feeding conclusions back to the policy makers and politicians accountable (OECD, 2009).

To suggest priorities for a specific, Norwegian beyond aid agenda, this report identifies and utilizes three different indicators that can help determine which policy issue-areas should be of central focus: i) Global importance, ii) national relevance and iii) political viability/level of conflict.

Global importance refers to generic issue-areas that are internationally recognized as key future challenges, and in theory should be prioritized by all development agents, irrespective of their



Life in 2030: *In 2015, world leaders decide both on new climate goals and new sustainable development goals for all countries to be achieved by 2030, and how to finance both. To succeed, coherence is key. Photo: Erlend Berge.*

national characteristics. Globally important areas provide a point of departure for a government seeking to develop a set of national goals, and must be continually reassessed in light of dynamic globalization and geopolitical change. We refer to what the OECD and the CGD's "Commitment to Development Index" (CDI) determine as globally important issues in this regard, which are i) openness to trade, ii) policies that encourage investment and financial transparency, iii) openness to migration, iv) environmental and climate change policies, v) promotion of international security, and vi) support for technology creation and transfer (CGD, 2013; OECD, 2009).

"Norway contributes to the energy security of consuming countries, but also to climate change."

The next indicator, ***national relevance***, can help a government prioritize among globally important issues, by identifying areas where the country has a notable global footprint and a comparative policy edge. Emphasizing national relevance may be controversial in some circles, since many will hold that it is the significance and severity of the global development challenge that should guide national action, and not particular national traits. This is an understandable objection, but we believe attention to national relevance and scope of action is particularly important for a country like Norway, for at least three reasons: i) Norway is a small country and represents a very small market for developing country goods and services, ii) Norway is not a member of the EU and cannot use the EU dimension as a key PCD toolbox like Denmark and Sweden, and yet, iii) Norwegian activities and policies matter quite conspicuously in some key areas of high significance to many developing countries.

To establish relevance, a number of key national characteristics should be considered. Norway is a country of only 5.1 million inhabitants, but with a vast coastline and huge ocean areas stretching far into the Arctic. It is a resource nation par excellence, as natural resources represent the bulk of value creation and exports. Norway is the second largest seafood exporter in the world, and a major player in shipping and maritime activities, controlling one of the world's largest merchant fleets. It is also the third largest exporter of energy in the world. Oil and gas production constitutes the largest sector of the economy, and the hydropower industry, which generates close to all domestic electricity, is the largest in Europe. Therefore, Norway contributes to the energy security of consuming countries, but also to climate change. This creates a liability and responsibility on part of the government to engage in ambitious greenhouse gas (GHG) mitigation efforts, which also fashions new opportunities related to green innovations and technological solutions for a low-carbon future.

Furthermore, since the 1990s large state revenues from petroleum extraction and exports have yielded substantial financial assets, placed in the Government Pension Fund Global (GPFG). The value of the GPFG will soon pass 1 trillion USD and now constitutes the world's largest Sovereign Wealth Fund (SWF). Norway has also a long track record of engagement in peace, conflict prevention and security policy, capitalizing on our "innocent" colonial history and more than fifty years of substantive development cooperation efforts. Since the early 1990s, the government has facilitated and negotiated ceasefires and reconciliations in over twenty conflict-ridden countries, and it contributes substantially to international peacekeeping operations.

Balancing both global importance and national relevance, we structure our discussion of Norwegian PCD policies according to the following global development themes: 1) Finance for development 2) corporate responsibility and transparency, 3) climate change, energy and development 4) trade and development, and 5) security and development.

When prioritizing issue-areas and assessing the scope for action it is important to identify existing barriers to change, that is, to what extent policy change is politically viable or feasible at the national level. The third indicator, ***political viability***, can be assessed by considering the extent of conflict and resulting coordination problems in a given issue-area. Indeed, conflicts often exist between domestic economic, political and security interests one the one hand, and the interests and aspirations of poor populations on the other. Governments should systematically address such dilemmas and trade-offs between national sector policies and measures needed to promote development goals, to establish the cost and viability of options (OECD, 2013a; 2013b).

To define the extent of conflict, issue-areas can be placed along a "malignancy continuum". At the one end we find issues characterized by benign levels of conflict and "simple" coordination problems. In such situations efforts to align national interests with those of developing countries through policy adjustments should be manageable through enhanced information exchange and coordination efforts. Policy change within this category is therefore viable. In the middle, we find issues characterized by moderate levels of conflict and "manageable" coordination problems. In these issue-areas national sector interests appear to be in explicit conflict with those of poor and vulnerable groups. Adjusting existing policies or implementing new measures is likely to be controversial and require the alignment of a range of national players and interests groups. Conflicts may be resolved by accepting some trade-offs, but also through exploring new opportunities and synergies. Policy change in this category may be viable under favorable conditions. At the other end, we find issues characterized by malign levels of conflict and "serious" coordination problems. In these situations, given national sector interests are very clearly in opposition to given global development objectives. Prohibitive level of conflict can appear on issues where assumed domestic costs of a given policy change are high and immediate, while assumed benefits to poor countries are uncertain and long term.

Positioning issues along the political viability continuum must be a dynamic exercise, even in seemingly clear-cut, malign cases. One should also keep in mind that the exercise represents, at least partly, a value judgment, as different stakeholders (e.g. political parties, government bureaucrats, CSOs, think-tanks) are likely to consider issues differently, depending on where they stand normatively, substantively and strategically. Actors' views may also change over time. For example, when the Oil Fund (GPFG) was established in the late 1990s, CSO proposals to impose ethical guidelines for investments were flatly rejected by the Norwegian political establishment. But only five years later a parliamentary majority chose to introduce them. Furthermore, until 2013, when the Labor Party was in government, it rejected proposals to let climate policy dictate the pace of petroleum exploration on Norway's continental shelf. Now that the party is in opposition, however, the new chair Jonas Gahr Støre has ruffled the feathers of many in the Norwegian oil and gas community, by indicating that one might keep some some Norwegian petroleum resources in the ground in order to meet global climate goals.

In the following sections, we embark on a more detailed discussion of our selection of issue-areas central to Norwegian beyond aid development policy. It identifies opportunities related to integrating specific sector interests with global development goals, and in line with the viability continuum provides an evaluation of the level of conflict and feasibility of policy change to the benefit of the global poor.

Enhancing access to finance for development

Mobilizing financial resources for development has been on the global agenda since the emergence of the international development infrastructure, including the Bretton Woods institutions (the IMF and the World Bank) and other multilateral (UN) and bilateral aid finance institutions channeling capital to poor countries. In the 1980s the debt crisis emerged as a major policy issue and due to the complex, multi-sectorial nature of efforts to reduce the debt burden of poor countries, debt relief became central to the nascent PCD agenda.

A new generation of development finance institutions (DFIs) such as NORFUND, have also emerged in recent decades. These DFIs provide equity and high-risk capital to private sector development projects in poor regions, where private funds often perceive the risk of investing as too high. Others focus on microfinance, providing services to low-income individuals and those without access to regular banking services.

In addition, many mainstream financial actors, including both public and private funds, have increasingly adopted concrete measures to enhance their contribution to sustainable development. The emergence of so-called socially responsible investing (SRI), defined as ethically, socially and/or environmentally conscious investment strategies, now represents a notable trend, and SRI assets have become a substantial part of the financial market (SIF, 2012). A growing number of funds have subscribed to management standards such as the UN principles for responsible investment (UNPRI, 2014), and CSOs and other activists have scaled up the pressure on shareholders to improve their SRI practices. The main rationales behind utilizing SRI to further development goals is that shareholders have the power to steer capital away from socially, environmentally and ethically harmful business activities towards corporations and ventures with a positive impact, and/or regions and communities where capital is sorely needed for development.

Broadly speaking, one might identify three approaches to improving the social, environmental and ethical footprint of a fund, commonly utilized for SRI portfolios. First, many perform ***negative screenings***, that is, a more or less systematic identification of sectors and companies who engage in damaging or risky activities, from which the fund will consider to divest. Second, some engage in ***positive and thematic screening***, which often involves the identification of companies and assets within particular sectors or investment themes, such as climate change or (poor) community development, that appear to have a particularly positive sustainable development impact combined with the potential to yield significant returns. Third, many funds also exercise ***active ownership***, a form of shareholder activism and proactive engagement with companies in a fund's portfolio. Such efforts may include shareholder voting, dialogue and/or concrete proposals and demands towards a company's management, with the aim to improve their environmental, social and ethical strategies and behavior (see e.g. UNPRI, 2014).

SRI has become a notable and expected dimension of managing Sovereign Wealth Funds (SWFs), defined as accumulated government reserves invested in financial markets, as placements in shares, bonds and securities. Since 2001, global government reserves have quadrupled, mostly due to growing trade surpluses and export revenues in some countries, rendering SWFs powerful, financial players (Gordon et al, 2013). SWF holdings currently approach USD 20 trillion, and continue to grow in size and global significance. Over the past decade, CSOs and other activists have scaled up the pressure on SWFs to enhance their contribution to sustainable development, including ***Norway's Pension Fund Global*** (GPFG), which invests Norwegian petroleum revenues abroad. The GPFG is valued at NOK 5515 billion (USD 875 billion) and represents world's largest SWF in terms of absolute assets.

Finance for development and the challenge of policy coordination in Norway

While poor-country access to capital represents a core development concern, the governance of this issue-area reaches far beyond the aid budget and responsibility of the foreign minister. Debt relief requires policy coordination across ministries but also with companies, not least since CSOs demand that relief shouldn't be funded by the regular aid budget. DFIs like NORFUND are usually financed by aid budgets and managed by aid agencies, but ministries of finance take active part in their regulation and practice. Finance ministries also manage transparency and related regulations to reduce tax evasion and capital flight, and determine the rules of the game for SWFs, such as the use of guidelines for negative and positive screening, practices for active ownership, or the extent to which SWFs should invest thematically, such as to promote the development of poor regions.

The Norwegian Government Pension Fund Global has invested 43 times more in companies destroying the rainforest than the Government has paid to help protect the rainforest. Photo: Flickr

Promoting SRI in the GPFG – a Norwegian responsibility and opportunity

Norway is a highly relevant finance for development player, for several reasons. The size of the aid budget, the political momentum to build a sizeable NORFUND, the aid resources made available to multilateral financial initiatives, and Norway's active role in debt relief efforts, all represent well-intended beyond aid efforts. But it is perhaps the potential to improve the SRI practices of the ***Government Pension Fund Global*** (GPFG) as a means for promoting sustainable development, that renders finance such a relevant beyond aid development issue for Norway. To date, the GPFG has practiced some negative screening (albeit not on a systematic basis) based on a set of ethical guidelines established by the ministry of finance and monitored by the "Council on Ethics". The mandate to divest primarily regards companies involved in controversial weapons production, tobacco production, serious or systematic human rights violations, severe environmental damage and gross corruption. The fund also conducts some thematic screening for a relatively small portfolio targeting green and renewable energy. In addition, it exercises active ownership through dialogue, shareholder voting, proposals and raising issues with the management of some of the companies

After a complaint by ForUM to the Norwegian Contact Point for the OECD Guidelines, the Contact Point concluded that the Norwegian Government Pension Fund Global had violated the Guidelines when it invested in Posco, a Korean steel company violating human rights in Orissa, India. Photo: GettyImages

they invest in, to improve particular social, environmental and ethical issues of concern (NBIM, 2014; Isaksen, 2014).

Recent debate and CSO scrutiny has shed critical light on exemplary cases that highlight some key PCD challenges, and demonstrate that there is ample room for improvement in the implementation of the guidelines for negative screening and the practice of active ownership:

- ***Significant incoherence between de-facto investment practices and central, government development goals exist.*** For example, the Rainforest Foundation Norway (RFN) has revealed that in 2013, the GPFG portfolio had invested 130 billion in companies whose activities destroy the world's rainforests (RFN, 2014). At the same time, the aid budget has invested heavily in reducing deforestation and forest degradation in developing countries (REDD+), which in 2013 constituted the government's largest climate and development initiative. Thus, the practice of negative screening has not resulted in divestment from companies whose activities seriously undermine or offset government priorities and investments in the environment and development field.

- ***The GPFG has also failed to exercise effective and transparent active ownership related to central development objectives*** inherent to the ethical guidelines. For example, in 2012, ForUM filed a complaint to the Norwegian contact point for the OECD guidelines for multinational enterprises, arguing that the GPFG should have divested from, or at least raised issues with Posco, a Korean steel company involved in gross human rights violations in Orissa, India. The OECD concluded that the GPFG was in breach of the OECD guidelines (to which the fund has been liable since 2004), and criticized the fund for its lack of transparency in processes of exercising active ownership (ForUM, 2013). This provides an example of existing gaps between GPFG strategy and implementation in practice.

While these examples demonstrate the need to improve existing practices, one might also identify a number of opportunities to go further through negative, positive and thematic screening:

- In 2009, the GPFG established a thematic, green portfolio, which was recently increased to 50 billion NOK, now amounting to about 1 percent of the Fund's total assets. While some might question the direct development impact (for the poor) of this portfolio, the potential contribution to climate change mitigation and a green energy transition has an indirect, positive impact for many poor countries who stand at the frontlines of climate change (see section 6). Arguably, further increasing the size of this portfolio to a much more substantial level, would clearly provide more legitimacy to a government fund whose assets are derived from petroleum activities, which constitute one of the main culprits of climate change.

- On a related note, the GPFG might also seek to divest from the coal sector, or from fossil fuels entirely, to reduce its climate footprint and enhance legitimacy. An advisory group to the ministry of finance considered this option, but concluded in December 2014 that the GPFG should not divest from fossil fuels, but rather, continue to use active ownership to influence the industry in a positive manner. It was argued that the government can do more to reduce GHG emissions from this sector through active ownership than exit, as the latter would simply result in new owners imposing less stringent or no sustainability demands. CSOs have strongly criticized this conclusion and the resulting incoherence with Norway's official climate change goals.

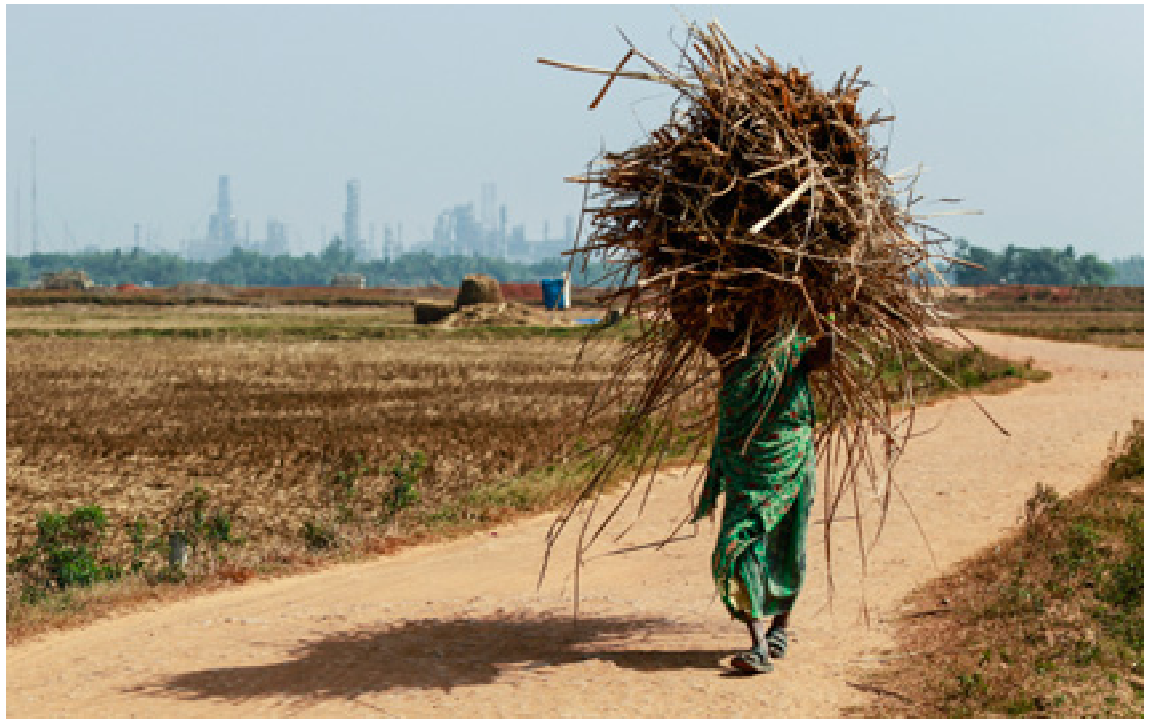
- The GPFG might also establish an additional, thematic portfolio targeting poor countries' need for capital more directly. Such a portfolio would clearly have to accept more risk and invest in private equity, as many developing country firms are not publicly traded and listed on a stock exchange. While some argue that NORFUND is a more appropriate high-risk, development fund as such, there are good reasons for pursuing an option to locate it within the GPFG structure as an additional development measure outside of the aid budget.

Political viability: Balancing financial concerns and development interests

A number of conflicts between financial and development interests exist, which may act as barriers to policy change. A main concern to many government stakeholders is how far the GPFG can go in terms of divestment, active ownership and thematic screening without unduly compromising the fund's financial integrity and political neutrality. The market expects capital to be channeled to the most productive and economically efficient businesses, and if the market starts considering GPFG investments as political, the fund may indeed lose its legitimacy and status. Many also worry that if the GPFG becomes perceived as a means for promoting national interests, it may spur protectionist responses from other countries, such as the protection of strategic, national industries from foreign ownership (Foldal, 2012). Others believe that divesting might be interpreted as a political sanction, and lead to unwanted political outcomes. For example, divesting from Walmart and Boeing could have resulted in the US retaliating by scaling up imports of Chilean salmon at the expense of Norwegian salmon (Isachsen, 2014). Finally, many argue that the GPFG does not have a legitimate mandate to engage in private equity in poor countries where framework conditions for investment are so inadequate that the level of risk poses a serious threat to economic viability (NOU, 2008; see also OAG, 2014).

"... divesting from coal would clearly score political brownie points among environmentalists, but also make sense to economists"

While improving SRI practices through enhanced transparency and implementation of existing SRI guidelines represents a "simple" coherence problem that would only require enhanced information exchange and coordination efforts, we believe some of the above concerns amount to a manageable coherence issue, characterized by a moderate level of conflict. For example, scaling up thematic investment in green ventures and poorer, high-risk regions to enhance the fund's sustainable development im-



Responsible investments and trade enable sustainable development. *A woman carries a bundle of dried grass along a road through which a proposed railway will pass through in Dhinkia, Odisha, India, January 2014. Photographer: Prashanth Vishwanathan/Bloomberg via Getty Images*

pact may be controversial in vested government circles, and challenge legitimate financial interests. Therefore, the viability of these proposals depend on the extent to which they are likely to yield high financial returns, at least in the longer term. For example, divesting from coal would clearly score political brownie points among environmentalists, but also make sense to economists who believe that in the medium to long term, where carbon emissions are likely to carry a high(er) price, coal represents a stranded asset and therefore a case for divestment.

It is also worth noting that the public and political support for a strong SRI profile for the GPFG is substantial, despite the fact that the annual costs of divestment from tobacco companies, according to a recent report, was estimated at NOK 10 billion. In other words, accepting some trade-offs seems to be politically viable, which begs the question of whether the public would support an increase in green investment, divestment from fossil fuels, and a high-risk development portfolio. Ultimately, the GPFG manages assets owned by the Norwegian people, and these issues amount to a fundamental, normative debate on how the government should manage its population's growing riches. The fact that it is a public fund should also legitimize a stronger focus on long-term benefits than short-term rewards.

To sum up, the GPFG is by far Norway's most visible window to the world, and a growing global constituency is engaged in debates on its policy direction related to sustainable development. The vast size and influence of the fund itself also makes SRI a powerful beyond aid measure with a potentially high impact. As a minimum, the GPFG should improve its current practices and seek to become a frontrunner on implementing existing guidelines and the practice of active ownership, for example by scaling up its sanctions of corporate human rights violations and fully implementing the OECD guidelines (Curtis, 2014). But this report has demonstrated that the fund can do more, and that that policy change may be viable when large constituencies mobilize, as in the case of establishing ethical guidelines. The public may well be ready to accept some trade-offs, and assume a higher level of short-term risk in order to realize prospects of yielding long-term gains, and enhance the Norwegian contribution to sustainable development beyond aid.

Government ownership, corporate responsibility and transparency

With globalization, multinational corporations have expanded their reach and influence through extended production networks into the poor regions of the world (Jamali, 2010). In theory, this can contribute to a flourishing economy and poverty reduction through stimulating local employment, increased poor-country access to and transfer of new knowledge and technologies, and the strengthening of local business competitiveness (OECD, 2014c; White Paper 10, 2009). However, there is ample proof that investments into countries with weak or non-existing regulations also result in problems such as corruption, money laundering, illicit capital flight to tax heavens, exploitation of workers and health-damaging local pollution – all of which represent serious threats to development (Newell and Frynas, 2007). For example, the value of illicit financial flows from developing countries is tenfold the total amount of official ODA, and a lion's share of this capital flight is due to tax evasion by foreign commercial companies. This means that a large amount of funds are siphoned off to the detriment of the host-country population (White Paper 25, 2013).

"... the value of illicit financial flows from developing countries is tenfold the total amount of official ODA"

In response to these developments, corporate social responsibility (CSR) and transparency have emerged as a notable approach to minimizing the negative and enhancing positive social, environmental and ethical impacts of business practices. It requires companies to formulate and implement standards on a wide range of non-financial issues, including human and worker's rights, pollution and environmental protection, corruption and bribery, capital flight, transparency, value-chain management, and innovation and technology.

Many view the emergence of CSR, as a distinct approach to sustainable development, as linked to the growing pressures and demands from CSOs and other activists towards corporations over the past decades. CSOs have worked systematically to name and shame corporations with a particularly negative or harmful footprint (Bendell, 2004), and engaged in global partnerships with private sector actors, governmental and international institutions to promote CSR and the development of institutional, governance frameworks for good corporate practices. National governments have increasingly also sought to harness the positive potential of business through both voluntary and mandatory CSR and transparency regulations (Frynas, 2008).

The recent proliferation of governance institutions and standards for CSR and transparency is notable. Initiatives come in various forms, notably as i) intergovernmental organization (IO) standards, ii) multi-stakeholder initiative standards and iii) industry association codes (see G-20, 2011). IO standards, based on universal principles recognized in international agreements, are the most prominent and authoritative in respect to broader development goals. These include the OECD Guidelines for Multinational Enterprises, the UN Global Compact, The UN Guiding Principles on Business and Human Rights (UNGP), and the UN Principles for Responsible Investment. Multi-stakeholder initiative standards, which comprise a mix of members from civil society, business, labor, consumer organizations and others, and have a rule-setting purpose, to design standards for regulating market actors to improve the social and environmental impact of production methods (Litovsky et. al, 2007). A prominent example is the standards by the International Organization for Standardization (ISO), such as ISO 26000 (social responsibility) and ISO 14000 (environmental management), and the Global Reporting Initiative (GRI). Finally, industry association standards typically involve the joint adoption of a code developed in a sector, which addresses social and environmental aspects of the industry's operations. Examples include the Extractive Industries Transparency Initiative (EITI) and the

Investments into countries with weak or non-existing regulations also result in problems such as corruption, money laundering, illicit capital flight to tax havens, exploitation of workers and health-damaging local pollution – all of which represent serious threats to development. Photo: Flickr

Pharmaceutical Industry Principles for Responsible Supply Chain Management.

CSR for development and the challenge of policy coordination in Norway

Promoting improved CSR and corporate transparency practices among Norwegian corporations operating in developing countries has a real potential to contribute to development, and has been on the Ministry of Foreign Affairs' agenda for over a decade (see e.g. White paper 10, 2009). CSR is relevant to a Norwegian beyond aid agenda for a number of reasons. Norway is a highly globalized and open economy, and many prominent multinational companies leave a substantial footprint in the poor regions of the world. Furthermore, the fact that the Norwegian state holds such a high degree of majority ownership in large companies such as Statoil and Telenor renders it a particular responsibility. Even if these companies operate fully on commercial terms, majority ownership provides the government with an opportunity to ensure that these are not involved in any serious violations of CSR standards, and implement good CSR practices, and do not engage in activities that are at odds with official aid priorities. Thus, the global exposure and footprint of these corporations, and the often high degree of state ownership, makes CSR and corporate transparency a highly relevant development tool.

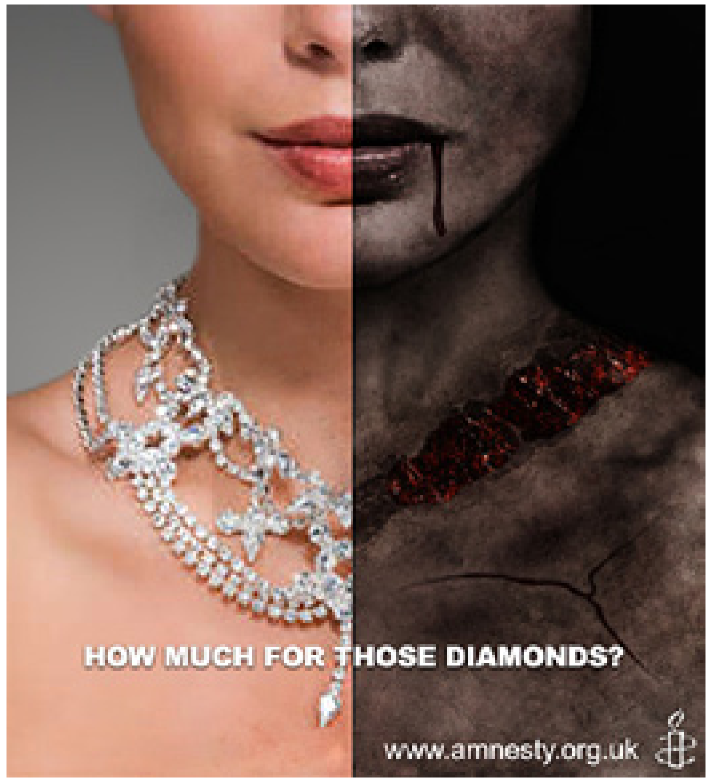
The current government aims to increase the extent to which foreign policy provides an instrument for furthering Norwegian commercial interests abroad. To increase the legitimacy of such an intention, it should be linked to an explicit intention to also promote commercial activities as an instrument for furthering development policy objectives. The responsibility to govern such an intention through the regulation and communication of particular expectations towards corporations reaches beyond the Ministry of Foreign Affairs, to the Ministry of Trade, Industry and Fisheries. It thus requires interministerial coordination, but also willingness to exercise active ownership, coordinate and systematically voice demands towards companies, and monitor their implementation.

Government policy and corporate practice

The Norwegian government's approach to promoting CSR in multinational companies encompasses both mandatory and voluntary measures.

Since 1998, the Norwegian Accounting Act has legally required the board of directors of all sizeable Norwegian companies to account for their impact on the external environment and the working environment, and since 2003, for measures to promote gender equality (see Vormedal and Ruud, 2009: 210-11). Section 3-3 of the Act, which governs such non-financial requirements, was revised in 2013, now requiring all large companies to report, in addition, on measures taken to protect human rights, worker's rights and corruption. In so doing, companies are requested to list guidelines, principles, procedures and standards utilized, account for how they implement these in practice, and discuss the results. However, while the Accounting Act is legally binding, critics argue that it lacks significant teeth to ensure satisfactory implementation. Empirical assessments of company reporting pre-2013 has demonstrated that only 10 percent complied with the provision on environmental impacts, and only half complied with those on gender equality and the working environment. In large part, this is likely due to the absence of related monitoring and enforcement measures (Vormedal and Ruud, 2009). Critics of the 2013 amendment also argue that a continued lack of such measures makes it unlikely that implementation will be more satisfactory in the years to come. In the worst case, it may result in companies reporting both superficially and dishonestly, using reporting merely as a tool for marketing good performance (Sjåfjell, 2013). Thus, the legal reporting measures for promoting CSR have a limited ability to ensure satisfactory implementation, and the extent to which the Act is capable of delivering non-cosmetic progress towards more stringent practices is therefore questionable.

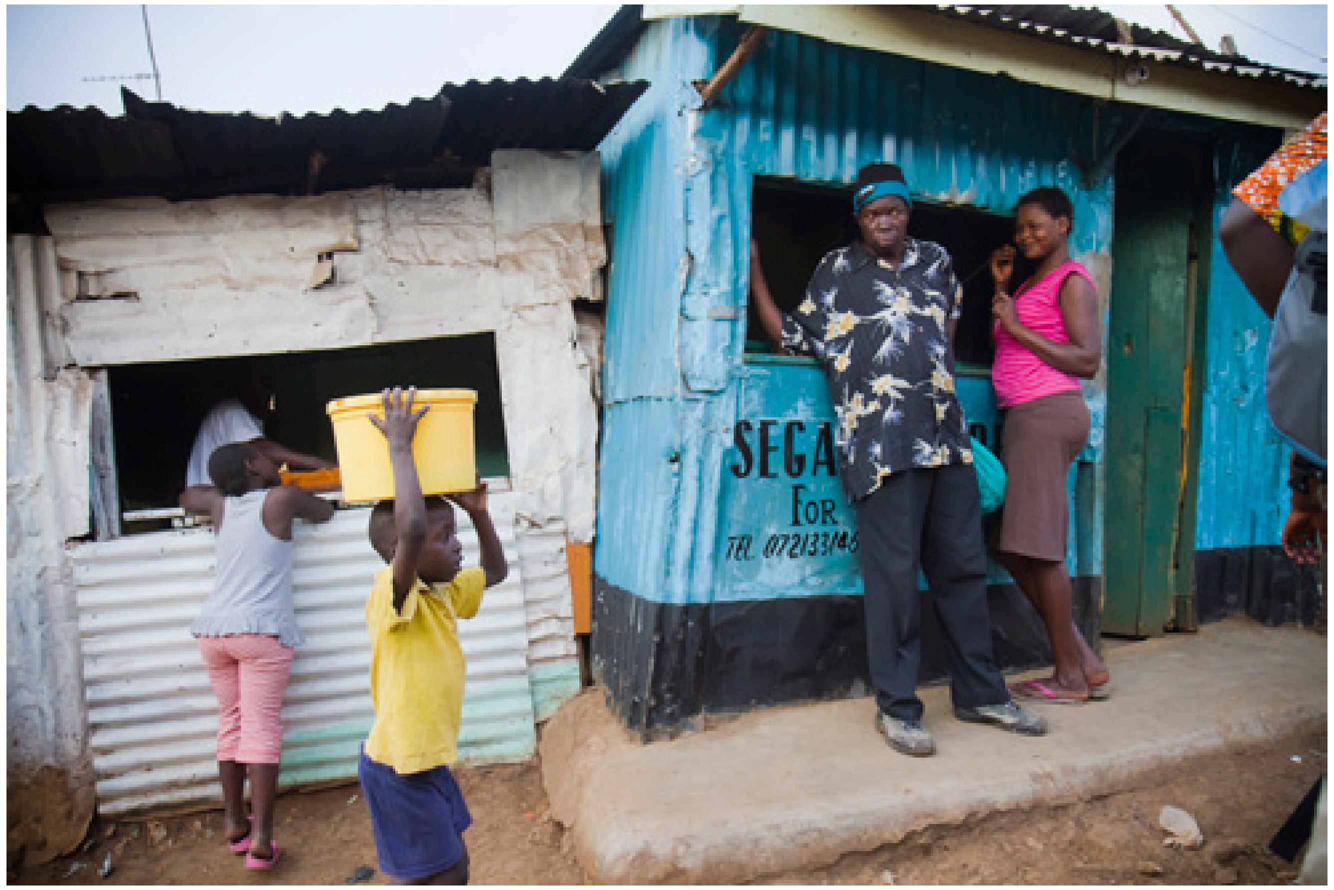
In addition to mandatory reporting, the government encourages all state-owned companies to become CSR frontrunners on a voluntary basis. In the most recent white paper on government ownership, it scales up its expectations by stating that all state-owned, sizeable, multinational should exert leadership on CSR issues within their sector. They are asked to implement international CSR standards, including the Global Compact, the ILO conventions, the UNGP, the OECD Guidelines and the Global Forum for Transparency, and utilize the GRI standard for reporting. They are encouraged to engage in systematic dialogue with stakeholders, develop a risk-based approach to climate change and environmental protection, implement HMS



The Commitment to Development Index credits Norway for its active participation and leadership in transparency initiatives such as EITI and the Kimberly process to root out blood diamonds fuelling brutal wars in Africa.

standards throughout the value chain, implement anti-corruption systems and exercise a large degree of openness on capital flows and taxation. To ensure that these demands are implemented, the government states an intention to utilize ownership dialogue on CSR (White Paper 27, 2014:80-83). More informal discussion and debate between the government, civil society and all Norwegian multinationals on CSR policy and implementation, has also been facilitated through the forum Kompakt, administered by Ministry of Foreign Affairs.

Export Credit Norway GIEK (a guarantee facility for export credits) and Eksportfinans Norge (which mitigates political risk for companies operating in global markets) subscribe to the global Equator Principles and have established CSR guidelines. The fact that political risk insurance agencies screen potential projects for violations of human, labor and environmental rights attributed Norway a high score on the financial indicator of the Commitment to Development Index (CDI). The CDI index also credits Norway for its active participation and leadership in transparency initiatives such as EITI and the



Kibera slum, Nairobi. *Investments can help create jobs and reduce poverty, but it can also harm people and nature. Norway is frequently encouraged to be more proactive in promoting responsible business conduct and monitoring. Photo: Flickr/ FarFlungTravels.*

Kimberly process to root out blood diamonds, and attributes it a score above average on the Financial Secrecy Index for regulations in place to promote transparent financial transactions within its jurisdiction.

To combat illicit flows of FDI revenues from poor countries, the use of tax heavens, secret trusts, shell companies and anonymous accounts to conceal and laundry money, the government has taken measures to improve financial transparency. Through the program Tax for Development, Norway helps low-income countries develop more robust tax systems that reduce capital flight, and the government imposes demands on the extractive and forestry industries to engage in country-to-country reporting. Yet, these do not cover non-production jurisdictions and are therefore unable to trace mispricing to tax havens. There is thus incoherence between the Ministry of Foreign Affairs' intention to combat tax evasion and the Ministry of Finance's lack of effective implementation.

Norway also expects national petroleum companies to participate in the Extractive Industries Transparency Initiative (EITI), and has signed bilateral agreements with 44 countries deemed by the OECD as tax havens on the exchange of financial information to combat corruption. These help them detect illicit financial flows from Norway, but do little in terms of assisting developing countries. While the government promotes the Global Forum on Transparency and Exchange of Information for Tax Purposes, the representativeness of the Global Forum has been criticized by CSOs and the G77, which would prefer an intergovernmental body on tax under the auspices of the UN where developing-country interests can be better accommodated. Finally, in 2012-2013 Norway held the presidency in the Financial Action Task Force, and a long-term effort has been initiated internationally to establish global rules for financial transparency, in the form of a convention or agreement.

Despite the existence of this range of mandatory and voluntary CSR and transparency measures, there are many recent examples of leading, (partly) state-owned Norwegian multinationals in breach of basic standards:

- In 2008, Yara (36,2% government ownership), was caught importing phosphate (for producing fertilizers) from occupied territory in West Sahara, officially under boycott by the UN and the Norwegian government. The Ministry of Trade, Industry and Fisheries had on previous occasions publicly criticized Yara for such imports. In 2009, the company acquired a majority holding in a Brazilian company running a phosphate mine that was deemed a serious threat to the tropical rain forest. The case is currently pending in the Brazilian legal system. In 2012, Yara's former CEO Thorleif Enger and two Yara directors were arrested and charged with gross corruption in Libya.

- In 2012, Telenor (54% government ownership), via their Russian partner Vimpelcom (Telenor owns 35% of the shares), signed confidential contracts with partners of corrupt and human rights violating presidents in Uzbekistan, Kazakhstan, Kirgizstan and Tajikistan. Telenor's CEO Jon Fredrik Baksaas and the Norwegian CEO of Vimpelcom Jo Lunder refused to disclose their partners and provide transparency related to the agreements made.

"the government needs to scale up the use of monitoring and enforcement to ensure that companies ... walk the walk"

There are also examples of private multinationals breaching CSR and transparency codes:

- In 2011, Copeinca, a Norwegian-based fishing company (government-owned Cermaq now has a majority holding), received fines for over 1.8 billion NOK for illegal fishing, emissions, pollution and incorrect fish weight reporting. The fines have still not been paid.

- In 2012, three consultants in Norway's largest multidisciplinary engineer firm, Norconsult, were sentenced by Court of Appeal to pay 4 million NOK for corruption in Tanzania (paying 700,000 million NOK to the Tanzanian Water and Sewerage Authority). The case has been appealed to the Supreme Court.

These examples of poor practice demonstrate the gap between government policy intentions and corporate practice, which indicates that the government need to scale up the use of monitoring and enforcement mechanisms to ensure that companies not only talk the talk, but also actually walk the walk.

Political Viability for strengthening CSR and transparency

Policy coordination is required to strengthen CSR policy and practice, but the coordination problems and level of conflict seem moderate. For example, revising the Accounting Act to give it more teeth, and ascribing responsibility for monitoring to some government authority, is not unduly at odds with any vested government interests, but provide a deepening of existing priorities. Financing a government agency or an external civil society coalition to monitor voluntary reporting and practices is also viable. Therefore, along a malignancy continuum, strengthening policy coherence for CSR and transparency represents a manageable issue, requiring some regulatory revisions and action to enhance monitoring and enforcement of business practices. The jury is still out, however, regarding both the government's and major companies' willingness to exploit the full potential to harness CSR, transparency and related regulatory tools in the interests of the global poor.

Climate change, energy and development

Climate change is one of the most pressing and multifaceted problems facing humankind today. To avoid dangerous global warming, governments must curb greenhouse gas emissions (GHGs) by 40 to 70 percent compared to 2010 levels by 2050, and by nearly 100% by the end of the century (IPCC, 2014). Low-income countries are particularly vulnerable to climate change. Many depend on ecosystem services and agriculture for their livelihoods, and have a limited ability to protect themselves against severe impacts, such as sea-level rise, increased droughts and floods, stronger cyclones, heatwaves and unpredictable rainfall (IDS, 2014). Adapting to such impacts, which implies successfully adjusting ecological, social and economic systems in response to climate change effects (UNFCCC, 2014a), has thus become increasingly central to development efforts. But to limit the extent and severity of impacts, to ensure that climate change does not undermine future conditions for development, stringent developed-country mitigation efforts are also needed.

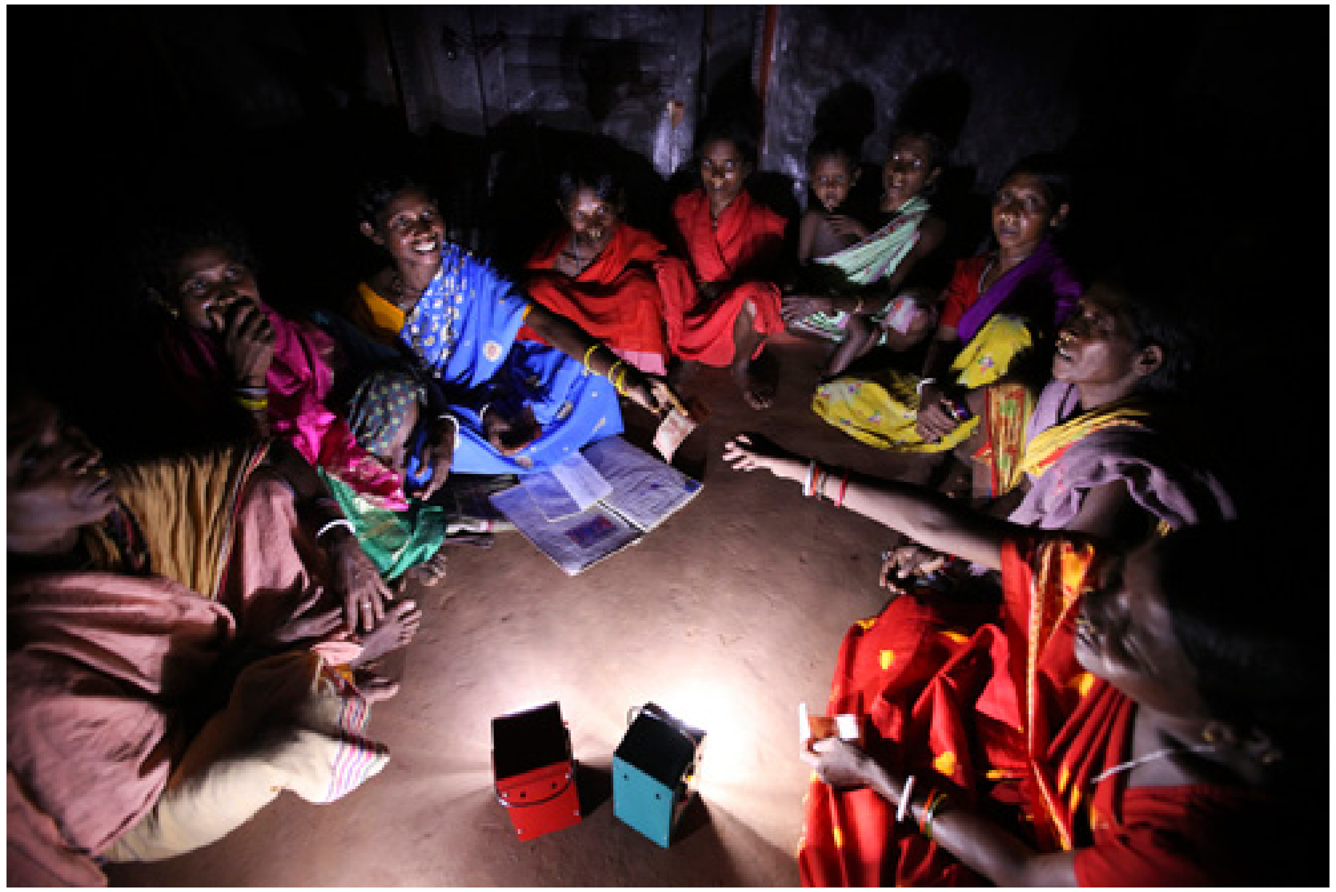
Balancing climate mitigation and development needs represents a complex policy challenge that requires significant emissions reductions and a successful transition to more sustainable and low-carbon energy use, without unduly compromising the right of poor countries to economic growth and affordable, reliable energy (IPCC, 2014). Over one billion people in the developing world still lack electricity, and extending access to energy to poor people is thus crucial to the development agenda, (IDS, 2014b). Clearly, while recent research shows that meeting the energy needs of the poor can be done without significantly increasing global greenhouse gas emissions (Pachauri et al., 2013; Chakravarty & Tavoni, 2013), there are bound to be some trade-offs and coordination problems in the attempt to reduce climate emissions *and* ensure poverty alleviation concurrently (see OAG, 2014).

"Low-income countries are particularly vulnerable to climate change."

Climate mitigation and sustainable energy for development, and the challenge of policy coordination

Measures to promote climate change mitigation, adaptation and affordable sustainable energy are thus crucial to deliver development in poor regions of the world. This is a relevant policy domain for a Norwegian beyond aid agenda for several reasons. First, Norway is globally a significant resource provider, particularly due to its production and export of fossil fuel-based energy. It is the world's third largest exporter of gas, and approximately the tenth in oil export. The country is also the sixth largest electricity producer, increasingly linked up in a Nordic and European electricity exchange market. This provides Norway with a high level of competence and influence on issues pertaining to energy, which is applicable to many developing country contexts. The comprehensive Norwegian experience in extracting, producing and managing both fossil fuel-based and renewable energy resources to the benefit of the public, is highly relevant for many natural resource-rich developing countries. Second, the large carbon footprint that stems from Norway's role as a global fossil-fuel producer, attributes it a responsibility to reduce domestic emissions and contribute to global climate change mitigation, to help alleviate the extent and severity of impacts for developing countries.

Climate change mitigation and low-carbon energy development and diffusion has recently become a central feature of Norwegian aid and development policy (White paper 14, 2011; MCE, 2014). But the formulation and implementation of climate and energy measures, more often than not, reaches beyond the responsibility of the Ministry of Foreign Affairs, and thus requires cooperation and coordination, and indeed action by other ministries and government offices such as the Climate and Environment Ministry, the Norwegian Environment Agency and the Petroleum and Energy Ministry.



Over one billion people in the developing world still lack electricity. Extending access to safe, affordable and renewable energy to poor people is thus crucial to sustainable development. Electricity has reached these persons in Tinginaput, but many in rural India still live in the dark. Photo: DFID / Flickr.

Government measures for climate mitigation and the promotion of more sustainable energy use in developing countries

To promote good governance in fossil fuel-based energy production, and more equitable distribution of the wealth from petroleum extraction in the developing world, the Ministry of Foreign Affairs established the Oil for Development program (OFD) in 2005, which aims to draw on Norway's 40 years of experience with responsible petroleum management. The OFD aims to help countries avoid the resource curse and use revenues effectively to the benefit of the population, prevent corruption, and promote sound environmental management (White paper 25, 2013). OFD is the largest program of its kind globally, and demand far outstrips the supply of Norwegian resources currently made available.

As previously noted, an increasing number of Norwegian aid-funded projects and measures aim to deliver climate, energy and development objectives simultaneously. For example, the Clean Energy for Development Initiative (CED) and The International Energy and Climate Initiative (Energy+) both intend to facilitate increased private sector and commercial investment in the renewable energy sector. The main objective is to increase access to clean energy at an affordable price, support increased rural electrification, with for example solar power, the development of wind parks and hydropower stations, efficient wood fuel and charcoal stove use, and provide funding of infrastructure such as transmission and distribution lines (MCE, 2014; Norad, 2014; White Paper 25, 2013). In 2012, bilateral climate finance reached 851 million USD, which represents an increase from 3 percent in 2006 to 18 percent of Norway's ODA in 2012 (MCE, 2014). Furthermore, a range of financial, technological and capacity building initiatives have been established in support of low-carbon energy technology, conservation and

To avoid dangerous global warming, governments must curb greenhouse gas emissions including from fossil fuels by nearly 100% by the end of the century, and invest heavily in renewable energy. Photo: Flickr

efficiency – including hydropower and the development of carbon capture and storage (CCS) for gas-based power plants – and the sustainable management of natural resources and ecosystems. More funding has also been channeled to adaptation initiatives that are cross sectorial, targeting environmental degradation, poverty reduction and economic growth for poor and vulnerable groups concurrently (see MCE, 2014; White Paper 25, 2013; White Paper 14, 2011). But the biggest government priority in the area of climate change and development has been the Norwegian International Climate and Forest Initiative (NICFI), launched in 2008 based on a pledge to provide more than US 500 million a year to support emissions reductions from deforestation and forest degradation (REDD+). The aim of NICFI is to contribute to global emissions reductions and poverty alleviation concurrently (MCE, 2014), and help create an architectural regulatory framework for REDD+ (NICFI, 2014).

However, a recent report by the Norwegian Auditor General (OAG), which examined the extent to which aid-funded clean and renewable energy projects have a positive development impact by contributing to poverty alleviation, reveals many difficulties associated with delivering climate mitigation and development objectives simultaneously. The OAG report demonstrates that many of the new policy interventions have produced unsatisfactory results in terms of poverty alleviation: they have not resulted in a significant increase in renewable power generation, too many power grid projects remain economically unsustainable, and only middle- and upper-class families can afford to connect to the grid due to high costs. It concludes that these projects therefore have little, or no poverty alleviation impact (OAG, 2014). This indicates that despite the government's extensive efforts towards policy coherence in this nascent area, there is ample room for improvement. More work is needed to identify and implement solutions to potential trade-offs between energy, climate and poverty needs.

Reducing Norwegian GHG emissions

Because climate change constitutes a barrier to long-term development, it is also important that Norway contributes significantly to global mitigation, to reduce the extent and severity of impacts on the poor. Norway's absolute emissions may be marginal in a global context, but many stakeholders at home and abroad believe Norway's historical contribution to climate change and role as a fossil fuel producer attribute it a particular obligation to set a good example and cut domestic emissions, including in industry and transport.

"Norway's historical contribution to climate change and role as a fossil fuel producer attribute it a particular obligation to set a good example and cut domestic emissions"

Norway's approach to climate mitigation is manifold. The country is a signatory to the Kyoto Protocol (KP), which required a reduction of GHG emissions equivalent to 1% above 1990 levels between 2008 and 2012. The parliament has also adopted a more stringent national target, requiring reductions equivalent to 9% below 1990 levels for the same period (IEA, 2011). For the second commitment period of KP, the parliament increased the target to 30% below 1990 levels by 2020, and called for an increase to 40% if this can contribute to a consensus on a mandatory and global climate agreement in Paris in 2015. There is political agreement on the goal to achieve carbon neutrality by 2050 (White paper 12, 2013).

To reduce national emissions, Norway has invoked a polluter-pays based system of policy instruments, including a CO2-tax which is levied on 60 percent of total GHG emissions, and an emissions trading scheme, which in 2008 became a part of the EU ETS, covering 50 percent of Norwegian GHG emissions. Altogether, 80 percent of domestic emissions are subject to mandatory allowances or a CO2-tax, or both. Norway champions a global price on emissions, and has made considerable investment in the development of Carbon Capture and Storage (CCS) in the petroleum and gas industry to mitigate emissions. It is committed to its widespread dissemination, primarily through the Technology Center Mongstad (TCM) (MCE, 2014).

It has proved difficult, however, to implement domestic emissions reductions, and Norway is facing major challenges achieving the 2020 target, as electricity supply and energy use in buildings is based on hydropower and essentially carbon-free at the outset. Domestic emissions have in fact increased modestly since 1990, and between 2008 and 2012, they increased by 4% (NCA, 2014). The source of increasing emissions is the petroleum sector. To meet their target, the government has bought extensive emission reduction allowances in the carbon market, through the EU ETS and the UN mechanisms JI and the CDM (MCE, 2014). Notwithstanding the potentially effective role of emissions trading as a global mitigation instrument, it does not satisfy the expectations of many to realize substantial domestic mitigation action.

Norwegian GHG emissions from fossil fuel production places it at the bottom of the CDI's environment indicator, as number 26, with a score of 2.8 out of 10 possible points. The reason that "the mother of sustainable development" fares so badly on environment, is that the index measures fossil fuel production per capita as an approximation to Norway's contribution to global emissions. Thus, the methodology differs from the conventional way of measuring emissions from fossil energy consumption. When measured in terms of domestic consumption, the oil and gas sector only contribute to 30% of Norwegian GHG emissions. This figure is based on a measure of emissions from the energy consumption related to producing and transporting oil and gas from the continental shelf to purchasing/consuming countries abroad. The recent decision to electrify parts of the Norwegian continental shelf aims to reduce these emissions. Still, these emissions make up only a fraction of the production-based measure utilized by the CDI index.

How fair the CDI measure of Norwegian GHG emissions is, and thus Norway's contribution to global climate change, is questionable. The CDI methodology is not in line with reporting requirements under the UNFCCC, and also runs counter to the main credo of Norwegian climate policy: to reduce climate emissions by pricing carbon through taxes and/or emissions trading. Norway has generally argued that it is not cost-efficient to target the production of energy with policy measures. Hence also the resistance to accept that new petroleum ventures into the Arctic are a climate liability. If Norway keeps Arctic oil and gas in the ground, the argument goes, this will only encourage Canada and Venezuela to produce more of their far dirtier oil resources. It might be argued that CDI should at least apply universally accepted UNFCCC methodology when assigning responsibility for climate emissions, and that Norway thus deserves a higher environment score.

Yet, the Norwegian government should take note of this form of representation by an authoritative global index. It may be a sign of the times that stakeholders, nationally as well as internationally, increasingly question the legitimacy of pushing the oil and gas frontier further. We are likely to be beyond the point where Norway can justify full speed in its oil and gas production.

This considered, doing more to reduce domestic emissions in general would also have a great symbolic value.

Political viability: Balancing energy, climate and development goals

It is clear that conflicts do exist between energy, climate and development goals, which may result in both coordination problems and trade-offs in terms of implementation and results. As regards improving existing initiatives to promote climate mitigation through low-carbon, sustainable energy development in countries, we deem the level of conflict and coordination problems to be simple. It is likely that results can be improved through developing better solutions to trade-offs, information exchange and coordination between environment and development agencies. In the case of reducing domestic emissions, however, we deem the conflict level to be moderate and coordination problems manageable. National energy sector interests, which are particularly vested in the oil and gas industry complex, and the focus of Norwegian climate policy on cost efficiency, global emissions trading and "cheap" reductions in developing countries, have thus far made the option of prioritizing more expensive domestic cuts politically more challenging.

Yet, while the goal of a cost-effective, global system for GHG reductions remains legitimate, the severity of the climate challenge should encourage the government to speed ahead with domestic emissions reductions. This will not only produce visible results, but have a strong symbolic value. In addition, as discussed in the section on finance, Norway should also consider investing more petroleum revenues in low-carbon technologies, for example by slicing off a part of the GPFG to build a sizeable clean energy fund. In addition, Norway should also accelerate its efforts to reduce emissions from fossil fuels globally, through CCS technology, reduction of gas flaring and other emission reduction opportunities along the whole value chain.

Trade and development

Even the largest aid recipients argue that trade is more important than aid. Capacity to participate in and access to global markets is a crucial enabler of economic growth among the world's poorer regions, and thus a crucial dimension of development beyond aid. According to the WTO, increased trading over the past decades has already led to significant growth and lifted many low-income countries out of poverty. From 1990 to 2008, the volume of exports from developing countries grew consistently faster than from developed countries, and between 1990 and 2008, trade between developing nations increased from 29 to 47 % (WTO, 2014). Nevertheless, the effect of liberalization on poverty is a complex and contested topic. Some argue that to reap economic benefits from trade, developing countries should maintain policy space for protecting national agriculture and industry. Success stories such as the South-East Asian Tigers and China demonstrate how economic growth can be achieved by combining protectionist national industrial policies with increased international exports, leading to increased diversification, innovation and capacity building, lower consumer prices and job creation. Others believe protectionism is the reason why many of the world's poorest countries are still lagging behind. In particular, it is argued that the preservation of trade barriers in the agricultural sector is inhibiting the poorest countries that rely on farming to sell their products in the international market.

"Even the largest aid recipients argue that trade is more important than aid. "

This political complexity, and the large number of countries with different interests in negotiating trade rules, has made WTO negotiations for a more liberal global trade system an uphill battle. WTO trade delegates rejoiced in Indonesia December 2013 after an historic (albeit limited) global trade agreement deemed to provide benefits to poor and rich countries alike, only to return to deep frustration in the summer of 2014, when the new Indian trade minister set out to scupper the whole deal. Indeed, the global multilateral trade system continues to move from crisis to crisis, while the dynamism that remains in trade circles goes into regional trade initiatives and bilateral agreements. Regional trade diplomacy may be seen as a rational adaptation to an increasingly unmanageable global economic architecture. But the losers are likely to be poor developing nations and small countries like Norway.

Trade for development and the challenge of policy coordination in Norway

While trade and market access, in particular for agricultural products, is considered essential to development among the world's poor, Norway is a small country and the Norwegian market may be of marginal significance to developing countries. Still, Norway can contribute to development through a number of trade-related measures: i) Provide enhanced market access for developing countries by cutting import restrictions as well as export subsidies further; ii) promote the trade interests of the poorest developing countries in global trade negotiations and iii) continue to develop the aid for trade toolbox, by supporting initiatives that strengthen poor countries' ability to capitalize on opportunities, including domestic trade reform.

The power to define and establish development-friendly trade rules, subsidies and import tariffs lies beyond the responsibility of the foreign minister: with the ministry of commerce, trade and fisheries, with the ministry of agriculture and food, and ultimately, the parliament. In Norway, trade rules represent an area where many view the interests of the poor as being directly in conflict with national interests, and policy change may therefore require a high degree of interest alignment and coordination between different government agencies and interest groups.

Access to the Norwegian market

Norway has phased out tariffs on most industrial products, but import tariffs in the agricultural sector remain high. Measured as a percentage of the market value of imports, tariffs on agricultural products are, overall, 84,6 %. On wheat, they amount to 133%, on beef 307,9%, other meats 274% and on dairy 107,8% (CDI, 2013). The protection of national farming through high tariffs is often criticized for limiting poor-country opportunities to export, and it attributes Norway a conspicuously bad rank on the trade indicator of the CDI index. In 2013, Norway achieved only 1.2 out of 10 possible score points and a place at the bottom, as number 26. It is notable that Norway's overall rank is 3, meaning that a higher score on environment and trade is likely to have placed it at the very top. In this context is it important to keep in mind that 70% of import of food and animal feed to Norway comes from the EU, and the import of soya from Brazil has a very big share in the part that comes from developing countries. Nevertheless, the import from developing countries is increasing, in 2013 8,4% increase (Virke, 2014)

"...trade rules represent an area where many view the interests of the poor as being directly in conflict with national interests"

Regional and demographic considerations, farming costs and food security issues are often the explanations given for Norway's long-standing reluctance to phase out tariff barriers in the agricultural sector. Norwegian farmers view tariffs on products such as dairy, meats and certain fruits and vegetables as a necessary instrument for levelling the playing field vis-à-vis foreign competitors. Due to high labor costs and challenging natural climate conditions for food production, farmers face particularly high production costs, and therefore argue that a phasing out of tariffs would likely cause the agricultural sector to go bust, and threaten national food security (The Agricultural Cooperatives, 2014). In addition, the government has utilized trade barriers based on demographic concerns. To counter the general trend towards urbanization, and maintain the population in remote, farmed areas, subsidizing Norwegian agriculture is considered vital.

To abate the negative effect of Norwegian agricultural tariffs for the poorest and most vulnerable countries, Norway has established a system for general trade preferences (GSP). The GSP provides lower tariffs and duty and quota free market access for all goods from least developed countries (LDCs) with a population of less than 75 million, with an addition of 14 other non-LDC-countires from 2008. Yet, civil society organizations have criticized the system for being arbitrary in its implementation, and revealed cases in which the government has withdrawn its favorable treatment of such LDCs. For example, previous free market access was withdrawn for Namibia and Botswana in 2010, when imports of mutton from these countries reached a level that was deemed a threat to Norwegian sheep farmers (NCA, 2014).

Supporting developing-country interest in global negotiations

The small size of the Norwegian market can be said to limit the overall damage done by Norwegian agricultural protectionism to developing countries. But many also argue that the alliances Norway tends to nurture in global trade negotiations, with countries such as Japan and Switzerland, also damage developing-country interests. Such alliances are dictated by national sector concerns and serve to legitimize protectionism against poor countries' trade ambitions.

But Norwegian protectionism and unhelpful alliances in global negotiations does not mean that everything Norway stands for in the WTO runs counter to developing-country interests. To a certain degree, it is generally accepted that every country has its particular defensive and offensive interests, which stem from factors such as geography, industry structure and level of economic development. It is therefore important that Norwegian negotiators are well aware of the interests of (poorer) developing countries and seek to accommodate their positions, at least in areas beyond agriculture, where interest structures are not as strongly in conflict. A case for taking a nuanced and case-to-case approach to accommodating and promoting poor-country interests in negotiations can also be made, based on the fact that the characteristics of countries within the developing-country category varies greatly, leaving the conventional North/South divide virtually irrelevant.

Aid for trade

Overall, imports from LDCs remain insignificant: In 2012, only 21 percent of agricultural imports to Norway came from developing countries, amounting to a value of 9,3 billion NOK. This demonstrates that market access alone cannot create growth. Many of the poorest countries lack supporting framework conditions for trading, such as functioning regulations and trade procedures, production capacity, infrastructure, marketing skills and knowledge on how to meet documentation demands on food quality standards (MFA, 2014).

Thus, Norway can also make a difference by supporting aid for trade (AFT). AFT covers specific trade facilitation and assistance initiatives, including support for improving customs demands, meeting regulatory standards for health and safety, and support for developing mature production systems for finished and processed goods to sell in the global marketplace. Norway supports AFT primarily through multilateral organizations' programs, including the World Bank multi-donor fund for integrating trade into national development plans, the UNCTAD/WTO capacity building in relation to trade rules and trade negotiations, and the Integrated Framework for Trade-Related Technical Assistance to LDCs (IF) (MFA, 2007). In future trade-related aid efforts, Norway intends to focus on promoting the capacity of least developed countries in Africa south of Sahara (MFA, 2014).

The view that Norway needs to protect national farming and demographic concerns is firmly vested in both government and powerful interest groups. Photo: Flickr

Through EFTA, the government has recently entered into negotiations on bilateral trade agreements with a range of developing countries. The MFA expects these to regulate trade relations

To maintain agriculture and rural life in cold and mountainous Norway, the agriculture sector is protected through high import tariffs on many products. However, Norway provides lower tariffs and duty and quota free market access to goods from the least developed countries. Photo: Getty Images.

with many developing countries that have a potential to export in the future, and to decrease the relevance of the GSP system. Funds have been allocated for capacity building, knowledge transfer and technical assistance to enable them to exploit the opportunities of free trade within EFTA.

Political viability: Balancing trade, agricultural and development interests

Doing more to promote capacity to trade represents an uncontroversial issue that can be done within the aid budget, without relying much on the authority of other ministries. Supporting developing country interests in international and regional negotiations for trade agreements, however, appears to characterize a moderate level of conflict and represent a manageable coordination problem. It would require reconsidering some protectionist positions and alliances, and scaling up support to common trade frameworks that provide international market access to the poorest countries. But the extent to which such generic support to facilitative framework conditions for developing countries would require Norway to open up its borders further, by reducing or eliminating national tariffs and other trade barriers in the agricultural sector, is crucial in terms of determining the conflict level. Indeed, we deem the issue of national trade barriers as being characterized by a malign level of conflict, representing a serious coordination problem. The view that Norway needs to protect national farming and demographic concerns is firmly vested in both government and powerful interest groups, which in all likelihood renders policy change unviable.

Security and development

Insecurity is one of the primary development challenges of our time. Terrorism, violent conflict and war, civil unrest due to economic shocks and organized criminal violence seriously undermine conditions for development. Many low-income countries have made progress in their efforts to reduce poverty over the past 60 years, but those characterized by recurring political and criminal violence have been left far behind. In fact, low-income, conflict-ridden countries have yet to achieve a single MDG. People living in such fragile areas are more than twice as likely to be undernourished, lack clean water and see their children die before the age of five, and more than three times as likely to be unable to send their children to school, as people in stable low-income countries. The direct impact of violence falls primarily on young males fighting in armed forces and gang members, but women and children suffer disproportionately from the indirect effects, as they constitute the victims of serious assaults such as sexual harassment, slavery and rape (WDR, 2011).

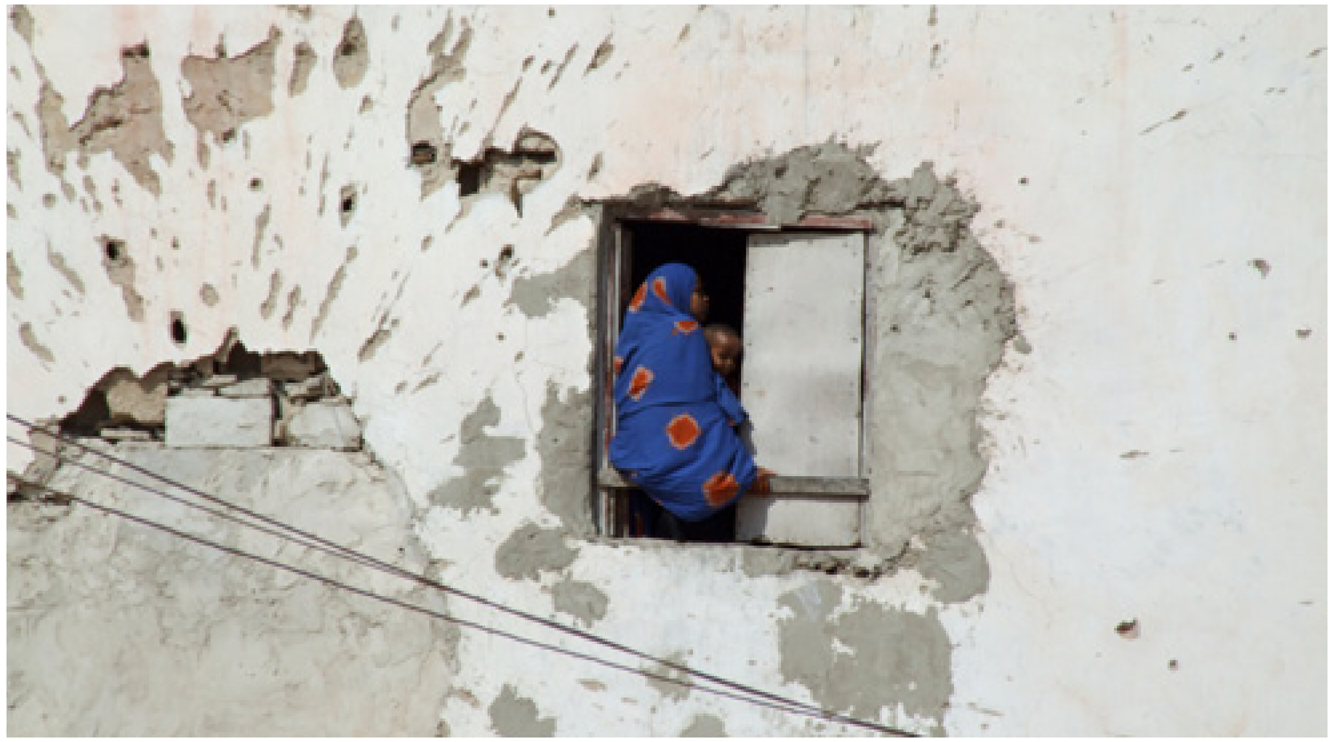
"Insecurity is one of the primary development challenges of our time"

Irresponsible arms transfers and excessive military spending undermine all MDGs, by fuelling conflict and crime, and by diverting funds from social spending such as education and health care (Tønnessen-Krokan, 2010: 21). Furthermore, civil wars also frequently undermine efforts to deliver aid. The current crisis in South Sudan demonstrates that government opposition groups can squander billions of dollars of aid through cynical crusades for power. Quantitative studies indicate that the number of civil wars and associated deaths has declined (Harbom and Wallensteen, 2010), yet the overall, global conflict picture by mid-2014 looks rather bleak, particularly as regards the prospects of further escalation in and beyond countries like Syria, Afghanistan, Pakistan, Iraq, Libya, Israel/Palestine, Ukraine, South Sudan, Congo, Nigeria and the Central African Republic. In Central America, organized criminal violence continues to impede development progress and economic prospects for the young (WDR, 2011).

Reducing insecurity and conflict in fragile, low-income countries is thus an important development issue. To be sure, it is difficult, and often impossible, for (coalitions of) developed countries to intervene in sovereign territories with the aim to resolve violent conflicts of various kinds, and successfully restore foundations for future stability. But international coalitions of developed-countries can make invaluable contributions to peace when circumstances for armed intervention are legitimate and right. In such cases, interventions should seek to break cycles of insecurity and reduce the risk of their recurrence through the building and strengthening of legitimate local institutions and framework conditions that provide citizen security, justice, and facilitate the creation of more jobs, to provide youth with more income opportunities as an alternative to engaging in armed violence and unlawful activities (WDR, 2011).

Security for development and the challenge of policy coordination in Norway

Norway can contribute to reducing insecurity, beyond giving aid. First, Norway has a thriving defence industry with substantive global exports, and should devote serious attention to making sure that nationally produced arms are not exported in illegitimate ways, ending up in conflict zones, in the hands of violent state leaders, opposition groups, terrorists or organized criminals. Second, it can work actively to ensure that its participation in international, armed peace operations and interventions contribute to establishing local framework conditions for breaking cycles of violence, such as building legitimate and effective institutions and facilitating economic activity that create new jobs and opportunities. Regulating the ex-



A woman and child try to avoid shelling on the opposite side of the building, 2007. Without end-user certificates, there is no guarantee that NATO or other stable countries to which Norway exports weapons and ammunition are not re-selling this to fragile states. Photo: Control Arms / Flickr

port of the arms industry, and targeting efforts through international peace operations successfully towards these ends, requires the Ministry of Foreign Affairs to cooperate with the Ministry of Defense, but also corporations and local humanitarian and civil society groups.

Norwegian arms exports

In 2012, the total value of exported Norwegian defence material amounted to 4,6 billion NOK, with 3,3 billion representing sales of weapons and ammunition, of which 78% is being channeled to NATO member countries (White paper 49, 2013). The government's guidelines for arms exports prohibit the industry from exporting to countries at war or in which war is a serious threat. A license to export is granted only after in-depth consideration of the political situation, including democratic and human rights, and the extent to which arms exports could inhibit sustainable development in the recipient country or area (MFA, 2013).

While the government thus practices rather strict control of the arms industry, there is still room for improvement to limit the risk of Norwegian-produced arms and ammunition contributing to conflict escalation. For example, the lack of requirements for end-user certificates represents a loophole in the current system. Without end-user declarations, there is no guarantee that NATO or other stable countries to which Norway exports are not re-selling weapons and ammunition to fragile states. Therefore, the government should take action to reformulate its export requirements and take the initiative to establish end-user statements as a standard in Norway (see Wallacher, 2010) and within the NATO alliance. This would provide a highly useful instrument for revealing actors selling weapons to violent hotspots in the developing world (LO, 2014). The current requirements also allow for exports to stable, yet undemocratic and human rights violating regimes. In 2012 Norway sold category B defense materials such as intelligence and surveillance equipment to Saudi-Arabia, Qatar and the United Arab Emirates (NCA, 2014). These flaws in the guidelines for arms exports are clearly at odds with the goal to reduce insecurity and violence in developing countries.

Furthermore, the Norwegian government has significant ownership in several arms producing, multinational companies, which could be used more strategically. For example, it holds 50 percent of the shares in Nammo AS, which produces ammunition in a range of other countries. Some of these countries allow defense materials to be exported to states that would be excluded by the Norwegian requirements. Yet, the government has not used its majority ownership to induce Nammo AS to comply with national standards from production sites abroad. Due to the lack of adequate labeling of ammunition, there is no way of knowing whether their ammunition ends up in the hands of regimes that suppress their peoples, opposition groups or organized criminals (NCA, 2014).

Contribution to international peace operations and armed interventions

On a more positive note, Norway's contribution to international peace, security and reconciliation has for long been a priority in Norwegian foreign and development policy. The Norwegian aid budget has been generous in its funding of bilateral and multilateral initiatives, and the government contributed substantial defense and army personnel to UN and NATO operations. For its strong international involvement as such, and active support and contribution to security treaties and regimes, such as the landmine and cluster bomb conventions and the more recent 2013 Arms Trade Treaty, Norway ranks as number one on the 2013 CDI index.

Since 1993 Norway has also played a notable role in peace processes around the world. This engagement involves mediation in over 20 countries, including Guatemala, Colombia, Israel/Palestine, Sri Lanka and South Sudan. In 2003, a section dedicated to peace and reconciliation was set up to systematize Norwegian efforts in this field, encouraging learning across country cases and sustaining global networks. The Norwegian engagement has been enabled by its lack of colonial history and high level of trust from international partners, its long-term commitment of both human and financial resources to conflict reconciliation, and legitimate cooperation with CSOs and non-state actors. "The Norwegian model" does not aim to create peace but assist in the creation of peace. This implies that Norway will assist only when wanted, and that the responsibility for reconciliation lies with the involved parties (MFA, 2014).

Raif Badawi criticized Saudi Arabia's powerful clerics on a liberal blog. In 2014 he was sentenced to 10 years in prison, 1000 lashes and a $266,600 fine. Norway criticized the decision but has repeatedly sold military equipment to Saudi Arabia. Photo: AI/Flickr.

However, the lack of success in many peace processes and armed interventions, and a lively, critical debate regarding the effects of taking an internationally active role in conflicts, illustrate some dilemmas. Many argue that Norway's participation in NATO operations, such as Afghanistan and Libya, undermines Norway's credibility as a humanitarian development agent. Norway's policy for international interventions has been to support a high degree of cooperation between military forces and humanitarian organizations, which is noble in its intention, but as the NCA (2014) argue, often lead to collusion between military objectives and humanitarian principles. It is important that Norwegian military objectives do not undermine humanitarian efforts towards strengthening conditions for long-term stability and development in war zones (NCA, 2014).

The growing Norwegian engagement in global conflicts has also been criticized for making Norway dangerously visible and possibly more exposed to terror attacks by players who oppose Norway's intervention in foreign territories. The strategy to hide behind allies and international organizations seems increasingly ineffective, as Norway has become an explicit target, evident by the terror warning issued by Norwegian intelligence circles in late July 2014. This discussion is interesting in a historic perspective, given that the policy of 'lying low' dominated Norwegian foreign policy until the end of the cold war, while the increasingly activist foreign policy, initiated by the Middle East mediation efforts in the early 1990s, represents a radical breach with previous practices. In this perspective, Norway should focus more on contributing to building framework conditions for human security and long-term stability without participating in military interventions.

Political viability: Balancing military, commercial and development needs

With respect to improving Norway's role in international peace processes and contribution security treaties, Norway appears to enjoy well-deserved, global praise for its efforts, and no apparent conflict or much-needed improvement is particularly apparent. As regards the issue of stricter regulation and control of the arms industry, we deem the conflict level between commercial to sell- and development goals to limit the availability of arms and ammunition to be benign. Coordination for stricter export requirements should be simple, and include a revision of national requirements for end-user agreements, working towards coalition countries to ensure their implementation end-user agreements, and scaling up demands towards Norwegian arms trade corporations. When it comes to the issue of international armed intervention the picture is slightly more complex. There appears to be a moderate, and perhaps increasing conflict of interest between national security and the need to lie low to avoid becoming a target of terrorism on the one hand, and participating in interventions to prevent suffering among local populations and contribute to building local governance institutions and frameworks that enable long-term stability on the other. If Norway wishes to continue on this path of active engagement, it would require improved coordination between the Ministry of Foreign Affairs and the Ministry of Defense and various army-related units, but also with intelligence agencies (both military and police intelligence). Experience over the last years demonstrates that dialogue with various immigrant groups originating from conflict areas where Norway is engaged is also important.

Norway contributes to peace and poverty reduction globally. However, many fear Norway's arms export and contribution to NATO operations such as in Libya and Afghanistan undermines this. Photo: Control Arms/ Flickr.

National reform in support of a beyond aid development agenda

The discussion of concrete dilemmas and opportunities in these overlapping thematic areas illustrate a range of issues that could become central to a Norwegian beyond aid agenda. Ultimately, it is up to the government to formulate and implement beyond aid development priorities. But as the OECD point out, this would require functioning institutional frameworks and mechanisms to enable sector coordination, minimize conflict and maximize synergies, (re)formulate policies, monitor their implementation and report on results. The responsibility for in-depth assessment of existing policies and their effects must be assigned to appropriate administrative units within the government, and regular practices for communication and co-ordination between ministries established. To enhance monitoring and accountability, civil society and research institutions should also be involved in reporting (OECD, 2009).

The DAC review of institutional initiatives for PCD from 2009 demonstrates that OECD member states have adopted different approaches, ranging from looser coordination on an issue-to-issue basis, to formal and dedicated units and focal points, either within foreign ministries or at a higher, government level (OECD, 2009).

> *"Sweden has grounded the legal responsibility for PCD within the executive government ..."*

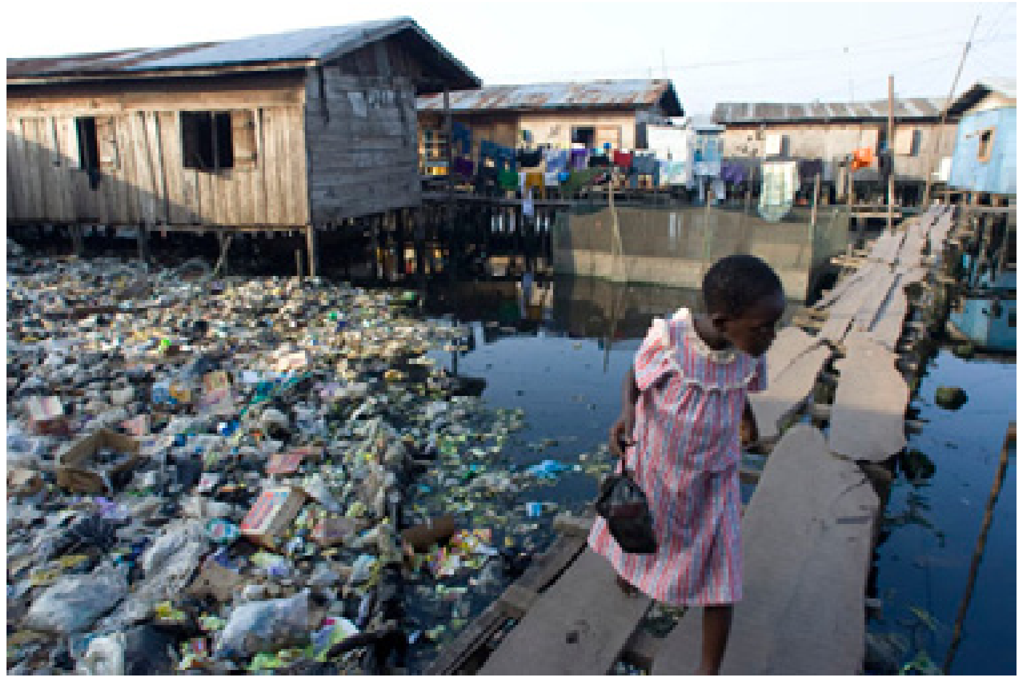
Sweden has grounded the legal responsibility for PCD within the executive government to ensure that all national policy sectors contribute positively to global development. It has located an administrative unit within the Foreign Ministry, created a focal point for in all other ministries, and established an inter-ministerial working group for PCD. The executive government also produces a biannual report on the progress on beyond aid issues to the Parliament. A recent review of Swedish PCD policy conducted by the state treasury, however, argues that policy goals have been too visionary and not sufficiently grounded in reality, and that despite the established institutional structures, actual tasks and responsibilities remain vague and implementation inadequate. The review considers reporting to the Parliament to be successful in furthering analysis on central issues, but calls for regular external assessments in addition to the government's self-evaluation (The State Treasury, 2014).

Denmark recently launched a new action plan for PCD, which places the responsibility for beyond aid policy within the Special Committee for Development Policy Issues, as part of the official decision-making process towards the EU. Here, ministers of finance, tax, food, agriculture, fisheries, climate change, energy, law, industry and growth meet regularly to discuss development issues, balancing interests and finding common ground to develop joint positions towards the EU (DANIDA, 2014). Based on their experience with formulating this new strategy, the task force leader from the Danish Foreign Ministry argues that the success of efforts to promote development beyond aid is dependent on three factors: First, as a minimum, there must be political will to prioritize PCD at the cabinet level. Second, for a PCD policy to be effective in practice, the government must establish systematic and regular institutional mechanisms for policy evaluation, coordination, formulation and implementation. Third, these frameworks must be actively utilized to ensure that the work becomes an integrated effort and not a cosmetic add-on. In addition, the task leader stressed that a country's PCD approach ought to be realistic, focus on issue-areas that represent national strongholds and seize new opportunities to promote development. For accountability, civil society should be involved in the processes, and the government must be careful not to assume that reporting alone will produce concrete results (Sheik, 2014).

In Norway, PCD first became an explicit priority in 2005 (Dale, 2014), and in 2006 the government appointed a development commission to assess how domestic policy sectors affect poor countries. The outcome report "Coherent for development?" (NOU 2008:14) includes a number of recommendations for institutional reform to strengthen the Norwegian political and administrative capacity. These included the i) establishment of a PCD unit within the Ministry of Foreign Affairs (MFA), ii) the appointment of a related board or a liaison committee consistent of stakeholders from industry, trade unions, civil society and research to monitor the unit's work, and iii) the establishment of regular reporting routines to the Parliament.

Overall, these recommendations have been poorly implemented. The responsibility for PCD issues has been located within the MFA, but not with a PCD unit. Instead, a single public official has since 2011 been assigned to draft an annual report on PCD as part of the MFA's budget proposal to the Parliament, but this only represents one task among many others (Dale, 2014), rendering PCD a limited priority. Also, there is no clear evidence that the reports have inspired actual policy change. According to the OECD/DAC 2013 Peer Review of Norwegian Development Co-Operation, they 'remain stock-taking reports based on self-reporting and without measurable indicators to track progress or address impact' (OECD, 2013:27).

Furthermore, while the MFA representative communicates with other ministries to resolve sensitive issues and trade-offs discussed in the report for the annual budget (Dale, 2014), no regular and systematic inter-ministerial mechanism for policy coordination has been created. To attempt to engage policy-makers in other ministries and public offices, the 2013 MFA report includes a "checklist" based on the OECD DAC Guidelines for Poverty Reduction, intended for use by non-MFA bureaucrats in the drafting of national laws and regulations, or positions in negotiations for international norms and regulations. It represents a tool for avoiding negative effect on developing countries, and promotes possible synergies with development policy goals. However, there is no guarantee that the checklist will be used in practice, or if at all studied by other ministries.



Girl in the polluted Makoko slums in Yaba, Lagos, Nigeria, 2009, inhabited mostly by immigrants from the neighbouring countries. Fishing is the main economic activity.
Photo: Stephen Mudiari.

Clearly, Norway's efforts to promote PCD have thus been much less systematic than its Scandinavian neighbors. As the OECD also points out, time is now ripe for Norway to develop a specific coherence agenda that would enable it to target its analysis and efforts within a select number of important areas of potential salience. It should establish a mechanism for cross-governmental work towards specific goals, and commit to a detailed implementation plan. Finally, the government ought to commission external, longer-term evaluations of PCD, drawing on the expertise of civil society and research institutes (OECD, 2013).

This report, at the initiative of the Norwegian CSO community, represents a first step in this direction. Based on an evaluation of global importance, national relevance and political viability, we have highlighted 6 policy areas in which concrete measures can be taken to minimize existing conflict and seize new opportunities to promote development beyond aid. We have also, based on the Scandinavian experience and OECD recommendations, indicated what is required for successful institutional reform. If there is political will, we believe there is ample opportunity to formulate and implement a Norwegian beyond aid agenda.

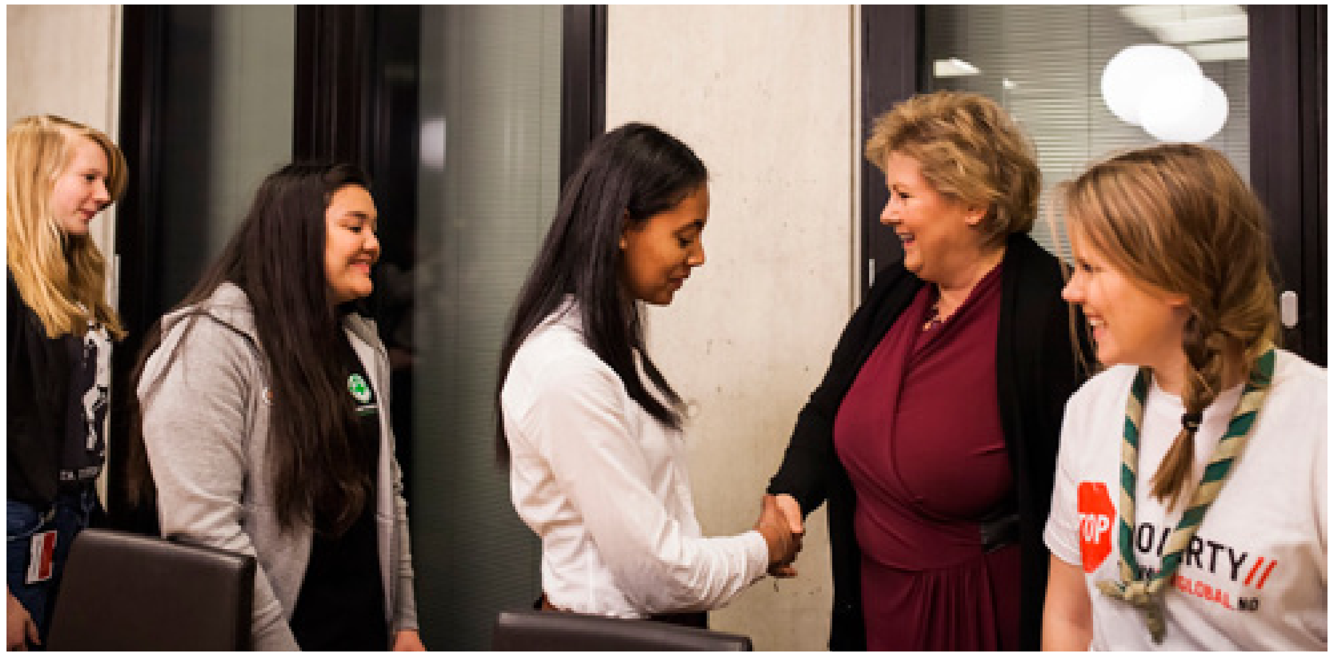
A key issue in this regard is where it is most appropriate and feasible to locate the legal and administrative responsibility for PCD in Norway. Because a beyond-aid development agenda is holistic, inter-sectoral and requires inter-ministerial coordination, Norway should look to Sweden and place the ultimate, legal responsibility for PCD at a high level of government, with the Prime Minister's Office (PMO). The administrative responsibility could, furthermore, be located within the MFA, but be assigned to a PCD unit proper. This unit should report regularly to the PMO and the Parliament. To ensure coordination, other ministries, including Finance; Trade, Industry and Fisheries; Climate and the Environment; Agriculture and Food; Oil and Energy; and Defence, should appoint PCD focal points, and a formal inter-sectoral meeting mechanism should be established to facilitate regular joint, meetings for discussing coherence issues. Here, interests must be fairly balanced, but when possible, seek resulting policy adjustments that minimize negative impact on the poor and seize new opportunities to promote development beyond aid.

In the following, we present and sum up our suggestions for concrete institutional reform initiatives, which could serve as a basis for going forward to implement a beyond aid development agenda in Norway.

"Because a beyond-aid development agenda is holistic, inter-sectoral and requires inter-ministerial coordination, Norway should look to Sweden and place the ultimate, legal responsibility for PCD at a high level of government, with the Prime Minister's Office"

Recommendations

- Place the ultimate, legal responsibility for PCD within the Prime Minister's Office (PMO).
- Place the administrative responsibility for PCD with the Foreign Minister and the Ministry of Foreign Affairs (MFA). The minister should report biannually to the PMO and the Parliament and be accountable for policy implementation.
- The MFA should create a PCD unit with significant resources and staff. The unit will conduct impact assessments, assess existing and new policies, analyze and evaluate opportunities, and formulate new proposals. It should also draft the report to parliament together with the Minister.
- Each sector ministry with policies that affect developing countries should have a PCD focal point.
- An inter-ministerial mechanism should be established to facilitate regular meetings to discuss policy coordination and new initiatives to promote development beyond aid.
- Members of the Parliament may establish an informal committee to discuss beyond aid issues, e.g. under the heading "Globalization Committee", co-chaired by representatives from the Foreign and Defence Committee and one of the other relevant committees (such as Finance and/or Energy and Environment). They should receive and evaluate the report from the Foreign Ministry, and should engage with civil society.
- A competent and knowledge-based, multi-stakeholder "center" for development beyond aid should be financed by the government. It should involve civil society, business and researchers. They should be commissioned to produce a biannual report/audit (e.g. the year between the government reports) to enhance monitoring and accountability. Representatives for the center should be consulted in the policy process and participate in the Parliament Committee.



The authors recommend that the Norwegian Prime Minister's Office should have the ultimate, legal responsibility to ensure a coherent policy on development. Photo: Norway's Prime Minister Erna Solberg meets youth from #Action2015 calling for ambitious UN Sustainable Development Goals from 2015 to 2030.

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School girl, Mechukha, India. Photo: Flickr/ Raju Singh About this report

About this report

A just and sustainable development can only occur if policies pull in the same direction, without undermining each other. The Norwegian Government has recognized this.

However, examples of incoherence abound. Norway takes a lead on peace issues, but continues to export military equipment to repressive regimes. Norway seeks to advance the environmental agenda, but remains a major producer of fossil fuels. Norway has a strong position on human rights, but is often weak on human rights in its investment practice.

To make progress, this report suggests institutional reforms. It includes placing the ultimate, legal responsibility for development policy coherence within the Prime Minister's Office, and the administrative responsibility with the Foreign Minister.

The report is written by Irja Vormedal and Leiv Lunde at the Fridtjof Nansen Institute, and commissioned by the Norwegian Forum for Development and Environment.

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