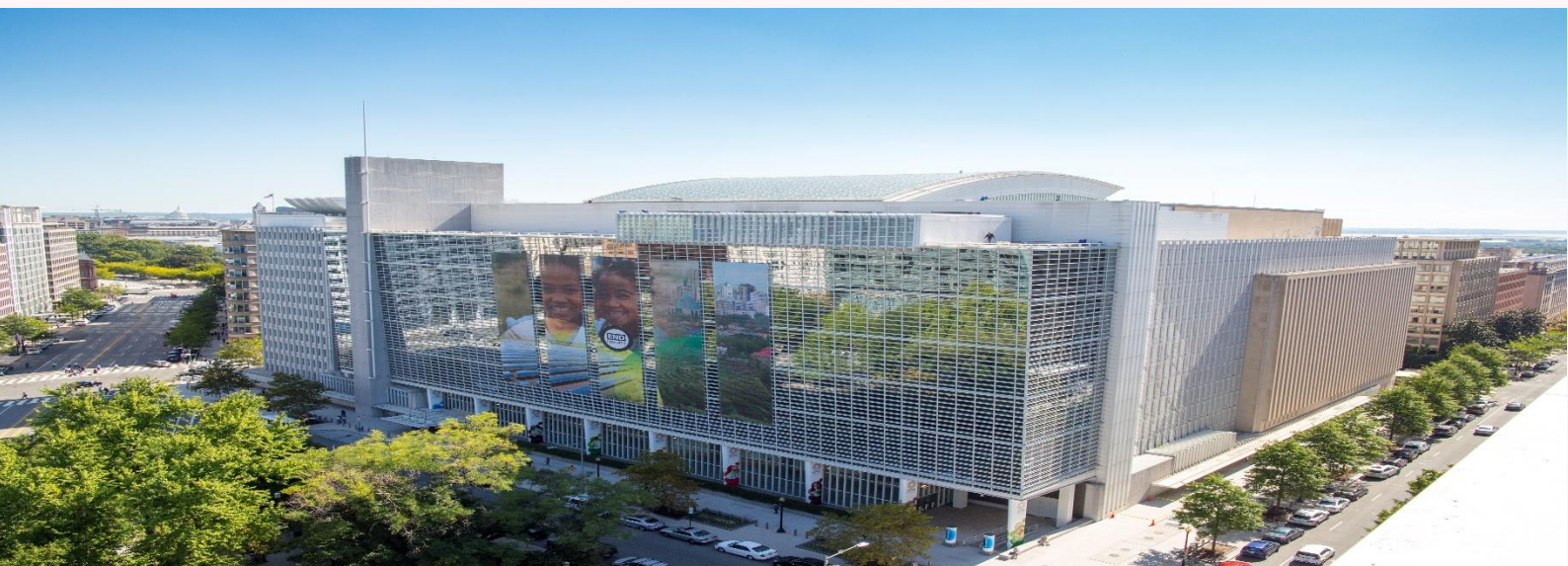


The Office of the Auditor General's investigation of Norway's development assistance through the World Bank's trust funds

Document 3:4 (2021–2022)



To the Storting

The Office of the Auditor General hereby presents Document 3:4 (2021–2022) *The Office of the Auditor General's investigation of Norway's development assistance through the World Bank's trust funds.*

This document is structured as follows:

- The Office of the Auditor General's conclusions, elaboration of conclusions, recommendations, the Ministry's follow-up and the Office of the Auditor General's closing remarks
- Appendix 1: The Office of the Auditor General's letter to the Minister
- Appendix 2: The Minister's reply
- Appendix 3: Performance audit report with assessments

The Office of the Auditor General, 7 December 2021

For the Board of the Auditors General

Per-Kristian Foss
Auditor General

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The Office of the Auditor General uses the following terms for criticism, ranked according to highest severity:

1. **Very serious** is used in circumstances where the consequences for society or the affected citizens are very serious, such as a risk to life or health.
2. **Serious** is used in circumstances that may have significant consequences for society or affected citizens, or where the sum of errors and omissions is so great that this must be considered serious.
3. **Very reprehensible** indicates circumstances that have less serious consequences, but concern matters of principle or great importance.
4. **Reprehensible** is used to characterise inadequate management where the consequences are not necessarily serious. This may apply to errors and omissions that have financial consequences, violation of regulations or matters that have been addressed earlier but have still not been corrected.

Introduction

More and more of Norway's development aid is going to multilateral actors. Between 2016 and 2020, the proportion of Norwegian development aid going to multilateral organisations rose from 43 to 59 per cent. The largest increase has been in earmarked funding to multilateral organisations, including funding to various types of trust funds. Earmarked funding differs from core funding in that the donors set certain conditions regarding how the support is to be used; for example, related to a particular theme or country.

The World Bank is the largest recipient of Norwegian earmarked aid and is the development organisation that manages the most trust funds. According to Prop. 1 S (2018–2019), which is the annual budget proposition to the Storting, the Ministry of Foreign Affairs uses multi-donor funds both because it gives better results when donors join forces on larger tasks, and because it is a more effective way of managing the funds. Prop. 1 S (2017–2018) refers to the fact that Norway participates in multi-donor trust funds in order to reduce transaction costs and strengthen collaboration among donors.

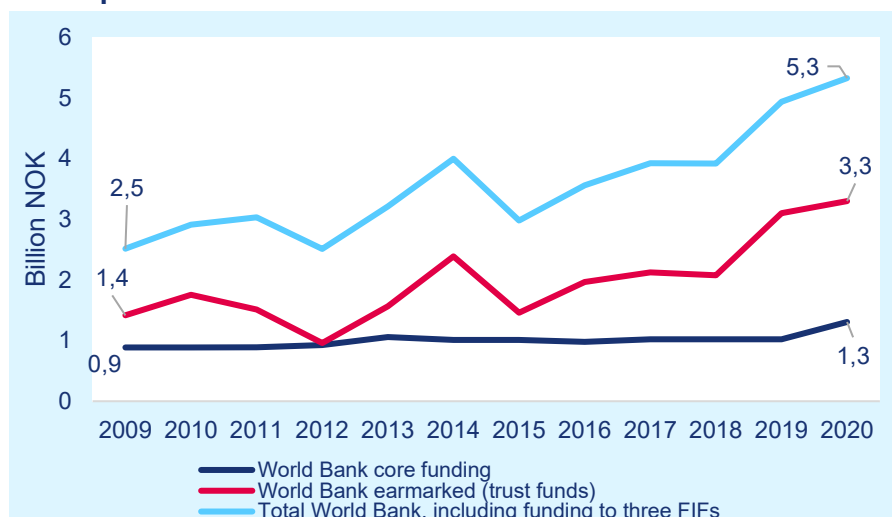
In 2020, the World Bank received more than NOK 5.3 billion in support from Norway, of which more than NOK 4 billion was earmarked funding, most of which went to trust funds. Figure 1 shows that it is particularly earmarked funding to the World Bank that increased. Core funding remained relatively stable throughout the entire period, albeit with a slight increase in 2020, partly as a result of additional support to combat the COVID-19 pandemic.

Trust funds

Trust funds are a funding mechanism for channelling aid funding to a specific purpose from donors through an administrator organisation (*trustee*), such as the World Bank.

The two main types of trust funds in the World Bank are multi-donor trust funds and FIFs (financial intermediary funds), where the World Bank provides financial management services.

Figure 1 Norwegian development assistance to the World Bank in the period 2009–2020¹



Source: bistandsresultater.no

The objective of the audit was to assess how the Ministry of Foreign Affairs and Norad ensure that the aid provided through the World Bank's trust funds

¹ The three FIFs included in the figure are the Global Partnership for Education (GPE), the Global Environmental Facility (GEF), and the Strategic Climate Fund (SCF). The World Bank is the bank, secretariat and implementation partner or grant agent for all three funds.

contributes to the attainment of Norway's development policy goals in an efficient and effective manner. The investigation mainly covers the period 2018–2020, but data have also been collected before and after this period. A substantial part of the investigation is based on an in-depth analysis of four individual funds that together have received more than NOK 5 billion in Norwegian aid. These funds are

- The Global Financing Facility – GFF (a health fund, NOK 4.25 billion)
- Scaling up Renewable Energy Programme – SREP (a climate investment fund, NOK 802 million)
- Consultative Group to Assist the Poor – CGAP (a financial inclusion fund, NOK 102 million)
- Jobs Umbrella (a job creation fund, NOK 70 million)

The investigation has also looked at the education funds Global Partnership for Education (GPE) and the International Finance Facility for Education (IFFEd), albeit to a lesser extent. The funds were selected to ensure variation in terms of type of fund, size and thematic area. The investigation also includes analyses of all the World Bank funds that receive development aid from Norway, and the Ministry of Foreign Affairs' management and follow-up of the fund portfolio in general.

The investigation has been based on the following decisions and prerequisites from the Storting:

- Prop. 1 S, which is the annual budget proposition to the Storting, for the Ministry of Foreign Affairs in the period 2015–2021 and associated recommendations
- Recommendation 269 S (2008–2009) to White Paper 13 (2008–2009) *Climate, conflict and capital — Norwegian development policy adapting to change*
- Recommendation 440 S (2016–2017) to White Paper 24 (2016–2017) *Common responsibility for a common future – the Sustainable Development Goals and Norway's development policy*
- Recommendation 69 S (2018–2019) to White Paper 17 (2017–2018) *Partner countries in development policy*
- White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation*

The report was presented to the Ministry of Foreign Affairs in a letter dated 27 August 2021. The Ministry commented on the report in a letter dated 24 September 2021. Most of the comments have been incorporated into the report and this document.

The report, the Board of the Auditor General's cover letter to the Ministry dated 27 October 2021, and the Minister's response dated 11 November 2021 follow as attachments.

1 Conclusions



Conclusions

- Aid to thematic funds does not adequately underpin key cross-sectoral targets for Norwegian development assistance.
- Many funds are unable to demonstrate results on the ground, and it is difficult to assess how activities lead to change for the recipients.
- The Ministry of Foreign Affairs has not paid enough attention to the cost of providing aid through the World Bank's funds.
- The Ministry of Foreign Affairs works actively with the World Bank's board of directors, but lacks a long-term and holistic strategy for management of the trust fund portfolio.
- Trust fund results and costs should have been more closely monitored.
- Reporting of the results of aid to the Storting remains imbalanced.

2 Elaboration of conclusions

The Office of the Auditor General's investigation shows that the development assistance provided through the World Bank's trust funds does not necessarily contribute to the attainment of Norway's development policy goals in an efficient and effective manner. This applies to both cross-sectoral and sector-specific goals. Many trust funds included in the investigation document only to a small degree how results benefit the target group. In addition, the investigation shows that substantial administration costs are charged at multiple stages before the aid reaches the end user, and that it is difficult to obtain a clear overview of the total costs. It is thus not possible to conclude that aid to trust funds is cost-effective, as the Ministry of Foreign Affairs assumes. The Ministry of Foreign Affairs also lacks a long-term and holistic strategy that clarifies the contexts in which it is appropriate to support trust funds, and which sets out a justified prioritisation between earmarked funding to trust funds and core funding to the World Bank.

2.1 Aid to thematic funds does not adequately underpin key cross-sectoral targets for Norwegian development aid

2.1.1 Many middle-income countries receive aid through Norwegian-supported funds

Poverty orientation is an important cross-sectoral goal for Norwegian development aid. This means that the aid must help lift poor and marginalised groups, including those outside the very poorest countries, out of poverty; see for example Recommendation 440 S (2016–2017). However, in Prop. 1 S (2019–2020), the Ministry of Foreign Affairs states that a growing proportion of the development aid will be concentrated in the least developed countries, particularly in sub-Saharan Africa, in order to strengthen the poverty orientation.

The Office of the Auditor General has looked at all the trust funds that have received development assistance from Norway up until 2019. Of the 143 countries that had received aid from Norwegian-supported trust funds, around half were middle-income countries. There is considerable variation within this group. Around 50 of the countries that have received Norwegian aid belong to the group upper middle-income countries. In addition, more than ten of the countries are so-called high-income countries.

The Ministry of Foreign Affairs notes that most people living in poverty live in middle-income countries. In addition, aid for global common goods, such as climate change, makes aid to middle-income countries essential. However, the Ministry of Foreign Affairs acknowledges that there may have been unintended leaks of development aid to middle-income countries where the aim was to support low-income countries, often the very poorest countries, which are Norway's main priority.

It must be possible to classify all measures via the aid budget as Official Development Assistance (ODA); cf. Prop. 1 S (2020–2021). The Office of the Auditor General notes that many countries that are not ODA-approved have received aid through Norwegian-supported funds via the World Bank, including Saudi Arabia and a number of European countries such as Poland, Bulgaria and Russia. In other words, they are not covered by the OECD-DAC's definition of countries that are eligible to receive official development assistance. The Ministry of Foreign Affairs has raised the issue that Norway wants funding from the trust funds to go exclusively to ODA-approved countries with the World Bank in a variety of contexts. However, the World Bank says that although it does not impose any requirement for this to take place, it does attempt to fulfil requests from individual donors for their contributions to only go to ODA-approved countries.

The Office of the Auditor General holds that aid given to countries that are not ODA-approved, combined with the high number of middle-income countries that are receiving aid, does not sufficiently support the Storting's goal of contributing to poverty reduction; cf. for example, Recommendation 440 S (2016–2017).

2.1.2 Many thematic funds contributes to the fragmentation of aid

Another cross-sectoral goal is to avoid the fragmentation of aid.

Fragmentation means that the aid is given piecemeal and shared from many donors via many channels, which can lead to high transaction costs and make it difficult for recipient countries to manage their own development. According to White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation*, strictly earmarked funds can lead to greater fragmentation. According to the Busan Declaration (2011), to which Norway is a signatory, donors have a responsibility to counter the fragmentation of aid.

In recent years, the Ministry of Foreign Affairs has put a great deal of effort into reducing the number of trust funds that Norway supports. The investigation has revealed that Norway nevertheless still supports a large number of World Bank trust funds: around 70 compared with the previous figure of over 100. The World Bank itself also points out that providing financial management services to a large number of multi-donor trust funds and FIFs leads to greater fragmentation. Furthermore, the Swedish Ministry of Foreign Affairs has been particularly critical of the establishment of one of the funds covered by the investigation – the World Bank's Global Financing Facility for Women, Children and Adolescents (GFF) – to which Norway is the largest contributor. Sweden's Ministry of Foreign Affairs does not want to support the fund because it believes that the risk of fragmentation of health aid was and remains greater than the benefits of the GFF. In sum, fragmentation increases the risk that the goals for the aid will not be achieved.

2.1.3 Weak national ownership in several funds covered by the investigation

Two key principles in the declarations from Paris, Accra and Busan concerning aid effectiveness, to which Norway is a signatory, are national ownership and following national plans. Ownership means that the recipients themselves develop and implement long-term development plans and coordinate the aid. Donors must base their support on the national development strategies, institutions and procedures of the countries concerned.

The investigation has revealed that, in the case of three of the trust funds covered by the investigation (CGAP, Jobs Umbrella and GFF), it was the donors who took the initiative to establish them. These trust funds are also donor-controlled, meaning it is the donors who are on the steering committees of the funds and who therefore make the strategic decisions. The fact that the recipient countries are not represented in the funds' decision-making bodies may undermine the recipient countries' national ownership of the trust funds' activities and projects. In the Office of the Auditor General's opinion, this increases the risk that aid channelled through these trust funds will not achieve the desired results on the ground.

The recipient ownership of the International Finance Facility for Education (IFFEd) and the Global Financing Facility for Women, Children and

Adolescents (GFF) have been criticised by other countries, researchers and civil society organisations. The criticism of the GFF has come from civil society organisations, which have pointed out, among other things, that recipient countries and civil society organisations are not sufficiently represented on the GFF's trust fund committee. As regards the IFFEd, experts have argued that poor countries do not want to borrow money for education, which is the premise of the fund. According to critics, the IFFEd was driven by donors who believe poor countries ought to spend more money on education. Norad also requested a better analysis of actual demand amongst the recipient countries for such an initiative. Norway was among the initiators behind the IFFEd, but ultimately chose not to support the fund.

The work of the climate investment fund Scaling up Renewable Energy Programme (SREP) in Uganda is another example of weak national ownership, with associated negative consequences for both progress and results. SREP aims to help recipient countries develop more sources of energy production, and ensure that the projects are developed alongside existing energy programmes. This orientation has not been successful in Uganda, with three planned SREP projects being terminated and funding being repaid in 2019. Some 80 per cent of Uganda's energy production comes from hydropower, but SREP wanted instead to support the development of geothermal energy and wind power, which are new forms of energy in the country. This approach was criticised by both Norad and the Norwegian embassy in the country. They believed that it would be both more cost-effective and help accelerate results if SREP were to support the existing hydropower energy programme. According to the embassy, SREP in Uganda lacked both national ownership and expertise in geothermal energy. The Ugandan Ministry of Energy manages funds within the energy sector, and the establishment of new funds would therefore give rise to capacity challenges. The Office of the Auditor General finds it unfortunate that the recipient country's already limited capacity is being used to draw up an investment plan that it has neither sufficient ownership of nor the necessary expertise to implement.

2.2 Many funds are unable to demonstrate results on the ground, and it is difficult to assess how activities lead to change for the recipients

A fundamental principle of governance is that the Ministry of Foreign Affairs must ensure that adopted goals and performance requirements for aid are achieved. The information about results from the four selected individual trust funds reviewed in this investigation show that there are shortcomings in attainment of goals and the results achieved.

2.2.1 Two knowledge funds have received development aid over a number of years despite poor documentation of results

Norway has donated a total of NOK 217.5 million to CGAP, which promotes financial inclusion, and Jobs Umbrella, which promotes job creation. CGAP has been receiving development aid since 1995, while Jobs Umbrella has

received aid in the period 2014 to 2020. Common to both these trust funds is that they aim to generate new knowledge, and that the activities are carried out by the World Bank itself.

The investigation has revealed that the two trust funds are unable to demonstrate any real results in the recipient countries. This means that the trust funds are unable to adequately document that the activities being carried out, and the knowledge products being developed, lead to real changes for the people who receive the aid. The funds' framework for measuring results has not been developed in a way that makes it possible to measure results further down the result chain, i.e. at user and societal level (*outcome* and *impact*). The results frameworks only make it possible to measure results at activity and product level (*output*), such as the number of reports and research articles that are prepared. Even if the funds' activities were to be carried out in an appropriate manner, this would not mean that the activities would contribute to attainment of the overall objectives for the aid.

The Office of the Auditor General notes that the Ministry of Foreign Affairs and Norad have continued to support these two funds over a long period of time, even though they are unable to present results at either the user or the societal level. CGAP has received Norwegian aid since 1995. In an interview, Norad stated that the directorate is convinced that CGAP's knowledge production is beneficial, even though it is difficult to accurately measure the benefits that it leads to. By contrast, the director of CGAP has acknowledged that it is not entirely clear whether CGAP is actually helping improve the lives of people living in poverty. In the opinion of the Office of the Auditor General, a trust fund that has been receiving Norwegian aid since 1995 should be able to demonstrate the results and utility value of the fund to end users in recipient countries. The Office of the Auditor General does not believe that an assumption of utility value provides an adequate basis for continuing the support.

As regards Jobs Umbrella, which Norway has supported since 2014, the Ministry of Foreign Affairs has questioned the fund's poor results on the ground. The Ministry of Foreign Affairs has been critical of Jobs Umbrella's work methodology and results over time. In December 2019, the Ministry of Foreign Affairs stated in a memorandum that "Norway calls for concrete results on the ground instead of extensive analyses and tool kit development". In 2020, the Ministry of Foreign Affairs decided to stop supporting Jobs Umbrella, partly due to the fund's poor results.

2.2.2 Poor progress by the SREP climate fund

In the period 2009–2018, the Norwegian authorities disbursed a total of NOK 802 million to the climate investment fund Scaling up Renewable Energy Programme (SREP). Among other things, the fund aims to contribute to better access to renewable energy in low-income countries.

The investigation indicates that, after 13 years, SREP has only just begun to produce results. Few of the fund's projects can demonstrate any tangible results. As of December 2020, only 23 per cent of the fund's capital (USD 137 million) had been paid out. The Office of the Auditor General notes that

the Ministry of Foreign Affairs and Norad have disagreed on whether Norway should support SREP. The Ministry of Foreign Affairs delegated administrative responsibility for SREP to Norad in 2017, and in 2018 Norad recommended pausing further Norwegian development assistance to SREP. However, this recommendation was contrary to what the Ministry of Foreign Affairs had already announced regarding further Norwegian assistance at a board meeting in the same year.

In 2018, Norad requested confirmation that SREP is a cost-effective programme that actually delivers tangible results. In April 2021, Norad had still not received any such confirmation, but the directorate expects that a future evaluation of the fund will provide an answer.

The Office of the Auditor General understands that projects within the energy sector take time to implement. We nevertheless find it reprehensible that slow progress and few concrete results did not have a greater impact on the Ministry of Foreign Affairs' support to the fund in the period 2009–2017.

2.2.3 Large sums of money, but weak reporting on results from the GFF health fund

The Norwegian authorities are the largest donor to the health fund Global Financing Facility for Women, Children and Adolescents (GFF), contributing around NOK 3 billion to the fund during the period 2016–2020. The fund aims to improve the health of women, young people and children and to strengthen health systems in low-income and middle-income countries.

The investigation shows that it is difficult to assess which results can be attributed to activities under the auspices of GFF, with the result that it is difficult to know how the activities have led to change for the recipients. According to Norad, the GFF makes no attempt to link results to the fund's own activities within the health sector. In its reports, the fund instead refers to the overall health results in the country or region concerned, without specifying the GFF's contribution to these results. The Office of the Auditor General finds it unfortunate that the GFF is unable to demonstrate the added value of the fund in clearer terms.

Sexual and reproductive health and rights (SRHR) are an important goal for Norway's health aid, and the GFF is a central contributor in the efforts to attain this goal. The investigation shows that it is not possible to monitor developments within SRHR as a whole for the GFF. It is estimated that around 28 per cent of the annual appropriations of NOK 600 million in the GFF go to SRHR. However, this is based not on actual measurements, but rather on modelling using historical data. There are many recommended SRHR indicators for measuring progress within Sustainable Development Goal 3 concerning health, but the GFF collects data for only one indicator: "adolescent birth rate" for all the recipient countries. The GFF's most recent annual report refers only to occasional contributions from individual countries in this area. In other words, there is no way to systematically measure the GFF's contribution to improvements in SRHR. In the Office of the Auditor General's opinion, these weaknesses in reporting on results compromise the ability to assess the results of the GFF's work in the individual country and what the GFF has brought about for the recipients. It is also difficult to

assess the GFF's contribution to attainment of the goals prioritised by Norway for its health aid.

2.3 The Ministry of Foreign Affairs has not paid enough attention to the cost of providing aid through the World Bank's funds

In the budget proposals for 2017 and 2018, the Ministry of Foreign Affairs has stated that development banks represent large multilateral teams with coordinated political guidelines, economies of scale and efficiency gains. The budget proposals for 2016–2018 state further that the Norwegian authorities are committed to reducing transaction costs and increasing donor cooperation by participating in multi-donor trust funds.

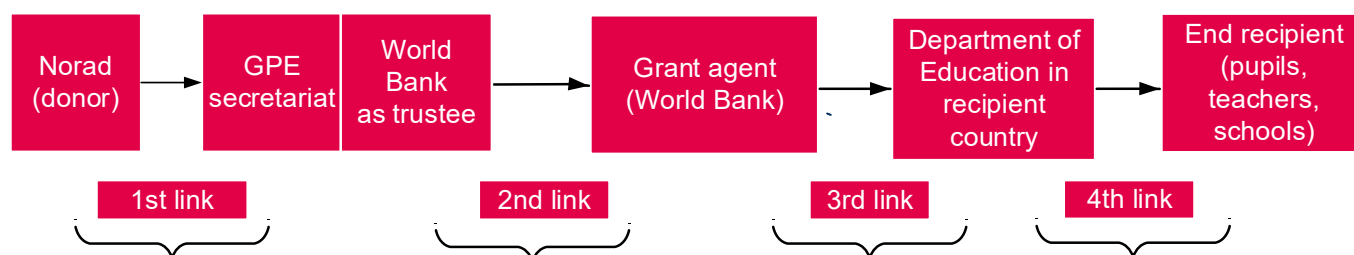
An evaluation by Norad states that the total cost of providing aid through trust funds is not visible, because we only know about the operating costs of the fund to which the money goes, not the operating costs of other organisations involved in the process of transferring the money to the recipients of the aid. Our investigation has aimed to generate new knowledge regarding the actual cost of donating aid to the World Bank's trust funds. The investigation has not undertaken any comparisons with other aid channels or mechanisms. However, we have identified several elements that increase the expenses, indicating that the Ministry of Foreign Affairs ought to pay closer attention to costs.

2.3.1 Substantial administrative costs are charged at multiple stages before the funding reaches the end users

Norwegian aid to trust funds is reported as officially approved aid to the OECD Development Assistance Committee (DAC). This aid includes various components for administration and operation charged by a number of intermediary bodies, from Norway disbursing the funding through until end users in the recipient countries actually receive the aid. One example is administrative costs charged by the World Bank, either indirectly to cover joint costs within the bank or directly to manage the individual fund concerned. Administration costs will also be incurred in cases where other organisations or operators at the country level are responsible for handling the funding. In other words, considerable sums of money are spent on administration and operation of aid that is channelled through the World Bank.

The Global Partnership for Education (GPE) is an example of a fund where Norwegian development aid funding passes through a number of bodies before it reaches the recipient countries and any end users in schools (see figure 2).

Figure 2 The flow of money in the Global Partnership for Education (GPE) from Norwegian support to the final recipient



Source: The Office of the Auditor General

The investigation shows that, for one education sector project in Uganda, the GPE fund, the World Bank and the Ugandan Ministry of Education all charge considerable sums of money for administration and operation. In Uganda, expenditure on wages for staff at the Ministry of Education and Sport almost tripled compared with the original budget. On average, a country project run by the fund spends a total of almost 9 per cent on operation and administration. This is in addition to the cost of running the GPE secretariat, which amounts to around 6 per cent. A significant portion of the project funding for schools and pupils in Uganda also fails to reach schools and pupils directly. One example is expensive trips, classified as “capacity-building”. Another example is the use of international consultancy services. Whilst this is within the bounds of the agreement, it probably reduces the amount of money that reaches the people who need it most. In its evaluation, Norad has also noted that operating costs charged by the various intermediary bodies are likely to reduce the proportion of the aid funding that is spent on measures in recipient countries.

The complex structure of some of the trust funds also leads to higher administrative costs. For example, the GFF health fund has a special “transfer out” component, whereby other organisations can carry out projects financed by the fund. This may mean that Norway gives money to the GFF, which is managed by the World Bank, which in turn gives money to, for example, UNICEF, which in turn can enter into agreements with a health ministry in a recipient country. In this example, the World Bank and UNICEF charge 5 and 7 per cent, respectively, in administration fees. It is not clear to us why the World Bank charges the same fee for transferring funding to another organisation as it does in cases where the bank is itself responsible for the grant. These costly intermediaries add an extra layer of administrative costs and also require closer monitoring of the fund’s results by Norway. The Ministry of Foreign Affairs states that the World Bank’s fees are to be reduced to 1 per cent in trust funds where some of the funds are transferred to other organisations. This applies to trust funds established after 1 January 2021.

The procurement of consultancy services by trust funds can also add an extra round of administrative costs between donor and recipient. The investigation revealed one case where the Ministry of Foreign Affairs purchased services from a consultancy firm in Somalia. After much criticism,

the Ministry terminated the contract with the firm. In 2014, the then minister stated that Norway would support the World Bank's multi-donor trust fund in Somalia instead. According to the minister, this would ensure that the need for this type of consultancy service would decrease dramatically, because the World Bank would assume the bulk of the responsibility. However, the consultancy firm in question has since entered into a major agreement with the World Bank's multi-donor trust fund in Somalia. As a result, Norwegian development aid funding continues to go to the company – not directly as before, but indirectly through support to the World Bank's trust fund, which in turn purchases consultancy services from the company. In addition, the total costs actually increase, because the funding now passes through an additional body before it reaches the recipient country.

2.3.2 There is little transparency about the costs incurred by the World Bank's funds

The investigation has revealed that obtaining an overview of operating and administrative costs is a complicated process. This is due to the fact that costs are charged at multiple stages, and that the World Bank is not very transparent about these costs. For example, the World Bank does not disclose the total amount it charges in "indirect costs", i.e. joint costs for ICT and HR services for the entire bank. This is important information in order to be able to determine the price or cost coverage that the bank charges for managing the trust funds. In addition, there are many different rules for deducting fees and charges, which also change over time. This complexity makes it difficult to find out how much it costs to provide aid via the World Bank.

Both the Ministry of Foreign Affairs and Norad state that financial reports from trust funds can be difficult to understand. Norad has also called for greater transparency regarding the total costs linked to the management of trust funds. Nevertheless, the Ministry of Foreign Affairs and Norad have not assessed or calculated the cost of using trust funds as a channel. There are few examples of them investigating costs incurred by trust funds as channels in general, or by individual trust funds in particular. The Office of the Auditor General finds this to be reprehensible.

Furthermore, the Office of the Auditor General would point out that the annual budget proposals do not report on the administrative costs of using trust funds as a channel. The Office of the Auditor General notes that the lack of overview of costs, combined with few cost assessments on the part of the Ministry, together make it impossible to verify whether the Ministry's assumptions about efficiency, effectiveness and economies of scale are actually correct.

2.3.3 The Ministry of Foreign Affairs has not followed through on its ambition to provide more of the multilateral aid in the form of core support and less as earmarked for trust funds

It is stated in White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation* that the government will shift its support to the UN system and the World Bank towards more core funding. This was justified by the fact that strictly earmarked funds can result in greater fragmentation and

higher administrative costs for the organisations involved. The Ministry of Foreign Affairs has since been unable to explain what it is doing in order to shift Norway's support to the World Bank towards a higher proportion of core support. The Ministry of Foreign Affairs stated that it is currently unclear whether the core support will be increased in the next replenishment round for the World Bank's International Development Association (IDA).

The investigation has revealed that funding is often used to support the World Bank's core projects (IDA funding). Funding from trust funds often constitutes relatively small amounts compared with core support. Examples include a number of grants under the Jobs Umbrella fund and the GFF. Neither the Ministry of Foreign Affairs nor Norad have managed to explain clearly why this funding has not been provided directly as core support, which would have reduced the administration costs.

The Ministry of Foreign Affairs has stated that Norway provides a significantly lower proportion of core funding to IDA, and a correspondingly higher proportion of earmarked funding, than comparable countries such as Sweden. The World Bank also prefers to receive core funding. The World Bank justifies this by stating that the rise in the number of thematic funds and FIFs in recent years entails costs such as the potential for greater inefficiency, duplication and a risk of fragmentation of the global aid architecture.

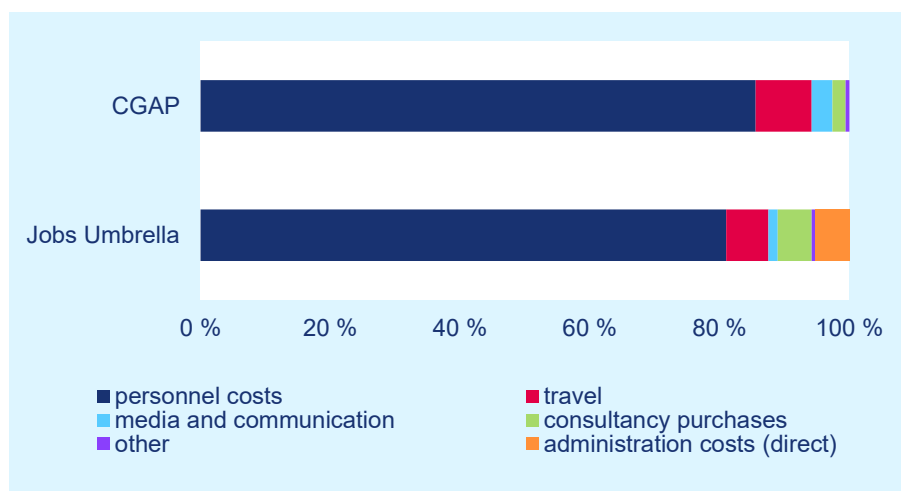
For many years, most of the increase in multilateral aid from Norway has been given as earmarked funding for trust funds and similar, as opposed to as core funding. This is contrary to what the Norwegian government assumed in White Paper 27 (2018–2019). In the opinion of the Office of the Auditor General, it is reprehensible that the Ministry of Foreign Affairs has not prepared a solid basis for making decisions that discusses the priorities between core funding and earmarked funding. This entails a risk of reduced effectiveness of the aid and fewer people benefiting.

2.3.4 Large sums of money go to knowledge production, but the documentation of results is inadequate

The investigation has revealed that a lot of money goes to bank-executed trust funds. This is funding that is used by the bank itself for knowledge production, analysis and advice, as opposed to funding that goes directly to users in recipient countries. In 2020, a total of 30 per cent of all the money disbursed from multi-donor trust funds went to bank-executed funds. This amounts to over USD 1 billion. Norway is one of the largest contributors to these kinds of trust funds.

CGAP and Jobs Umbrella are examples of these kinds of trust funds. Figure 3 shows the distribution of costs for CGAP and Jobs Umbrella for the financial years 2014–2019. The costs include personnel costs, travel, media and communication, rent, the procurement of consultancy services, and expenses for administration and project management.

Figure 3 Distribution of costs in CGAP and Jobs Umbrella (2014–2019)



Source: Extract showing payments for CGAP TF072273 and for Jobs Umbrella TF072322 for the financial years 2014–2019

It is understandable that the bank uses funding to follow up and advise recipient countries. However, there is insufficient transparency regarding the results. The utility value of the trust funds for the recipient countries is also poorly documented. Indeed, the World Bank itself has referred to the challenge of measuring the results of small multi-donor trust funds. Although many small funds contribute to innovation and knowledge building, it is often difficult to measure how they contribute to development, according to the bank. The Office of the Auditor General understands that a portion of Norway's aid funding goes towards the bank's activities relating to knowledge production and technical assistance. In our opinion, however, it is problematic that such a high proportion of Norway's aid is spent on financing the bank's activities without the Ministry making more effort to ensure that it receives high-quality results reports showing that this funding or the knowledge that is produced benefits the inhabitants of the recipient countries.

2.4 The Ministry of Foreign Affairs works actively with the World Bank's board of directors, but lacks a long-term and holistic strategy for management of the trust fund portfolio

The Ministry of Foreign Affairs has overarching responsibility for managing and administering Norwegian-supported funds (cf. section 4 of the Regulations on Financial Management in Central Government).

2.4.1 The absence of a long-term and holistic strategy may result in less efficient use of the resources

The investigation shows that the Ministry of Foreign Affairs has no overall strategy for Norwegian support to the World Bank in general or trust funds in particular. The Office of the Auditor General finds this to be reprehensible.

The Ministry considers the annual budget proposal to be the most important strategic document for Norway's support to trust funds. According to the ministry, the document sets out clear guidelines and justifications regarding where, why and in what contexts it would be appropriate to contribute to trust funds. It is the Ministry's political leaders and the bank's management that discuss participation in thematic funds.

In the Office of the Auditor General's opinion, the information provided in the annual budget proposals is not sufficient to provide a coordinated strategic approach for Norway's support to the World Bank's trust funds. The budget proposals mainly contain information regarding goals for the core support and the themes that are given priority in this context. No information is reported concerning the number of trust funds that Norway supports. Although individual funds are mentioned, the various trust funds are not discussed in context across themes and geographical orientations. Thus, the annual budget proposals do not set out clear guidelines regarding where, why and in what contexts it would be strategically appropriate to contribute to trust funds.

Unlike the Norwegian Ministry of Foreign Affairs, the Swedish Ministry of Foreign Affairs has a multi-annual strategy for its work with the World Bank. Sweden's earmarked support to multi-donor trust funds must also be granted in accordance with the strategy. The Swedish Ministry of Foreign Affairs states that the strategy leads to a good discussion regarding priorities, where different interests are weighed up against each other.

In the Office of the Auditor General's opinion, the absence of a clear strategy represents a weakness in the approach adopted by the Ministry of Foreign Affairs and Norad to the World Bank's trust funds. A coordinated strategic approach would have helped clarify which trust funds should receive Norwegian support, and provided better founded prioritisation between earmarked funding for trust funds and core funding. The current trust fund portfolio comprises many trust funds, some large and many small, and it is difficult to see that there is any coordinated assessment behind the selection of trust funds that Norway supports.

One example of a consequence of changing priorities is Norad's work relating to the establishment of the International Finance Facility for Education (IFFEd). The preparatory work was resource-intensive for Norad, which actively participated in a working group over a period of almost two years. Nevertheless, in the end Norway opted not to support IFFEd when the trust fund was eventually established, partly because of a wish to prioritise initiatives relating to education in fragile states. In the Office of the Auditor General's opinion, this ought to have been assessed more thoroughly at an earlier stage. Prior to the establishment of IFFEd, Norway had previously funded the commission that proposed this trust fund, contributing over NOK 100 million. In our opinion, this example demonstrates how the lack of a long-term perspective in the management of the trust fund portfolio may lead to less efficient use of resources.

The responsibility for the support to the World Bank's trust funds is split between a number of departments within the Ministry of Foreign Affairs and Norad. It is the Section for Multilateral Development Banks (the banking

section) within the Ministry of Foreign Affairs that is responsible for Norway's dealings with the World Bank's board of directors and the reforms of the various types of trust funds. However, no single section has overarching strategic responsibility for all support to trust funds or is responsible for viewing all Norwegian development assistance to trust funds in context. In the Office of the Auditor General's view, a decentralised organisation of this nature reinforces the need for an overarching, clear, strategic approach.

2.4.2 The Ministry of Foreign Affairs is actively involved in the World Bank's board and reform work

The investigation has revealed that the Ministry of Foreign Affairs and Norad are actively working with respect to the internal processes at the World Bank. Norway has actively supported the World Bank's reform of FIFs and multi-donor trust funds, one aim of which is to prevent fragmentation. Norway has also had several of its proposals linked to the reform of FIFs and multi-donor trust funds implemented, including standardising and improving the measurement and reporting of results. The Office of the Auditor General considers this a positive development.

However, the Ministry of Foreign Affairs and Norad are only able to influence the decisions that are made to varying degrees. The processes are complicated, and there are long lines of governance from Norad and the Ministry of Foreign Affairs, via the joint Nordic–Baltic board representative, through until decisions are made by the World Bank's board of directors. Among other things, the investigation shows that the Ministry of Foreign Affairs and Norad do not always have an overview of the decision-making processes that are important for Norway. For example, the new FIF framework was approved without the knowledge of the Ministry of Foreign Affairs and Norad.

2.5 Trust fund results and costs should have been more closely monitored

The management and follow-up of Norway's support to the World Bank's trust funds largely takes place centrally within the Ministry of Foreign Affairs and Norad, but some follow-up also takes place at country level via the embassies.

The investigation shows that results and costs should have been monitored more closely. This applies for example to CGAP and Jobs Umbrella.

2.5.1 The Ministry of Foreign Affairs and Norad often prepare thoroughly, but there are weaknesses in the follow-up of the trust funds

According to the budget proposal Proposition 1 to the Storting (2018–2019), the Ministry of Foreign Affairs's system for aid administration must ensure that the Storting's appropriation decisions are implemented as intended, that grant funds are administered in accordance with relevant regulations and applicable guidelines, and that the measures yield results.

The investigation shows that the Ministry of Foreign Affairs and Norad often do thorough preparatory work in respect of quality assurance of documents when establishing new trust funds, and before Norway decides whether to support an existing trust fund or not. The preparatory work includes assessments of the results framework, the preparation of agreements, and legal quality assurance. At the same time, there is considerable variation between the individual trust funds that have been included in the investigation. Thorough preparatory work has been carried out in connection with the funds GFF, SREP and IFFEd, whereas the preparations for both CGAP and Jobs Umbrella were not sufficiently thorough.

In contrast to the often thorough preparatory work, the investigation shows that the aid administration pays less attention to following up trust funds during the execution phase. There are few written assessments of, among other things, progress and results, compared with the planning phase. For example, the Ministry of Foreign Affairs and Norad have not followed up on the weaknesses in CGAP's results framework, even though these weaknesses made it impossible to measure results at the user and societal level. Furthermore, the aid administration has not monitored developments and increases in the overall costs linked to administration and operations within trust funds to a sufficient degree. The Ministry of Foreign Affairs has stated that periods of sudden growth in the trust fund portfolio has led to the capacity for follow-up of funds being very stretched at times.

In addition, several of the trust funds' annual reports are not very informative, particularly with regard to financial information. This is the case for Jobs Umbrella and the GFF, among others. Overall, the Office of the Auditor General finds that this may contribute to poorer follow-up of funds and increase the risk that Norway will not achieve the desired results for the support that has been given.

2.5.2 The embassies do not have the prerequisites needed to follow up the multilateral component of the aid

According to White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation*, the Norwegian authorities must strengthen their follow-up of the multilateral banks in the countries in which they operate, and ensure a connection between the work that takes place at the country level and the work of the governing bodies of individual organisations. The embassies' responsibilities with regard to trust funds are set out in the annual instructions from the Ministry of Foreign Affairs. In the period 2019–2021, the embassies have been asked to monitor activities under the auspices of global funds to which Norway makes significant contributions.

The investigation revealed that a number of embassies find that the Ministry of Foreign Affairs' expectations of them are not sufficiently clear. One of the embassies stated that the Ministry of Foreign Affairs must specify more clearly what they are to follow up – whether it is the projects' financial statements or the results framework. Furthermore, documents such as mandates and checklists clarifying how follow-up should take place are also lacking. In the Office of the Auditor General's opinion, the fact that several embassies find the management signals unclear increases the risk that the

Ministry will not receive important information at the country level regarding Norwegian-supported funds.

According to the Ministry of Foreign Affairs, the reporting by the embassies on the activities of the trust funds at the country level has improved, and more embassies are more strongly engaged in multilateral development cooperation than was previously the case. At the same time, the Ministry states that some embassies do not give sufficiently high priority to this work and have inadequate capacity. A number of embassies have confirmed this and called for clearer priorities from the Ministry of Foreign Affairs regarding how the follow-up of trust funds should be prioritised compared with their other tasks.

The investigation has also revealed that several embassies are calling for better information-sharing between the Ministry of Foreign Affairs and the embassies regarding individual trust funds. Departments and sections within the Ministry of Foreign Affairs have different information-sharing practices with respect to embassies. The need for a better structure regarding information-sharing is exacerbated by the high staff turnover both abroad and in Norway. More structured information-sharing would help embassies learn more about Norwegian-supported funds in the country concerned, in turn making them better equipped to report more relevant information back to the Ministry.

In addition to the lack of information, several embassies also stated that they do not have an overview of Norwegian aid to various channels at the country level. This is a prerequisite for embassies to be able to keep track of Norwegian-supported funds, and the Office of the Auditor General therefore finds that the embassies ought to have this kind of overview. Norad's preparation of an overview of Norwegian aid to various channels at the country level has helped make this information more readily available. However, this information has not been systematically shared with relevant embassies.

The Office of the Auditor General notes that a lack of clear expectations regarding what embassies should follow up on, combined with the fact that embassies are primarily organised to follow up on bilateral aid, makes it difficult for embassies to follow up Norwegian-supported funds, as expressed in the White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation*. However, there are aspects of the World Bank's governance and organisation that may make it difficult for the embassies to assume the responsibilities that the white paper expects them to take. Many of the World Bank's activities are managed from the bank's head office and not necessarily from the bank's local or regional office in the recipient countries. As a result, the World Bank is sometimes perceived as being difficult to enter into dialogue with at the country level.

Overall, the Office of the Auditor General finds it reprehensible that the Ministry of Foreign Affairs has not improved the embassies' ability to follow up the multilateral component of the aid, which constitutes a growing proportion of Norwegian development aid.

2.6 Reporting of the results of aid to the Storting remains imbalanced

The ministries' budget proposals must be based on the principles laid down in sections 3–9 of the Appropriations Regulations, which state, among other things, that the ministry shall provide information on the results achieved during the most recent financial year. According to section 5 of the Regulations on Financial Management in Central Government, the budget proposals to the Storting must provide a basis for prioritising among the ministry's areas of responsibility according to the prevailing political objectives.

The investigation has revealed that the Ministry of Foreign Affairs' reporting on Norway's support to the World Bank's trust funds in the budget proposals for 2018–2021 were not very balanced. The Ministry makes extensive reference to positive individual results and rarely mentions challenges or poor results, even when the Ministry is aware of them. Jobs Umbrella is an example of a trust fund where the Ministry has not been satisfied with the results. Nevertheless, only positive contributions from the trust fund have been reported to the Storting.

The reporting to the Storting regarding the SREP climate fund is an example of the Ministry of Foreign Affairs placing greater emphasis on goal attainment than the Ministry is aware of through Norad's reporting. According to Norad's draft text for Prop. 1 S (2019–2020), the fund has started delivering on its main performance goals, but full goal attainment is still a long way off. However, in the budget proposal, the Ministry states that the SREP has delivered on its key performance goals, although there is some way to go until all the goals are attained. In the following year, in the draft text for Prop. 1 S (2020–2021), Norad states that SREP has experienced major delays and is barely achieving its aggregated goals. Information about inadequate goal attainment does not appear in the final text of Prop. 1 S (2020–2021) where the Ministry of Foreign Affairs states that the fund has suffered some delays, largely due to external circumstances. In the opinion of the Office of the Auditor General, the Ministry of Foreign Affairs' less critical reporting may contribute to giving the Storting an incorrect impression of the support to the funds.

The Office of the Auditor General's investigation of information on the results of education aid (Document 3:10 (2018–2019)) also identified weaknesses in the reporting to the Storting. On this occasion, the investigation identified examples of direct inaccuracies in reports and misleading reporting. The Minister replied that he took this finding very seriously and wanted to ensure that reporting in the future was both better and more comprehensive.

The Office of the Auditor General realises that it is not possible to include information on all trust funds in the budget proposal every year. However, this should not prevent the Ministry from submitting accurate and balanced reports.

No information is provided in the budget proposals concerning administration or operating costs for any of the trust funds included in the investigation. Nor

is there any information about the general cost-effectiveness of using the World Bank's trust funds.

Together, this means that the Storting does not receive balanced, complete information regarding the results achieved and the costs of development aid. The Office of the Auditor General finds that the absence of this information may make it more difficult for the Storting to prioritise between different focus areas within development aid.

3 Recommendations

The Office of the Auditor General recommends that the Ministry of Foreign Affairs:

- takes steps to ensure that Norwegian-supported funds are better able to demonstrate results for end users in the recipient countries
- monitors costs in funds more closely and develops a better knowledge base in order to know whether the aid is cost-effective
- ensures compliance with White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation* by considering giving more of the multilateral aid to the World Bank as core funding
- develops a more long-term and holistic strategy for Norway's development assistance through the World Bank's trust funds
- equips the embassies to be better able to monitor multilateral aid. This includes defining specific expectations regarding what the embassies are to monitor
- ensures that the Storting receives a more balanced, comprehensive presentation of the results achieved and the costs of development aid provided through trust funds

4 The Ministry's follow-up

The Minister states that the findings in the report are important for the Ministry of Foreign Affairs and for the future management of trust funds. The Minister stresses that the Ministry will use the Office of the Auditor General's findings and recommendations to continue working to improve its management routines and follow-up of trust funds. Priority will be given to work to ensure good documentation.

The Minister points out that trust funds are used to exert political influence and promote Norwegian priorities. Development aid to trust funds, with varying degrees of earmarking, is a supplement to unearmarked core funding, in order to exert an influence through channels other than the World Bank's board of directors. Norway is currently engaged in some 70 World Bank trust funds, which is a significant reduction from more than 130 funds in 2015. The work to slim down the fund portfolio has been time-consuming and resource-intensive. In February 2021, Norway withdrew from one of the funds included in the Office of the Auditor General's investigation, precisely because it was not delivering satisfactory results.

Over the past three years, the World Bank has been working with several donors, including Norway, on a reform of its trust funds. One of the purposes of this reform was to improve the operational efficiency of the funds and prevent and counteract increasing fragmentation of support provided through the World Bank. Norway has actively supported this reform through participation in the Trust Fund Forum. In cooperation with other countries, Norway has had many of its proposals implemented, including increased standardisation and improved measurement and reporting of results. Through this reform process, the donors are working to ensure greater transparency concerning administration costs, dissemination of results, and awareness about the fund work among the recipients.

The Minister emphasises that the World Bank generally scores very well in evaluations of aid effectiveness and results. This is an important reason why Norway participates in trust funds run by the World Bank. Multilateral development cooperation also provides significant efficiency gains for the recipient countries, which would otherwise have to deal with very many individual donors that each have their own agendas and reporting requirements. This in turn increases the implementation capacity of the recipient countries, which is decisive for the aid to yield good results.

In the following, the Minister will comment on the Office of the Auditor General's recommendations.

- As regards the recommendation to take steps to ensure that Norwegian-supported funds are better able to demonstrate results for end users in the recipient countries, the Minister points out that the grounds for participation in trust funds are a very thorough planning phase and the establishment of a results framework. There is room for improvement here, according to the Minister. In the Ministry's work in the governing bodies of trust funds, it is important to ensure that the bank achieves tangible results for end users in recipient countries and that the bank actively informs about the funds' results. According to the Minister, the bank is already working on ensuring greater focus in this area, for example using digital solutions. The Minister points out further that the Ministry and Norad must also ensure that the results are communicated.

The Minister refers to the fact that some trust funds work primarily on research and investigation. The Minister emphasises that the aim of research and investigation is to ensure the greatest possible impact in terms of developments "on the ground" in the partner countries.

- The Minister also comments on the Office of the Auditor General's recommendation regarding closer monitoring of costs in funds and development of a better knowledge base in order to know whether the aid to funds is cost-effective. According to the Minister, the Office of the Auditor General's draft report gives an overall impression that provision of aid via the World Bank is expensive. In this context, the Minister finds that it ought to be specified which other forms of and channels for development cooperation the trust funds are being compared with. Furthermore, the Minister finds it somewhat misleading to include support to the authorities in developing countries as administrative costs.

In the Minister's opinion, cooperation with the authorities is central to building capacity and achieving lasting change.

The Minister states that monitoring costs and cost-effectiveness in funds is a component in the donors' ongoing dialogue with the bank. This work is and will remain a top priority. The Minister also makes reference to an upcoming review under the auspices of the Multilateral Organizations Performance Assessment Network (MOPAN), which will provide up-to-date insight into efficiency and effectiveness.

- In respect of the recommendation to consider giving more of the multilateral assistance to the World Bank as core funding: according to the Minister, the upcoming 20th donor replenishment of the International Development Association (IDA20) has been brought forward by one year due to the extra expenses incurred in connection with the COVID-19 pandemic. The donor negotiations are now in the final phase. The Minister states that the government will consider Norway's contribution to IDA20 in light of how well the outcomes of the negotiations align with Norway's development policy priorities (cf. the Hurdal Platform). After the IDA20 replenishment, the Minister will continuously assess the balance between Norway's core funding and funding to the World Bank's trust funds (cf. the Storting's adoption of White Paper 27 (2018–2019)).
- The Office of the Auditor General also recommends that the Ministry of Foreign Affairs develops a more long-term and holistic strategy for Norway's development assistance through the World Bank's trust funds. The Minister refers to the Hurdal Platform, where the government announced that it will undertake a critical review of the use of global trust funds in order to ensure greater efficiency and effectiveness in Norway's development aid. The Minister will find a suitable way to carry out this review.
- As regards the recommendation concerning the embassies, the Minister points out that they often do not have the resources to deal with multilateral cooperation. This is an issue the Ministry takes seriously, as is also stated in White Paper 27 (2018–2019). According to the Minister, the embassies' follow-up work should be prioritised within the available resource frameworks. It is natural that Norway's high share of multilateral development aid is reflected in the weighting of the work at the bilateral foreign service missions. As a general rule, the foreign service missions should prioritise monitoring trust funds to which Norway is a major contributor. Even within realistic resource frameworks, the Minister maintains that there are opportunities to improve the quality of the work through more targeted information from Norway, as well as even better communication between the Ministry of Foreign Affairs, Norad, the embassies and the Nordic and Baltic office of the World Bank.
- The Minister maintains that the reporting to the Storting must be correct and informative. The Ministry admits that the reporting on the World Bank's trust funds has often attached greater importance to communicating positive results that demonstrate what Norway receives in return for its substantial development aid contributions. The Minister

points out that the format limitations of the annual budget proposals to the Storting entail that a balance will always have to be struck when deciding what to communicate in order to give the Storting the best possible information. Nevertheless, the Minister concedes that in some cases there has been inadequate reporting on low attainment of goals and challenges. The Ministry has taken note of the Office of the Auditor General's recommendation and will incorporate this in future reporting on results. The Minister will ensure that this is applied to all reporting of results within the Ministry's budget area.

5 Closing remarks

The Office of the Auditor General has no further comments.

The matter will be submitted to the Storting.

Adopted at the meeting of the Office of the Auditor General
on 30 November 2021.

Per-Kristian Foss

Helga Pedersen

Anne Tingelstad Wøien Beate Heieren Hundhammer Arve Lønnum

Jens Gunvaldsen

Appendices

Appendix 1:

The Office of the Auditor General's letter to the Minister

Delayed publication; see Section 18(2) of the Norwegian Act of the Office of the Auditor General of Norway

The Ministry of Foreign Affairs
Postboks 8114 DEP
0032 OSLO

For the attention of Minister Anne Beathe Tvinningreim

The Office of the Auditor General's investigation of Norway's development assistance through the World Bank's trust funds

Please find attached a draft of Document 3:4 (2021–2022) *The Office of the Auditor General's investigation of Norway's development assistance through the World Bank's trust funds*.

The document is based on the report submitted to the Ministry of Foreign Affairs in our letter dated 27 August 2021 and the Ministry's response dated 24 September 2021.

The Minister has been asked to provide an account of how the Ministry will follow up on the Office of the Auditor General's comments and recommendations, and whether the Ministry disagrees with any of the Office of the Auditor General's conclusions.

A summary of the Ministry's follow-up will be included in the final document to the Storting. The Minister's full reply will be attached to the document. Please submit your reply as a PDF file saved from Word, as opposed to scanned and saved as an image, so that the contents can be made available to everyone in compliance with universal design requirements.

Deadline for reply: 11 November 2021.

For the Board of the Auditors General

Per-Kristian Foss

Auditor General

This letter has been approved and sent electronically.

Appendices

Appendix 2:

The Minister's reply

11 November 2021

The Office of the Auditor General
Postboks 8130 Dep
NO-0032 OSLO

Draft Document 3:4 (2021–2022) on the Office of the Auditor General’s investigation of Norway’s development assistance through the World Bank’s trust funds

I refer to the Office of the Auditor General’s draft document 3:4 on the Office of the Auditor General’s investigation of Norway’s development assistance through the World Bank’s trust funds, dated 27 October 2021. The Office of the Auditor General has requested an account of how the Ministry of Foreign Affairs will follow up on its comments and recommendations, and whether the Ministry disagrees with any of the Office of the Auditor General’s conclusions.

The Office of the Auditor General recommends that the Ministry of Foreign Affairs:

- takes steps to ensure that Norwegian-supported funds are better able to demonstrate results for end users in the recipient countries
- monitors costs in funds more closely and develops a better knowledge base in order to know whether the aid is cost-effective
- ensures compliance with White Paper 27 (2018–2019) *Norway’s role and interests in multilateral cooperation* by considering giving more of the multilateral aid to the World Bank as core funding
- develops a more long-term and holistic strategy for Norway’s development assistance through the World Bank’s trust funds
- equips the embassies to be better able to monitor multilateral aid. This includes defining specific expectations regarding what the embassies are to monitor
- ensures that the Storting receives a more balanced, comprehensive presentation of the results achieved and the costs of development aid provided through trust funds

The Ministry’s follow-up

The Ministry would like to thank the Office of the Auditor General for the good collaboration throughout the entire investigation process. The matters that are discussed in the document mainly pertain to the period 2018–2020. The Ministry would like to stress that the findings are important to the Ministry of Foreign Affairs and for the future management of trust funds.

Trust funds are used to exert political influence through dialogue with the multilateral development banks – predominantly the World Bank – and to promote Norwegian priorities. Central issues in this dialogue are measures to ensure greater development efficiency, innovative and catalytic financing, increased mobilisation of private capital, better results, and better communication of results. Development assistance to trust funds, with varying degrees

of earmarking, is a supplement to un-earmarked core funding, in order to exert an influence through channels other than the World Bank's board of directors.

Norway participates in around 70 trusts funds in, or administered by, the World Bank. The portfolio of trust funds has been reduced from more than 130 trust funds in 2015, as a result of targeted work to slim it down. This work has been both time-consuming and resource-intensive. The Ministry has focused in particular on discontinuing Norway's participation in older funds. In February 2021, Norway withdrew from one of the funds included in the Office of the Auditor General's investigation, precisely because it was not delivering satisfactory results.

The Office of the Auditor General has chosen to conduct in-depth investigations of four trust funds. This is a very small sample. I find there are grounds to query whether this sample provides a sufficiently representative basis for drawing far-reaching conclusions that can be regarded as valid for "Norway's development assistance through the World Bank's trust funds" (cf. the title of the report).

Over the past three years, the World Bank has been working with several donors, including Norway, on a reform of its trust funds, with a view to both improving the operational efficiency of the funds and preventing and counteracting fragmentation of support provided through the World Bank. Norway has actively supported this reform through participation in the Trust Fund Forum. Several rounds of consultations have been carried out with the bank. In cooperation with other countries, Norway has had many of its proposals implemented, including increased standardisation and improved measurement and reporting of results. Through this reform process, the donors are working to ensure greater transparency concerning administration costs, dissemination of results, and awareness about the fund work among the recipients.

I find grounds to emphasise that the World Bank generally scores very well in evaluations of aid effectiveness and results, and is in fact one of the most effective of all the multilateral channels. This is an important reason why Norway, when entering into funds, predominantly chooses to support funds in – or managed by – the World Bank. The same is also true of the vast majority of other donor countries.

Channelling development aid through multilateral trust funds is also less work for the authorities in the recipient countries, which would otherwise have to deal with very many individual donors that each have their own agendas and reporting requirements. Multilateral development cooperation, where multiple donors coordinate their donations through jointly owned institutions and funding mechanisms (partnerships), provides significant efficiency gains for the recipient countries. This in turn increases their implementation capacity, which is decisive for the aid to yield good results.

In the following, I would like to comment briefly on the Office of the Auditor General's six recommendations.

The Ministry of Foreign Affairs is recommended to take steps to ensure that Norwegian-supported funds are better able to demonstrate results for end users in the recipient countries

It is important to emphasise that the World Bank, the donors and the recipient countries have shared platforms for cooperation. National ownership is firmly anchored in country strategies, which have been approved by the authorities and adopted by the board of directors of the bank, and the individual countries' own development plans. The bank must take these strategies and plans into account when establishing trust funds and when distributing development aid through the funds. The various countries' priorities are set out in country-specific Country Partnership Frameworks. In the Global Partnership for Education (GPE) and the Global Financing Facility (GFF), the recipient countries and civil society are also strongly represented in governing bodies.

Participation in trust funds is based on a very thorough planning phase and the establishment of a results framework. However, there will generally always be room for improvement. It is important to ensure, through the Ministry's representation on the governing bodies of trust funds, that the bank achieves tangible results for end users in recipient countries, and that easily accessible information about the results achieved is actively communicated to all the parties involved and any interested party in general. We will follow up on this matter.

As a result of the World Bank's Trust Fund Reform and the establishment of so-called umbrella funds, separate positions for communication work have been established in the secretariats of the various trust funds. More targeted work is now being done to ensure the spread of information about results through social media, videos, reports and digital solutions than was the case two or three years ago. Examples in this context where Norway is a partner include the umbrella fund PROBLUE, which supports healthy and productive oceans, the Energy Sector Management Assistance Programme (ESMAP), the Digital Development Platforms and the Global Health Platform. It is the Ministry and Norad's duty to ensure that the results are communicated.

Some trust funds focus primarily on research and investigation. In some cases, this work may not seem immediately relevant to the end users. I find grounds to underscore that all the work that is being done is motivated by a wish to ensure that the donors' funding leads to the highest possible degree of poverty alleviation. The main aim of research and investigation is to ensure that the available funding results in the greatest possible impact in terms of developments "on the ground" in the partner countries.

The Ministry of Foreign Affairs is recommended to monitor costs in funds more closely and develop a better knowledge base in order to know whether the aid is cost-effective
The Office of the Auditor General's draft report gives an overall impression that provision of aid via the World Bank is expensive, but we find that the investigation should specify which other forms of and channels for development cooperation the trust funds are being compared with.

In its model, the Office of the Auditor General has included support to the authorities in developing countries as administrative costs. Cooperation with the authorities is central to building capacity and achieving lasting change. I find it somewhat misleading to include this as administrative costs.

In assessments of multilateral organisations, great importance is attached to findings from the Multilateral Organisations Performance Assessment Network (MOPAN). The most recent review, from 2015–2016, concludes that the World Bank is an efficient and effective

institution. A new review is currently being planned, which will provide up-to-date insight into the knowledge base.

Monitoring of costs and cost-effectiveness related to funds is a component of the donors' ongoing dialogue with the World Bank, through the bank's Trust Fund Reform and Trust Fund Forum mentioned above. This work is and will remain a top priority.

The Ministry of Foreign Affairs is recommended to ensure compliance with White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation* by considering giving more of the multilateral aid to the World Bank as core funding

As stated in Document 3:4 (Figure 1), core funding to the World Bank amounted to approximately NOK 1.3 billion in 2020, while earmarked funding through trust funds amounted to approximately NOK 4 billion. Thus core funding constitutes around 25% of the total support. Over time, the share of development aid provided as core funding has largely declined, down from 36% in 2009.

The World Bank's core funding consists of two components: on the one hand, contributions to general capital increases via the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), comprising both deposits of share capital and government guarantees; and on the other, contributions to the International Development Association (IDA), which is the bank's fund for the 74 poorest countries in the world. Although we refer to the IDA as a "fund", it differs quite markedly from other fund mechanisms. The IDA is a central pillar in the bank's core operations, and the contributions are not earmarked.

The last replenishment process was in 2018. The next opportunity to increase Norway's core contributions to the World Bank – both in absolute terms and relative to the funding provided through trust funds – is the forthcoming 20th IDA donor replenishment process (IDA20), with budget effect for the period 2023–2025. IDA20 has been pushed forward by one year due to the extra expenses incurred in connection with the COVID-19 pandemic. On completion of the negotiations, which have been ongoing since April 2021, a declaration will be made on 15 or 16 December, in connection with a meeting in Tokyo. The donor negotiations are now in their final phase. The government will consider Norway's contribution to IDA20 in light of how well the outcomes of the negotiations align with our development policy priorities (cf. the Hurdal Platform).

The issue of Norway's development aid provided through funds is raised far more frequently than the opportunity to increase the core funding, which is only once every three years in the IDA. After the IDA20 replenishment, I will continuously keep an eye on and assess the balance between Norway's core funding and funding through the World Bank's trust funds (cf. the Storting's adoption of White Paper 27 (2018–2019) on multilateral cooperation).

The Ministry of Foreign Affairs is recommended to develop a more long-term and holistic strategy for Norway's development assistance through the World Bank's trust funds

In the investigation, the Office of the Auditor General points out that the Ministry of Foreign Affairs has no overall strategy for Norway's assistance to the World Bank in general or trust funds in particular. In the Office of the Auditor General's opinion, the absence of a clear

strategy in the work relating to trust funds represents a weakness in the approach adopted by the Ministry of Foreign Affairs and Norad to the World Bank's trust funds.

A review of trust funds as a channel for Norwegian development aid, with the aim of identifying good, effective fund mechanisms, was announced in White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation*. However, this work has been delayed due to the COVID-19 pandemic. In the Hurdal Platform, the government has announced that it will undertake a critical review of the use of global trust funds in order to ensure greater efficiency and effectiveness in Norway's development aid. I will find a suitable way to carry out this review.

The Ministry of Foreign Affairs is recommended to equip the embassies to be better able to monitor multilateral aid. This includes defining specific expectations regarding what the embassies are to monitor

The Office of the Auditor General points out that the embassies do not have the prerequisites to be able to follow up the multilateral component of the aid, including the World Bank's trust funds. Often, the embassies do not have the resources to deal with multilateral cooperation. As stated in White Paper 27 (2018–2019), this is an issue the Ministry takes seriously. The embassies' follow-up work should be given higher priority within the resource frameworks that are available at the time. It is natural that Norway's high share of multilateral development aid is reflected in the weighting of the work at the bilateral foreign service missions. As a general rule, the foreign service missions should prioritise monitoring trust funds to which Norway is a major contributor. Even within realistic resource frameworks, there are opportunities to improve the quality of the work through more targeted information from Norway, as well as even better communication between the Ministry of Foreign Affairs, Norad, the embassies and the Nordic and Baltic office of the World Bank.

The Ministry of Foreign Affairs is recommended to ensure that the Storting receives a more balanced, comprehensive presentation of the results achieved and the costs of development aid provided through trust funds

The Office of the Auditor General claims that the Ministry of Foreign Affairs' reporting on Norway's assistance to the World Bank's trust funds in the budget proposals for 2018–2021 was not very balanced and makes extensive reference to positive individual results.

Reporting to the Storting must be correct and informative. The Ministry admits that the reporting on the World Bank's trust funds has often attached greater importance to communicating positive results that demonstrate what Norway receives in return for its substantial development aid contributions, preferably in measurable terms. The format limitations of the annual budget proposals to the Storting entail that a balance will always have to be struck when deciding what to communicate in order to give the Storting the best possible information. Nevertheless, in some cases there has been inadequate reporting on low attainment of goals and challenges that have arisen. The Ministry has taken note of the Office of the Auditor General's recommendation and will incorporate this in future reporting on results. I will ensure that this is applied to all reporting of results within my budget area.

Finally, I would like to stress that the Ministry of Foreign Affairs will use the Office of the Auditor General's findings and recommendations to continue developing and improving our management routines and follow-up of trust funds. In this context, priority will be given to work to ensure good documentation.

With best regards,

Anne Beathe Tvinnereim

Appendix 3:

Report: Norway's development assistance through the World Bank's trust funds

The audit was conducted in the form of a performance audit pursuant to Section 9, third paragraph of the Act relating to the Office of the Auditor General and Section 9 of the instructions relating to the activities of the Office of the Auditor General. The audit was carried out in accordance with professional guidelines regarding performance audits by the Office of the Auditor General and INTOSAI's Performance Audit Standard (ISSAI 3000).

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Glossary and explanations of key terms and the trust funds

- **Development Finance (DFi)** – the World Bank’s department which has specific responsibility for trust funds.
- **DFID** – *Department for International Development* was the United Kingdom’s ministry for development collaboration, but was replaced by the Foreign, Commonwealth and Development Office in 2020.
- **DPC** – the World Bank’s portal for donors, with information on trust funds, amongst other things. The information is not publicly available.
- **Theory of change** – describes why and how the activities will bring about the desired social change.
- **Poverty orientation** – concerns the extent to which aid helps to combat poverty.
- **Multi-donor trust fund** – when a number of donors agree to jointly support one or more themes for one or more countries. There are also single-donor trust funds. The World Bank’s multi-donor trust funds comprise **(1) Bank-executed trust funds (BETF)**, which support programmes and activities which are carried out by the bank itself, and **(2) Recipient-executed trust funds (RETF)**, which support programmes and activities which are carried out by another organisation, normally the public authorities in the recipient country. Multi-donor trust funds often consist of both BETF and RETF.
- **Recipient ownership** – concerns the recipient countries’ ownership of, and scope of influence, aid projects and activities that concern them.
- **Preferencing** – means that a donor provides aid for one or more sub-funds in an umbrella trust fund, based on political priorities. In such cases, the bank is not legally obliged to comply with the wishes of the donor. Preferencing is sometimes used to refer to aid for thematic priorities, especially in the United Nations system. In these cases, the United Nations or aid recipient is legally obliged to use the funds for the themes stipulated by the donor.
- **NBO** – (Nordic Baltic Office) is the Nordic-Baltic electoral group’s permanent office at the World Bank. Norway has an advisor at the office who acts as a link between the board representative and the Ministry of Foreign Affairs. The advisor also helps to collate and disseminate Norwegian input regarding matters which are to be discussed by the World Bank’s board of directors.
- **FIF** (*financial intermediary funds*, FIFs or financial management services) are often larger funds where the World Bank receives, invests and disburses funds in accordance with instructions issued by the FIFs themselves. FIFs function to a greater extent as independent entities than multi-donor trust funds. The World Bank has less responsibility as regards the results of a FIF compared with multi-donor trust funds. In practice, however, there is considerable variation in the roles performed by the bank amongst the various FIFs.
- **The FIF Framework** from June 2019 sets out the framework for the World Bank’s reform of FIFs.
- **Gates Foundation** – is a private foundation set up by Bill and Melinda Gates, which aims to fight poverty, disease and inequity around the world.
- **IBRD** – The International Bank for Reconstruction and Development (IBRD) is one of two institutions which collectively make up the World Bank. IBRD provides loans on favourable terms to the public authorities in middle-income countries.
- **IFC** – The International Funding Institute (IFC) is part of the World Bank Group. IFC invests in and provides professional assistance to the private sector in developing countries.
- **IDA** – The International Development Association (IDA) is one of two institutions which collectively make up the World Bank. As a general rule, the IDA provides interest-free loans to the public authorities in the 76 poorest countries. The fund receives its funding from donor countries such as Norway through replenishment negotiations every three years.
- **Core funding** – unrestricted funding for the World Bank, which the bank uses to finance projects in developing countries. It is without restrictions as regards the countries or types of projects and programmes that may receive the funding.
- **OECD DAC** – Organisation for Economic Cooperation and Development, Development Assistance Committee, the OECD’s development committee.
- **Umbrella trust fund** – an important part of the ongoing reform of multi-donor trust funds. Umbrella trust funds bring together smaller multi-donor trust funds, known as sub-funds, which cover similar themes under a large fund.

- **PTA** – an electronic management tool used by the Ministry of Foreign Affairs and Norad. It is a Norwegian abbreviation for ‘Plan – Grant – Agreement’.
- **Grant agent** (or *implementing agency*) – in a FIF, it is one of several organisations which implement projects. These are then referred to as ‘grant agents’.
- **Trust Fund Forum** – a forum within which the largest donors to the World Bank’s trust funds discuss issues relating to multi-donor trust funds and FIFs with those responsible at the World Bank.
- **Trust Fund Policy** – overall framework with guidelines for trust funds.
- **Trustee** – the entity responsible for managing the money, i.e. tasks such as receiving, investing and disbursing funds.
- **Earmarked funding** – means that certain conditions are linked to the funding; this could for example be a theme, programme, country or similar. Support for trust funds is usually earmarked funding.
- **Sida** – Swedish International Development Cooperation Agency.
- **Sub-funds** – smaller multi-donor trust funds which are brought together under a larger umbrella fund. The Ministry of Foreign Affairs uses the term "windows" or "pillars" to refer to the entities that are brought together under an umbrella trust fund. In this report, we use the term ‘sub-fund’ instead. In addition to such sub-funds, other funds may be affiliated to an umbrella trust fund. These are known as ‘associated funds’.
- **UNDP** – the United Nations Development Programme, which strives to promote long-term development by assisting countries with advice, policy-making, implementation, etc.
- **UNFPA** – the United Nations Population Fund, which works on population and development issues.
- **Unicef** – the United Nations Children's Fund, the world's largest children's aid organisation.
- **Unesco** – the United Nations Educational, Scientific and Cultural Organization.
- **WHO** – the World Health Organization.

Trust funds discussed in the report

- **CGAP** – *Consultative Group to Assist the Poor* is a multi-donor trust fund based around the theme of business development and microfinance. The fund is global and aims to ensure that everyone is included financially via innovative solutions through applied research and active participation from financial service providers.
- **CIF** – *Climate Investment Funds* is the world's largest climate fund. SCF is one of two sub-funds in CIF.
- **ECW** – *Education Cannot Wait* is a fund hosted by Unicef, which is based around the theme of education in situations of crisis and conflict.
- **Jobs Umbrella** – is a multi-donor trust fund based around the theme of job creation. The fund is global and aims to support client countries to formulate job strategies for all relevant sectors. The fund also aims to promote global knowledge concerning the most effective strategies for sustainable jobs, especially amongst the most vulnerable groups.
- **GEF** – *Global Environment Facility* is a FIF that works on climate and environmental issues.
- **GFF** – *Global Financing Facility in Support of Every Woman Every Child* is a multi-donor trust fund based around the theme of health. The fund is global and aims to ensure that all women, children and adolescents can survive and thrive.
- **GPE** – *Global Partnership for Education* is a FIF based around the theme of education. The fund is global and aims to provide support to authorities to improve learning by strengthening education systems.
- **SCF** – *Strategic Climate Fund* is a FIF based around the theme of climate.
- **IFFEd** *International Financing Facility for Education* was proposed by an international education commission led by former Norwegian prime minister Erna Solberg in 2016. As of 2021, IFFEd has not been initiated.
- **Problue** – is a multi-donor trust fund established according to the new umbrella trust fund model. The fund supports the sustainable and integrated development of the oceans and comprises more than 20 sub-funds centred around the theme of the oceans.
- **Somalia MPF** – *The Somalia Multi-Partner Fund* is a multi-donor trust fund which is exclusively aimed at Somalia. The fund is a cross-sector fund which stresses nation-building in a fragile state.
- **SREP** – *Scaling Up Renewable Energy Program in Low Income Countries* is a FIF based on the theme of climate. SREP is one of three funds under the Strategic Climate Fund (SCF), which in turn is one of two funds

under the Climate Investment Funds (CIF) umbrella trust fund. The goal of SREP is to boost investment in renewable energy in poor countries, while reducing emissions.

1 Introduction

1.1 Background

A high and increasing proportion of Norwegian aid is channelled through multilateral organisations such as the United Nations and the World Bank. In 2020, 59 per cent of Norwegian aid was channelled through multilateral organisations.¹ Aid to multilateral organisations is provided in the form of either unrestricted core funding or earmarked funding for specific funds, programmes and projects within these organisations.² Earmarked funding for multilateral organisations, including trust funds, has increased particularly sharply in recent years. During the period 2013–2017, there was a 48 per cent rise in Norwegian earmarked aid to multilateral organisations.³ In 2020, 58 per cent of multilateral aid was earmarked.

Norway supports multilateral funds for many reasons. According to Prop. 1 S (2018–2019), which is the annual budget proposition to the Storting, better results are obtained when donors work together over major tasks, and this approach is also a more effective way of administering funding. Prop. 1 S (2017–2018) notes that, through participation in multi-donor trust funds, Norway is concerned about reducing transaction costs and increasing the donor collaboration.⁴ Prop. 1 S (2019–2020) notes that such partnerships facilitate better coordination, more cohesion and greater effectiveness. Global funds have also proven to be effective collaboration partners in attaining Norway's goals. According to an evaluation by Norad, development assistance to trust funds also constitutes a measure to mobilise multilateral initiatives in areas which are of particular interest to Norway and which Norway wishes to highlight through participation in trust funds.⁵

A trust fund is a funding mechanism which is used to channel aid to a specific purpose from donors via an administrator organisation (*trustee*), such as the World Bank. The aim is often to combine funding from a number of donors. Trust funds are therefore not aid programmes in themselves. There is considerable variation in the types of trust funds: They may have one or more donors (single and multi-donor trust funds) and they may provide funding to one or more recipient countries in order to support one or more thematic areas. Typical examples of themes are health, education and climate. Trust funds that are only aimed at one country are often cross-sectoral in nature.

The World Bank is the largest recipient of Norwegian aid⁶ and is the development organisation which administers the most trust funds. The two most important types of trust funds in the World Bank are *multi-donor trust funds* and FIFs (*financial intermediary funds*), where the World Bank provides financial management services. In the case of multi-donor funds, the World Bank is responsible for results and for ensuring that the funding is used for the purposes agreed with the trust fund's donors. FIFs operate to a greater extent as independent entities, and the World Bank will normally have more limited responsibility as regards the way in which the funding is used and the results that are achieved. The agreement for each FIF sets out the rules that are to apply and no two FIFs are therefore identical. FIFs do not carry out any activities themselves, nor do they have their own offices in the recipient country.⁷

In 2020, donors paid a combined total of USD 8.83 billion to the 27 FIFs. Norway was the eighth largest donor to FIFs during the period 2016–2020.⁸ During the 2020 financial year, donors paid a total of USD 3.67 billion⁹, or

¹ <https://www.norad.no/aktuelt/nyheter/2021/slik-var-norsk-bistand-i-2020/> [Downloaded 21.01.2021]

² Ibid.

³ OECD (2019) *OECD Development Co-operation Peer Reviews: Norway 2019, OECD Development Cooperation Peer Reviews*, OECD Publishing, Paris.

⁴ Prop. 1 S (2018–2019). In Prop. 1 for 2018, the meaning was the same, but the wording slightly different. It is stated that "...through participation in multi-donor trust funds, Norway is concerned about reducing the transaction costs and increasing donor cooperation" (p. 349). In *Bistandsaktuelt* on 3 April 2019, the Minister of International Development also stated that the increase in such "international partnerships" is a positive development. "It ensures that the aid money is used effectively. By working with others, we reduce administrative costs and secure professional expertise," said Ulstein. <https://www.bistandsaktuelt.no/nyheter/2019/mer-norsk-bistand-gjennom-fn-og-verdensbanken/>.

⁵ Norad (2019) *Evaluation of Norway's multilateral partnerships portfolio. The World Bank and UN inter-agency trust funds*. Report 1/2019.

⁶ <https://www.bistandsaktuelt.no/nyheter/2021/ny-side/> [Downloaded 09.07.2021]

⁷ World Bank (2019) *Financial Intermediary Fund Management Framework*, 4 June 2019, p. 7.

⁸ World Bank (2020) *Trust Fund Annual Report: Moving the needle for greater impact*, p. 203.

⁹ This figure also includes funding for IFC trust funds.

around NOK 30 billion, to the roughly 600 multi-donor trust funds that the World Bank managed.¹⁰ During the period 2016–2020, Norway was the fifth largest donor to the World Bank's multi-donor trust funds.¹¹ The Ministry of Foreign Affairs states that, as of June 2020, Norway is supporting approximately 70 trust funds in priority sectors, themes and geographical areas. However, a small number of the funds receive the majority of the funding. According to an evaluation by Norad, eleven of the multi-donor trust funds receive around 80 per cent of the Norwegian funding.¹²

There is a risk that thematic funds may not be an effective tool for achieving Norwegian development policy goals. Such funds have for example been criticised for contributing to the fragmentation of aid in sectors such as health, education and climate.¹³ Fragmentation can lead to coordination challenges and poorer results from aid. It also makes it more difficult for recipient countries to monitor the various trust funds within a sector.

In addition, there is a risk that aid channelled via thematic funds may not reach the poorest people. Combating poverty is a key goal of Norwegian development cooperation. However, a significant proportion of the funding that is provided through thematic funds goes to middle-income countries. In the case of multi-donor trust funds, a high proportion of the funding also goes to the World Bank. This means that the funding does not go directly to the recipient country, but is used by the bank to provide technical assistance, amongst other things. A number of thematic funds have also been initiated by donors, rather than by the recipient countries themselves. Thus, there is a risk that the trust fund activities will not be formulated in a way which best meets the needs of the recipients.

There is also a risk that thematic funds are not cost-effective. This is because information is only available on the operating costs of the trust fund to which the money goes, not those of other organisations as the money is transferred to the aid recipients over time. In an evaluation, Norad noted that there is a lack of transparency regarding these transaction costs.¹⁴ There is therefore considerable uncertainty regarding how much of the funding provided through thematic funds that actually benefits the aid recipients.

1.2 Objectives and audit questions

The objective of the audit was to assess how the Ministry of Foreign Affairs and Norad ensure that the aid provided through the World Bank's trust funds contributes to the attainment of Norway's development policy goals in an effective manner.

The audit questions covered by the investigation were as follows:

1. Which trust funds did Norway support during the period 2009–2019, and in what amounts?
2. To what extent does the Ministry of Foreign Affairs' management and follow-up contribute to the effectiveness of the aid channelled to the World Bank's trust funds?
3. How effective are selected individual trust funds?

¹⁰ This figure excludes parallel accounts.

¹¹ World Bank (2020) *2020 Trust Fund Annual Report: Moving the needle for greater impact*, p. 3, 136 and 196. The World Bank's financial year runs from 1 July to 30 June and is therefore not comparable with that of Norway.

¹² Norad (2019) *Evaluation of Norway's multilateral partnerships portfolio. The World Bank and UN inter-agency trust funds*. Report 1/2019, p. 25. Norad has slightly different figures, with 11 out of 73 trust funds.

¹³ <https://www.bistandsaktuelt.no/arkiv-kommentarer/2020/utsyn-storeng-pa-tide-a-utvide-debatten-om-globale-helsefond/> [Downloaded 26.01.2021] and White Paper 33 (2011–2012) *Norway and the United Nations: Common Future, Common Solutions*.

¹⁴ Norad (2019) *Evaluation of Norway's multilateral partnerships portfolio. The World Bank and UN inter-agency trust funds*. Report 1/2019.

2 Methodology and implementation

The theme for the investigation was Norway's development assistance through the World Bank's trust funds. We examine how the Ministry of Foreign Affairs and Norad endeavour to ensure that aid contributes to the attainment of Norwegian development policy goals in an effective manner, by investigating:

- effectiveness, which in this context means the contributions made by the trust funds to attainment of the development policy goals
- cost-effectiveness, which in this context is defined as what the aid costs in the form of transaction costs incurred at each stage as the funding is transferred from the donor to the final recipients

The audit questions considered by the investigation are answered through a document analysis, an analysis of aid statistics, interviews and written questions to key actors in the field. The investigation emphasises the period from 2018–2020, but also covers relevant documents dating from both before and after this period. Data acquisition was completed in May 2021.

We had originally planned field visits to Uganda and Bangladesh in order to obtain more information about the activities and results of the trust funds in the recipient countries. However, it was not possible to carry out these field visits due to the COVID-19 pandemic. We cannot rule out the possibility that this has affected the investigation, as we have been unable to meet representatives of local authorities or end users of the aid in the recipient countries. Instead, we have relied on an expanded document analysis to assess the results of the trust funds at fund level, country level and project level. Amongst other things, we have analysed the trust funds' annual reports, financial reports, reports on results and mid-term and final evaluations, as well as internal documents from the Ministry of Foreign Affairs and Norad. Written questions to selected embassies, GFF, GPE and the World Bank also formed an important part of the data acquisition.

In the following, we review the methods and sources we have used in the investigation.

2.1 Methodology used for analysing which trust funds Norway has supported, and in what amounts

We have used statistics from Norad's *Norwegian Aid Statistics* portal to show how much money the World Bank received during the period 2009–2020.

We have also received a data extract from Norad's evaluation department with an overview of all multi-donor trust funds that received Norwegian development assistance through to 2019. We have analysed this data extract to map trends in Norwegian aid to the World Bank's multi-donor trust funds since 2009, including cost allocations and the countries and trust funds that have received substantial support from Norway. The aim was to explain the materiality of the is.

2.2 Methodology used for analysing the effectiveness of selected trust funds

We have conducted a detailed study of four Norwegian-supported trust funds. The aim of the study was to assess the effectiveness of the funds. The four funds are:

- Consultative Group to Assist the Poor (CGAP), a knowledge fund working on financial inclusion
- Jobs Umbrella Multidonor Trust Fund, which aims to generate knowledge about how jobs can be created
- Scaling Up Renewable Energy in Low Income Countries (SREP), a climate investment fund for renewable energy in low-income countries
- Global Financing Facility (GFF), which supports the health and nutrition of women, children and adolescents

The trust funds were selected with a view to covering a range of types, sizes and thematic areas. We adopted this approach so that the analysis could be used to say something more generally about aid channelled through trust funds. CGAP and Jobs Umbrella are trust funds which operate within knowledge production and which Norway

contributes smaller amounts to. We also wanted to investigate trust funds to which Norway is a major donor. Norway is the second largest contributor to the SREP climate fund and the largest donor to the GFF health fund. Climate and health are also two of the Ministry of Foreign Affairs' five priority areas within the development aid sector.

The effectiveness of the selected trust funds was investigated in two ways: the extent to which the funds contribute to attainment of Norway's development policy goals, and the costs that are involved at different stages before the funding reaches the final recipients. Effectiveness is not measured with respect to alternative aid channels.

In addition to these four trust funds, we analysed the costs associated with the Global Partnership for Education (GPE) fund. We did not carry out a more comprehensive analysis of GPE's results because this fund was covered by Document 3:10 (2018–2019) *The Office of the Auditor General's investigation of information on the results of education aid*.

2.2.1 Results and goal attainment in selected trust funds

For each of the funds, we analysed and assessed the results achieved at fund level, country level and project level. At country level, we particularly investigated the activities of the trust funds in Uganda. We opted to look in more detail at Uganda because it is one of ten Norwegian partner countries for long-term development. Funding from all the selected funds also goes to projects in Uganda. In addition, Norway has an embassy in the country, which we interviewed in connection with the investigation. We also assessed the recipient ownership of the trust funds. Amongst other things, we have investigated the extent to which demand from recipient countries contributed to establishment of the trust funds, and whether the recipient countries are involved in the decisions that are made by the funds. We have also investigated how the Ministry of Foreign Affairs and Norad have followed up the individual funds during the planning and implementation phase. In addition, we have investigated other individual factors relating to the management and administration of each fund, where applicable.

The analysis of the results and recipient ownership of the individual funds is particularly based on an analysis of the funds' annual reports, result reports, and mid-term and final evaluations. To investigate how the Ministry of Foreign Affairs and Norad have followed up the funds during the planning and implementation phase, we reviewed many internal documents from the Ministry of Foreign Affairs and Norad which discuss the funds, including decision documents, e-mail exchanges and other internal notes. In addition, we have reviewed evaluations prepared by external parties.

2.2.2 Costs in selected funds

A key aspect of the investigation was to look at the costs involved in providing aid to trust funds. The aim was to examine the cost of channelling aid via such funds. In this context, 'costs' means what are referred to as "operating costs" and administration costs. There is no agreed understanding or definition of operating and administration costs. We therefore investigated what these costs are, rather than what they are classified as. Irrespective of whether they are classified as indirect costs for operating the World Bank as an institution or direct costs for running a trust fund's secretariat or project, we believe that this has provided an indication of the cost of this aid. These costs can also be incurred at a number of stages in the process, e.g. both by the World Bank's fund secretariat and by one or more implementing partners in the recipient country.

The investigation particularly looked at the costs incurred within two of the trust funds: GPE and GFF. These are major funds for health and education, to which Norway donates substantial sums of money every year. Since GPE is a FIF, while GFF is a multi-donor trust fund, we were able to examine how costs can be recorded in these different types of funds. In addition, Uganda was chosen as the recipient country, and the investigation has therefore looked at operating costs from fund level within GPE and GFF through to the end user in Uganda. Insofar as was possible, we have attempted to look at the various percentage rates spent on operations at the various stages in the process.

As regards the CGAP and Jobs Umbrella funds, which are mainly bank-executed trust funds, the investigation looked at the types of costs that the funding has been spent on. As regards the SREP, which is a FIF, we only looked at the cost allocation at overarching level.

In order to obtain a more comprehensive overview of cost allocation within multi-donor trust funds, we also looked at developments over time in funding which goes to all the World Bank's bank-executed and recipient-executed trust funds.

Considerable sums of money are spent on purchases of consultancy services. The investigation therefore included an example which concerns the purchase of consultancy services in Somalia. This example was chosen because, in the autumn of 2014, criticism was raised in the Storting over the costs involved in using the consulting firm concerned.

To examine the costs incurred by funds, we used financial reports, annual reports and available budgets for individual funds. We also used audit reports, procurement plans and project reports from individual projects in the recipient country of Uganda. As regards the bank-executed parts of the fund, we also have access to a further cost allocation which enables us to determine whether the money was spent on personnel costs, the purchase of consultancy services, travel, etc.

A key aspect of calculating the costs involved a review of the various agreements that Norway has entered into with the World Bank concerning aid for individual trust funds. These agreements regulate how much the World Bank can charge in the form of fees, and there are considerable variations between the agreements in terms of both percentage rates and the rules that apply. In order to understand the cost picture, it was therefore necessary to examine each individual agreement thoroughly.

2.3 Methodology used for analysing the Ministry of Foreign Affairs' management and follow-up

We have primarily analysed the management dialogue between the Ministry of Foreign Affairs and Norad, budget propositions to the Storting and documentation relating to the World Bank's reforms.

2.3.1 Analysis of the management dialogue between the Ministry of Foreign Affairs and Norad

We have obtained key documents from the management dialogue between the Ministry of Foreign Affairs and Norad covering the period 2018–2020. These include annual budget propositions, letters of commitment from the Ministry of Foreign Affairs to Norad, instructions and Norad's annual reports. We also reviewed a sample of priority memoranda regarding strategic cooperation with multilateral development banks and financial institutions and mandates for the negotiations regarding the World Bank's funds for the poorest countries (IDA). The document analysis examined the delegation of tasks between the Ministry of Foreign Affairs and Norad, as well as the Ministry's management and follow-up of aid to the funds.

We also obtained documents from the management dialogue between the Ministry of Foreign Affairs and the embassies covering the period 2018–2020. These include the annual instructions for all embassies, letters of commitment from the Ministry of Foreign Affairs, as well as business plans and reports from selected embassies. We analysed the documents partly in order to examine the Ministry of Foreign Affairs' management signals to the embassies.

2.3.2 Analysis of budget propositions to the Storting

The Ministry of Foreign Affairs reports on Norwegian aid to the World Bank's trust funds, and the results of this aid, through the annual budget propositions. We have reviewed the Ministry of Foreign Affairs' reporting in Prop. 1 S for five selected trust funds. These are the same funds that we have investigated in detail with regard to results and/or costs.

Norad is responsible for managing three of the five funds selected. For these three funds, Norad prepares a draft text for Prop. 1 S. The draft text is sent to the Ministry of Foreign Affairs, which in turn is ultimately responsible for the reporting. We have compared the text proposals from Norad with the final text of the budget propositions for the years 2018–2019, 2019–2020 and 2020–2021.

The Ministry of Foreign Affairs states that the annual budget proposition is the most important strategic document concerning Norwegian aid to trust funds. We therefore reviewed the budget propositions for the years 2019–2021 in order to identify the strategic guidelines that these documents provide.

2.3.3 Analysis of documentation relating to the World Bank's reform work

The World Bank is working on a reform of both multi-donor trust funds and FIFs. We have reviewed the documentation which describes this reform process. Key documents in this regard were the *FIF Framework* from June 2019, which sets out the basis for the FIF reform, and the draft new *Trust Fund Policy* from January 2021, which forms an overall framework and associated guidelines for trust funds. Other important documents included annual reports for the World Bank's trust funds and minutes of the World Bank's board meetings prepared by the Nordic-Baltic board representative.

To examine how the Ministry of Foreign Affairs and Norad work with respect to the World Bank centrally, particularly in connection with the new reform, we have analysed relevant internal documents. Amongst other things, we reviewed Norad's mandates for participation in the *Trust Fund Forum* and minutes of these meetings. In this forum, the largest donors to the World Bank's trust funds discuss issues relating to multi-donor trust funds and FIFs with those responsible at the World Bank. We also reviewed other internal memoranda and correspondence between the Norwegian administration and the World Bank. We also sought to investigate whether Norway's input has been taken into account, partly by looking at whether Norwegian input has been taken into account in the *FIF Framework* and the new *Trust Fund Policy*.

2.3.4 Review of the work of the Ministry of Foreign Affairs and Norad regarding the IFFEd and Problue funds

In addition to the trust funds that were chosen for the detailed investigation, we also investigated the work of the Ministry of Foreign Affairs and Norad regarding two other individual trust funds: the International Finance Facility for Education (IFFEd) and the Problue ocean fund.

Problue is a pilot for the new umbrella trust fund model¹⁵, which forms an important part of the World Bank's reform of multi-donor trust funds. The fund was only established recently, and it has therefore not been possible to draw any conclusions regarding the fund's implementation phase through an in-depth analysis. Nevertheless, we have investigated the work of the Ministry of Foreign Affairs and Norad relating to Problue in order to learn more about their experiences of a fund established under the new umbrella trust fund model.

IFFEd, which is a FIF, had not been formally established as of May 2021, but the Norwegian aid administration has devoted considerable resources to the planning of the fund. Nevertheless, Norway has so far decided not to support IFFEd. The aim of investigating the administration's work relating to IFFEd was to examine the scope of resources used in setting up new funds, particularly FIFs.

2.4 Interviews and written questions

Many interviews were conducted with the Ministry of Foreign Affairs and Norad in order to examine the various issues. From the Ministry of Foreign Affairs, it was mainly the section for multilateral development banks which took part in the interviews. Norad was represented by officials responsible for the trust funds which belong to various

¹⁵ Umbrella trust funds bring together smaller multi-donor trust funds, known as sub-funds, which cover similar themes under a large fund.

units within the directorate, as well as by the legal affairs section and the section for aid administration. The interviews have been supplemented with written questions where this was deemed appropriate.

We also conducted an interview with the Norwegian embassy in Uganda. In addition, we sent written questions to Norwegian embassies in eight countries with aid portfolios: Bangladesh, Ghana, Indonesia, Kenya, Malawi, Myanmar, Mozambique and Tanzania. The aim was to review matters relating to the embassies' follow-up of Norwegian-supported thematic funds in the host country.

As regards the World Bank, written questions were sent to Development Finance, which is responsible for trust funds. The questions concerned the bank's management of multi-donor trust funds and FIFs. Written questions were also sent to those responsible for the GFF and GPE funds at the World Bank concerning costs incurred by specific projects under these funds.

In addition, interviews were conducted with the Swedish Ministry of Foreign Affairs and the Swedish International Development Cooperation Agency (Sida). The aim of these interviews was to build up an understanding of how they manage and organise their work with respect to the World Bank and the World Bank's trust funds.

All the minutes of the interviews have been verified by the relevant organisations.

2.5 Other written sources

We have reviewed a number of white papers to see what these say about Norwegian aid aimed at thematic areas, such as health, education and climate, and about aid to the World Bank more generally. Another aim was to gain an insight into the overall objectives of Norwegian aid.

We have also reviewed the calendars of the World Bank's board of directors for the years 2018, 2019 and 2020 in order to identify the number of occasions on which multi-donor trusted funds and FIFs have been on the board's agenda.

The Swedish Ministry of Foreign Affairs prepares three-year strategies for Sweden's cooperation with the World Bank. We have reviewed the Swedish strategy covering the period 2020–2021. The follow-up of the strategy for the World Bank Group is included in the report submitted to the Riksdag concerning multilateral aid (*Resultatskrivelse om utvecklingssamarbete och humanitärt bistånd genom multilaterala organisationer*), which is submitted every other year. We have reviewed these documents in order to learn more about how the Swedish authorities operate with respect to the World Bank, and how they report to the Riksdag.

Amongst secondary literature, we have used, inter alia, various evaluations, reviews and annual reports for the trust funds; see the reference list.

3 Audit criteria

3.1 Overall goals and guidelines for Norway's development cooperation

Combating poverty is a key goal of Norwegian development cooperation. The aim of this is to help lift poor and marginalised groups, including those outside the very poorest countries, out of poverty; see Recommendation S 93 (2004–2005) to White Paper 35 (2003–2004) *Fighting Poverty Together: A Comprehensive Development Policy*. Most recently during consideration of White Paper 24 (2016–2017) *Common Responsibility for a Common Future – The Sustainable Development Goals and Norway's Development Policy*, a unanimous Standing Committee for Foreign Affairs and Defence noted that the overall goals of the aid are, and will remain, to save lives, reduce need and contribute to the eradication of poverty; see Recommendation 440 S (2016–2017).

During consideration of White Paper 24 (2016–2017), a unanimous Standing Committee on Foreign Affairs and Defence also noted that, as a small country, Norway cannot do everything everywhere. Prioritising a limited number of themes and areas will, according to White Paper 24 (2016–2017), provide a basis for achieving better results through the aid. In connection with the consideration of Prop. 1 S (2016–2017), which is the annual budget proposition to the Storting, the Standing Committee on Foreign Affairs and Defence believed that it was important to improve the effectiveness of the aid, partly through concentration, result orientation, sufficient management capacity within Norad and systematic evaluation and improvement processes; see Recommendation 7 S (2016–2017). The Committee believes that concentrating Norway's aid efforts to a greater extent will contribute to better results.¹⁶ During the consideration of White Paper 24 (2016–2017), the Standing Committee on Foreign Affairs and Defence also noted that it is important to streamline the administration and reduce the number of aid agreements. According to White Paper 17 (2017–2018) *Partner countries in development policy*, Norway will have a comprehensive and holistic approach to development work in its partner countries¹⁷.

A number of the main thematic priorities in Norwegian development cooperation have remained fixed since the Storting considered White Paper 35 (2003–2004); see Recommendation S 93 (2004–2005). According to White Paper 24 (2016–2017), the main priorities account for the majority of the aid budget. The five priority thematic areas of development policy are as follows (see Prop. 1 S (2018–2019)):

- health
- education
- business development, agriculture and renewable energy
- climate, environment and the oceans
- humanitarian aid¹⁸

3.1.1 The aid is intended to contribute to attainment of the United Nations Sustainable Development Goals (SDGs)

Norway uses the SDGs as a basis for its development policy. A unanimous Standing Committee on Foreign Affairs and Defence referred to this during the consideration of White Paper 24 (2016–2017) *Common Responsibility for a Common Future – The Sustainable Development Goals and Norway's Development Policy*; see Recommendation 440 S (2016–2017). The committee believes that Norwegian aid and development policy should focus on the thematic and geographical areas where Norway can make the greatest difference and contribute the most to the

¹⁶ Countries which receive humanitarian aid, funding for peace and reconciliation and support via the civil society appropriation are exempt from the principle of concentration.

¹⁷ The 16 countries are Afghanistan, Colombia, Ethiopia, Ghana, Indonesia, Malawi, Mali, Mozambique, Myanmar, Nepal, Niger, Palestine, Somalia, South Sudan, Tanzania and Uganda.

¹⁸ In the case of two of the initiatives, an adjustment has been made to the orientation in relation to what was presented in the budget for 2018. As a result, the former "Business development and job creation" has now become "Business development, agriculture and renewable energy", and the former "Climate, renewable energy and the environment" is now "Climate, environment and oceans"; see Prop. 1 S (2018–2019).

attainment of the SDGs. Nevertheless, Norway is broadly engaged in the SDGs through contributions to the UN and the multilateral development banks.

Norway endorsed the 17 SDGs and associated 169 targets in 2015; see Recommendation 7 S (2015–2016). The SDGs are rooted in the Charter of the United Nations and the Universal Declaration of Human Rights. The overarching goal is for all the countries of the world to achieve the goal of eradicating extreme poverty, ensure inclusive development and promote prosperity, peace and justice by 2030; see Recommendation 69 S (2018–2019) to White Paper 17 (2017–2018) *Partner countries in development policy*. According to the white paper, the goals cover every aspect of society in all countries and, under the 2030 agenda and the SDGs, the traditional distinction between developing and developed countries is no longer relevant. It is no longer a question of donors and recipients, but of mutual cooperation and genuine partnerships. In Recommendation 69 S (2018–2019), the committee noted that a broader and deeper partnership will be developed with partner countries over time, and that the partnerships will be built on a mutual desire for cooperation to promote development.

A unanimous Standing Committee on Foreign Affairs and Defence has repeatedly noted that Norway must work actively to ensure that the multilateral financial institutions help to attain the SDGs to combat inequality and stop climate change by 2030; see the committee's recommendations regarding the budget propositions for the years 2016–2018.

In Prop. 1 S (2018–2019) for the Ministry of Foreign Affairs, it is noted that the World Bank plays a key role in achieving the SDGs. The bank's overarching goal is to eradicate extreme poverty by 2030 and reduce economic inequality through income growth for the 40 per cent poorest inhabitants in the various countries. The bank's goal is therefore coincident with Norway's goal of eradicating poverty.

3.1.2 The aid must be based on the priorities and needs of the partner countries

National ownership has been an important principle in Norwegian development policy ever since a unanimous Standing Committee on Foreign Affairs and Defence established that aid donors have a considerable responsibility to focus the aid so that it supports the recipient countries' own strategies for fighting poverty; see Recommendation S 93 (2004–2005) to White Paper 35 (2003–2004) *Fighting Poverty Together: A Comprehensive Development Policy*. In addition, the orientation and priorities of Norwegian aid must be determined on the basis of the needs of the developing countries, rather than those of the donor countries; see Recommendation 269 S (2008–2009) to White Paper 13 (2008–2009) *Climate, Conflict and Capital — Norwegian development policy adapting to change*.

Norway has endorsed a number of declarations concerning aid effectiveness; see the declarations of Paris (2005), Accra (2008) and Busan (2011). These declarations have also been endorsed by the World Bank.¹⁹ The Paris Declaration has been a key reference document in the efforts being made to improve aid practices and secure sustained results in countries which receive aid.²⁰ The declaration contains five principles²¹ to make aid more effective. Two key principles are *ownership* and *alignment* (following national plans). Ownership means that the recipients themselves develop and implement long-term development plans and coordinate the aid. Donors must base their support on the national development strategies, institutions and procedures of the countries concerned. When considering Document 3:4 (2010–2011) *The Office of the Auditor General's investigation into result orientation in Norwegian development cooperation* (see Recommendation 104 S (2011–2012)), the Standing Committee on Scrutiny and Constitutional Affairs stressed that the principle of relying on the national development plans of partner countries does not relieve the Norwegian aid authorities of responsibility for the result orientation and quality assurance of Norwegian aid.

Accra Agenda for Action from 2008 aimed to accelerate the implementation of the Paris Declaration and points to three areas for improvement: country ownership, building more effective and inclusive partnerships and achieving

¹⁹ <https://www.oecd.org/dac/effectiveness/busanadherents.htm> [Downloaded 25.10.2019].

²⁰ <https://norad.no/om-bistand/bistandseffektivitet/> [Downloaded 06.08.2019].

²¹ The five principles are: Ownership, Alignment, Harmonisation (donors must cooperate and prevent overlapping), Managing for Results and Mutual Accountability.

development results. In addition, the building of capacity forms part of the key message in the Accra Declaration, which stresses that the countries themselves must prioritise areas where they need to build capacity.

At the Fourth High Level Forum on Aid Effectiveness in Busan in 2011, the delegates endorsed the following four principles that will make development cooperation more effective: Ownership, A focus on results, Partnerships, and Transparency and shared responsibility. According to the declaration, donors also have a responsibility to counter the fragmentation of aid.²² The principles were most recently referred to in White Paper 24 (2016–2017) *Common Responsibility for a Common Future – The Sustainable Development Goals and Norway's Development Policy*.

According to the Busan Declaration²³, it is the developing countries themselves that should have ownership of the priorities, and the implementation must be tailored to the situation and needs of the individual countries concerned. Transparency and shared responsibility must permeate the development cooperation, which amongst other things means that information on the development cooperation must be made more publicly available. In addition, the capacity of relevant operators must be strengthened, so that information can be used in decision-making processes to a greater extent. With regard to the results of the development cooperation, they must have a lasting effect which contributes to the eradication of poverty and reduces inequality, to sustainable development and to an increase in the capacity of developing countries. The declaration also stresses that the development cooperation should be based on using the countries' own systems.

3.1.3 The implementation of development policy is dependent on multilateral organisations

An increasing proportion of development aid is being channelled through multilateral organisations and the major thematic funds. According to Prop. 1 S (2018–2019), this is both because it leads to better results when donors join forces regarding major tasks, and because it is a more effective way of managing funding. According to White Paper 27 (2018–2019) *Norway's Role and Interests in Multilateral Cooperation*, multilateral organisations have greater resources, broader expertise and a wider presence than Norway is able to achieve bilaterally. The development banks represent major multilateral partnerships with uniform political guidelines, economies of scale and efficiency gains; see the budget propositions for 2017 and 2018. The budget propositions for 2016–2018 explain that the Norwegian authorities are committed to reducing transaction costs and increasing donor cooperation by participating in multi-donor trust funds. Furthermore, development banks have clear guidelines in place for risk assessment, good societal and environmental protection mechanisms and robust systems for result reporting and evaluation.

Development aid to trust funds is earmarked funding. According to White Paper 27 (2018–2019), more core funding makes it easier for multilateral organisations to plan and follow up shared priorities. Strictly earmarked funds, where strict guidelines are laid down regarding how the funding can be used, can lead to greater fragmentation and higher administration costs for the organisations involved. This is not always in line with the priorities that Norway has helped to establish amongst governing bodies. The government will therefore shift support for the UN system and the World Bank towards a higher proportion of core funding.

In order for economic instruments to function in the best possible way, according to White Paper 27 (2018–2019), human resources must be allocated which can influence the organisations' policies and alignment of the work through board work and other follow-up. Money alone is not enough to achieve Norway's development policy goals. The white paper furthermore notes that the aid administration must have sufficient capacity to follow up the money that is channelled through multilateral channels, to ensure that the aid leads to the best possible results. The goal is greater effectiveness and much better interaction between Norway's substantial multilateral development initiatives and the efforts being made at country level.

²² This statement on the accountability of donors was added after the Ministry of Foreign Affairs received the audit criteria.

²³ *Busan partnership for effective development co-operation*, Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea, 29 November - 1 December 2011.

3.2 Goals and guidelines for selected sector areas

For many years, a unanimous Standing Committee on Foreign Affairs and Defence has expressed its support for the government's commitment to education and health in foreign and development policy. The committee is particularly supportive of the fact that the efforts being made in relation to these two priority areas mutually strengthen each other and generate added value. Education is of great importance for girls and maternal health and reducing child mortality in particular. Consideration for children with disabilities must permeate everything that is done in the area. The committee also stresses the importance of ensuring that girls and women have opportunities relating to education and healthcare in order to achieve the SDGs. This was expressed in Recommendation 7 S (2017–2018).²⁴

3.2.1 Health

According to Prop. 1 S (2019–2020), it is necessary to pursue a holistic and active Norwegian policy regarding global health in order to achieve key development policy goals. The aim of the appropriation to global health is to contribute to attainment of SDG 3²⁵, with particular emphasis on targets relating to reducing mortality amongst women, children and adolescents, stopping the spread of HIV and AIDS, tuberculosis and malaria, and strengthening sexual and reproductive health and rights. This was supported by a unanimous Standing Committee on Foreign Affairs and Defence during consideration of the budget propositions during the period 2016–2019. The initiatives under this item must be long-term and predictable in nature; see Recommendation 7 S (2016–2017) and Recommendation 7 S (2017–2018). A unanimous Standing Committee on Foreign Affairs and Defence has also stressed that global health represents one of the priority themes for Norwegian aid, and values Norway's position as a world-leading player in this field; see Recommendation 7 S (2018–2019).

According to the Standing Committee on Foreign Affairs and Defence, access to health services for women and children, and for vulnerable groups such as disabled people, people living in poverty, refugees and minorities, is pivotal; see Recommendation 300 S (2011–2012) to White Paper 11 (2011–2012) *Global health in foreign and development policy*. The importance of universal coverage of health services was also noted by a unanimous committee during the consideration of White Paper 45 (2012–2013) *Promoting democracy, fair distribution and growth in development policy*; see Recommendation 420 S (2012–2013). In order to succeed in creating equal access to health services, it will be vital to strengthen health systems, especially in low-income countries.²⁶ A unanimous committee believes this to be important and also noted that it must be a priority task for Norway to help boost the capacity of the countries concerned to train, recruit, distribute, manage and retain the health professionals they need; see Recommendation 300 S (2011–2012). A unanimous Standing Committee for Foreign Affairs and Defence also noted in Recommendation 7 S (2015–2016) that it should be a goal to build up public health systems that are both accessible to everyone and sustainable in the long term.

During the consideration of White Paper 11 (2011–2012) *Global health in foreign and development policy*, the Standing Committee on Foreign Affairs and Defence noted that, over time, Norway has played a key role in global health work, partly through NGOs, state-to-state aid and the establishment of and support for multilateral organisations. The committee emphasises the importance of having all these operators and arenas for global health care in place in the work to formulate policy in this area. The committee also stresses that the sum of various international initiatives, partnerships, networks, campaigns and organisations in the field of health has created a fragmented and cluttered structure within global health management; see Recommendation 300 S (2011–2012). White Paper 27 (2018–2019) *Norway's Role and Interests in Multilateral Cooperation* also notes that

²⁴ See also Recommendation 7 S (2015–2016), Recommendation 7 S (2016–2017), Recommendation 269 S (2008–2009) to White Paper 13 (2008–2009) *Climate, Conflict and Capital — Norwegian development policy adapting to change* and Recommendation 440 S (2016–2017) to White Paper 24 (2016–2017) *Common Responsibility for a Common Future — The Sustainable Development Goals and Norway's Development Policy*.

²⁵ Sustainable Development Goal 3 is to ensure healthy lives and promote well-being for all at all ages.

²⁶ The importance of strengthening health systems is also referred to in Recommendation 440 S (2016–2017) to White Paper 24 (2016–2017) *Common Responsibility for a Common Future — The Sustainable Development Goals and Norway's Development Policy*.

new initiatives and the establishment of new funding mechanisms have led to some fragmentation of the multilateral architecture in the health field.

International actors within the field of health should coordinate to a greater extent than has been the case to date, and build their initiatives around the assumptions and plans of the cooperating countries themselves; see Recommendation 300 S (2011–2012). Furthermore, a unanimous Standing Committee for Foreign Affairs and Defence believes that it is crucial that healthcare is based on national health plans, rather than on vertical measures²⁷ in the health service in developing countries; see Recommendation 7 S (2015–2016).

A unanimous Standing Committee for Foreign Affairs and Defence considers it desirable that Norway continues to contribute to the development of innovative funding mechanisms that can mobilise new resources for developments in global health, amongst other things. Cooperation with like-minded countries regarding such solutions represents an important task for the political authorities. It is equally important to ensure the long-term and sustainability of the initiative that is established, e.g. through stricter co-financing requirements from the countries themselves, as their economies grow; see Recommendation 300 S (2011–2012) to White Paper 11 (2011–2012) *Global health in foreign and development policy*.

A unanimous committee acknowledges that such innovative funding models may be easier to mobilise resources for if the goals are sector-specific and the results more readily measurable. It is not as easy to set goals in terms of results, and thereby mobilise funding for, long-term work that is based around normative and more generalised objectives. For example, the committee stresses that an essential condition for success is the development of nationwide health systems with qualified personnel and the availability of essential equipment throughout each country. Without nationwide health systems, there can be no sustained ability to provide the necessary healthcare to the entire population and life-saving vaccines for all children in each new cohort; see Recommendation 300 S (2011–2012) to White Paper 11 (2011–2012) *Global health in foreign and development policy*.

3.2.2 Education

Education aid has three main goals: 1) better school coverage, 2) improved learning outcomes, and 3) education that leads to occupational qualifications. During the consideration of White Paper 25 (2013–2014) *Education for Development*, a unanimous Standing Committee for Foreign Affairs and Defence expressed its support for the selected target groups in the Norwegian education initiative: 1) those who have fallen outside the educational programmes, 2) girls, 3) poor children, 4) children with disabilities, 5) children with minority backgrounds and indigenous peoples, and 6) children in situations of crisis and conflict; see Recommendation 125 S (2014–2015).²⁸ The committee has also repeatedly stressed, most recently in Recommendation 7 (2018–2019), the importance of development banks meeting the needs of disabled people and safeguarding their rights, in both their school investments and other programmes.²⁹

Furthermore, the committee expects systematic reporting to the Storting concerning both escalation of the initiative to strengthen education in the development cooperation and the political work at international level to mobilise resources and collaboration for education in developing countries. The committee also expects the annual budget propositions to provide updated reports on what has been done in order to achieve the various targets, the distribution of funding between countries and the results achieved; see Recommendation 125 S (2014–2015).

A unanimous Standing Committee for Foreign Affairs and Defence expressed, most recently in Recommendation 7 S (2017–2018), its support for the government's ambition that Norway contributes to an absolutely essential boost for global education, and notes that this means that Norway is doubling its aid appropriation for education from

²⁷ 'Vertical measures' refers to measures which are aimed at specific areas, such as an individual disease, rather than the entire health system.

²⁸ See also Recommendation 7 S (2018–2019) and Recommendation 420 S (2012–2013) to White Paper 45 (2012–2013) *Promoting democracy, fair distribution and growth in development policy*.

²⁹ See also Recommendation 7 S (2015–2016), Recommendation 7 S (2016–2017) and Recommendation 7 S (2017–2018).

2013 to 2018. The committee also noted that the purpose of the appropriation is to contribute to the attainment of SDG 4 concerning education.³⁰

3.2.3 Climate, environment and the oceans

A unanimous Standing Committee for Foreign Affairs and Defence has repeatedly noted that climate and the environment represent a priority area for the government's development policy. On numerous occasions during consideration of the national budget, most recently in Recommendation 7 S (2018–2019), it has also referred to the negative consequences of climate change, such as an increase in poverty, lower food production, loss of biodiversity, poorer global health and migration.³¹

When we enhance the capacity of developing countries to cope with the actual climatic conditions to which they are exposed, countries can better succeed in their work relating to social and economic development; see White Paper 14 (2010–2011) *Towards Greener Development: On a Coherent Environmental and Development Policy*. The majority of the Foreign Affairs and Defence Committee endorses the report's emphasis on the need for more aid relating to climate adaptation, and assumes that this will be followed up under the framework for aid budgets over the coming years; see Recommendation 44 S (2011–2012).

According to a unanimous Foreign Affairs and Defence Committee, it will also be important to step up the efforts being made to promote the sustainable 'blue economy' in development policy; see Recommendation 440 S (2016–2017) to White Paper 24 (2016–2017) *Common Responsibility for a Common Future – The Sustainable Development Goals and Norway's Development Policy*. A unanimous committee looks forward to the government escalating the initiative to combat littering of the oceans through the launch of a specific aid programme, which will give Norway a leading role in international ocean issues; see Recommendation 7 S (2017–2018). The committee believes that it will be particularly important to increase the capacity for preventing discharges of waste and plastic into the oceans; see Recommendation 7 S (2018–2019).

Many developing countries have considerable potential for growth in the blue economy and, according to White Paper 22 (2016–2017) *The place of the oceans in Norway's foreign and development policy*, are in need of knowledge, expertise and experience from countries such as Norway. During consideration of the white paper, a unanimous Standing Committee on Foreign Affairs and Defence considers it to be a positive development that the government will direct a greater share of the aid towards the development of expertise relating to the holistic and sustainable management of marine resources, food security and commercial development. The committee stresses that Norway's development aid should focus thematically on areas where Norway can contribute its specialist expertise, such as within the management of marine resources; see Recommendation 330 S (2016–2017).

3.2.4 Fragile states

According to White Paper 13 (2008–2009) *Climate, Conflict and Capital — Norwegian development policy adapting to change*, reducing poverty in fragile states will require much of the cooperation to be focussed on stabilisation, reconciliation and nation-building. The prioritisation of Norwegian aid regarding fragile states will not only make a positive contribution to peace and stability, it will also be an effective means of combating poverty; see Recommendation 439 S (2016–2017) to White Paper 36 (2016–2017) *Setting the course for Norwegian foreign and security policy*. During the consideration of White Paper 24 (2016–2017) *Common Responsibility for a Common Future – The Sustainable Development Goals and Norway's Development Policy*, a unanimous Foreign Affairs and Defence Committee noted that, in the future, many of the world's poorest people will live in countries with a high degree of vulnerability, with the consequence that focus and resources must be redirected towards these countries; see Recommendation 440 S (2016–2017).

³⁰ See also Recommendation 7 S (2016–2017).

³¹ See also Recommendation 7 S (2016–2017), Recommendation 7 S (2017–2018) and Recommendation 7 S (2018–2019).

Intervening to bring about lasting change requires an insight into national conditions, and particular emphasis must be placed on building a better functioning state which is capable of playing a coordinating role in stabilisation and reconstruction. Norway must contribute to a unified and coordinated donor policy with respect to fragile countries, where the aim must be nation-building in accordance with agreed international principles. A unanimous Foreign Affairs and Defence Committee asserted this during consideration of White Paper 13 (2008–2009) *Climate, Conflict and Capital — Norwegian development policy adapting to change*, see Recommendation 269 S (2008–2009). In the committee's view, it is also important to strengthen the ability of the World Bank to manage multi-donor trust funds for more long-term reconstruction and nation-building, amongst other things.

During the consideration of White Paper 24 (2016–2017) *Common Responsibility for a Common Future – The Sustainable Development Goals and Norway's Development Policy*, a unanimous committee noted that Norway must use aid effectively and show that it produces results, while at the same time being willing to take the risks that are involved in being engaged in fragile states. The committee also noted that the government will step up its efforts relating to fragile states, and pointed out that it is important to better equip them to safeguard the safety and welfare of their own citizens; see Recommendation 440 S (2016–2017). In addition, a unanimous committee believes that aid activities in fragile states give rise to a series of dilemmas; see Recommendation 439 S (2016–2017) to White Paper 36 (2016–2017) *Setting the course for Norwegian foreign and security policy*. The success of initiatives in fragile states depends on sound risk management and ensuring that the aid is long-term, flexible and coordinated. Presence is another prerequisite.

Norway's 16 partner countries are divided into two categories: partner countries for long-term development and partner countries for stabilisation and conflict prevention. The basis for initiatives in countries under the latter category is the Ministry of Foreign Affairs' framework for Norwegian efforts in fragile states and regions (*Strategisk rammeverk for norsk innsats i sårbare stater og regioner*, 2017). The purpose of this framework is to strengthen Norway's collective efforts in fragile states and learn more about relevant instruments.

3.3 Requirements regarding the Ministry of Foreign Affairs' management and control of aid

The goals concerning effective management follow from Section 10 of the Appropriation Regulations, which states that expenditure appropriations must be used in such a way that resource use and instruments are effective in achieving the predicted results.³² According to the Ministry of Finance's guide to central government budgeting from 2014, this means that the use must be in accordance with the formal framework for the appropriation decision, while at the same time complying with the requirement that the appropriations must be used effectively.³³

Streamlining is an overarching objective of the administration policy. According to White Paper 19 (2008–2009) *An administration for democracy and community*, this means, *inter alia*, that the administration must perform its tasks in a manner which ensures that the political goals are achieved with the least possible use of resources. In connection with its consideration of the white paper, the Storting endorsed this core value in the administration; see Recommendation S 321 (2008–2009).

The Ministry of Foreign Affairs' management and administration are covered by the principle of goal and result management laid down in the *Regulations on Financial Management in Central Government (økonomireglementet)* and associated *provisions relating to financial management in central government*.³⁴ One of the aims of the *Regulations on Financial Management in Central Government* is to ensure that central government funding is used effectively and in accordance with the Storting's administrative decisions and preconditions.

³² The Appropriation Regulations (*bevilgningsreglementet*), adopted by the Storting on 26 May 2005.

³³ *Veileder i statlig budsjettarbeid*, section 4.2.2.1.

³⁴ *Reglement for økonomistyring i staten* and *Bestemmelser om økonomistyring i staten*. Adopted 12 December 2003 as amended, no later than 23 September 2019. The amendments from September 2019 concern the provisions and come into force on 1 January 2020.

A fundamental governing principle is that the Ministry of Foreign Affairs must ensure that adopted goals and result requirements regarding aid are achieved. Other key principles are that the ministry must ensure the efficient use of resources, the availability of sufficient management information and a sound decision-making basis for the follow-up of results and activities; see Section 4 of the Regulations on Financial Management in Central Government. Management, follow-up, control and management must be adapted to the nature, risk and importance of the activity.

According to Section 15 of the Regulations on Financial Management in Central Government, the Ministry of Foreign Affairs must also verify that underlying organisations and units outside central government which exercise administrative authority perform their tasks in a prudent manner and in accordance with section 14 on internal control. In addition, as grant administrator, the Ministry of Foreign Affairs must ensure that grant recipients meet the conditions that are stipulated for the grant.

The Regulations on Financial Management in Central Government also require the Ministry of Foreign Affairs to ensure that evaluations are carried out in order to obtain information regarding effectiveness, goal attainment and results within all or part of the ministry's area of responsibility and activities. The frequency and comprehensiveness of the evaluations is determined based on the nature, risks and materiality of the activity; see section 16.

3.3.1 Requirements relating to the Ministry of Foreign Affairs' follow-up of multilateral aid

The requirement to place emphasis on results and quality assurance in aid has been pivotal ever since the consideration of White Paper 35 (2003–2004) *Fighting Poverty Together: A Comprehensive Development Policy*. At the time, the foreign affairs committee noted that result orientation and quality assurance must be absolutely pivotal to Norway's development work; see Recommendation S 93 (2004–2005). In budget proposition S 3 (2007–2008), the Foreign Affairs Committee highlighted the need for targeted and effective control of aid, regardless of which agencies the aid is channelled through.

A unanimous Standing Committee on Foreign Affairs and Defence has repeatedly stated its belief that it is important that Norway, alongside the other Nordic countries, actively uses its influence within the World Bank to ensure that the institution tightens up its efforts relating to areas such as sound governance, including financial transparency and anti-corruption, job creation, and the environment and climate, most recently in Recommendation 7 (2018–2019).³⁵ Norway must actively strive to ensure that multilateral financial institutions contribute to attainment of the UN SDGs to eradicate poverty, combat inequality and stop climate change by 2030; see Recommendation 7 (2017–2018). In Recommendation 7 (2018–2019), a unanimous committee noted that it is important that Norway actively uses its influence to ensure that the World Bank works to combat poverty and reduce inequality. Multilateral organisations are owned by the member states, and Norway therefore participates in governing bodies. This means that Norwegian authorities can influence the overall activities of the organisations and control how the organisations follow up adopted guidelines. According to Prop. 1 S (2015–2016), the Norwegian authorities are actively taking this opportunity.

As regards trust funds, it is normally the administration rules applicable within the organisation which has principal responsibility that are used as a basis; see Proposition to the Storting no. 1 (2003–2004). The government fulfils its control responsibility by participating in the multilateral organisations' governing bodies, consultation meetings and other initiatives. Responsibility for auditing and control is laid down in the agreement between the operators and means that individual donors do not have the right to establish special agreements concerning their own control measures. The scope that the Norwegian authorities have to influence the control provisions in the relevant agreements will partly depend on the relative size of the donor and how early in the process they become involved in the agreement negotiations. It will not be possible for individual countries to assert special rights for themselves. The solution lies in internationally agreed standard formats and standard formulations. As there are no agreed

³⁵ See also Recommendation 7 S (2015–2016), Recommendation 7 S (2016–2017) and Recommendation 7 S (2017–2018).

international standards, Norway will base its decisions on participation in an overall assessment which also encompasses the control aspect.

The agreement template for the World Bank's multi-donor trust funds dating from 2016 includes text which covers Section 10 of the Appropriation Regulations. According to Section 10, grants or loans for public or private sector enterprises that are otherwise not subject to state control are subject to the condition that the grant administrator, i.e. the Ministry of Foreign Affairs or Norad, must have access to carry out controls to ensure that the funding is being used as intended. According to appendix 2, clause 4.2 of the agreement template, "any donor may assess or evaluate activities financed by the trust fund during the term of the fund. The donor and the World Bank shall reach agreement on the scope and execution of such an assessment or evaluation, and the bank shall obtain all relevant information within the limits of the bank's current guidelines and procedures. The donor shall pay the costs associated with this. Such an assessment or evaluation shall not be an audit of the fund." There are no agreement templates for FIFs and a corresponding clause is therefore not always included in such agreements. In the specific funds covered by the audit, agreements and other associated relevant documentation will be used as a basis for the audit's assessment of the results and effectiveness of the trust funds.

3.3.2 Requirements relating to the Ministry of Foreign Affairs' grant administration

According to Prop. 1 S (2018–2019), the Ministry of Foreign Affairs' system for aid administration must ensure that the Storting's appropriation decisions are implemented as intended, that grants are administered in accordance with relevant regulations and current guidelines, and that the measures produce results.

As grant administrator, the Ministry of Foreign Affairs must verify the information provided by the recipient which is of importance to the Ministry's calculation of the aid amount and award; see section 6.3.8.2 of the *Regulations on Financial Management in Central Government*. The ministry is also required to obtain reports from grant recipients, which will enable an assessment of the extent to which the goals for the grant have been attained. The controls must be adapted to the individual grant scheme and assessed in relation to the goal of the scheme. Furthermore, the scope of the controls must be reasonable given the benefits and costs associated with the control.³⁶

To ensure a result orientation and quality assurance in Norwegian-supported measures, the Ministry of Foreign Affairs and Norad have prepared their own guidelines and guides. Key guides are the *Grant Management Manual* (GMM) dating from 2013, which was superseded by the *Grant Management Assistant* (GMA) in 2019. These will form the basis for the audit's assessment of the ministry's grant management.

The responsibility of the embassies to follow up trust funds is laid down in the annual instructions that are issued to the embassies. In the annual instructions for the foreign service missions dating from 2019, all foreign service missions in developing countries were asked to plan the follow-up of the UN, the World Bank, the IMF and the role and activities of the regional development banks at country level. They are required to place particular emphasis on ability regarding co-ordination and task delegation between these institutions. The foreign service missions were also asked to monitor activities under the auspices of global funds to which Norway makes significant contributions.

The importance of the embassies as regards multilateral work was most recently discussed in White Paper 27 (2018–2019) *Norway's Role and Interests in Multilateral Cooperation*. According to this white paper, the entire overseas apparatus must be used to boost Norway's multilateral work. The Norwegian authorities must strengthen their follow-up of the UN organisations and the multilateral banks in the countries in which they operate, and ensure that there is a link between the work that takes place at country level and the work of governing bodies for individual organisations. The foreign service missions must take greater responsibility for discussing multilateral issues with the authorities in their respective countries, promoting Norwegian priorities, obtaining information

³⁶ Sections 6.3.6 and 6.3.8.2.

regarding the work of the UN and banks in each country, and building coalitions. In addition, both the Ministry of Foreign Affairs centrally and Norad must become better at supporting the foreign service missions in this work.

3.3.3 Requirements relating to the Ministry of Foreign Affairs' reporting to the Storting

According to Section 9 of the Appropriation Regulations, the ministries must explain the content and rationale behind the proposed appropriations which are presented to the Storting. Planned results must be described, and information must be provided regarding the results achieved for the last financial year, along with other accounting information of importance in assessing the proposed appropriations for the next budget year.

Section 5 of the Regulations on Financial Management in Central Government states that the ministry and its underlying organisations must prepare the budget proposition for the Storting so that it provides a basis for the establishment of priorities between the ministry's various areas of responsibility in accordance with current policy objectives, ensures coordination at each level, and contributes to attainment of the objectives in an effective manner. It is also stated that the preparation of the budget proposition must be based on the principles stipulated in Sections 3–9 of the Appropriation Regulations and carried out in accordance with guidelines laid down by the Ministry of Finance in the annual circular. According to Section 11, each ministry must, in its budget proposition, provide the Storting with a report on the results of the work within its areas of responsibility; see Section 9 second paragraph of the Appropriation Regulations.

According to the Ministry of Finance's annual circular (the master budget document), the ministries must, in parts I and II of the budget propositions, discuss tasks, status assessments, reports on results, challenges, priorities and goals for the ministries. The discussion in part II must be less general than that in part I. In part II of the budget propositions, the ministries must formulate goals, based on the problem description, regarding what they wish to achieve through the appropriations in the budget proposition. It is also stated that the goals must clearly correspond to the identified problems. The goals can refer to a desired impact at user and societal level.

In the annual master budget documents (*hovudbudsjettsskriv*) during the period 2017–2020, the Ministry of Finance stresses that, in the budget propositions, the ministries must present a general report on the results that they achieved two years previously. The results reports must first and foremost refer to and be linked to the goals that have already been presented to the Storting. The ministries must emphasise that the reports must be structured and to the point, and avoid lengthy descriptions of activities. The Ministry of Finance stresses that, although the goals for the year in question are detailed and activity-oriented, the information relating to results in terms of the impacts achieved must be general in nature.

Furthermore, in the master budget documents covering the period 2017–2020, the Ministry of Finance stresses that the requirements stipulated in the Appropriation Regulations regarding a discussion of goals and result reporting apply to both initiatives and goals across sectors and activity areas, and initiatives and goals for the individual activities and the grant schemes in the state.³⁷

³⁷ R-4/2019 *Master Budget Document for 2020*, Ministry of Finance, 11 April 2019, R-4/2018 *Master Budget Document for 2019*, Ministry of Finance, 23 March 2018, R-4/2017 *Master Budget Document for 2018*, Ministry of Finance, 24 March 2017 and R-4/2016 *Master Budget Document for 2017*, Ministry of Finance, 18 March 2016.

4 Scope and orientation of Norway's development assistance through the World Bank's trust funds

This chapter describes the scope and orientation of Norwegian development assistance through the World Bank's trust funds. The chapter shows developments in payments at portfolio level to trust funds and FIFs collectively, and the way in which the World Bank manages this portfolio. It also presents developments in Norwegian assistance to trust funds and FIFs and core funding during the period 2009–2020. Finally, the chapter looks at how the development assistance to trust funds and FIFs underpins key cross-sectoral objectives for Norwegian aid: geographical concentration, poverty orientation and the countering of aid fragmentation.

In summary, the chapter shows that Norway is a major donor to the World Bank's trust funds and FIFs, where the World Bank provides financial management services. Norwegian development assistance through the World Bank's trust funds and FIFs doubled during the period 2009–2020. However, core funding for the World Bank has remained relatively stable, although it has been a goal to increase it. The chapter also shows that the Ministry of Foreign Affairs and Norad do not have a complete overview of all the trust funds which receive Norwegian assistance. It is a goal to ensure that Norwegian aid is channelled to the poorest countries. The chapter shows that many middle-income countries have received Norwegian development assistance through the World Bank's trust funds. This includes countries that have not been approved for public development aid, such as Saudi Arabia, Poland and Bulgaria. It is also a goal that Norwegian aid should be concentrated on fewer countries and thematic areas, and that the fragmentation of aid should be avoided. The chapter shows that Norway supports around 70 trust funds and FIFs. Through these, at least 139 countries have received Norwegian development assistance.

4.1 Earmarked funding to the World Bank's funds

The Ministry of Foreign Affairs and Norad provide funding to the World Bank in two ways:

- **Core funding** for the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD) (see the explanation in fact box 1 and the illustration in figure 1Figure 1). In addition, the International Funding Institute (IFI) also receives core funding. The World Bank uses these funds to finance projects in developing countries. Contributions from Norway and other donors to IDA are agreed for periods of several years at a time, but the payments are made every year. The support for IBRD essentially consists of the purchase of holdings in the bank, and is not transferred every year
- **Earmarked funding** for trust funds managed by the World Bank and others.

There are a number of different models amongst the World Bank's trust funds. The most important of these are

- **multi-donor trust funds**
- **FIFs, where the World Bank provides financial management services** (*financial intermediary funds*)

These two models are described in more detail in 4.1.1 and 4.1.2. In the following, the term "trust funds" is used as a collective term for multi-donor trust funds and FIFs, unless stated otherwise.

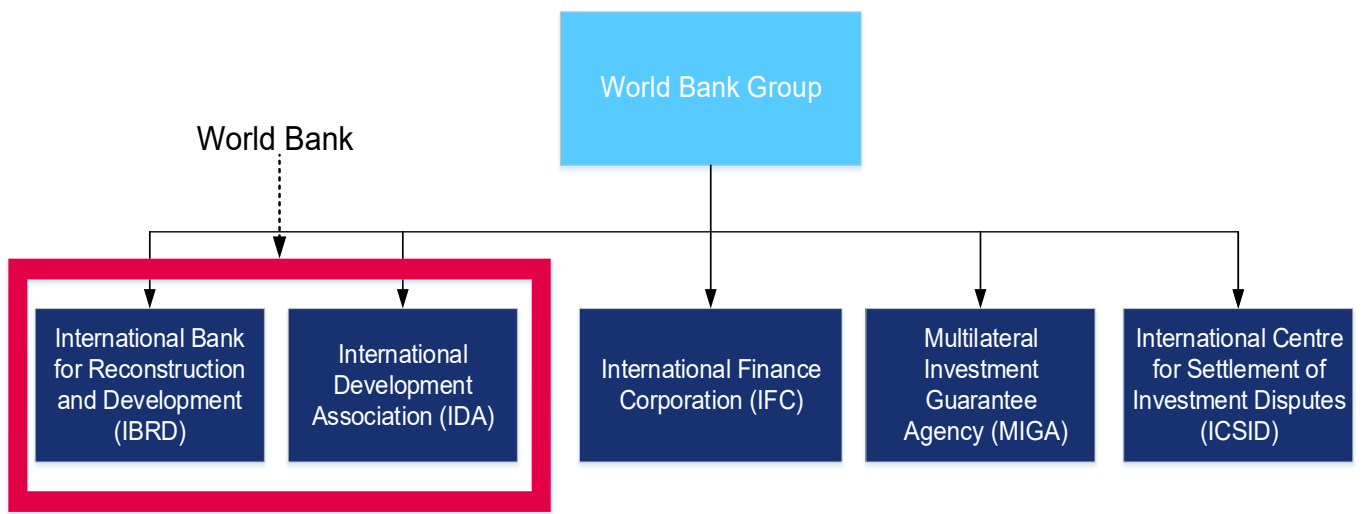
In 2020, Norway provided NOK 1.3 billion in core funding and NOK 3.3 billion in earmarked funding.³⁸ Norway is a major donor to the World Bank's trust funds. During the period 2016–2020, Norway was the fifth largest donor to multi-donor trust funds and the eighth largest donor to FIFs. In relative terms, Norway is a minor donor to the core

³⁸ Norad's *Norwegian Aid Statistics* database. As of 2021, this has been renamed *bistandsresultater.no*.

funding. In the previous replenishment of core funding for the International Development Association (IDA19), the Norwegian contribution amounted to just over 1 per cent of the total contribution.³⁹

The member states (173 in the IDA and 189 in the IBRD⁴⁰) are the owners of the World Bank.⁴¹ The supreme authority of both IDA and IBRD is a *Board of Governors*, which comprises representatives of the governments of the member states. They meet every six months. On a daily basis, the Board of Governors delegates responsibility to the boards of IDA and IBRD, which are responsible for making major decisions within the World Bank during the year.⁴² The two boards consist of the same 25 members.⁴³ The board members have their place of work at the World Bank, and the board meets when necessary, normally a couple of times a week. Member states' representation on the board is linked to the relative magnitudes of their contributions to the bank.

Figure 1 Organisation chart for the World Bank



Source: World Bank

³⁹ World Bank (2020) IDA19 contributors list, April 2020.
⁴⁰ <https://www.worldbank.org/en/about/leadership/members#2> [Downloaded 20.03.2020].
⁴¹ This section is based on the Ministry of Foreign Affairs (2013) *Profilark Verdensbanken* and the World Bank's website.
⁴² <https://www.worldbank.org/en/about/leadership> [Downloaded 06.07.2021].
⁴³ <http://pubdocs.worldbank.org/en/241041541103873167/BankExecutiveDirectors.pdf> [Downloaded 25.05.2020].

Fact box 1 About the World Bank

The World Bank is a multilateral financial institution which was founded in 1944. The original purpose of the bank was to contribute to the reconstruction of Europe after the Second World War. Today, the bank assists public authorities in developing countries through loans, grant aid and professional assistance to development projects in a wide range of sectors, including infrastructure, health, education and energy. The overarching objectives are to abolish extreme poverty and reduce economic inequality. In addition, the World Bank plays an important role in obtaining knowledge of development issues.

What is referred to as the 'World Bank' actually consists of two institutions: the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD). In practice, these function as a single organisation with the same management and staff. The primary difference between IDA and IBRD relates to the respective target groups and income sources of the two organisations. IDA generally provides interest-free loans to the public authorities in the 76 poorest countries and receives its funding from donor countries such as Norway through replenishment negotiations every three years. IBRD provides loans on favourable terms to the public authorities in middle-income countries. IBRD's activities are partly financed through loans which the institution obtains from international capital markets based on its share capital and interest income. The share capital comes from IBRD's member states, including Norway. High-income countries hold the majority of the votes on the boards of both IDA and IBRD. Norway holds 0.58 per cent of the votes in IBRD and 1.1 per cent of the votes in IDA, and shares the *Executive Director* with the Nordic and Baltic countries, which collectively form an electoral group.

Along with the World Bank (IDA and IBRD), three other institutions make up the World Bank Group. These are the International Funding Institute (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). IFC, which is the largest of the three institutions, invests in and provides professional assistance to the private sector in developing countries. MIGA and ICSID are also aimed at the private sector. The World Bank Group is the largest source of multilateral development funding.

Source: Ministry of Foreign Affairs (2013) *Profilark Verdensbanken*; the World Bank's website; Prop. 1 S (2019–2020); Ekholt, G. et al. (2009) *Norske interesser i internasjonale finansinstitusjoner*; World Bank (2019) *International Bank for Reconstruction and Development. Subscriptions and voting power of member countries*; World Bank (2019) *International Development Association. Voting power of member countries*

Funds are a funding mechanism for channelling aid to a specific purpose through an administrator organisation ("trustee") such as the World Bank or another development organisation. The aim is often to combine funding from a number of donors. The funding may remain in the trust fund for some time before it is disbursed to a programme or project, which means that donors' payments may be less regular than is the case with other aid initiatives.

The World Bank is the development organisation which manages the most trust funds. During the 2020 financial year, donors paid a total of USD 3.67 billion (equivalent to around NOK 33.7 billion) to the approximately 600 multi-donor trust funds managed by the World Bank. The corresponding figure for the 27 FIFs was USD 8.83 billion, equivalent to around NOK 81 billion.⁴⁴

4.1.1 Multi-donor trust funds

In the case of multi-donor trust funds, the World Bank is responsible for ensuring that the funding is used for the purposes agreed with the donors to the fund. The funding in a multi-donor trust fund is generally used in one of two ways:

⁴⁴ World Bank (2020) *2020 Trust Fund Annual Report: Moving the needle for greater impact*, p. 3. IFC trust funds are not included.

- **Bank-executed trust funds (BETF)** support activities within technical assistance executed by the World Bank itself or by the World Bank's work programme within consultancy services and analysis, knowledge development and sharing, project identification, advance assessment and supervision, capacity-building and research. Examples of products include reports on important economic and social issues, memoranda on policy-making, and knowledge sharing through workshops and conferences. Bank-executed activities also include project management and administration.⁴⁵ BETF are subject to the rules that otherwise apply to the World Bank's internal operations and financial management.⁴⁶ According to the World Bank, there are no regulations regarding when to set up a bank-executed trust fund.⁴⁷ The bank does not need the approval of donors to set up such a fund. However, the donors are involved in approving the annual budgets in the fund's steering committee.
- **Recipient-executed trust funds (RETFs)** support programmes and activities executed by another organisation, usually the public authorities in a recipient country. The World Bank passes the grants on to the recipients, while playing an active role in pre-assessing and supervising the activities.⁴⁸ Examples of activities include the building of schools and health centres, the training of personnel and the development of various registers. RETF are subject to the same rules that apply to the World Bank's projects financed by core funding (IDA projects).⁴⁹

4.1.2 FIFs (*Financial Intermediary Funds*)

Compared with multi-donor trust funds, FIFs function more as independent entities, and the World Bank essentially has more limited responsibility for the results and the use of funding. The agreement and any associated documents for each FIF stipulate the rules that are to apply, and no two FIFs are therefore identical. The FIFs do not carry out any activities themselves, nor do they have their own offices in the recipient country. Within a FIF, one of several organisations is responsible for implementing the projects on behalf of the FIF. These are then referred to as 'grant agents'. This could, for example, be a UN organisation, the World Bank itself or, in some cases, civil society organisations. The grant agent is responsible for the results. This distinguishes FIFs from multi-donor trust funds, where the World Bank is always responsible for results. According to the World Bank, the FIF model means that the donors' responsibilities for results and risks are often greater than they realise.⁵⁰

Amongst the 27 existing FIFs, 15 work on issues related to environment and climate. These received 46 per cent of the funding for FIFs during the period 2014–2018.⁵¹ Five of the FIFs focus on health, and these received 38 per cent of the funding.⁵² Examples of FIFs are the Global Environment Facility (GEF), Climate Investment Funds (CIF), and the Global Partnership for Education (GPE). Most FIFs have an element of innovative funding and receive funding from both private and public sector.

Although the World Bank's responsibilities are more limited in the case of FIFs, there is in practice considerable variation in the roles performed by the World Bank amongst the various FIFs. The bank receives, invests and disburses funds (acts as trustee) for all FIFs, in line with the instructions of the FIFs' governing bodies. In 20 of the 27 FIFs, the World Bank also carries out projects (as one of several organisations acting as grant agent) and thus still has responsibility for the results and use of the funding.⁵³ Amongst the organisations that operate as grant

⁴⁵ World Bank (2020) *Partnering with the World Bank through Trust Funds and Umbrella 2.0 Programs. Trust Funds and Partner Relations Development Finance*.

⁴⁶ World Bank (2008) *Operational Policy: Trust Funds*. OP 14.40, point 6.

⁴⁷ Letter from the World Bank's Development Finance, 23 April 2021.

⁴⁸ World Bank (2020) *Partnering with the World Bank through Trust Funds and Umbrella 2.0 Programs. Trust Funds and Partner Relations Development Finance*.

⁴⁹ World Bank (2018) *Bank Policy: Investment project financing* and the World Bank (2018) *Bank Directive: Investment project financing* from October 2018. See the World Bank's trust fund handbook (see World Bank 2015), p. 6, point 32c and the World Bank (2008) *Operational Policy: Trust Funds*. OP 14.40, point 6.

⁵⁰ World Bank (2019) *Financial Intermediary Fund Management Framework*, 4 June 2019.

⁵¹ The figures concern the World Bank's financial year.

⁵² World Bank (2019) *Financial Intermediary Fund Management Framework* 4 June 2019, p. 9, 24 and 37.

⁵³ As of June 2018, see the World Bank (2019) *Financial Intermediary Fund Management Framework* 4 June 2019, p. 27.

agents for FIF projects, the World Bank has carried out the most projects.⁵⁴ The World Bank also hosts the secretariats for 18 of the FIFs.⁵⁵



The World Bank is the largest recipient of Norwegian earmarked aid and is the development organisation which manages the most trust funds. The photograph shows the World Bank's Development Committee during the annual meeting in Washington D.C. on 19 October 2019. Photo: World Bank / Franz Mahr.

4.2 Payments at portfolio level within multi-donor trust funds and FIFs

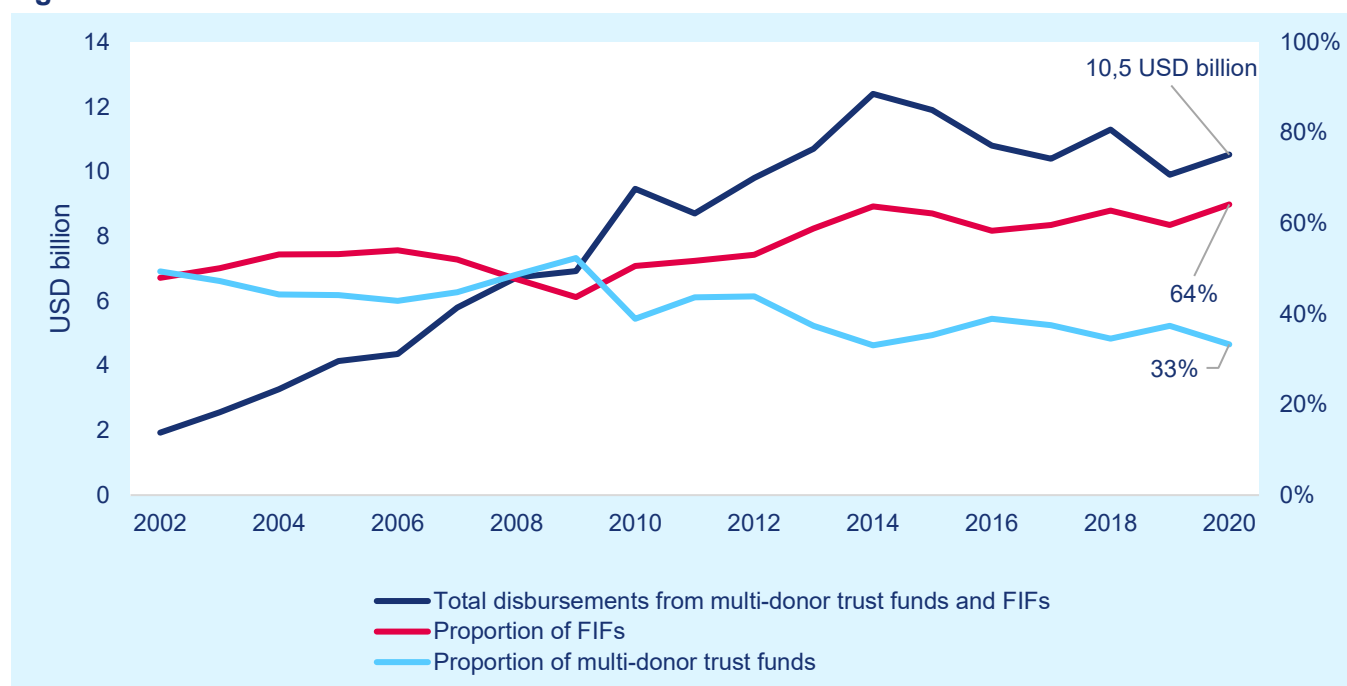
The World Bank's total disbursements from multi-donor trust funds and FIFs rose from approximately USD 2 billion in 2002 to over USD 10.5 billion in 2020. The largest total disbursement took place in 2014, in the amount of USD 12.4 billion; see figure 2. Nevertheless, disbursements from trust funds account for a small proportion of the bank's total disbursements, including core funding (IDA and IBRD). For the 2020 financial year, bank- and recipient-executed trust funds received eight per cent of the bank's disbursements.⁵⁶

⁵⁴ With the exception of the Global Fund. During the World Bank's financial years 2014–2018, the World Bank was responsible for 44 per cent of the funds disbursed to FIF projects, excluding the Global Fund. UNDP was responsible for 18 per cent. If the Global Fund is included, the World Bank was responsible for 19 per cent of the funds. See the World Bank (2019) *Financial Intermediary Fund Management Framework 4 June 2019*, p. 40 and 42.

⁵⁵ World Bank (2019) *Financial Intermediary Fund Management Framework 4 June 2019*, p. 27.

⁵⁶ See Figure 5 of the Trust Fund Policy from 2021. The figure shows the proportion of recipient-executed trust funds of total disbursements from IBRD, IDA and recipient-executed trust funds. Recipient-executed funds also include grants where the World Bank is acting as grant agent for a FIF. We have also included money for bank-executed trust funds.

Figure 2 Total disbursements from multi-donor trust funds and FIFs for 2002–2020



Source: Trust Fund Support for Development: An Evaluation of the World Bank's Trust Fund Portfolio, Independent Evaluation Group – IEG, World Bank Group, 2011; Annual reports for the World Bank – “Trust Funds Annual Report” 2012, 2017 and 2020

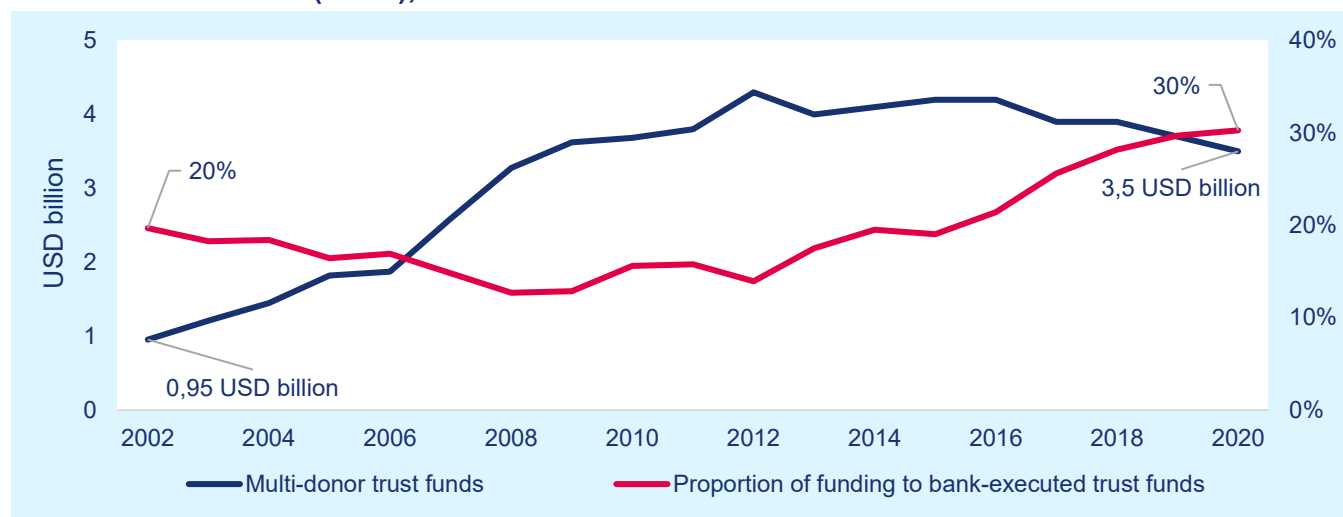
Figure 2 shows that approximately the same amount was disbursed by FIFs and multi-donor trust funds in 2002. Since 2009, there has been a shift towards a higher proportion of disbursements being made through FIFs. In 2020, FIFs accounted for 64 per cent of all disbursements from trust funds, while multi-donor trust funds accounted for 33 per cent.⁵⁷ However, Norway donated relatively equal amounts to multi-donor trust funds and FIFs during the period 2016–2020, with USD 1.3 billion and USD 1.1 billion being disbursed to FIFs and multi-donor trust funds respectively over the entire period.

As mentioned previously, funding disbursed through multi-donor trust funds is divided into two types: bank-executed and recipient-executed trust funds. Figure 3 shows that an increasing proportion of the funding in multi-donor trust funds has gone to bank-executed trust funds. The proportion going to bank-executed trust funds has risen from 20 per cent in 2002 to more than 30 per cent in 2020. This means that more than USD 1 billion has been disbursed to bank-executed trust funds per year since 2017. In its budget for the 2020 financial year, the World Bank noted that further growth in the bank-executed trust funds is expected, with an emphasis on global and regional activities.⁵⁸

⁵⁷ In addition, three per cent goes to the International Funding Institute (IFI), but this falls outside the scope of this investigation.

⁵⁸ FY20 World Bank Budget, September 6, 2019.

Figure 3 Disbursements through multi-donor trust funds and proportion disbursed to bank-executed trust funds (BETF), 2002–2020



Sources: Trust Fund Support for Development: An Evaluation of the World Bank's Trust Fund Portfolio, Independent Evaluation Group – IEG, World Bank Group, 2011; Annual reports for the World Bank – “Trust Funds Annual Report” 2012, 2017 and 2020

We have asked the Ministry of Foreign Affairs and Norad for their assessment of this distribution. Both have noted the distribution. The bank is an important knowledge organisation and is often used for technical assistance. This is provided through bank-executed trust funds. According to the Ministry of Foreign Affairs and Norad, technical assistance and knowledge development are important for the recipient-executed trust funds and for the implementation of IDA programmes (core funding).⁵⁹

4.3 The World Bank's management and administration of trust funds

There are differences in how the World Bank manages projects financed by trust funds compared with projects financed by core funding. The World Bank's board of directors only deals with issues relating to trust funds to a limited extent.⁶⁰ The decision to set up a new multi-donor trust fund is normally made by a manager at a lower level within the organisation.⁶¹ According to the World Bank, this is in line with the board-approved framework for multi-donor trust funds (*the trust fund policy*), which also sets out the circumstances under which the board must approve a multi-donor trust fund.⁶² Decisions concerning projects funded by trust funds are not generally made by the World Bank's board of directors, but by the governing body of each trust fund. By way of comparison, the World Bank's board of directors decides which projects/loans should be financed via core funding.⁶³ A review of the board's published calendars for 2018, 2019 and 2020 shows that thematic funds were very rarely on the agenda.⁶⁴

When new FIFs are under development, the bank's board of directors will be informed when it is still possible to influence them. This is in accordance with the FIF framework from 2019. The approval of new FIFs follows a risk-based approach. If the risk is considered to be low, the bank's management can approve a FIF and then notify the board of directors. If the risk is higher, the board will be more actively involved in the approval process.⁶⁵

Responsibility for following up multi-donor trust funds is split between a number of departments within the World Bank, according to the theme of the fund. A health fund will therefore be followed up by the department that is

⁵⁹ Letter from Norad to the Office of the Auditor General dated 27 April 2021 and interview with the Ministry of Foreign Affairs on 4 May 2021.

⁶⁰ Norad's summary from meetings with Dirk Reinermann on 8 February 2018, undated.

⁶¹ World Bank (2015) *Bank Procedure: Trust Funds*. BP 14.40, section 4, and the World Bank Group (2019). *Trust Fund Annual Report 2018–2019. Value Proposition of World Bank Group Trust Funds*, p. 80.

⁶² Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

⁶³ <https://www.worldbank.org/en/about/leadership/directors/boards-at-work> [Downloaded 09.01.2020].

⁶⁴ The calendars were downloaded from the document archive on the World Bank's website.

⁶⁵ Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

responsible for the World Bank's other health projects. Development Finance (DFI) Vice Presidency has overarching responsibility for the fund portfolio. Amongst other things, this entails the preparation of rules and guidelines for the World Bank's management of funds and reporting on the fund portfolio.⁶⁶ The department also assists the specialist departments in the setting up of new funds. It also has overall responsibility for the reforms to multi-donor trust funds and FIFs. In addition, the department is responsible for managing the funding in all FIFs (acting as trustee).⁶⁷ In cases where the World Bank also carries out projects on behalf of a FIF (as grant agent), the relevant specialist departments are responsible for this.

Most trust funds have their own steering committee, which makes strategic decisions. This applies to both multi-donor trust funds and FIFs. The composition and mandate of the steering committees vary from fund to fund, but donors to the fund are always represented on the committee. In the new "umbrella funds"⁶⁸, which are an important part of the ongoing reform of multi-donor trust funds, only donors and the World Bank will be represented, not recipient countries.⁶⁹ The extent to which the steering committee decides which projects should receive funding from the fund also varies considerably. The World Bank sometimes makes these decisions, based on general guidelines issued by the steering committee. The rules regarding how the fund is to be managed are set out in the agreement which the donors enter into with the World Bank concerning the establishment of the fund. The Ministry of Foreign Affairs stresses that, in the case of multi-donor trust funds, it is normally the World Bank that decides which projects should receive funding, where appropriate based on advice provided by the steering committee or an advisory committee. In the case of FIFs, it is normally the steering committee that decides this.⁷⁰

4.4 Norwegian development assistance to trust funds during the period 2009–2020

4.4.1 Challenges obtaining an overview of the overall Norwegian assistance to trust funds

Information on which trust funds receive Norwegian funding is not readily available. Norad's *Norwegian Aid Statistics* database⁷¹ does not have a single indicator for "trust funds". This makes it difficult to obtain an accurate overview of which trust funds Norway supports and how much is donated to each fund per year.⁷² According to Norad, it is possible to obtain an overview of the number of trust funds that have received funding from Norway, but the statistics must be processed manually in order to do this.⁷³ As of 2021, neither the Ministry of Foreign Affairs nor Norad has an updated list of all funds and all countries that receive support from Norway via the World Bank's funds.⁷⁴ The Ministry of Foreign Affairs states that, as of June 2020, Norway is supporting approximately 70 trust funds in priority sectors, themes and geographical areas. Previously, Norway supported over 100 trust funds, but the ministry has terminated the support for many of these.⁷⁵ In remarks on the report dated 24 September 2021, the Ministry of Foreign Affairs explains that the ministry has spent large sums of money in recent years on tidying up and concluding the work relating to older trust funds, while the number of new trust funds has declined.

The aid statistics also do not provide a complete overview of all countries which receive aid from Norway. This is because the support for most trust funds is provided as geographically unspecified aid. This limitation applies to all aid which is marked as being geographically unspecified.

The Ministry of Foreign Affairs also does not have a comprehensive overview of the results of Norwegian-supported funds. When asked whether the Ministry of Foreign Affairs believes it would have been appropriate to

⁶⁶ <https://www.worldbank.org/en/about/unit/dfi#3> [Downloaded 25.05.2020].

⁶⁷ <https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/overview> [Downloaded 07.05.2020].

⁶⁸ Umbrella trust funds bring together smaller multi-donor trust funds, known as sub-funds, which cover similar themes under a large fund.

⁶⁹ World Bank (2019) *Donor Guide for Umbrellas 2.0*, p. 6.

⁷⁰ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

⁷¹ Norad's *Norwegian Aid Statistics* database. As of 2021, this has been renamed *bistandsresultater.no*.

⁷² This issue is also discussed in Norad (2019) *Evaluation of Norway's Multilateral Partnerships Portfolio. The World Bank and UN Inter-Agency Trust Funds*. Report 1/2019, p. 11.

⁷³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

⁷⁴ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

⁷⁵ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

have a more comprehensive overview of these results, the ministry replied that, although such an overview would be desirable, it would be difficult to prepare given the decentralised model that the Ministry of Foreign Affairs currently uses.⁷⁶ The management of funds is split between a number of departments at the ministry and Norad. The section for multilateral development banks is responsible for the cooperation with the World Bank Group and the core funding for the bank. Responsibility for the funding, the follow-up of trust funds and the results of the individual trust funds rests with the various departments and sections.⁷⁷ The ministry must have been organised in a completely different way than is the case today, with many more resources allocated to the section for multilateral development banks. In addition, information is available on the World Bank's client pages, and the ministry has an ongoing overview of disbursements from all agreements in PTA (Plan – Grant – Agreement, an electronic management tool used by the Ministry of Foreign Affairs and Norad).⁷⁸

The World Bank itself has an accumulated overview of Norwegian contributions in USD, but this is not broken down per trust fund. For the period 2016–2020, Norway contributed USD 1.2 billion to multi-donor trust funds. For FIFs, the corresponding figure is USD 1.3 billion over the same period.⁷⁹ However, these are accumulated overviews for all trust funds and FIFs.

The World Bank performs various roles in FIFs, which makes it more difficult to obtain an overview

As described under 4.1.2, FIFs are independent units where the World Bank normally has more limited responsibility than is the case with multi-donor trust funds. The FIFs are usually listed in the aid statistics as independent contractual partners and recipients of Norwegian aid. It is therefore not apparent from the statistics whether support for such trust funds constitutes support for the World Bank. As the World Bank performs a variety of roles within the various FIFs, it is also not necessarily appropriate to include all support for FIFs under support for the World Bank. However, in the case of some FIFs, the World Bank performs the role of bank (trustee), secretariat and grant agent. In these cases, the World Bank is therefore responsible for all aspects of the FIFs' work and, in practice, much of the funding for these FIFs thus goes to the World Bank itself.⁸⁰ According to Norad, Norwegian aid statistics are based on international reporting regulations adopted by the OECD Development Committee (OECD DAC), with the consequence that some FIFs are listed as independent contractual partners, while others are not.⁸¹

In the case of the three FIFs - Global Partnership for Education (GPE), Global Environmental Facility (GEF) and Strategic Climate Fund (SCF) - the World Bank acts as bank, secretariat and implementation partner or grant agent. The FIFs are nevertheless listed as contractual partners in the aid statistics. This means that the World Bank is not listed as a recipient of Norwegian funding for these FIFs, although in reality the support can be regarded as constituting support for the World Bank.⁸² The three FIFs received a total of NOK 6.9 billion in Norwegian aid during the period 2009–2020.

4.4.2 The development of core funding and funding for trust funds during the period 2009–2020

Norwegian development assistance through the World Bank gradually increased during the period 2009–2020. According to *Norwegian Aid Statistics*, the World Bank received NOK 2.3 billion in 2009. In 2020, the corresponding figure was NOK 4.6 billion. This figure includes both core funding and funding for trust funds. Figure 4 also includes the three FIFs referred to in point 4.4.1, with the consequence that Norwegian assistance to the

⁷⁶ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁷⁷ Interview with the Ministry of Foreign Affairs on 30 May 2019.

⁷⁸ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁷⁹ World Bank (2020) *Trust Fund Annual Report 2020. Moving the Needle for Greater Impact*, p. 196 and 203.

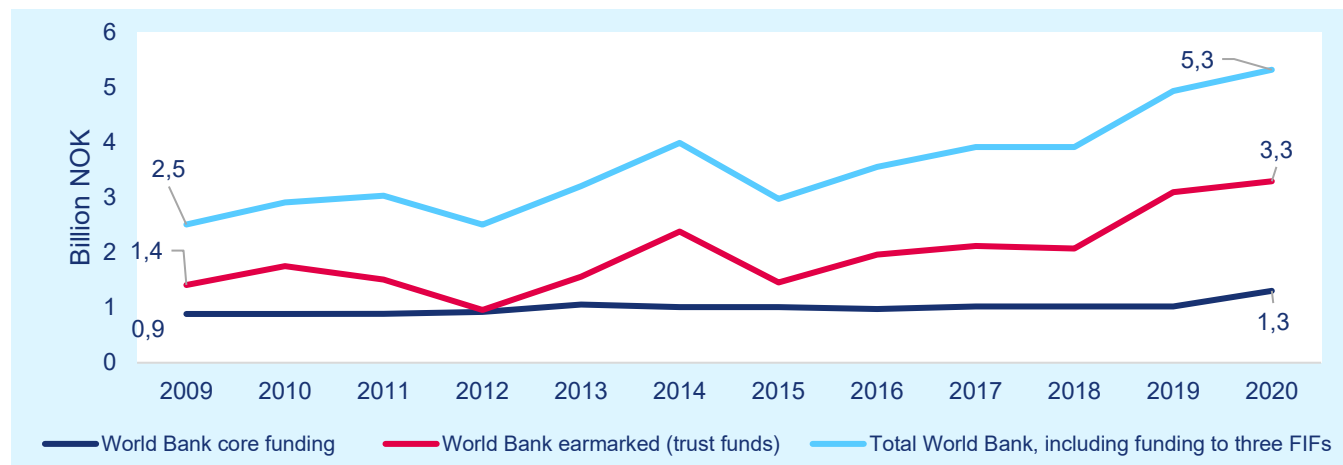
⁸⁰ The World Bank will not necessarily be the only grant agent for these FIFs, and some funding may therefore go to other grant agents.

⁸¹ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

⁸² In a letter from Norad to the Office of the Auditor General dated 27 April 2021, it is stated that Norad's aid statistics are based on international reporting regulations as adopted by the OECD Development Committee (OECD DAC). Aid to GPE, GEF and SCF is therefore reported under separate identifiers and under "other multilateral organisations", rather than under "the World Bank Group".

World Bank will increase from NOK 4.6 billion to NOK 5.3 billion for 2020. Collectively, the World Bank received a total of NOK 42.8 billion in development assistance during the period 2009–2020.⁸³

Figure 4 Norwegian development assistance to the World Bank (core funding, earmarked funding to trust funds and total funding including three FIFs for the period 2009–2020)



Source: Norwegian Aid Statistics

Figure 4 shows that earmarked funding for the World Bank in particular increased during the period 2009–2020. Core funding remained relatively stable throughout the period, albeit with a slight increase in 2020, partly as a result of additional support to combat the coronavirus pandemic. In a decision memorandum for the 19th replenishment⁸⁴ of core funding for the World Bank's trust fund for the poorest countries (IDA19) dating from February 2019, the Ministry of Foreign Affairs states that Norway has a significantly lower proportion of core funding for IDA, and a correspondingly higher proportion of earmarked funding to the World Bank, than comparable countries.

4.4.3 Cross-sectoral targets for Norwegian aid

Goal of concentrating aid on fewer countries and thematic areas

Norwegian aid management aims to concentrate Norwegian aid on fewer countries and fewer thematic areas in order to achieve greater effect and better results. According to the Ministry of Foreign Affairs, considerable efforts have been made to reduce the number of countries receiving Norwegian bilateral aid.⁸⁵ In Prop. 1 S (2019–2020), the Ministry of Foreign Affairs states that no more than 85 countries should receive bilateral aid from Norway per year. According to *Norwegian Aid Statistics*, a total of 86 countries received such aid in 2020.⁸⁶ This represents a decrease from 108 countries in 2013.⁸⁷ The budget proposition for 2021 also states that the government will continue to work to reduce the number of countries receiving bilateral aid from Norway.

However, Norad's evaluation of the concentration of Norwegian aid from 2020 found that the aid management has only partially succeeded in concentrating aid on the priority countries, even though the number of recipient countries has been reduced. For example, the priority countries did not receive significantly more funding than other recipient countries. According to the evaluation, there has been no clear and consistent strategy for concentrating aid. The evaluation also found evidence of more thematic fragmentation, rather than more thematic

⁸³ No FIFs other than the three referred to in section 4.4.1 are included in this sum, because the World Bank is not the implementing partner for these.

⁸⁴ IDA or the core funding receives its funding from donor countries such as Norway through 'replenishment negotiations' every three years.

⁸⁵ Prop. 1 S (2020–2021) Ministry of Foreign Affairs.

⁸⁶ <https://www.bistandsaktuelt.no/nyheter/2021/ny-side/>.

⁸⁷ <https://www.norad.no/evaluering/aktuelt/2020/evaluering-av-konsentrasjon-i-bistanden/>.

concentration. There have been frequent changes in the thematic areas that are given priority, and these remain general, with sub-themes continually being added.

As mentioned above, much of the funding for trust funds is provided in the form of geographically unspecified aid. An analysis of the data in the overview of all multi-donor trust funds supported by Norway shows that 139 countries have received aid from these trust funds. These countries are located in Asia, Africa, Europe, South America and Oceania. In 2020, a total of 103 countries received earmarked aid from Norway.⁸⁸ This figure includes all aid which has been earmarked, not just aid earmarked for the World Bank or trust funds. The figure is thus significantly higher than the number of countries that received bilateral aid from Norway in 2020. When asked whether the Ministry of Foreign Affairs believes that the aid provided through trust funds and FIFs follows the guidance that Norwegian aid should be concentrated, the ministry's section for multilateral development banks replied that it was unable to answer this question on behalf of the ministry. According to the section, the theme must be discussed to a greater extent across the ministry.⁸⁹

Goal of strengthening the poverty orientation

Many middle-income countries have received Norwegian aid through trust funds

Another key goal for Norwegian aid is to strengthen the poverty orientation and contribute to poverty reduction. This particularly entails directing efforts towards the poorest countries. In Prop. 1 S (2019–2020), the Ministry of Foreign Affairs states that an increasing proportion of aid will be concentrated in the least developed countries, particularly in sub-Saharan Africa, in order to strengthen the poverty orientation. Around half of the 143 countries that have received Norwegian assistance through the World Bank's trust funds are low-income countries in Africa and Asia. Most of the other recipient countries are middle-income countries. Middle-income countries are a group of countries with substantial differences between them. Around 50 of the countries that have received Norwegian aid through the World Bank's trust funds are in the upper middle-income countries group. More than 10 countries are in the high-income countries group, including Chile and Uruguay.⁹⁰

The Ministry of Foreign Affairs notes that thematic trust funds often include a combination of low- and middle-income countries. The ministry is more interested in the amounts that Norway donates and how much goes to low-income countries, rather than the number of countries receiving support. The ministry is unable to provide a figure for this in terms of NOK, but it adds that there are many examples of Norwegian-supported funds aimed at low-income countries.⁹¹

The Ministry of Foreign Affairs also notes that many middle-income countries have a high poverty rate. Aid to middle-income countries can therefore be as poverty-oriented as other aid. The Ministry of Foreign Affairs also points out that a high proportion of the funding from GPE goes to low-income countries. According to the ministry, the proportion is higher than for other multilateral organisations and bilateral donors. This shows that the World Bank's trust funds can help to increase the proportion of support that goes to low-income countries. The Ministry of Foreign Affairs also notes that aid to global common goods, such as climate change, means that aid includes middle-income countries, as it is necessary to take action which really helps to solve the major problems. However, the Ministry of Foreign Affairs acknowledges that there may have been unintended leaks of support to middle-income countries where the aim was to support low-income countries, often the poorest countries, which are Norway's main priority. According to the Ministry of Foreign Affairs, the ministry's decentralised support for the World Bank may have contributed to the lack of a comprehensive overview of the proportion of middle-income countries in trust funds in which Norway is engaged.⁹²

⁸⁸ <https://www.bistandsaktuelt.no/nyheter/2021/ny-side/>.

⁸⁹ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁹⁰ The World Bank prepares lists of different groups of low-, middle- and high-income countries, and subgroupings thereof. For an overview of upper middle-income countries, see <https://data.worldbank.org/country/XT>.

⁹¹ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁹² Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

Countries that are not approved for official development assistance (ODA) have received Norwegian aid through trust funds

The Ministry of Foreign Affairs also states that all Norwegian development assistance to trust funds managed by the World Bank is considered to constitute official development aid (ODA) ⁹³. This means that it is reported to the OECD DAC as approved development aid. However, the extract we have received from Norad's evaluation department shows that a number of countries that have not been ODA-approved have received Norwegian aid through the World Bank's trust funds. In other words, they are not covered by the OECD DAC's definition of countries which can receive development assistance. This applies for example to European countries such as Poland, Russia, Croatia, Bulgaria and Romania. For example, Romania received approximately USD 660,000, or around NOK 6 million, during the period 2014–2019, while Bulgaria received approximately USD 321,000, or around NOK 3 million, during the period 2017–2018.

Another example is Saudi Arabia, which has received support through the World Bank's Global Facility for Disaster Prevention and Recovery (GFDRR). According to the extract, the money has been spent on a comprehensive risk profiling and assessment for Saudi Arabia. The last year in which Saudi Arabia received Norwegian money through this trust fund was 2017. Prop. 1 S (2018–2019), which reports the results from 2017, makes no reference to the funding given to Saudi Arabia. The report states simply that the support has contributed to GFDRR's work in Latin America and in 18 countries in Africa. Support for Saudi Arabia is also not mentioned in the reports in the budget propositions covering the period 2011–2016, when the country also received Norwegian money through GFDRR. ⁹⁴ During the period 2010–2013, six Gulf states (Saudi Arabia, Qatar, United Arab Emirates, Oman, Bahrain, and Kuwait) also received money from GFDRR. It is not stated how much has been given to each country.

The Ministry of Foreign Affairs stated that it has raised critical questions with the World Bank regarding Norwegian development assistance through trust funds to countries which are not ODA-approved. According to the ministry, these questions have been raised both in writing and during meetings. For example, Norway and Sweden joined forces in 2017 to protest that the support for the trust fund for trade and development was going to Russia, Bulgaria and Poland. The ministry states that the bank has since accepted that new umbrella funds will only give money to ODA-approved countries. ⁹⁵

We have received documentation from the Ministry of Foreign Affairs showing the communication with the World Bank regarding the support for the trust fund for trade and development. The Ministry of Foreign Affairs held a separate meeting with the World Bank regarding the trust fund's support for countries which were not ODA-approved, in addition to written correspondence with the bank regarding the matter. The documentation indicates that the World Bank confirmed that future funding for the new umbrella fund for trade will only go to ODA-approved countries, at the request of the majority of donors to the trust fund. However, it is not evident from the documentation that this will apply to umbrella funds in general. ⁹⁶ In an e-mail dated 4 October 2021, the Ministry of Foreign Affairs also states that the Women Entrepreneurs Finance Initiative (We-Fi) fund is also limited to ODA-approved countries.

As regards the support for Saudi Arabia, the Ministry of Foreign Affairs stated that this concerned a capacity study conducted at regional level, which included Saudi Arabia. The Ministry of Foreign Affairs stated it did not pursue this matter with the World Bank. ⁹⁷

In a letter dated 24 September 2021, the Ministry of Foreign Affairs shows that it has found it difficult to make it clear to the bank that Norwegian funding should not be used in countries that have not been ODA-approved, a

⁹³ ODA corresponds to what is normally referred to as 'aid' or 'development assistance', but is strictly defined by rules adopted by the OECD's Development Assistance Committee (DAC). ODA defines which countries can receive aid; primarily all low- and middle-income countries which are not members of the EU or G8.

⁹⁴ The evaluation department in Norad's overview of all multi-donor trust funds that had received Norwegian support as of December 2018.

⁹⁵ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁹⁶ The Ministry of Foreign Affairs' summary of meeting concerning the multi-donor trust fund for trade and development on 11 December 2017; E-mail from Sida to the World Bank dated 13 November 2017; E-mail from the World Bank to Sida dated 15 November 2017.

⁹⁷ Interview with the Ministry of Foreign Affairs on 4 May 2021.

requirement which the bank has accepted, according to the ministry. We have not received any documentation showing that Norway has received general acceptance from the World Bank that funding from trust funds should only go to ODA-approved countries. However, we have received documentation showing that Norway raised the issue of ODA in the *Trust Fund Forum* in 2019, and pointed out that it is important for Norway that all activities in an umbrella fund can be approved as ODA. It is not evident from the documentation how the World Bank responded to this.⁹⁸

The World Bank states that it does not require activities carried out by multi-donor trust funds to benefit only ODA-approved countries. It is the OECD that prepares the list of ODA-approved countries, and the bank's systems, strategies and procedures are not designed to take into account the OECD's definition. Thus, the bank's trust fund activities are not limited to include only ODA-approved countries. However, the World Bank is seeking to fulfil the wishes of some donors that their contributions only go to recipient countries which qualify for ODA.⁹⁹

Goal of preventing aid fragmentation

A large number of trust funds can contribute to the fragmentation of aid

Norway supports many funds, around 70 as of 2020. The World Bank points to numerous challenges with the large number of multi-donor trust funds. According to the bank, having a large number of small trust funds leads to the fragmentation of aid. The small funds are often adapted to specific circumstances and have different management structures. According to the World Bank, this makes multi-donor trust funds less effective as an aid mechanism.¹⁰⁰

There are a number of reasons why the Norwegian authorities support so many trust funds. According to an interview with the Ministry of Foreign Affairs, the decentralised system within the ministry is one such reason. In addition to the Ministry of Foreign Affairs centrally, embassies are also able to enter into agreements with multilateral partners. In the event of acute international crises, such as those in Syria and Sudan and the coronavirus pandemic, donors will often ask the World Bank to establish a new fund in order to rapidly increase donor funding. According to the Ministry of Foreign Affairs, this is an effective way of cooperating internationally and mobilising funding for acute crises, which is in addition to the long-term development work. Umbrella funds in the World Bank are unable to meet such a need to the same extent.¹⁰¹

The World Bank has been particularly concerned that the use of FIFs is leading to greater fragmentation. According to the World Bank, the increase in the number of relatively small FIFs with a narrow catchment area represents a problem. Many of these overlap with other trust funds.¹⁰² At the meeting of the Trust Fund Forum in January 2019, the World Bank noted that FIFs are often set up rapidly and without sufficient consideration of possible alternatives.¹⁰³ They often begin with strong support from high-profile individuals and individual countries, yet do not meet the criteria for the establishment of a new FIF. Donors should ensure that a proper assessment process is carried out before support for a FIF is announced publicly.¹⁰⁴ According to the World Bank, another challenge associated with having a large number of FIFs is that recipient countries find it difficult to monitor the various FIFs.¹⁰⁵ Having a large number of FIFs also means higher transaction costs for both donors and the World Bank, and it is resulting in more programmes to monitor.¹⁰⁶ On a number of occasions, the World Bank has also mentioned to Norway that it is very concerned that the increasing number of FIFs is contributing to fragmentation and high transaction costs.¹⁰⁷

⁹⁸ E-mail from the Ministry of Foreign Affairs of 4 October 2021 with the following attachments: Norad's minutes of a meeting of the Trust Fund Forum on 11-12 September 2019; Norad's mandate for a meeting of the Trust Fund Forum on 12 September 2019; The World Bank's summary of the meeting of the Trust Fund Forum on 12 September 2019; Norad's input to a trust fund discussion by the World Bank's board of directors on 18 September 2018.

⁹⁹ Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

¹⁰⁰ World Bank (2019) *Trust Fund Annual Report 2018–2019*, p. 80.

¹⁰¹ Interview with the Ministry of Foreign Affairs on 9 June 2020.

¹⁰² World Bank, minutes of a meeting of the Trust Fund Forum in January 2019, 13 February 2019.

¹⁰³ Presentation by the World Bank at a meeting of the Trust Fund Forum in January 2019.

¹⁰⁴ World Bank (2019) *Financial Intermediary Fund Management Framework 4 June 2019*, p. 10.

¹⁰⁵ World Bank, minutes of a meeting of the Trust Fund Forum in January 2019, 13 February 2019.

¹⁰⁶ World Bank (2019) *Financial Intermediary Fund Management Framework, 4 June 2019*.

¹⁰⁷ Ministry of Foreign Affairs (internal memorandum) *Discussion between Secretary of State Jens Frølich Holte and the World Bank's Director for Trust Funds and Partner Relations Dirk Reinermann on 8 February 2018*.

More core funding can contribute to prevent fragmentation

In White Paper 27 (2018–2019) *Norway's Role and Interests in Multilateral Cooperation*, the Ministry of Foreign Affairs stated that the government would shift support for the UN system and the World Bank towards more core funding. This was justified by the fact that strictly earmarked funds¹⁰⁸ can lead to greater fragmentation and higher administrative costs for the organisations involved. However, a review of documentation from the Ministry of Foreign Affairs shows that there was no subsequent shift in the next replenishment of IDA in 2019. In the decision memorandum for the 19th replenishment for IDA (IDA19), the Ministry of Foreign Affairs stated that core funding for IDA is a counterweight to increasing aid fragmentation, resulting in lower transaction costs. According to the ministry, providing more support for IDA, rather than establishing new aid mechanisms such as thematic special funds, can make a significant contribution to the concentration of Norwegian aid. This is particularly being done by placing "more funding in fewer pots", which will help to reduce the number of agreements.¹⁰⁹ However, the mandate for the final negotiations concerning IDA19 states that the real value of Norway's contribution to IDA19 fell compared with IDA18.¹¹⁰ The Ministry of Foreign Affairs has stated that the government increased Norway's nominal contribution to IDA19, but found no scope to increase core funding compared with earmarked funding.¹¹¹

In an interview in May 2021, the Ministry of Foreign Affairs stated that the next opportunity to increase core funding for the World Bank is IDA20, as replenishments to the IDA take place every three years. This will not have a budgetary effect until 2023. It is currently unclear whether core funding will be increased, as it is not yet possible to say whether or not this will be the case. The Ministry also points out that negotiations concerning the orientation of IDA20 are currently underway.¹¹²

In a letter, the Ministry of Foreign Affairs notes that the follow-up to White Paper 27 (2018–2019) should have greater awareness regarding the entirety of the support for the World Bank. The basis for decisions regarding contributions to thematic funds should discuss why the contribution is desirable and necessary. According to the Ministry of Foreign Affairs, there should also be a discussion of why the objectives cannot be achieved as precisely through non-earmarked core funding. Such issues should be discussed to a greater extent across departments and sections within the ministry.¹¹³

The World Bank has stated that it prefers to receive core funding for IDA, rather than earmarked funding. Amongst other things, core funding gives the bank more flexibility to address the recipients' priorities and fund activities that the bank itself believes should be given a high priority, than is the case with earmarked funding.¹¹⁴ The 74 poorest countries can receive support through IDA. The list of countries that can receive IDA support is updated annually.¹¹⁵

Furthermore, core funding for IDA is, according to the bank, a uniquely effective platform that coordinates global resources from donors with IBRD's and IDA's access to the capital market. According to the World Bank, IDA is therefore very effective: Every dollar that is donated results in more than USD 3 in support to the recipient countries. Strong and growing support from donors for core funding sends an important signal to other donors and the market.¹¹⁶

The World Bank also notes that White Paper 27 (2018–2019) *Norway's Role and Interests in Multilateral Cooperation* recommends an increase in Norway's core funding for the bank, and welcomes this. According to the bank, the World Bank and Norway have very similar priorities.¹¹⁷ For example, the World Bank and Norway agree

¹⁰⁸ This means that strict guidelines have been laid down regarding how the funding can be used.

¹⁰⁹ Ministry of Foreign Affairs' decision memorandum for the 19th replenishment of the World Bank's fund for the poorest countries, IDA (IDA19), 12 February 2019.

¹¹⁰ The Ministry of Foreign Affairs' mandate for final negotiations and Norway's commitment for the 19th donor country replenishment of IDA (IDA19) 12–13 December 2019, 6 December 2019.

¹¹¹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

¹¹² Interview with the Ministry of Foreign Affairs on 4 May 2021.

¹¹³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

¹¹⁴ Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

¹¹⁵ <https://ida.worldbank.org/about/borrowing-countries> [Downloaded 11.06.2021].

¹¹⁶ Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

¹¹⁷ Ibid.

that the main objective of the aid to the bank is poverty reduction.¹¹⁸ There is a price to pay for the increase in the number of FIFs, vertical funds and initiatives in recent years. In particular, the World Bank points to the risk of ineffectiveness, duplication and fragmentation of the global aid architecture as a result of this.¹¹⁹

In its remarks regarding the report of 24 September 2021, the Ministry of Foreign Affairs notes that trust funds can help to support or influence the activities of the World Bank which are financed via core funding. In addition, changing political priorities will be reflected in the trust fund portfolio.

¹¹⁸ Prop. 1 S (2018–2019) Ministry of Foreign Affairs.

¹¹⁹ Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

5 Results of selected trust funds and their contribution to the attainment of development policy goals

This chapter is the result of the detailed investigation of four trust funds that have received a total of more than NOK 5 billion in Norwegian development assistance: Consultative Group to Assist the Poor (CGAP), the Jobs Umbrella trust fund, Scaling Up Renewable Energy in Low Income Countries (SREP) and Global Financing Facility (GFF). CGAP and the Jobs Umbrella trust fund are bank-executed funds and are discussed in section 5.1. The SREP climate fund and the GFF health fund are discussed in sections 5.2 and 5.3.

This chapter looks not only at the results of the funds, but also at the management by the Ministry of Foreign Affairs and Norad. The chapter also considers the reporting of Norwegian aid to the World Bank's trust funds in the budget propositions for 2018–2021. Finally, the chapter discusses the International Finance Facility for Education (IFFEd). The Norwegian aid administration has invested considerable resources in the planning of this trust fund, which the Norwegian authorities eventually decided not to support.

Table 1 presents an overview of the key findings of the analysis concerning the effectiveness of the selected funds. The table considerably simplifies the complexity of both the individual fund and the aid area as a whole. Nevertheless, the table presents an overview of the key findings of the detailed investigation. The following sub-chapters present more detailed and comprehensive documentation of the investigation's findings.

Table 1 Effectiveness of selected individual trust funds viewed against Norway's development policy objectives for the aid*

Fund	Goal	Results in the target group	Results framework	Recipient ownership**	Poverty orientation***	Follow-up Norad/Ministry of Foreign Affairs	Reporting to the Storting
CGAP		uncertain as to whether it is reaching the target group	poor (activity-based)	poor (initiated by donors)	poor	insufficiently thorough preparatory work and follow-up	unbalanced
JOBS		uncertain as to whether it is reaching the target group	poor (activity-based)	poor (initiated by donors)	poor	insufficiently thorough preparatory work, little follow-up in certain areas	unbalanced
SREP	low goal attainment		satisfactory (measures effects at user and societal levels)	satisfactory at fund level, but weak at country level (e.g. Uganda)	satisfactory	thorough follow-up	unbalanced
GFF	added value of the fund uncertain		satisfactory (measures effects at user and societal levels)	poor at fund level	satisfactory	thorough follow-up	unbalanced

Source: The Office of the Auditor General's investigation of four selected trust funds *Green field indicates effectiveness linked to Norway's development policy goals **Recipient ownership was partly assessed on the basis of the extent to which demand from the recipient countries was one of the reasons for setting up the trust funds, and whether the recipient countries are making decisions in the funds ***With poverty orientation, we have assumed which countries receive support, and whether the support reaches the end users in the recipient country

As table 1 shows, this chapter includes an assessment of the recipient ownership of the funds, including whether demand from the recipient countries was one of the reasons why the funds were created. It is important to ensure that the recipient countries feel a sense of ownership of the funds' activities. In its remarks on this report, the Ministry of Foreign Affairs noted that development cooperation often takes place at the interface between supply and demand. The composition of the steering committees of the funds may reflect the fact that many funds are initiated by donors, without having been explicitly requested by the recipients. The ministry stresses that, although it wants to see strong recipient ownership, the aid is also a comprehensive normative project where donors have a legitimate need to manage resource use and promote their own agendas. In this regard, the funds tend to differ somewhat from the bank's core activities, which are adopted by the bank's board of directors, on which all countries are represented.¹²⁰

However, the ministry notes that national ownership is included in country strategies and the countries' own development plans which are approved by the authorities and adopted by the banks. The banks must relate to these when establishing funds.

In its remarks on the report, the ministry also notes that our criticism of weak recipient ownership may be justified in some cases, but not in others. According to the Ministry of Foreign Affairs, there are numerous examples of Norwegian-supported trust funds where the recipients have actively participated in both the preparation and implementation of funds. Compact with Africa, ESMAP, Problue and Conflicted Affected States in Africa (CASA) are three examples of such funds.¹²¹

5.1 Bank-executed trust funds – Consultative Group to Assist the Poor (CGAP) and Jobs Umbrella

Many of the World Bank's trust funds are bank-executed. Common to such funds is the fact that they support knowledge production concerning relevant topics, and that the activities are carried out by the World Bank itself. This means that the funding that is channelled through such funds does not go directly to the end users of the aid, i.e. people in developing countries. Rather, the purpose is to acquire new knowledge, which is ultimately intended to benefit the end user by improving aid efforts. Two bank-executed trust funds that Norway has supported are the Consultative Group to Assist the Poor (CGAP) and the Jobs Umbrella trust fund. CGAP produces knowledge concerning financial inclusion, while Jobs Umbrella generates knowledge regarding how the recipient countries can create jobs. There are a number of common characteristics of CGAP and Jobs Umbrella as regards their size, structure and activities. This sub-chapter describes the structure, goals and results of the funds, as well as how the Ministry of Foreign Affairs and Norad have managed the funds.

The sub-chapter shows that, at an overarching level, it is difficult to know what the results of the aid given to CGAP and Jobs Umbrella actually are. The challenge of measuring results at overarching level in small multi-donor trust funds is something the World Bank itself has previously referred to. The bank's annual report for trust funds for 2018–2019 states that, although having many small funds contributes to innovation and knowledge building, it is in many cases difficult to measure how they contribute to development.¹²²

5.1.1 Consultative Group to Assist the Poor (CGAP)

CGAP is a bank-executed trust fund whose overarching purpose is to improve access to financial services such as banking amongst people living in poverty. This area of aid is known as 'financial inclusion'.

¹²⁰ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

¹²¹ Ibid.

¹²² World Bank Group (2019). *Trust Fund Annual Report 2018–2019. Value Proposition of World Bank Group Trust Funds*, p. 30.

CGAP conducts analyses and works with private companies to test new payment and savings solutions aimed at people living in poverty. The idea is to help ensure that partners introduce the new solutions in poor countries. CGAP was created in 1995. At the time, the primary emphasis of the fund was on microfinance, i.e. small loans to people living in poverty.¹²³ As of 2021, the fund has raised a total of USD 217.4 million, of which USD 152.1 million has been disbursed.¹²⁴

Norwegian development assistance to the fund

Thirty countries and organisations support CGAP.¹²⁵ The EU, Gates Foundation, the United Kingdom and the Mastercard Foundation were the four largest donors to CGAP between 2014 and 2018.¹²⁶ Norway contributed a total of NOK 102 million in support to CGAP between 1995 and 2020.

The fund's composition and governance structure

The World Bank manages the funding in CGAP, and the fund's secretariat is organisationally placed within the bank. The secretariat employs forty nine people.¹²⁷ CGAP has offices in Washington D.C. and Paris.¹²⁸ The secretariat's employees are formally employed by the World Bank and therefore covered by the World Bank's rules.¹²⁹

The fund's council of governors adopts strategies, work schedules and budgets. The council consists of all the donors who donate unrestricted funds to CGAP; see the charter. This means that no recipient country sits on the council. In addition, CGAP also has an executive committee, which provides strategic guidance. The committee comprises a total of eleven members, three of whom are from developing countries (India, Nigeria and Jordan). These are representatives of trade and industry, rather than of the end users, i.e. people living in poverty in the recipient countries.¹³⁰

The fund's goals

When the Ministry of Foreign Affairs decided to support CGAP in 2014–2018, it emphasised that CGAP was needed to ensure innovation and knowledge development regarding what will be needed in order to improve access to financial services for people living in poverty. CGAP's studies would provide knowledge about what works in practice.

The ministry also stressed that better access to financial services is an important basis for developing the private sector in developing countries, which was a priority area for the government.¹³¹ When Norad decided to continue supporting CGAP during the period 2018–2022, it also stressed that CGAP should contribute to knowledge development in the field. According to Norad, few other organisations could do this as effectively.¹³²

In 1995, when the Ministry of Foreign Affairs first decided to support CGAP, the main objective of CGAP was to provide financial support to institutions which distribute microfinance to people living in extreme poverty.¹³³ From 1998 onwards, CGAP shifted its focus towards knowledge development. In 2018, two per cent of the funding went to various organisations, while 98 per cent of the funding was used by the World Bank itself for advice and knowledge production. Donors to CGAP have supported this development.¹³⁴ However, an evaluation of CGAP in

¹²³ The Ministry of Foreign Affairs' decision memorandum of 1995.

¹²⁴ The figures were taken from the World Bank's client pages, Development Partner Center (DPC) on 18 January 2021. No explanation is given as to which TF numbers this sum includes.

¹²⁵ The Center for Global Development's database.

¹²⁶ Minutes of the 2018 meeting of CGAP's *Council of Governors*, p. 31.

¹²⁷ CGAP (2019) *Annual report 2019*.

¹²⁸ <https://www.cgap.org/about/governance> [Downloaded 20.05.2020].

¹²⁹ CGAP (2019) *CGAP Charter*, point 9.

¹³⁰ <https://www.cgap.org/about/governance> [Downloaded 20.05.2020].

¹³¹ The Ministry of Foreign Affairs' decision document regarding support for CGAP during the period 2014–2018, 7 December 2014.

¹³² Norad's decision document for support for CGAP during the period 2018–2022, 26 September 2018.

¹³³ The Ministry of Foreign Affairs' decision document regarding support for CGAP during the period 2014–2018, 7 December 2014.

¹³⁴ The World Bank Operations Evaluations Department (2004) *The Consultative Group to Assist the Poor. Addressing Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs. Case Study*.

2004 found that the added value of the fund decreased after CGAP began directing its efforts more towards knowledge production, because the work of the fund became more like the World Bank's own work in the field.¹³⁵ According to both the Ministry of Foreign Affairs and Norad, the purpose of CGAP has not changed since it was first established. The purpose of CGAP has always been to improve the lives of the poor through access to financial services. The instruments used to achieve this goal have evolved as society at large has changed. As of 2020, tools other than microcredit are now available to ensure financial inclusion, and many new operators have entered the sector.¹³⁶

Results

Assessment of results in results reports and evaluations

CGAP's own report on results dating from 2018 states that 36 out of 40 goals in the results framework for the period 2014–2018 were considered to have been achieved. CGAP helped governments, industry associations and companies in a number of countries to introduce regulations and strategies which improve access to financial services.¹³⁷ The fund also prepared guidance material, published 165 knowledge products and operated a web portal on financial inclusion¹³⁸.

However, independent evaluations of CGAP have noted that it is difficult to see how CGAP's work has helped to achieve the overall goal of improving access to financial services amongst people living in poverty¹³⁹. CGAP has prepared relevant and high-quality analyses and is considered to be a recognised forum. However, it is less clear whether those who develop services for the poor in practice actually make use of this knowledge. In 2017, KPMG conducted an evaluation in which it concluded that CGAP's results framework did not facilitate an assessment of this. According to the evaluation, the results framework did not have indicators which measured results at user level (*outcome*). A review of the results framework indicates that only two out of 14 indicators measured whether CGAP's activities have led to more people living in poverty actually using financial services. The other indicators either measured the activities that have been carried out or were so general that it was not possible to link any results to CGAP. However, KPMG found that CGAP had carried out its planned activities to a high level of quality, and that donors were generally satisfied with CGAP's results.

The mid-term evaluation of CGAP's strategy V (covering the period 2014–2018) from 2017 also referred to a number of these factors. The strategy lacked clear, coherent and measurable goals, and the results framework was not adequately linked to the strategy. The evaluation also noted that the absence of an explicit change theory limited the evaluation's ability to assess CGAP's overall contribution to the fund's overarching goals.¹⁴⁰ A change theory describes why and how the work will bring about the desired change. Similar points have also been made in other evaluations of CGAP¹⁴¹. In CGAP's strategy document for the period 2019–2023, CGAP worked to develop a change theory to clarify the fund's strategic goals. CGAP will also use the change theory to develop the results framework, both for the fund as a whole and for each project.¹⁴²

Furthermore, it is not clear to what extent better access to financial services contributes to real improvements in the lives of those living in poverty. In CGAP's 2019 annual report, the director of CGAP stated it was not entirely clear whether CGAP is actually helping to improve the lives of people living in poverty.¹⁴³

¹³⁵ The World Bank Operations Evaluations Department (2004) *The Consultative Group to Assist the Poor. Addressing Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs. Case Study*, p. ix.

¹³⁶ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 May 2020 and letter from Norad to the Office of the Auditor General dated 29 May 2020.

¹³⁷ CGAP (2018) *CGAP V Completion Report FY14–FY18. Executive Summary*.

¹³⁸ CGAP (2018) *CGAP V Dashboard. Outreach and Engagement FY14–FY18*.

¹³⁹ Oxford Policy Management (2017) *Mid-Term Evaluation of CGAP V, Final report, March 2017*; KPMG (2017) *Consultative Group to Assist the Poor (CGAP) Funding Assessment*.

¹⁴⁰ Oxford Policy Management (2017) *Mid-Term Evaluation of CGAP V, Final report, March 2017*.

¹⁴¹ The World Bank Operations Evaluations Department (2004) *The Consultative Group to Assist the Poor. Addressing Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs. Case Study*, s. x.; Reproduced in Universalia (2012) *CGAP Phase IV Mid-Term Evaluation. Revised Report April 2012*, p. 35; The Ministry of Foreign Affairs' decision document for support to CGAP during the period 2014–2018, 7 December 2014.

¹⁴² CGAP (2018) *CGAP Strategic Directions FY2019–2023*.

¹⁴³ CGAP (2019) *Annual report 2019*.

Nevertheless, CGAP has had a measure in place which is specifically aimed at people living in poverty and has helped to improve the lives of this group of people. This measure is called "Graduating the poor". During the period 2014–2018, CGAP developed and tested the measure in eight countries (Ethiopia, Ghana, Haiti, Honduras, India, Pakistan, Peru and Yemen) which would help families living in poverty to increase their income and thus escape from extreme poverty. According to CGAP, this was to be achieved through a combination of the transfer of values, training to secure a livelihood, assistance linked to consumption and access to financial services, in a specific order. Evaluations of this showed that the measure was having an effect. As of 2018, authorities in ten countries were working to trial and introduce this measure. Responsibility has now been transferred to a department in the World Bank, so that it can support the implementation of the measure in other countries.¹⁴⁴

Assessments of CGAP's results by the Ministry of Foreign Affairs and Norad

CGAP's results framework was not assessed in detail in the decision document dating from 2014. When asked why this was the case, the Ministry of Foreign Affairs responded that it has supported CGAP for many years, and that the fund is under the auspices of the World Bank. The ministry points out that providing support via established multilateral channels prevents, *inter alia*, individual donors from micro-managing and causing the recipient to incur unnecessarily high transaction costs.¹⁴⁵

Norad took over administrative responsibility for CGAP from the Ministry of Foreign Affairs in 2018. In the same year, Norad considered whether Norway would support CGAP during the period 2019–2022. Norad's decision document regarding further support for CGAP does not appear to be very thorough. The document contains very concise assessments of the fund's past results, new results framework, risk and budget. The document makes no reference to any challenges. There are very few references to CGAP's annual reports or previous evaluations. Norad also appears not to have assessed the inadequate measurement of results at user and societal levels (*outcome and impact*).

In an interview, Norad noted that like-minded countries, including the other Nordic countries and Germany, have claimed that they benefit from the knowledge produced by CGAP. According to Norad, these countries actively use this knowledge in their own aid policies. Accordingly, representatives of Norad stated in an interview that they are convinced that CGAP's knowledge production is useful, although it is difficult to measure its usefulness accurately.¹⁴⁶

The Ministry of Foreign Affairs has noted that the knowledge produced by CGAP is not always used in Norwegian aid management. In a memorandum to Norad dating from 2018, the Ministry of Foreign Affairs stated that it had found it difficult to benefit from participation in CGAP's network by using this knowledge in the formulation of Norwegian aid.¹⁴⁷

In the decision document for grants during the period 2018–2022, Norad stated that CGAP's new results framework offers better opportunities for measuring results at overarching level. In an interview, Norad was asked to provide examples of indicators that better measure overall results in the new framework. Norad was unable to provide any examples of this.¹⁴⁸

However, the Ministry of Foreign Affairs stated that CGAP's results appear to be in line with Norway's goals for the fund. The ministry believes that this is illustrated by many of the projects carried out by CGAP. For example, the ministry refers to CGAP's work relating to financial services and data privacy in Kenya and India.¹⁴⁹ This work

¹⁴⁴ CGAP (2018), *CGAP V Completion Report FY14–FY18. Executive Summary*.

¹⁴⁵ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General, 29 May 2020.

¹⁴⁶ Interview with Norad on 17 June 2020.

¹⁴⁷ Memorandum from the Ministry of Foreign Affairs to Norad, 27 February 2018.

¹⁴⁸ Interview with Norad on 17 June 2020.

¹⁴⁹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

involved a number of analyses concerning the attitudes of people living in poverty in Kenya and India towards privacy and data protection when using financial services.¹⁵⁰

Recipient ownership

CGAP has no grants which have gone directly to recipient countries. This means that the money has largely been spent on salaries and other benefits for employees of the World Bank and consultants. Chapter 6 provides further details of how the costs in bank-executed trust funds are distributed.

CGAP was created on the initiative of donors.¹⁵¹ According to Norad, CGAP differs from other microfinance initiatives in that the main goal is better donor coordination and higher levels of competence amongst donor countries.¹⁵² As this was the purpose of CGAP, Norad's legal affairs section believed that it was worth asking whether funding for CGAP could be defined as official development assistance (ODA), even though the section assumed that the funding could be defined as such.¹⁵³

CGAP is a supply-driven initiative. In an interview, the Ministry of Foreign Affairs noted that the more a fund focuses on research and analysis, the lower the degree of recipient ownership. According to the ministry, it is hoped that partners will increasingly request the knowledge over time, leading to an increase in the degree of recipient ownership. The ministry notes that CGAP and the World Bank conduct surveys amongst those living in poverty in order to obtain information on the needs of potential users.¹⁵⁴

As regards the use of bank-executed trust funds more widely, the Ministry of Foreign Affairs notes in a letter that a strength of the World Bank is its role as a knowledge bank. According to the ministry, much of the purpose of multi-donor trust funds is knowledge and method development in order to establish effective tools that can be used in projects. The ministry believes that bank-executed trust funds often give the World Bank itself better outcomes in terms of competence. In the opinion of the donors, this is a perfectly legitimate matter, provided the purpose is knowledge-sharing. The Ministry of Foreign Affairs notes that bank-executed trust funds are investments in better results at country level. The fact that money channelled to such funds does not immediately "hit the ground" does not mean that the aid has been poorly invested. Instead, bank-executed trust funds help to ensure that other types of aid can do more good at country level.¹⁵⁵

The department in Norad which is responsible for managing CGAP believes that the recipient ownership of the fund is satisfactory. The end recipients are people living in poverty in developing countries.¹⁵⁶ The department believes that CGAP is highly recipient-oriented, albeit indirectly. CGAP identifies previously unknown obstacles to financial inclusion and is, according to Norad, therefore of direct relevance in contributing to appropriate solutions for the recipients. In addition, Norad is aware that CGAP talks to different recipient groups and identifies needs before drawing up new strategies. According to Norad, the fund's reorientation from pure microfinance to other financial services is partly the result of such a process.¹⁵⁷

Earmarked funds versus core funding

We asked Norad whether Norway could have provided the funding to CGAP in the form of core funding for the World Bank instead. In an interview, Norad stated that the World Bank would not be able to perform the same tasks as CGAP through its core activities. CGAP carries out applied knowledge production within a narrower theme. The work involves investigating various issues and coming up with new ideas, and then testing them in practice through

¹⁵⁰ Vidal, M. F. and Medine, D. (2020) *Study Shows Kenyan Borrowers Value Data Privacy, Even During Pandemic*; Vidal, M. F. (2020) *Data Privacy Concerns Influence Financial Behaviors in India, Kenya*.

¹⁵¹ The World Bank Operations Evaluations Department (2004) *The Consultative Group to Assist the Poor. Addressing Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs. Case Study*, p. vii.

¹⁵² Decision document from Norad and the Ministry of Foreign Affairs: Norwegian membership of CGAP 2019–2023, dated September 2018.

¹⁵³ Legal quality assurance of CGAP: internal memorandum from the legal affairs section to Norad's trade and industry section, 9 November 2018.

¹⁵⁴ Interview with the Ministry of Foreign Affairs on 8 June 2020.

¹⁵⁵ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

¹⁵⁶ Letter from Norad to the Office of the Auditor General, 29 May 2020.

¹⁵⁷ Interview with Norad on 17 June 2020.

pilot projects. According to Norad, it is common for such investigative knowledge production in the World Bank to be financed by trust funds, rather than core funding.¹⁵⁸

Reporting in Prop. 1 S

CGAP is discussed in the propositions for the years 2015–2018. The wording is virtually identical for all four years. The ministry states that more knowledge regarding the needs, preferences and behaviour of people living in poverty has allowed financial service providers to tailor their products to suit their target group. Furthermore, the ministry reports that CGAP has also tested innovative digital financial services, e.g. in the areas of credit, savings and insurance. In addition, payment services have been trialled which provide easier access to services such as energy, water and education

None of the propositions which discuss CGAP describe the fund's tangible results or goal attainment. They also make no reference to the fund's administration costs. Instead, the propositions only provide an overview of some of the fund's activities. In an interview, the Ministry of Foreign Affairs stated that the budget propositions include descriptions of the efforts being made, rather than the results that had been achieved. The ministry stated that more attention has recently been paid to the reporting of results.¹⁵⁹

CGAP is not discussed in the budget propositions for the years 2019–2021. In an interview, the ministry stated that small initiatives like CGAP were not included every year in the propositions. It is necessary to select a sample of funds and decide what information should be communicated in the text.

5.1.2 The Jobs Umbrella multi-donor trust fund

Jobs Umbrella is a multi-donor trust fund which has been supported by the Ministry of Foreign Affairs since its inception in 2014, and aims to contribute to knowledge regarding job creation.

In an interview, the section for multilateral development banks in the Ministry of Foreign Affairs explained that political signals were given in connection with the change of government in 2013 that job creation and the private sector were a priority area. The section for multilateral development banks soon decided to explore the opportunities to considerably step up the efforts being made in this area in cooperation with the World Bank. Norway was involved in the dialogue before the establishment of the fund, even though the United Kingdom was the initiator.¹⁶⁰ Norway and the United Kingdom were therefore active donors from the beginning, while Sweden and Germany joined in later.¹⁶¹

Norwegian development assistance to the fund

Norway contributed NOK 70 million and NOK 50 million to the fund in 2014 and 2015 respectively.

According to the fund's annual report for 2019–2020, the goal was to raise USD 100 million. As of 2020, a total of six countries (Austria, Germany, Italy, Norway, Sweden and the United Kingdom) have committed to donating USD 52.4 million. This represents just over half of what the fund had expected.

The Ministry of Foreign Affairs and Norad's advance assessments

In the Ministry of Foreign Affairs' *Grant Management Manual* (GMM) dating from 2013, it was recommended in 2014 that an advance assessment should be carried out before agreements concerning larger amounts of support are entered into. These assessments form part of the basis for the decision which is enclosed with the decision document. Some grant management rules¹⁶² require projects of NOK 50 million upwards to either have an external

¹⁵⁸ Ibid.

¹⁵⁹ Interview with the Ministry of Foreign Affairs on 8 June 2020.

¹⁶⁰ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

¹⁶¹ Internal transfer memorandum from the Ministry of Foreign Affairs, 30 August 2017.

¹⁶² The grant management rules concerning, inter alia, support given via the regional or education item require projects of NOK 50 million upwards to either have an external evaluation carried out or obtain professional advice from Norad before an agreement is signed.

evaluation carried out or obtain professional advice from Norad before an agreement is signed. As of 2020, Norad is required to carry out an advance assessment of results, budget and risks, amongst other things, before new agreements are entered into.

Norway has donated a total of NOK 120 million to Jobs Umbrella without any external or internal advance assessment being carried out or any professional advice being provided by Norad concerning results frameworks, budget assessment, etc.

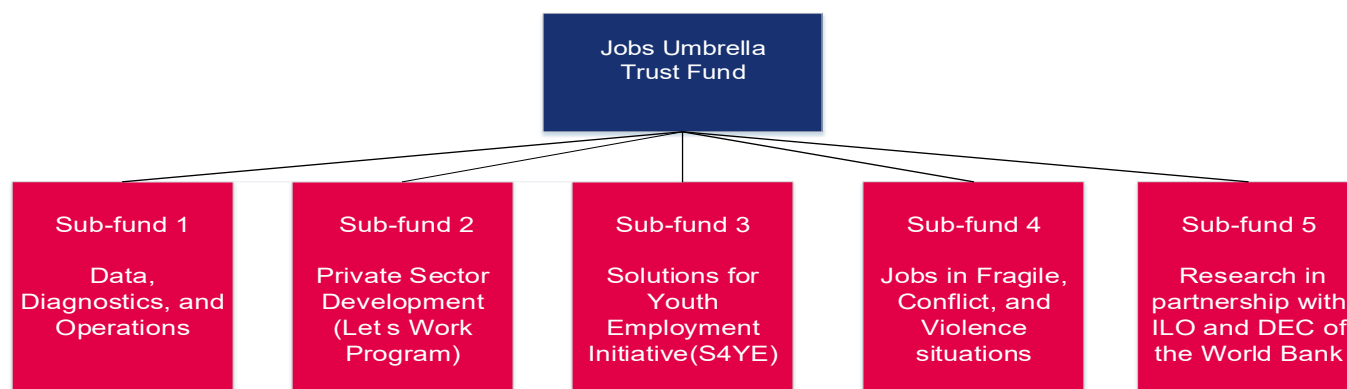
The Ministry of Foreign Affairs confirmed that Norad did not prepare an advance assessment of the results framework and budget before the ministry entered into an agreement with the World Bank in 2014, although it was not a requirement that such an assessment be prepared in 2014 either. However, according to the Ministry, a broad informal consultation process took place with the World Bank and other donors prior to the fund's establishment. Norad contributed input to this process.¹⁶³

To ensure an adequate basis for decision-making purposes, a decision document must always be prepared before aid agreements concerning financial support are entered into. The second agreement to be established concerning support for Jobs Umbrella of NOK 50 million was signed one day before the date of the decision document.¹⁶⁴ According to the Ministry of Foreign Affairs, this is due to an oversight in the dating. The ministry responded that no agreement is signed until a decision document is available.¹⁶⁵

The fund's composition and governance structure

The Jobs Umbrella multi-donor trust fund is an umbrella fund which comprises five sub-funds. Two of these sub-funds have their own governance structure, one of which, "Let's Work", is managed by the International Funding Institute (IFI). As mentioned previously, IFI is part of the World Bank Group which invests in the private sector. The programme is aimed at young people and existed before Jobs Umbrella was established. The second is the Solutions for Youth Employment Initiative (S4YE) partnership. "Solutions for Youth Employment initiative (S4YE)" is not formally part of the Jobs Umbrella fund, but it is largely financed by the fund. Figure 5 presents an overview of Jobs Umbrella.

Figure 5 The organisational structure of Jobs Umbrella



Source: Jobs Umbrella Multidonor Trust Fund Annual Report 2019–2020

In addition to these two partnerships, the fund carries out analytical work, research and job creation in fragile states. The research part of the fund (sub-fund 5 in the figure) is primarily a collaboration between the bank's research department (DEC) and the International Labour Organization (ILO). According to the Ministry of Foreign

¹⁶³ Interview with the Ministry of Foreign Affairs on 9 June 2020.

¹⁶⁴ The agreement was signed on 28 September 2015, while the decision document was signed a day later, on 29 September 2015.

¹⁶⁵ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General, 29 May 2020.

Affairs, it is unclear what this sub-fund actually contributes over and above the research that is already being carried out by the bank's research department (DEC) in the same field. Overall, according to the ministry, this structure has proved to be overly complicated.¹⁶⁶

The criteria used to allocate funding between the various sub-funds have not been clear. Some of the funding has been earmarked for the IFC programme "Let's Work", which is the sub-fund that has attracted the greatest interest amongst donors. According to the Ministry of Foreign Affairs, it is unclear what the connection to the bank's other work relating to fragile states¹⁶⁷ and Jobs Umbrella is.¹⁶⁸

The 2017 mid-term review of Jobs Umbrella¹⁶⁹ states that the organisational structure of three separate partnerships (Jobs Umbrella, Let's Work and S4YE) is likely to result in high transaction costs. According to the Ministry of Foreign Affairs, the bank did not concur with this finding.¹⁷⁰ The ministry adds that it is satisfied with the way in which the three secretariats operate. According to the ministry, no large secretariats have been built up, and the administration costs associated with these secretariats are modest.¹⁷¹

The fund's goals

The twin aims of the fund are: (i) to support the formulation and implementation of the World Bank's job strategy, which in turn aims to support client countries to formulate their job strategies for all relevant sectors, and (ii) to promote global knowledge concerning the most effective strategies and activities for sustainable jobs, especially for the most vulnerable groups. This wording was most recently repeated in the agreement of 12 December 2017. The same wording is also used in the fund's annual report for 2017.

The mid-term review of the fund from 2017 states that the bank still did not have an approved job strategy, even though one of the purposes of the fund was to support the formulation and implementation of such a strategy.

The ministry does not know whether such an approved strategy exists, but states that the bank does have a strategy for job creation. This strategy is integrated in a strategy for the private sector. In addition, jobs and economic change were one of five special themes considered during the final rounds of negotiations concerning core funding; ref. IDA18 and IDA19. The ministry also commented that job creation is given a high priority by the World Bank Group, and the bank's management has ensured that this fund actively supports the overall agenda for job creation.¹⁷²

In its annual report for 2018–2019, the fund revised the wording of the goals and removed the requirement for the fund to support the formulation and implementation of the World Bank's job strategy. The fund must now only support client countries in formulating their own job strategies. This change has not been incorporated into agreements. The change in the fund's goals also does not appear to have been documented.

Results

A sound results framework is essential in order to determine what results have been achieved. However, this has proved to be a difficult task ever since the fund was first established.

The Ministry of Foreign Affairs has stated that it was aware that there was no comprehensive results framework in place at the time the first agreement with the World Bank concerning Jobs Umbrella was established. Both the World Bank and its donors knew that the results framework was not fit for purpose. The results framework had no

¹⁶⁶ Transfer memorandum from the Ministry of Foreign Affairs, 30 August 2017.

¹⁶⁷ The Ministry of Foreign Affairs' internal transfer memorandum of 30 August 2017 states that "It is also unclear what the connection to the FCV unit is as regards projects that have received support from the window for fragile states". FCV stands for Fragility, Conflict, and Violence.

¹⁶⁸ The section is based on an internal Ministry of Foreign Affairs transfer memorandum dated 30 August 2017.

¹⁶⁹ Jobs Umbrella Multidonor Trust Fund, TF 072322. Mid Term Review, Final Report, December 2017.

¹⁷⁰ E-mail from the Ministry of Foreign Affairs to the Office of the Auditor General dated 8 June 2020.

¹⁷¹ Interview with the Ministry of Foreign Affairs on 9 June 2020.

¹⁷² Ibid.

clear change theory, was not sufficiently robust and lacked clear links between what should be achieved at product and user levels (*outputs* and *outcomes*). The ministry explained that there was a common acceptance amongst all donors that this was innovative, and that it was very difficult to create a robust results framework. There was therefore a shared willingness to accept this risk. Both the bank and its donors feared that, if the results framework had been too set in stone, it would not have captured all the good ideas for projects being put forward by the various units of the bank.¹⁷³

The decision document of 2014, which formed the basis for the first agreement between the Ministry of Foreign Affairs and Jobs Umbrella, states that an overall results framework should be drawn up within the next six to eight months. Almost three years later, the framework was still not in place. A memorandum from the Ministry of Foreign Affairs dating from 2017 states that the fund's annual report provides a good overview of the projects, but aggregating results from a large number of diverse projects has proved to be more problematic. The annual reports have therefore tended to present lists of activities, rather than results which provide an indication of what constitutes good projects for creating jobs. Furthermore, the memorandum states that "the fund was established without an adequate results framework", and that "this has continually been requested by Norway, while the feedback so far has been that work is under way on the matter."¹⁷⁴ Over time, the secretariat for Jobs Umbrella has come to understand the donors' requirements, especially since the new management arrived in 2019. As of 2020, a change theory has been established, and the quality of the results framework has improved, according to the Ministry.¹⁷⁵

The annual report for 2019–2020 states that the fund will continue to strengthen the results framework. The results framework presented in the annual report does not contain any indicators at user level, only at product level. Examples of indicators at product level include the number of "investigations, reports and research articles on various aspects of work" and the number of "innovative job pilots at country level".

Recipient ownership

No grants from Jobs Umbrella have gone directly to recipient countries. This means that the money has largely been spent on salaries and other benefits for employees of the World Bank and consultants. In addition, the initiative for the fund came from the donors. No developing country had requested the fund.

When asked how the ministry assesses the fund's recipient ownership, the ministry replied that recipients of the tools developed by the fund are departments involved in work-related challenges within the World Bank Group. These may also be decision-makers in government agencies, development partners, the private sector, donors and researchers who focus on improving work outcomes.¹⁷⁶

Although all the grants are used by the bank, it is reported that some of the fund's financed activities such as pilot studies and impact evaluations reach final recipients directly, e.g. jobs applicants.¹⁷⁷ This figure is estimated at 41,182 recipients. According to the annual report, this may include enhanced skills, reduced time spent seeking employment or higher incomes. It is not clear what type of support the various individuals have received or who the recipients are, e.g. as regards gender or age.

Support for middle-income countries versus fragile states

It is a key goal of Norwegian aid to strengthen the focus on poverty. This particularly entails directing efforts towards the poorest countries. According to Jobs Umbrella's annual report for 2018–2019, a total of 103 grants have been awarded across 40 countries, six regions and globally. Several of these grants have been awarded to middle-income countries, including Egypt, Paraguay, Tunisia, Turkey and Ukraine. This does not mean that

¹⁷³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

¹⁷⁴ Transfer memorandum from the Ministry of Foreign Affairs, 30 August 2017.

¹⁷⁵ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

¹⁷⁶ Ibid.

¹⁷⁷ Jobs Umbrella Annual Report 2019–2020, p. 65.

residents of these countries have received support directly, but that the grants have been spent on various studies and knowledge products in these countries.

The ministry maintains that there is not much to do with the country distribution within the fund. When the fund was set up, it was not a requirement that funding should only go to low-income countries. Some low-income countries can also learn from middle-income countries, which means that it may also be appropriate to support some middle-income countries. According to the ministry, the most important consideration is that only ODA-approved countries¹⁷⁸ receive support.¹⁷⁹

Earmarked funds versus core funding

Many of the fund's projects in individual countries are linked to major IDA projects (i.e. core funding).¹⁸⁰ This means that the grants from Jobs Umbrella account for very small proportion of the projects.¹⁸¹ We asked the Ministry of Foreign Affairs why it was not possible to provide the support as core funding, rather than via Jobs Umbrella. A number of documents concerning Jobs Umbrella¹⁸² state that it is important to link the fund to the World Bank's core funding; ref. the negotiations concerning IDA18 and IDA19, where jobs and economic change were special themes.

In reply, the Ministry of Foreign Affairs stated that the fund had not been set up to create jobs, but to determine what was needed in order to create jobs. This was analytical and searching work, and represents knowledge that the ministry assumes is important for core funding. According to the ministry, there may be a possibility that this analysis work will be funded via core funding instead in the future.¹⁸³

Status as of 2021

The Ministry of Foreign Affairs has been critical of Jobs Umbrella's work methodology and results for many years. "Norway wants to see concrete results on the ground rather than extensive analysis and tool kit development," said the Ministry of Foreign Affairs, adding that the fund has followed an excessively academic-analytical approach over a long period of time.¹⁸⁴ The ministry wants to see the fund switch to a more practical approach and establish a stronger partnership with IFC, the World Bank's private sector arm, for example.¹⁸⁵

The Ministry of Foreign Affairs has not allocated any funding to Jobs Umbrella since 2014–2015. In an interview conducted on 9 June 2020, the ministry stated that it assesses how effectively it can use money to create jobs on an ongoing basis. In an e-mail on 21 January 2021, the ministry stated that "we have now decided to exit from the trust fund". According to the ministry, Norway withdrew from the fund due to a need to re-prioritise as a result of the impact of the COVID-19 crisis on the aid budget. In May 2021, the ministry explained that a lack of expected results was another reason why Norway had withdrawn from the fund.¹⁸⁶

Reporting in Prop. 1 S

Jobs Umbrella is explicitly mentioned in the budget propositions for 2016 and 2017. As regards 2018, the fund is not referred to by name, but is included in the general discussion of private sector development and job creation for the World Bank Group and the African Development Bank. The fund is not discussed in the budget propositions for

¹⁷⁸ ODA corresponds to what is normally referred to as aid or development assistance, but is strictly defined by rules adopted by the OECD's Development Assistance Committee (DAC). ODA defines which countries can receive aid; primarily all low- and middle-income countries which are not members of the EU or G8.

¹⁷⁹ Interview with the Ministry of Foreign Affairs on 9 June 2020.

¹⁸⁰ Jobs Umbrella Annual Report 2018–2019.

¹⁸¹ For example, two thirds of Jobs Umbrella projects in Bangladesh were associated with major IDA projects totalling between USD 100 million and USD 500 million, while Jobs Umbrella's grants for the projects in Bangladesh totalled USD 1.8 million.

¹⁸² According to Jobs Umbrella's annual report for 2018–2019 (p. 6), it is important that the fund supports the special theme of job creation in IDA18. In an e-mail from the World Bank to the Ministry of Foreign Affairs on 30 November 2018, the director of Jobs stated that he was looking forward to linking Jobs Umbrella to the job creation agenda in IDA18 and IDA19.

¹⁸³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

¹⁸⁴ Draft mandate for board meeting, 13 December 2019.

¹⁸⁵ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

¹⁸⁶ Interview with the Ministry of Foreign Affairs on 4 May 2021.

2019 and 2020. For the budget proposition for 2021, the fund is mentioned in connection with our investigation. It is stated that "From 2019, the Office of the Auditor General reviewed the Jobs Umbrella Trust Fund".

According to the ministry, Jobs Umbrella is not mentioned in Prop. 1 S (2018–2019) because of strong pressure to shorten the proposition to the Storting. As a result, only selected initiatives within the field of business development, including job creation and cooperation with the private sector, were referred to.¹⁸⁷

None of the propositions from 2016–2021 discuss specific results that Jobs Umbrella has achieved for end users, administration costs associated with the fund, or the amount of support that Norway has provided. There is also no mention of challenges or critical objections to the fund from the ministry itself. The report section from the fund is virtually identical for all years. The chapter on business development and job creation states that Norway also supports the World Bank's initiative relating to job creation by helping to develop the private sector. Amongst other things, it states that the fund has helped to identify where the greatest potential for job creation lies, what obstacles young people face when entering the labour market, and what strategies must be followed in order to create jobs in situations involving conflict and violence. According to the proposition, Norwegian aid to Zambia, Bangladesh, Tunisia, Lebanon and Pakistan has mobilised greater efforts to create more jobs for young people in general, in the export industry and job creation programmes.

5.2 Scaling up Renewable Energy in Low Income Countries (SREP)

Scaling Up Renewable Energy in Low Income Countries (SREP) is a climate investment fund for renewable energy in low-income countries. The fund aims to improve access to energy in low-income countries and demonstrate that investments in renewable energy¹⁸⁸ can give households, schools, health centres and the productive sector better access to energy. SREP is a FIF; for further discussion, see 4.1.2.

5.2.1 Norwegian development assistance to the fund

The Ministry of Foreign Affairs entered into an agreement with the World Bank concerning NOK 150 million for SREP in 2009.¹⁸⁹ Prior to this, both the Ministry of Foreign Affairs and Norad considered the programme to be in line with the objectives of the other aid for clean energy. Norad described SREP as being worthy of support and highly relevant, partly because it would help to realise the Millennium Development Goals and improve energy access in poor countries.¹⁹⁰

During the period 2009–2018, the Norwegian authorities disbursed a total of NOK 802 million to SREP. Of the 11 donors¹⁹¹ to the fund, Norway is the second largest contributor after the United Kingdom, with a 19 per cent share.¹⁹² In June 2017, administrative responsibility for SREP was transferred from the Ministry of Foreign Affairs to Norad's Clean Energy Section. The Ministry of Foreign Affairs has continued to sit on SREP's board.

No support was paid to SREP in either 2019 or 2020.¹⁹³ This is in line with Norad's recommendations and is justified by Norad through reference to the fact that the fund has weaknesses linked to cost-effectiveness and results, amongst other things; for further discussion, see 5.2.4.

5.2.2 The fund's composition and governance structure

SREP is one of three sub-funds under the *Strategic Climate Fund* (SCF). SCF is also one of two sub-funds under *Climate Investment Funds* (CIF), one of the world's largest climate funds. Figure 6 shows an overview of the funds

¹⁸⁷ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

¹⁸⁸ Energy from wind, solar, geothermal, biomass and small hydropower plants.

¹⁸⁹ *Contribution Agreement between the Royal Norwegian Ministry of Foreign Affairs, and the International Bank for Reconstruction and Development concerning the trust fund for the Strategic Climate Fund* (MTO No. 069012), 5 November 2009.

¹⁹⁰ The Ministry of Foreign Affairs' decision memorandum on 6 July 2009 and Norad's assessment of Norwegian support, response to order from the Ministry of Foreign Affairs of 15 June 2009.

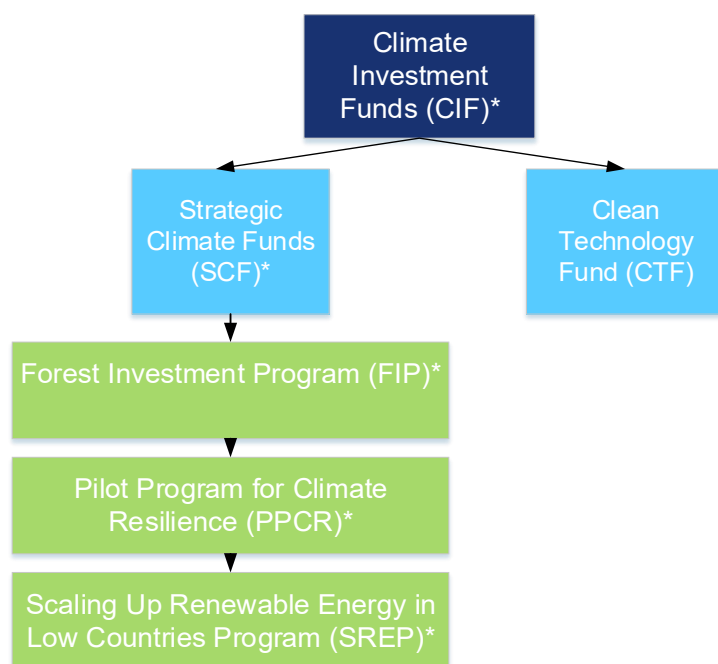
¹⁹¹ The eleven donors are Australia, Denmark, Japan, the Netherlands, Norway, the United Kingdom, the United States, Spain, Switzerland, Sweden and South Korea.

¹⁹² USD 124 million of USD 646 million. See Strategic Climate Fund (SCF), *Financial Report, prepared by the Trustee, as of 30 September 2020*, p. 22.

¹⁹³ Norad's *Norwegian Aid Statistics* database.

under CIF. The Ministry of Foreign Affairs or Norad sits on the boards of the trust funds marked with an asterisk, i.e. in the case of all but one fund.

Figure 6 Overview of the trust funds under Climate Investment Funds (CIF)



Source: www.climateinvestmentfunds.org *Ministry of Foreign Affairs or Norad sits on the steering committee of these trust funds

Ministry of Foreign Affairs officials sit on SREP's board, on SCF's steering committee, and on the overarching and more strategic policy committee, *CIF Joint Committee*. Norway's seat on SREP's board is shared with Spain. The twelve seats on SREP's board are evenly distributed between donors and recipient countries.

CIF and all its sub-funds are managed by a joint secretariat comprising 18 staff from the World Bank.¹⁹⁴ Like all FIFs, SREP does not actually carry out any projects itself. It is the World Bank and/or the regional development banks that perform the role of grant agent, and thus carry out the projects. As of October 2020, the World Bank had received half of the funding from SREP to carry out projects.¹⁹⁵

SREP's programme cycle is illustrated in figure 7. As the figure shows, it takes a total of at least five years from the commencement of work on an investment plan until a project is completed, but it can take up to 12 years.

¹⁹⁴ Interview with Norad on 9 October 2020.

¹⁹⁵ As of October 2020, IBRD had received 48.7 per cent and IFC had received 2.7 per cent of SREP's approved funding.

Figure 7 The process of developing and delivering projects within SREP



Source: www.climateinvestmentfunds.org/process/process-srep

The recipient countries draw up investment plans together with the development banks and representatives of civil society, indigenous peoples and the private sector. These are based on the national energy and climate plans of the respective countries (phase 1). Both the investment plan and the financing of individual projects therein are then approved by SREP's steering committee (phases 2 and 3). Before a project can start, it must also undergo quality assurance and be approved by the development bank that will carry out the project (phase 4).¹⁹⁶

5.2.3 Results

SREP's overall results

After starting with six pilot countries in 2009, SREP now cooperates with 27 low-income countries. In four of the countries (Benin, Malawi, Sierra Leone and Yemen), efforts to develop investment plans have stalled.¹⁹⁷

As of 2021, the SREP has only just begun delivering on its main goals, and according to the Ministry of Foreign Affairs, there is still a long way to go to full goal attainment.¹⁹⁸ Table 2 presents an overview of SREP's results in accordance with the latest results report dating from June 2021.

¹⁹⁶ <https://www.climateinvestmentfunds.org/process/process-srep> [Retrieval date 09/29/2020].

¹⁹⁷ This means that 23 countries have approved investment plans. See *SREP Operational and results report*, 3 June 2021, p. 10.

¹⁹⁸ The Ministry of Foreign Affairs' minutes of the SREP board meeting held on 1 February 2019, e-mail of 25 February 2019.

Table 2 SREP's results as of 3 June 2021, cumulative figures*

Result indicator	Goal attainment 2019	Goal attainment 2020	Goal attainment 2021	Expected goal attainment**	Number of projects***
1 Generation of renewable electricity (MWh/year)	39,498	116,089	166,975 (4.4%)	3,778,421	10
2 Increased energy availability (number of people)	268,689	308,946	727,985 (7.2%)	10,074,286	10
3 Increased energy availability (number of businesses)	634	928	2,722 (1.9%)	143,336	6
4 Installed renewable generation capacity (MW)	173	244	280 (34.7%)	808	8

Source: Climate Investment Funds, *SREP Operational and Results Report*, 3 June 2021 *The figures for electricity generation are annual **Expected goal attainment in approved projects which include the indicator ***Number of projects reporting results achieved for the indicator

Table 2 shows annual goal attainment during the period 2019–2021 for key indicators.¹⁹⁹ Only between six and ten projects report concrete results for the individual indicator. The table also shows that only 1.9 per cent of the expected goal of improving energy access for businesses was achieved in 2021, and that 4.4 per cent of the expected goal for renewable electricity generation was achieved.

The results report does not specify *when* the goals of individual projects must be achieved by or whether the projects are on schedule. It can therefore be difficult for donors to assess the progress of an *individual project* based on the annual results report. Norad states that the directorate believes that the quality of reporting at *programme level* is good, as it shows progress towards aggregated goals. The directorate also notes that detailed progress reports have not been deemed necessary for all projects in the portfolio, and that Norad has used the non-conformity analysis in the annual risk report as a basis instead.²⁰⁰ Seven projects in the risk report from 2021 are assessed as being subject to implementation risk, i.e. a risk that the project will not be carried out as anticipated.²⁰¹

As of 31 December 2020, SREP had disbursed USD 137 million out of a total of USD 603.6 million in approved funding.²⁰² This means that 23 per cent of the funding has been disbursed to 36 projects. During the previous

¹⁹⁹ A fifth result indicator, increased public and private investment (*co-financing leveraged*) is omitted from the table. According to Norad's appropriation document dating from 2018, there are major methodological challenges associated with measuring whether initiatives trigger other financing.

²⁰⁰ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

²⁰¹ Strategic Climate Fund, *Risk report*, 12 June 2021, p. 21–23.

²⁰² Climate Investment Funds, *SREP Operational and Results Report*, 3 June 2021, p. 8.

year²⁰³, 20 per cent of approved financing was disbursed to 28 projects, while in 2018²⁰⁴, 14 per cent was disbursed to 24 projects.

The low rate of disbursement has been an issue at board meetings for a number of years. For example, the Ministry of Foreign Affairs noted in April 2013 that the low rate of disbursement was linked to the organisation of the trust funds. Funding is earmarked for the recipient country and remains in the fund until the investment plan has been approved. Developing complex projects which often require impact assessments is also a time-consuming process.²⁰⁵ Since 2017, only Denmark, Switzerland and Norway have provided funding to SREP.²⁰⁶

New guidelines²⁰⁷ for managing planned projects with guaranteed financing were adopted at the SREP board meeting in June 2017. Requirements regarding progress mean that projects with a poor rate of progress will lose funding and be replaced by a project from a reserve list.²⁰⁸ According to Norad, the time needed to plan new projects has been reduced since the new guidelines were adopted, but it remains to be seen whether this will streamline project implementation and increase payments from the fund.²⁰⁹



SREP is a climate investment fund for renewable energy in low-income countries, including solar energy. The photograph shows rows of solar panels at a power plant in Morocco. Photo: Dana Smillie / World Bank.

Results at country level - the example of Uganda

Uganda's investment plan for SREP²¹⁰ was approved by SREP's steering committee in November 2015, and USD 50 million was then awarded for future projects in the country. The plan was based on 80 per cent of the funding going towards the development of geothermal energy, while the remainder would go to solar and wind power. The investment plan was therefore aimed at broadening the basis for energy production by developing geothermal energy and wind power, which are both new forms of energy in the country.²¹¹ The embassy was already supporting Uganda bilaterally through an energy programme with an emphasis on hydropower, which at that time accounted for 80 per cent of the country's energy production.

²⁰³ I.e. as of 30 June 2019; see *SREP Operational and results report*, 16 January 2020, p. 9.

²⁰⁴ I.e. as of 30 June 2018; see *SREP Operational and results report*, 19 December 2018, p. 8.

²⁰⁵ Ministry of Foreign Affairs, summary of key points following the Climate Investment Funds (CIF) board meeting in Washington, D.C. on 28 – 29 April 2013, e-mail of 16 May 2013.

²⁰⁶ The World Bank's *Development Partner Center (DPC)* [Downloaded 04.11.2020].

²⁰⁷ Climate Investment Funds (2017) *SREP Pipeline Management Policy*.

²⁰⁸ Ministry of Foreign Affairs transfer memorandum, 23 June 2017.

²⁰⁹ Norad's decision document, 15 November 2018, p. 4.

²¹⁰ The Republic of Uganda, Ministry of Energy and Mineral Development (2015) *Scaling-up renewable energy program investment plan*.

²¹¹ Interview with the Norwegian Embassy in Uganda, 17 December 2020.

Both the embassy in Uganda and Norad were critical of the investment plan. Norad recommended that the plan be rejected and believed that there was a need for more analysis and better justification for choosing the new forms of energy. For its part, the embassy pointed out that wind power did not form part of Uganda's *National Vision 2040* development plan. It also noted that the investment plan for SREP made no reference to nuclear energy, which according to the development plan will account for over half of the energy mix by 2040.²¹² According to Norad, transaction costs could be high if SREP is established in parallel.²¹³ However, the SREP did not wish to support hydropower projects in Uganda, as in principle SREP wanted to expand the basis for energy production.²¹⁴

Norad pointed out that there was no credible assessment in the investment plan as to why SREP did not wish to support the existing energy programme, which Norad believed could refer to good results. According to Norad, it would be more cost-effective and help to accelerate results.²¹⁵

According to the embassy, introducing new forms of energy through SREP would require further competence-building on the part of the energy authorities. In addition, the challenges faced by the energy authorities in acquiring sufficient expertise and qualified personnel will be amplified.²¹⁶ The embassy states that trust funds within the energy sector are managed by the same staff at the Ugandan Ministry of Energy, and the establishment of new trust funds would therefore give rise to capacity challenges.²¹⁷

Since the decision-making process in the SREP requires a consensus, the Ministry of Foreign Affairs has found that there is a high threshold for vetoing an investment plan.²¹⁸ Norway did not oppose the plan when it was considered at the board meeting, subject to the condition that Uganda and the African Development Bank conducted a thorough review of the geothermal project, with a view to possible reassessment within a year.²¹⁹

However, as of 2020, none of the three SREP projects have²²⁰ made any progress, and the grants given to Ugandan authorities to develop the two solar and wind power projects were repaid in October 2019.²²¹ The third, and by far the largest project in geothermal energy, has also not been developed further. According to the embassy, this is a positive development as it would not be sensible to spend money on developing this type of energy in Uganda.²²²

There are a number of reasons why SREP has ceased operating in Uganda. According to the embassy, compared with more successful energy projects in Uganda, there are three factors that SREP has lacked: national ownership, expertise relating to geothermal energy and a robust implementation framework.²²³

The Ministry of Foreign Affairs cites problems at the African Development Bank as a reason for the lack of progress.²²⁴ Norad has also cited this as a cause, pointing to capacity problems or a lack of engagement amongst the development banks which carry out projects, particularly the African Development Bank.²²⁵

²¹² Assessment of the Norwegian Embassy in Uganda of the investment plan for SREP in Uganda, e-mail from the embassy to the Ministry of Foreign Affairs on 3 November 2015.

²¹³ Norad's remarks on the investment plan for SREP in Uganda, undated.

²¹⁴ Assessment of the Norwegian Embassy in Uganda of the investment plan for SREP in Uganda, e-mail from the embassy to the Ministry of Foreign Affairs on 3 November 2015.

²¹⁵ Norad's remarks on the investment plan for SREP in Uganda, undated.

²¹⁶ Assessment of the Norwegian Embassy in Uganda of the investment plan for SREP in Uganda, e-mail from the embassy to the Ministry of Foreign Affairs on 3 November 2015.

²¹⁷ Interview with the Norwegian Embassy in Uganda, 17 December 2020.

²¹⁸ Ministry of Foreign Affairs, minutes of SREP board meeting held on 11 November 2015, e-mail of 20 November 2015, Appendix 1 Background and questions raised in connection with Uganda's investment plan.

²¹⁹ Ministry of Foreign Affairs, *SREP board meeting 6 December: Key points*, e-mail of 8 December 2016.

²²⁰ The other two projects, in addition to the geothermal projects, form the *Decentralized Renewables Development Program: Mini-Grids & Urban Small Scale Solar PV Net Metering og Wind Resource Map and Pilot Wind Power Development Program*.

²²¹ Letter from the African Development Bank to Uganda's Finance Minister, *Cancellation of undisbursed balance*, 18 October 2019.

²²² E-mail from the Norwegian Embassy in Uganda to the Ministry of Foreign Affairs on 1 March 2018.

²²³ Interview with the Norwegian Embassy in Uganda, 17 December 2020.

²²⁴ Exchange of e-mails between the Ministry of Foreign Affairs and the embassy in February 2018.

²²⁵ Norad's decision document, 15 November 2018.

The Ministry of Foreign Affairs has also noted that the Ugandan authorities have asked the development bank to withdraw from the energy sector and prioritise other infrastructure instead.²²⁶ The decision by the authorities not to prioritise SREP has also been cited by the World Bank as an explanation for the lack of progress.²²⁷

In its remarks on the draft report, the Ministry of Foreign Affairs also expresses its views regarding the recipient ownership of SREP more generally. According to the ministry, the recipient ownership of the SREP has been safeguarded through broad participation at country level in the development of investment plans, in addition to the fact that the seats on SREP's steering committee are evenly distributed between donors and recipient countries. The ministry also notes that Uganda is one of 27 cooperating countries, and that it is the only country in which the programme has been discontinued since the investment plan was finalised.²²⁸

5.2.4 Disagreement between the Ministry of Foreign Affairs and Norad regarding continuing funding to SREP

Norad wants to see concrete results

In 2018, the Ministry of Foreign Affairs advised that funding for SREP should amount to at least NOK 30 million; ref. letter of commitment no. 1 to Norad. At the board meeting held on 6 June, the ministry announced that Norway was considering supporting SREP "with a smaller amount" in 2018.²²⁹ For its part, Norad recommended waiting for further Norwegian assistance to SREP and pointed out that this recommendation went against what the Ministry of Foreign Affairs had already announced at the board meeting. According to Norad, the programme should be required to present more concrete results before any support was resumed. This is apparent from an internal memorandum from Norad dated 15 June 2018.

SREP received NOK 15 million from Norway in 2018 (ref. Prop. S 1 (2019–2020)), which is a smaller amount than was recommended in the original guidance from the Ministry in the letter of commitment. According to Norad, little experience has so far been gained at country or project level to confirm or refute the realism of the fund's investment plans and budgets.²³⁰ Norad recommended that further support *beyond 2018* be put on hold until the Norwegian authorities had confirmed that SREP is a cost-effective programme which actually delivers results. In April 2021, Norad stated that it had received no such confirmation and that it believes a future evaluation will provide a more definitive answer to this.²³¹

Norad believes that further development assistance to SREP may become relevant in the event of a positive external evaluation. Norad stated that the plan was to carry out an evaluation of SREP by the end of 2021.²³² According to the Ministry of Foreign Affairs, the coronavirus pandemic has caused some delay, but the evaluation is still expected to be available by January 2022.²³³

Norad questions the relevance of SREP

In 2018, Norad recommended that support for SREP be suspended, both because of the fund's poor goal attainment and because of uncertainty concerning financing and relevance in the recipient countries. The directorate stated that it was uncertain whether the national ownership was real in connection with the development of SREP in Uganda, Liberia and, to some extent, Nepal and Tanzania. Norad was also uncertain about the added value and relevance of SREP and questioned whether SREP was simply an expensive intermediary in practice.²³⁴

²²⁶ Exchange of e-mails between the Ministry of Foreign Affairs and the embassy in February 2018.

²²⁷ E-mails from the World Bank to the Ministry of Foreign Affairs, 17 and 19 December 2019.

²²⁸ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

²²⁹ Ministry of Foreign Affairs, mandate and minutes of SREP board meeting held on 6 June 2018.

²³⁰ Norad's decision document, 15 November 2018.

²³¹ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

²³² Letter from Norad to the Office of the Auditor General dated 27 April 2021.

²³³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

²³⁴ Norad's Clean Energy Section, *Prinsippavklaring – fordeling av ledige midler over 166.74 – Fornybar energi*, 15 June 2018.

We can see that, in 2018, Norad questioned whether the fundamental preconditions for allocating aid funding, such as progress, relevance and national ownership, were met in several countries in which the fund was operating.

In a letter to the Office of the Auditor General on 24 September, the Ministry of Foreign Affairs noted that Norad's uncertainty regarding SREP was reflected in the appropriations document from 2018. However, we cannot see that the appropriations document reflects these themes. As shown above, we also note that, most recently in 2021, Norad stated that the directorate had been unable to confirm that SREP is a cost-effective programme which actually delivers results.²³⁵

5.2.5 Reporting in Prop. 1 S

In the draft text for the budget propositions of recent years, Norad has referred to delays and problems with goal attainment within SREP. According to a letter from the Ministry of Foreign Affairs to the Office of the Auditor General on 24 September 2021, the ministry has also consistently reported delayed and poor progress within SREP, although the ministry believes that this could have been done even better. Our review of the budget propositions shows that the Ministry of Foreign Affairs' reports suggest a higher degree of goal attainment within SREP than is indicated by Norad's reports.

In the draft text for Prop. 1 S (2019–2020), Norad states that the programme has *begun delivering* on its main result goals, but that full goal attainment is a *long way off*. In the minutes of the board meeting held in February 2019, the Ministry of Foreign Affairs also notes that SREP has only just begun delivering on its key result goals, and that there is still a long way to go before all goals are achieved. However, in the budget proposition, the Ministry states that the programme *has* delivered on its key result goals, although there is *some way* to go until all goals have been achieved. In its remarks on the report, the Ministry of Foreign Affairs subsequently noted that the latter sentence presents too positive a picture of the progress being made within SREP, and that it should not have been included in the results report.²³⁶

In the draft text for Prop. 1 S (2020–2021), Norad states that SREP has experienced *major* delays and is barely achieving its aggregated goals. To date, the programme has achieved 4 per cent of its goal of 8.7 million new affiliations and 1 per cent of its goal of a 2.5-million tonne reduction in emissions annually. This sentence concerning low goal attainment is not discussed in the final Prop. S 1 (2020–2021). In the final proposition, the Ministry of Foreign Affairs states that the fund has suffered *some* delays, largely due to external circumstances. The programme will continue until at least 2030 and includes major energy projects which will take time to initiate and complete.

In a letter to the Office of the Auditor General on 24 September 2021, the Ministry of Foreign Affairs admits it has placed greatest emphasis on disseminating positive results which show what Norway is getting for its substantial aid contributions to the World Bank's trust funds, and that the ministry has barely submitted reports indicating a lack of goal attainment.

5.3 Global Financing Facility – GFF

On 4 February 2015, the Ministry of Foreign Affairs entered into an agreement with GFF to support the health of women, children and adolescents. The GFF was not a new fund at the time, but a revised agreement of an existing health fund, which Norway and the United Kingdom's Department for International Development (DFID) had jointly supported since 2007. It was originally a multi-donor trust fund for the trial and possible roll-out of result-based funding within maternal and child health. The fund, which was known as the Health Results Innovation Trust Fund (HRITF) at the time, was then converted into a broader maternal and child health fund which also covers

²³⁵ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

²³⁶ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

adolescents and nutrition, and strengthens the health systems of the countries concerned. Norad had wanted to terminate the original agreement concerning HRITF before a new one was signed concerning GFF. However, according to the World Bank, this is not possible once the future transfer of money has been contractually agreed.²³⁷ HRITF thus continued as a separate programme within GFF. HRITF has its own results framework, reporting and donor meetings, in addition to GFF. The HRITF section will be wound up in 2022. The agreement between the Ministry of Foreign Affairs and GFF also stipulates how much of the Norwegian funding was to go to the HRITF component, and how much was to go to GFF.

The aim of GFF is to contribute to the attainment of SDG 3 to ensure healthy lives and promote well-being for all at all ages by providing support to 49 low- and middle-income countries. These countries both lacked the funding and had high maternal and child mortality rates at the time the fund was set up.²³⁸ As of 2019, 36 countries were receiving support from GFF.²³⁹ GFF assists the authorities in the recipient countries by ensuring that all donors agree on clear priorities and a plan that the countries themselves then become responsible for implementing. GFF notes that they act as a catalyst for health funding. The countries receive a relatively small grant from GFF. The grant is intended to contribute to a substantial increase in the countries' own funding together with the World Bank's core funding (IDA and IBRD) and other external and private financing.²⁴⁰ GFF's annual report for 2019–2020 states that countries that have received support from GFF have used IDA funding for health in a ratio of 1: 8, i.e. eight times as much as the grant from GFF.

5.3.1 Norwegian development assistance to the fund

Norway was one of the initiators of GFF back in 2015.²⁴¹ Norway is the largest donor to GFF and disbursed a total of NOK 3 billion during the period 2016–2020. During the period 2007–2015, almost NOK 1.25 billion was disbursed to HRITF.²⁴² During GFF's replenishment conference in 2018, Prime Minister Erna Solberg pledged to continue Norway's support of NOK 600 million per year for the period 2021–2023. Other major donors to GFF are the Gates Foundation and Canada. In total, there are 15 donors to GFF.²⁴³



The photograph shows Nikolai Astrup, then Minister of International Development, at the lectern during the GFF replenishment conference in Oslo on 6 November 2018. Photo: Dominic Chavez / The Global Financing Facility.

²³⁷ Interview with Norad on 9 October 2020.

²³⁸ Norad's decision document for the grant agreement for 2021–2023, 29 August 2019.

²³⁹ The Global Financing Facility for Women, Children and Adolescents, *2019–2020 Annual Report*.

²⁴⁰ The Global Financing Facility for Women, Children and Adolescents, *2018–2019 Annual Report*.

²⁴¹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General, 30 August 2019.

²⁴² Norad's *Norwegian Aid Statistics* database. Everything paid into the agreement GLO-07/460, QZA-09/331 and QZA-15/0421.

²⁴³ Norad's decision document for the grant agreement for 2021–2023, 29 August 2019.

5.3.2 The fund's composition and governance structure²⁴⁴

The Trust Fund Committee, the investor group, the World Bank's board of directors and the secretariat

The Trust Fund Committee is the most important decision-making forum within the GFF fund. It decides which countries will receive support. In addition to the World Bank, all donors are represented on the Committee, but not any of the recipient countries are. Board decisions are normally based on a consensus. Because GFF's grants are planned together with the World Bank's core funding (IDA), it is the World Bank's board of directors which takes the overall decisions regarding IDA support at country level, and consequently GFF funding as well. In principle, the World Bank's board of directors can therefore overrule the Trust Fund Committee of the GFF.

In addition to the Trust Fund Committee, GFF has what is known as an 'investors group', in which Norway is represented through Norad. In addition to donors, representatives of recipient countries, other multilateral actors, civil society organisations and actors from the private sector are also part of the group. Although this group can advise the board, it has no decision-making powers.

The Ministry of Foreign Affairs managed GFF from its inception through until 2017. Management responsibility was then transferred to Norad. Following the Norwegian aid reform, the Ministry of Foreign Affairs was again represented on the fund's board from 2019 to 2021, but the seat on GFF's board was subsequently transferred to Norad in 2021.²⁴⁵

Amongst other things, GFF's secretariat is responsible for day-to-day operations. Norad notes that, in most cases, the GFF secretariat has shown a strong ability to quality-assure country programmes, processes and structures. However, Norad has also encountered cases where the priorities of the core funding have overridden GFF's priorities in their joint work at country level. Norad has raised this matter with GFF, the World Bank and the World Bank's board of directors.²⁴⁶ Norad has explained that this was in connection with grants to GFF in 2018. A number of the recipient countries believed that the orientation of the core funding appeared to be pre-determined and prioritised the theme of 'early childhood and nutrition'. This was therefore regarded as a guideline for GFF to some extent. According to Norad, countries thus believed that the World Bank was not open to input from either the recipient countries themselves or other donors and collaboration partners at country level. However, according to Norad, the processes at country level have become more inclusive.²⁴⁷

The 'transfer out part' in multi-donor trust funds introduces an extra link from donor to final recipient

There is scope for multi-donor trust funds to pass on some of the funding to other organisations which carry out the projects (*transfer out*). The World Bank will then not have any responsibility for this funding. The decision document for the grant agreement for GFF in 2021–2023 states that upcoming agreements will allow a "transfer out" part to specific organisations. It will be the organisation that will implement the grant which will be responsible for the funding and reporting.

As of 2021, a total of USD 6.6 million in "transfer out" funding has been disbursed to Unicef and the World Health Organization. In a letter dated 24 September 2021, the Ministry of Foreign Affairs notes that this funding accounts for a small proportion of the total fund. The challenge relating to the "transfer out" part is that the World Bank has no responsibility for the funding that is passed on, resulting in an *accountability gap*. In this way, more of the responsibility for following up the funding is left with the donors. Norway has been involved in working for "transfer out" in the GFF and has, amongst other things, been concerned about the opportunity that this provides for the use

²⁴⁴ Norad's decision document for the grant agreement for 2021–2023, 29 August 2019, and interview with Norad on 9 October 2020.

²⁴⁵ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

²⁴⁶ Norad's decision document for the grant agreement for 2021–2023, 29 August 2019.

²⁴⁷ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

of professional assistance from UN organisations within GFF, for example. GFF wanted to use Unicef as a grant agent. The World Bank is aimed at countries, rather than private operators. According to Norad, it was therefore easier to use Unicef, which has simpler mechanisms in place for working with private operators. Nevertheless, there has been some scepticism within Norad regarding "transfer out", partly because the World Bank will not be responsible for the funding when this mechanism is used.²⁴⁸

In connection with GFF's newly established option to forward funding to other organisations, an Operations Manual was to be prepared to regulate tasks and responsibilities between the GFF secretariat, the recipient organisation "Eligible Transferee" and the fund committee. The decision document which was prepared in 2019 stressed that Norad would monitor the development of the manual closely to ensure that it covered all key areas.

As of April 2021, there is still no fully developed manual. The GFF secretariat has concluded that it is not appropriate to have a separate manual for the GFF fund alone. Instead, the World Bank has been keen to put in place more standardised manuals for all trust funds which use the mechanism. As of 2021, no manual concerning "transfer out" covering all funds has been developed either, but work is apparently underway on this, according to Norad.²⁴⁹ Overall, Norad believes that "transfer out" within GFF is adequately regulated in relation to the risk that the mechanism constitutes.²⁵⁰

"Transfer out" means not only that the funding goes through an additional organisation before it reaches the final recipient, but also that administration costs are deducted in an additional stage. Additional administration costs linked to transfer out agreements are discussed further in 6.3.2.

5.3.3 Results

GFF has an overarching results framework that has been developed based on a change theory. The results framework has indicators at all levels: at societal, user and product levels (*impact*, *outcome* and *output*). Selected indicators are collated and aggregated for all countries. In addition, each recipient country develops its own results framework based on its priorities. Norad has helped to develop the results framework.

Norad presented a thorough assessment of the results framework in the decision document dating from 2019. Amongst other things, Norad notes that GFF does not attempt to say that the results in the field are achieved due to GFF's own activities, but that GFF is contributing to the overall results being achieved within the field of health. In the decision document, Norad states that the activity indicators are important for assessing GFF's added value. Norad states that there has been continuous development within this area. According to Norad, the fund shows more clearly how GFF is contributing to added value through its new strategy.²⁵¹

In the annual report for 2018–2019, GFF refers to positive results overall. The mortality rate amongst newborns and children under the age of five had fallen in all 27 countries that had so far received GFF support. The proportion of teenage pregnancies had declined in 26 of the countries. In addition, 19 of the 27 GFF countries had increased their national funding for health services per capita. However, the source for this dates from 2016, i.e. before GFF had been established. When asked how this can be a positive trend that GFF is highlighting, Norad does not believe that GFF is claiming that the increase in health expenditure is being attributed to GFF's involvement in particular.²⁵² However, it is not made clear in the annual report that this development is not due to contributions from GFF's activities.

²⁴⁸ Interview with Norad on 9 October 2020.

²⁴⁹ Interview with Norad on 9 October 2020.

²⁵⁰ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

²⁵¹ Ibid.

²⁵² Ibid.



GFF gives support to 49 low- and middle-income countries to contribute to the attainment of SDG 3 to ensure good health and promote quality of life for people of all ages. The photograph shows patients at a hospital pharmacy in Bamenda, Cameroon. Photo: Dominic Chavez / World Bank.

Sexual and reproductive health and rights

Support for sexual and reproductive health and rights (SRHR) is an important goal for Norway's health aid, and GFF is an important instrument in achieving this goal. Norway has wanted to be able to monitor developments within SRHR in GFF. However, no actual figures are available which show how much is used for SRHR.

It is estimated that 28 per cent of GFF's total funding goes to SRHR, but these figures are based on modelling from historical data from GFF's predecessor, HRITF.²⁵³ According to Norad, this estimate is likely to be adjusted downward to 26 per cent from 2021. For Uganda, GFF says that 9 per cent of the project's funding have been spent on purchasing equipment for family planning and funding a reproductive health advisor.²⁵⁴

There are also many recommended SRHR indicators for measuring progress relating to Sustainable Development Goal 3 on health. The global results framework for GFF contains only one indicator – the birth rate amongst adolescents – which GFF is responsible for collecting data on. Of the other SRHR indicators, each country decides whether or not data should be collected. The most recent annual report refers only to occasional contributions from individual countries in this area. In other words, GFF's contribution to SRHR is not measured systematically.

Norad notes that this is an issue that they have been in dialogue with GFF about for a long time. This is because SRHR-related interventions depend on the priorities laid out in each country's investment plan. The indicators at supranational level are also set up in such a way that there is limited information about the results that have been achieved for SRHR. According to Norad, the best available information at present is to see which SRHR indicators have been used in each country.²⁵⁵ The Ministry of Foreign Affairs also notes that SRHR concerns sensitive issues relating to rights in many countries, and must therefore be treated with caution within national laws, culture and conditions generally, so as not to be reversed by strong political forces.²⁵⁶

²⁵³ Norad's decision document for the grant agreement for 2021–2023, 29 August 2019.

²⁵⁴ Letter from GFF to the Office of the Auditor General, 14 January 2021.

²⁵⁵ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

²⁵⁶ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

5.3.4 Criticism of GFF

Criticism from Sweden

Sweden, like Norway, is an important player in global health. Sweden has repeatedly stated that it would like to simplify the global health system, rather than build new structures like GFF.²⁵⁷

In an interview in 2020, Sweden's Ministry of Foreign Affairs stated that it believed that there is a risk that the funding given to GFF will be at the expense of support for the United Nations Population Fund (UNFPA), the World Health Organization (WHO) and other organisations within the UN system. These organisations have a mandate from the UN to work within health and are therefore normative, unlike GFF. There is therefore a risk that the normative organisations will be weakened. However, the Swedish Ministry of Foreign Affairs believes that there is positive potential within GFF. This is because, as part of the World Bank and the IDA, GFF has a stronger connection to the finance ministries of the recipient countries and is therefore more likely to be heard as regards the importance of health funding. Nevertheless, Sweden's Ministry of Foreign Affairs believes that the risk of fragmentation of health aid was and remains greater than the benefits of the GFF model.

The director for multilateral banks at Sweden's Ministry of Foreign Affairs continues to be critical of GFF in 2021.²⁵⁸ Norway's Ministry of Foreign Affairs has stated that a number of donors have come to the opposite conclusion and are supporting GFF.²⁵⁹

Criticism from civil society organisations

GFF is criticised regarding a wide range of issues in a joint letter dated 5 November 2018 and signed by several civil society organisations, including Doctors Without Borders and Oxfam.²⁶⁰ Amongst other things, the criticism of GFF relates to the fact that recipient countries and civil society organisations are not represented on GFF's board, concern regarding the repayment of loans from IDA, and scepticism regarding the use of result-based funding. Much of the criticism was repeated and maintained in 2020.²⁶¹

The Ministry of Foreign Affairs replied that it is continually working to convey the views of civil society organisations and others to GFF. The dialogue between Norway and civil society has been good, and the letter from the civil society organisations has been discussed in the ongoing dialogue with the organisations concerned. The ministry has therefore not considered it necessary to respond to the letter further.²⁶²

Norad stated that GFF has taken a number of steps to strengthen cooperation with civil society, partly by institutionalising consultations with civil society organisations. However, recipient countries and civil society organisations are still not represented on GFF's board. According to GFF's annual report for 2019–2020, an updated framework published at the end of 2020 will outline concrete measures aimed at strengthening GFF's cooperation with civil society. According to the Ministry of Foreign Affairs, the updated framework has been publicly available on GFF's website since June 2021.²⁶³

5.3.5 Reporting in Prop. 1 S

GFF is discussed in the budget propositions for all years during the period 2015–2021. These discussions have become considerably shorter over the years, in line with the restructuring of the proposition. The proposition for 2021 states that GFF is one of several key partnerships for attaining targets under SDG 3: targets 3.1 and 3.2 concerning maternal and child health and 3.3 on ending communicable diseases. Amongst other things, the Ministry of Foreign Affairs states that GFF reports on the progress being made within the 36 GFF countries.

²⁵⁷ https://www.development-today.com/archive/2018/october/sweden_turns_down_norwegian-sponsored_gff_health_initiative [Downloaded 19.02.2021].

²⁵⁸ E-mail from Sweden's Ministry of Foreign Affairs on 30 April 2021.

²⁵⁹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

²⁶⁰ <https://www.wemos.nl/wp-content/uploads/2018/11/Joint-Open-Letter-to-the-GFF-by-Wemos-and-CSOs-05112018.pdf>.

²⁶¹ Lisa Seidelmann, Myria Koutsoumpa, Frederik Federspiel & Mit Philips (2020) The Global Financing Facility at five: time for a change? Sexual and Reproductive Health Matters.

²⁶² Ministry of Foreign Affairs, exchange of e-mails on 1 June 2021, received in connection with the verification of minutes from the interview conducted on 4 May 2021.

²⁶³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

Mortality amongst newborns and children under the age of five and teenage pregnancies fell in all countries which received GFF support in 2019. The ministry also states that GFF contributed to sexual and reproductive health and rights through result-based funding in countries such as Congo, Kenya and Uganda.

The references made to GFF in the propositions for 2020 and 2019 are similar to that made in 2021. The proposition for 2020 states that almost all the original GFF countries have been working with GFF to introduce reforms aimed at mobilising more national resources linked to the health of women, children and adolescents. Prop. 1 S for 2019, the ministry states that GFF began to show results as early as 2017. Amongst other things, Norway has contributed to the prioritisation of sexual and reproductive health and rights, and it is estimated that 28 per cent of the initiative related to this purpose in 2017.

We have also reviewed Norad's input regarding the text about GFF for Prop. 1 S for the years 2018–2021. In its input regarding Prop. 1 S (2020–2021), Norad states the following: "Health expenditure per capita funded through domestic sources has increased in two thirds of the GFF countries that received funding in 2019. For example, GFF and the Global Fund, Gavi and civil society contributed to Ivory Coast's commitment to increase the country's health budget by 15 per cent per year. This budget was 16.8 per cent higher in 2019 than in 2018." In Prop. 1 S (2020–2021), the Ministry of Foreign Affairs states that "Health expenditure per capita funded through domestic sources increased in two thirds of the GFF countries that received support in 2019. In 2019, this budget was 16.8 per cent higher than in 2018". In this regard, it is apparent from Prop. 1 that the increase that actually concerned Ivory Coast in particular applied to two thirds of the GFF countries.

The Ministry of Foreign Affairs confirmed that the increase only applied to Ivory Coast, and that the error was due to an editorial deletion from the text.²⁶⁴

5.4 International Finance Facility for Education (IFFEd)

A new international education commission was launched in 2015. Former Prime Minister Erna Solberg was one of the instigators behind the commission which would, amongst other things, identify new solutions for mobilising more money for education for children in developing countries. Norway covered all costs attributable to the commission, which totalled NOK 103 million.²⁶⁵ In autumn 2016, the commission submitted its report, which put forward a number of recommendations. One of the most concrete of these recommendations concerned the establishment of a new funding mechanism for education, known as the International Finance Facility for Education (IFFEd). The mechanism was to be aimed at middle-income countries and give them the opportunity to take out loans for education purposes.

Norad has had administrative responsibility for the cooperation with the Education Commission since 2017. In the same year, Norway joined a technical working group which would continue to work with IFFEd.²⁶⁶ Internal documents from Norad show that the directorate worked actively on the establishment of IFFEd between 2017 and 2019. However, Norway decided in November 2019 not to support IFFEd.

5.4.1 Aspects assessed during the investigation phase

Recipient ownership

The process of establishing IFFEd has largely been donor-driven. Admittedly, the Education Commission consists of representatives from both donor countries and recipient countries, including the former president of Tanzania and Nigeria's former finance minister.²⁶⁷ In a meeting between representatives from Norway, France and the

²⁶⁴ Interview with the Ministry of Foreign Affairs on 4 May 2021.

²⁶⁵ <https://www.bistandsaktuelt.no/nyheter/2019/kostbar-kommisjon/>.

²⁶⁶ Norad, order from the education section to AMOR for input regarding Norway's stances and issues which should be clarified at the IFFEd Technical Working Group meeting in London on 30 August 2017, 24 August 2017.

²⁶⁷ <https://educationcommission.org/about/commission-leadership/>.

Education Commission concerning IFFEd, France questioned whether it was known with any certainty that the countries actually wanted to take out loans for education purposes. A representative of the Norwegian Ministry of Foreign Affairs pointed out that the president of Tanzania had visited 14 countries and received positive feedback.²⁶⁸ However, all the countries that have participated in the working group for IFFEd are donor countries. Thus, it is the donor countries that have made the key decisions in the process.

External experts have also criticized the initiative for a lack of recipient ownership. One argument that has been put forward is that poor countries do not want to borrow money for education purposes, which is the fundamental premise of IFFEd. According to critics, the initiative is being driven by donors who believe poor countries should spend more money on education.²⁶⁹ Norad has also been concerned about the challenge of recipient ownership and has called for a better analysis of actual demand amongst the recipient countries following such an initiative.²⁷⁰

Fragmentation

The question of IFFEd's added value to the international aid structure was high on the agenda of Norad and other donors, especially during the early stages of the work. Norad did not want IFFEd to lead to parallel structures and fragmentation in the field of education. As a result, Norad was also concerned that IFFEd, GPE (the Global Partnership for Education) and ECW (Education Cannot Wait) should coexist in an effective and coordinated manner.²⁷¹ However, it is not clear from the documentation whether this issue was clarified during the process. In February 2019, Norad was still questioning whether IFFEd represented the best solution to the defined problem²⁷².

Results framework

Norad contributed input to the draft results framework for IFFEd during a number of consultation rounds. In 2017, the results section noted that the draft lacked "essential information", including expected results, and provided more detailed feedback on how the framework could be improved.²⁷³ In 2019, the results section provided further input to proposed indicators for IFFEd. The section then went on to state that it was "of some concern that no more progress had been made [by] [...] the arrangement for results management/measurement".²⁷⁴

The funding solution

IFFEd is an innovative funding mechanism where a high proportion of funding takes place through a guarantee scheme. It is apparent from Norad's documents that it was challenging for Norway and other donors to clarify how this was to be done in practice. Until Norad received final clarification from the Ministry of Foreign Affairs/Office of the Prime Minister/Ministry of Finance regarding how Norway was to approach the guarantee scheme, it was difficult for the Norwegian side to say anything more concrete regarding a timeline for the possible provision of a guarantee or how large such a guarantee would be.²⁷⁵ The documentation we have obtained does not indicate whether Norad was given clarification regarding whether Norway would be able to provide guarantees.

In December 2018, Norad noted that the IFFEd process was now moving more rapidly because of political will in a number of countries. Nevertheless, Norad argued that "the big question that still needs to be resolved for many donors is whether they are able to provide guarantees". According to Norad, this was crucial in determining whether IFFEd would be able to achieve its funding goal.²⁷⁶ The Ministry of Foreign Affairs stated that the ministry had clarified that it would be possible for Norway to provide this type of guarantee.²⁷⁷

²⁶⁸ Norad's summary of meetings on IFFEd with France and Argentina during the UNESCO General Conference of 16 November 2017.

²⁶⁹ <https://www.bistandsaktuelt.no/nyheter/2018/skepsis-til-norskstottet-utdannings-satsing/>. [Downloaded 19.08.2021]

²⁷⁰ Norad, Norway's input to the January 2018 version of IFFEd's design document, of 14 February 2018.

²⁷¹ Norad, Norway's input to the IFFEd Consultation Paper discussed in Brussels on 7 November 2017; IFFEd order to AMOR 12 December 2017.

²⁷² Norad, Norway's stances and issues for discussions at the meeting on IFFEd in Stockholm, 11–12 February 2019.

²⁷³ Response from the results section to the order for AMOR input on the mandate for a meeting on IFFEd on 28 August 2017.

²⁷⁴ Norad, IFFEd Input from AMOR on results, etc. meetings 13–15 March 2019 in London, 12 March 2019.

²⁷⁵ Internal e-mail from Norad of 28 November 2018.

²⁷⁶ Norad's summary from IFFEd meetings in The Hague on 3–4 December 2018, of 6 December 2018.

²⁷⁷ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

5.4.2 The decision not to support IFFEd

After extensive work to develop IFFEd, Norad scaled down its efforts concerning the initiative following political signals towards the end of 2019. In the first half of 2019, Norad attended meetings between the multilateral development banks and donors regarding the orientation of IFFEd. This work included negotiations regarding contract documents, results frameworks and governance structure.²⁷⁸ According to Norad's annual report, this was almost fully developed, but Norad reduced its workload in the last few months of 2019 following political signals indicating a reduction in interest in IFFEd.

In November 2019, the Ministry of Foreign Affairs sent a letter to Gordon Brown, chair of the Education Commission, and the United Kingdom's Minister for International Development. The letter indicated that Norway would not initially support IFFEd. In an interview, the Ministry of Foreign Affairs stated that a political decision had been made, which was also rooted in the government, to the effect that Norway would not join the fund. According to the ministry, IFFEd was downgraded in priority in favour of initiatives relating to education in situations of crisis and conflict. The government wanted to prioritise aid for education to the most fragile countries, while IFFEd was aimed at middle-income countries.

The Ministry of Foreign Affairs also notes that many middle-income countries are struggling with a growing debt problem. Because IFFEd's purpose is to provide loans for education, it would increase the debt burden of these countries further. As of 2021, IFFEd has not been initiated, because a number of countries besides Norway have concluded that they are unable to support the initiative on these premises.²⁷⁹

According to the Ministry of Foreign Affairs' decision memorandum from 2020, a lack of interest amongst donors and uncertainty regarding demand amongst potential recipient countries make it less likely that IFFEd will be established. If IFFEd is established, it will compete for grant aid with more established multilateral funding mechanisms for education. The Ministry of Foreign Affairs also states that the establishment of another mechanism could contribute to further fragmentation in the field of education.²⁸⁰

In its remarks on the report on 24 September 2021, the Ministry of Foreign Affairs explains that Norad was working on the creation of IFFEd because this had been given a high political priority. The Ministry of Foreign Affairs therefore asked Norad to follow it up. Norad carried out a thorough assessment and asked critical questions at an early stage, but the political desire to investigate IFFEd further was still there. The ministry notes that the proposal for IFFEd was launched in a report by the Education Commission that Norway funded.

Furthermore, the Ministry of Foreign Affairs notes that White Paper 25 (2013–2014) *Education for Development* stresses that Norway must be a driving force for the development of new instruments in this area. This includes the further development and testing of new funding mechanisms. In line with this, the IFFEd model was thoroughly investigated. According to the ministry, it would be more reprehensible never to investigate new mechanisms, or to create the mechanism in spite of criticisms, simply because a lot of work had already been done on it. The Ministry of Foreign Affairs also notes that IFFEd formed part of a strategic approach to the field of education that was in line with government policy.

²⁷⁸ Norad's annual report for 2019.

²⁷⁹ Interview with the Ministry of Foreign Affairs on 4 May 2021.

²⁸⁰ The Ministry of Foreign Affairs' decision memorandum on further development of the Norwegian education initiative, including the Prime Minister's role as a driving force in global education, 15 April 2020.

6 Fund costs

In this chapter, we look at the cost to Norway of providing aid through the World Bank's trust funds and the FIFs, where the World Bank provides financial management services. We start by looking at resource use in Norwegian aid management. We then go on to look at costs in the World Bank relating to trust funds as a whole, followed by cost allocation in the bank-executed multi-donor trust funds Global Financing Facility (GFF), Consultative Group to Assist the Poor (CGAP) and Jobs Umbrella. We then look at cost allocation within FIFs, using the Global Partnership for Education (GPE) as an example. For GFF and GPE, we also look at country-level costs using two projects in Uganda as examples. We looked closely at these two trust funds because Norway donates several hundred million kroner to both every year. They also represent different types of funds. Finally, we present an example of how the use of consultants leads to an additional link in the chain before the funding actually reaches the recipient country.

The chapter shows that large sums of money are spent on administration in many links in the chain, in both multi-donor trust funds and FIFs. There is little transparency regarding such costs. The World Bank does not disclose information concerning how much it charges the funds overall in order to cover its administration costs. Financial information is not readily available and it is also not always clear what the funds' administration costs actually include. Large sums of money also go to bank-executed trust funds without it being clear what results the funding actually leads to. The investigation also shows that the Ministry of Foreign Affairs has not calculated the cost of channelling aid through trust funds. The budget propositions also make no reference to the cost of trust fund administration and operation.

In the budget propositions for 2017 and 2018, the Ministry of Foreign Affairs assumes that development banks represent large multilateral teams with economies of scale and efficiency gains. In its remarks concerning this report, the Ministry of Foreign Affairs also notes that the effectiveness of the World Bank is supported by most multilateral evaluations. In this context, the ministry refers to two reports from 2016: One is from the United Kingdom's Department for International Development (DFID), and the other is the MOPAN²⁸¹ review of the World Bank.²⁸² Both reports primarily concern the bank's core funding, rather than the World Bank's trust funds. However, the reports refer to improvement areas for thematic funds. Amongst other things, the DFID notes that results and reporting should be improved, while MOPAN points to a need to improve transparency.²⁸³

The Ministry of Foreign Affairs adds that the effectiveness of aid cannot be assessed in isolation in relation to Norway's support for the World Bank's trust funds. Cooperation through multilateral funds saves all donors both time and resources. Aid channelled through trust funds also helps to reduce the burden on the authorities of poor countries, which have to deal with many bilateral donors, each of which have their own agendas and requirements. Multilateral development cooperation also increases the implementation capacity of recipient countries.²⁸⁴

6.1 A complex system with little transparency regarding costs

All Norwegian support for trust funds is reported as officially approved aid to the OECD DAC. The funding also includes what goes towards administration and operation. Such administration costs may be incurred in several links in the chain after leaving Norway before the funding finally reaches the end user in the recipient country. There are no readily available overviews of what is spent on transaction costs in the various links in the chain. There are also major differences regarding how funding for administration and operation are categorised and calculated, both between multi-donor trust funds and FIFs and within the funds themselves over time.

²⁸¹ MOPAN is a network for donors that collaborate regarding independent assessments of multilateral organisations.

²⁸² Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

²⁸³ Department for International Development (2016) *UK engagement with the World Bank Group 2015/16* og MOPAN (2017) *Institutional Assessment Report. The World Bank. MOPAN 2015–2016 Assessments.*

²⁸⁴ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

Determining how much money goes towards administration and operation in aid donated through the World Bank's trust funds and FIFs is a major task. Trust funds are covered by many rules, which also change over time. There is also a lack of full transparency regarding what the costs actually are. Norad has on several occasions²⁸⁵ put forward its view that the World Bank should ensure greater transparency regarding the rates charged for administration costs for both multi-donor trust funds and FIFs. Norad believes it would be useful to simplify the World Bank's system for calculating administration costs. The directorate has also called on the World Bank to make financial information about the trust funds more readily available.

In 2019, Norad conducted an evaluation of Norway's development assistance to the World Bank and the UN Inter-Agency trust funds. One of the key findings of the evaluation was that the overall cost of providing aid through trust funds is not clear. This is because operating costs are charged at a number of stages as the appropriations move down the aid value chain. This practice probably reduces the proportion of aid that actually goes towards the implementation of measures in low-income recipient countries.²⁸⁶

For this reason, one of Norad's recommendations in the evaluation is that the Ministry of Foreign Affairs, in cooperation with donors, the World Bank and the United Nations Development Programme (UNDP), instigate discussions to develop procedures for cost coverage which highlight all operating expenses in an individual link in the value chain. The practice of charging operating expenses in several links in the chain does not make for efficient grant management.

6.2 Resource use within the Ministry of Foreign Affairs and Norad for the administration of trust funds

Through interviews and the submission of written questions, we have obtained information from the Ministry of Foreign Affairs and Norad regarding what resources they use in order to manage funds. The responses²⁸⁷ indicate that Norwegian aid management assumes that relatively little resources will be spent on managing Norwegian funding for multi-donor trust funds and FIFs.

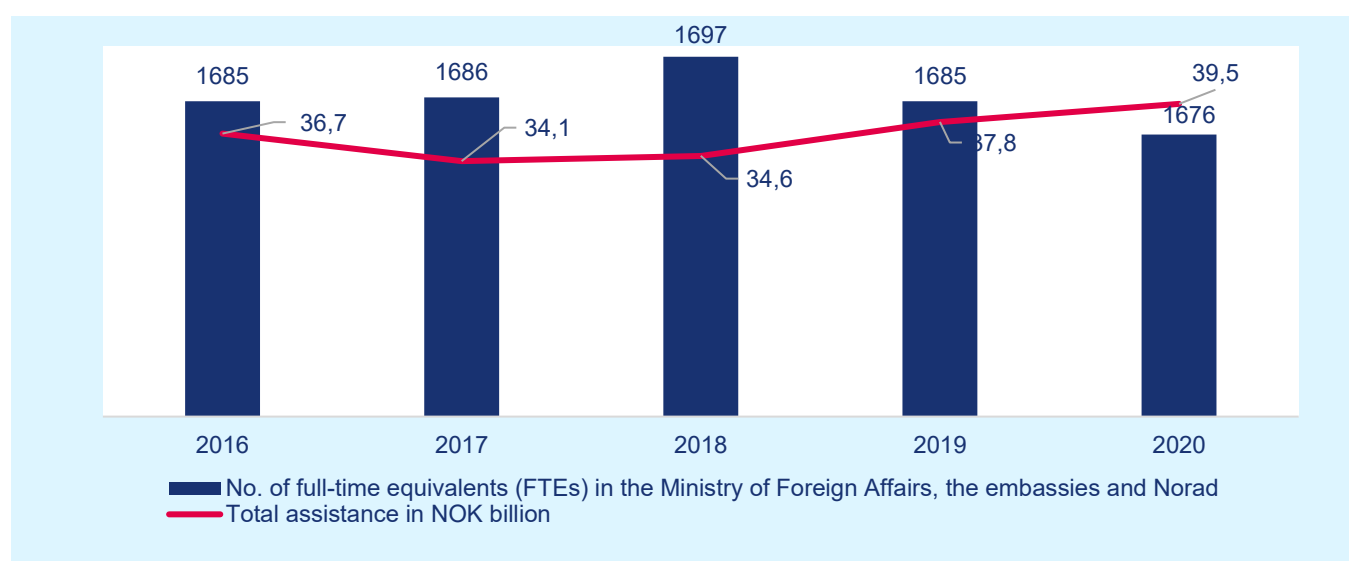
Figure 8 presents an overview of all Norwegian aid and the number of full-time equivalents for all Ministry of Foreign Affairs staff for the years 2016–2020. Figure 8 shows that, although aid has increased, the number of employees has fallen. In other words, fewer people have been managing larger amounts of funding. A significant part of the increase in the aid budget has gone to multilateral earmarked assistance, including trust funds. Although Norwegian aid management uses relatively fewer resources on managing Norwegian funding for multi-donor trust funds and FIFs than if it were to give the aid directly to the countries concerned, administration and operating costs have not been eliminated; they have simply been moved out of Norway. We will look at this issue in more detail in section 6.3.1.

²⁸⁵ Norad brought up these issues at the Trust Fund Forum meeting in September 2019. Norad has also presented its views regarding these points to the Ministry of Foreign Affairs ahead of a World Bank board meeting in September 2018.

²⁸⁶ Norad's memorandum to the Ministry of Foreign Affairs, *Evaluering av Norges portefølje for multilaterale partnerskap – Verdensbanken og FNs fellesfond* ("Evaluation of Norway's portfolio for multilateral partnerships - the World Bank and the UN's Joint Fund"), 18 September 2019.

²⁸⁷ Unless indicated otherwise, the rest of the text in section 6.2 is based on written responses from the Ministry of Foreign Affairs on 29 May 2020 and an interview with Norad on 9 October 2020.

Figure 8 Total Norwegian aid in NOK billions and number of full-time equivalents employed by the Ministry of Foreign Affairs, the embassies and Norad during the period 2016–2020



Source: *Norwegian Aid Statistics*, Prop. 1 S for the years 2016–2020

The Ministry of Foreign Affairs does not have a time recording system which shows the number of hours that staff spend working on each trust fund or other major tasks. Norad also does not have a general time recording system which provides an overview of time spent on major tasks. According to the Ministry of Foreign Affairs, some sections prepare separate overviews of their own time use, in addition to the ordinary SAP-based time recording system. It is therefore very difficult to estimate the amount of resources that are used to follow up trust funds. This is also partly a result of the fact that employees attempt to follow up several trust funds when travelling.²⁸⁸

Nevertheless, the Ministry of Foreign Affairs and Norad have provided approximate estimates of resource use for some trust funds per year. Estimates vary somewhat over time, as management responsibility for several of the funds has been transferred from the Ministry of Foreign Affairs to Norad. Norad estimates that 26 person-days are spent on SREP, between 10 and 15 person-days on CGAP, approximately 1,130 person-days on GFF, and just under one full-time equivalent on GPE. The Ministry of Foreign Affairs estimates that around 20 person-days are dedicated to Jobs Umbrella annually. CGAP was only sporadically followed up in 2016–2017. From autumn 2017, approximately 85 person-days were used until CGAP was transferred to Norad in 2018.

We have also asked eight embassies with aid portfolios to estimate the use of resources committed to trust fund follow-up. Responses range from approximately zero to around 30 per cent of one employee's workload. Most embassies add that it is difficult to provide an accurate estimate of resource use.²⁸⁹

When asked whether the Ministry of Foreign Affairs had analysed whether it is more cost-effective to channel funding through trust funds than via core funding to the World Bank, the ministry replied that it had not carried out such an analysis. It is difficult to calculate the actual transaction costs attributable to core funding because board activities are taking place at all times. Comparing the costs incurred in trust fund management and core funding is like comparing apples and pears. The board work which is carried out in relation to the core funding is very political in nature, whereas the follow-up of trust funds is more managerial in nature. The ministry has made several attempts to calculate the cost of following up core funding, but this has never led to any concrete estimates.²⁹⁰ The Ministry of Foreign Affairs adds that considerable resources have been dedicated in recent years to tidying up and

²⁸⁸ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

²⁸⁹ The embassies in Bangladesh, Indonesia, Myanmar, Mozambique, Malawi, Kenya, Tanzania, Uganda and Ghana were asked.

²⁹⁰ Interview with the Ministry of Foreign Affairs on 9 June 2020.

closing older trust funds, while at the same time, the ministry has been entering into fewer agreements with new trust funds.²⁹¹

6.3 Costs incurred within multi-donor trust funds as exemplified by the GFF health trust fund and two bank-executed trust funds

In order to understand how costs are calculated in multi-donor trust funds, an explanation of how this is done in bank-executed and recipient-executed trust funds is provided by way of introduction. We then go on to look at administration costs in the following multi-donor trust funds: GFF, CGAP and Jobs Umbrella.

6.3.1 General information regarding the calculation of administration costs in multi-donor trust funds

The World Bank deducts amounts from multi-donor trust funds in the form of charges and fees in order to cover expenditure relating to the provision of joint services within the bank. This applies, for example, to ICT, HR services, legal services, insurance and accounting. The World Bank has previously covered most of these costs for multi-donor trust funds. This practice stems from a time when multi-donor trust funds accounted for a small proportion of the bank's activities.²⁹² According to the Ministry of Foreign Affairs, the bank was unhappy that it was unable to cover all of its indirect expenses for running the funds.²⁹³ According to the World Bank, this deficit in the coverage of costs in multi-donor trust funds has been funded through core funding. The World Bank therefore revised the cost coverage system in order to reduce the deficit. In 2015, the cost coverage system which was to apply to all multi-donor trust funds was standardised. Aspects of this were again revised in 2021 and will apply to funds established after 1 January 2021.

- In 2016, an indirect rate was introduced for **bank-executed trust funds**, where 17 per cent is deducted from the fund's personnel costs. This means that higher personnel costs amongst the trust funds result in a higher overall sum of money to the World Bank centrally. In a simplified example, this means that, for a bank-executed trust fund of NOK 100, approximately NOK 70²⁹⁴ will go towards personnel costs. Seventeen per cent of the NOK 70 will then be deducted, which amounts to NOK 12. A new rate of 12 per cent was introduced for bank-executed trust funds in 2021. This rate is deducted from all costs, not just personnel costs. This means that NOK 12 per NOK 100 was also deducted for a bank-executed trust fund. In its remarks on the draft report of 24 September 2021, the Ministry of Foreign Affairs noted that it is a positive development that cost coverage is no longer linked to a single specific cost category, as this entails a higher degree of "neutrality" with respect to different cost types. According to the ministry, the change has also made it considerably easier to determine whether the cost coverage amount has been correctly calculated.
- In the case of **recipient-executed trust funds**, there is a graded rate which starts at 5 per cent per grant agreement in each trust fund. This falls to 2 per cent when the fund has cumulatively become sufficiently large. Very few funds reach the 2 per cent limit. This rate is unchanged in the new cost coverage rules introduced in 2021.

These two components for bank- and recipient-executed trust funds respectively account for the funds' indirect costs. This is to be the standard arrangement for all new agreements that are established. According to the ministry, this scheme leads to lower transaction costs in the calculation of administrative costs at fund level. However, the rules introduced in 2016 do not apply retrospectively, so different rules will continue to apply to many funds.

²⁹¹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

²⁹² World Bank (IBRD-IDA) *Trust Fund Cost Recovery Reform from 2015*, downloaded from the World Bank's client pages.

²⁹³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

²⁹⁴ Amongst extracts of payments in all multi-donor trust funds supported by Norway during the period 1998–2019, average personnel costs amounted to around 70 per cent in the bank-executed trust funds during the years 2017–2019.

The World Bank does not publicly release information concerning the amount of money that the World Bank receives from the trust funds through these two components. The World Bank has provided this information at the request of the Office of the Auditor General, but it also pointed out that this constitutes confidential information which cannot be disclosed.

In an interview, the ministry stated that the ministry and Norad do not monitor indirect costs, because they are fixed for all multi-donor trust funds.²⁹⁵ That case officers do not monitor indirect costs is confirmed in the evaluation of Norway's portfolio for multilateral partnerships from 2019. This evaluation included a survey amongst employees of the Ministry of Foreign Affairs and Norad regarding their work to manage trust funds, amongst other things. Seventy three per cent of respondents replied that they did not know whether the indirect costs in the fund were higher or lower than the agreed costs. The Ministry of Foreign Affairs has noted this finding.²⁹⁶ Norad believes that awareness of the indirect costs is higher than this response suggests, due to methodological weaknesses in the survey.²⁹⁷

In addition to the indirect administrative costs, direct administrative costs are also incurred in the management of the individual funds. Amongst other things, these costs go towards financing the fund's secretariat. The World Bank considers these to be project costs, rather than administrative costs. However, the Ministry of Foreign Affairs believes that it is the sum of indirect and direct administration costs that constitutes the funds' total administration costs.²⁹⁸

Norway has no influence over the indirect costs that go to cover joint costs incurred by the bank. However, through board representation, Norway has helped to influence the bank's decision that there should be what is known as 'full cost coverage'. The Ministry of Foreign Affairs and Norad are able to influence direct administration costs linked to an individual fund, such as secretariat costs. However, there is no general overview of the fund's secretariat costs. Figure 9 illustrates the indirect and direct administration costs of a multi-donor trust fund.

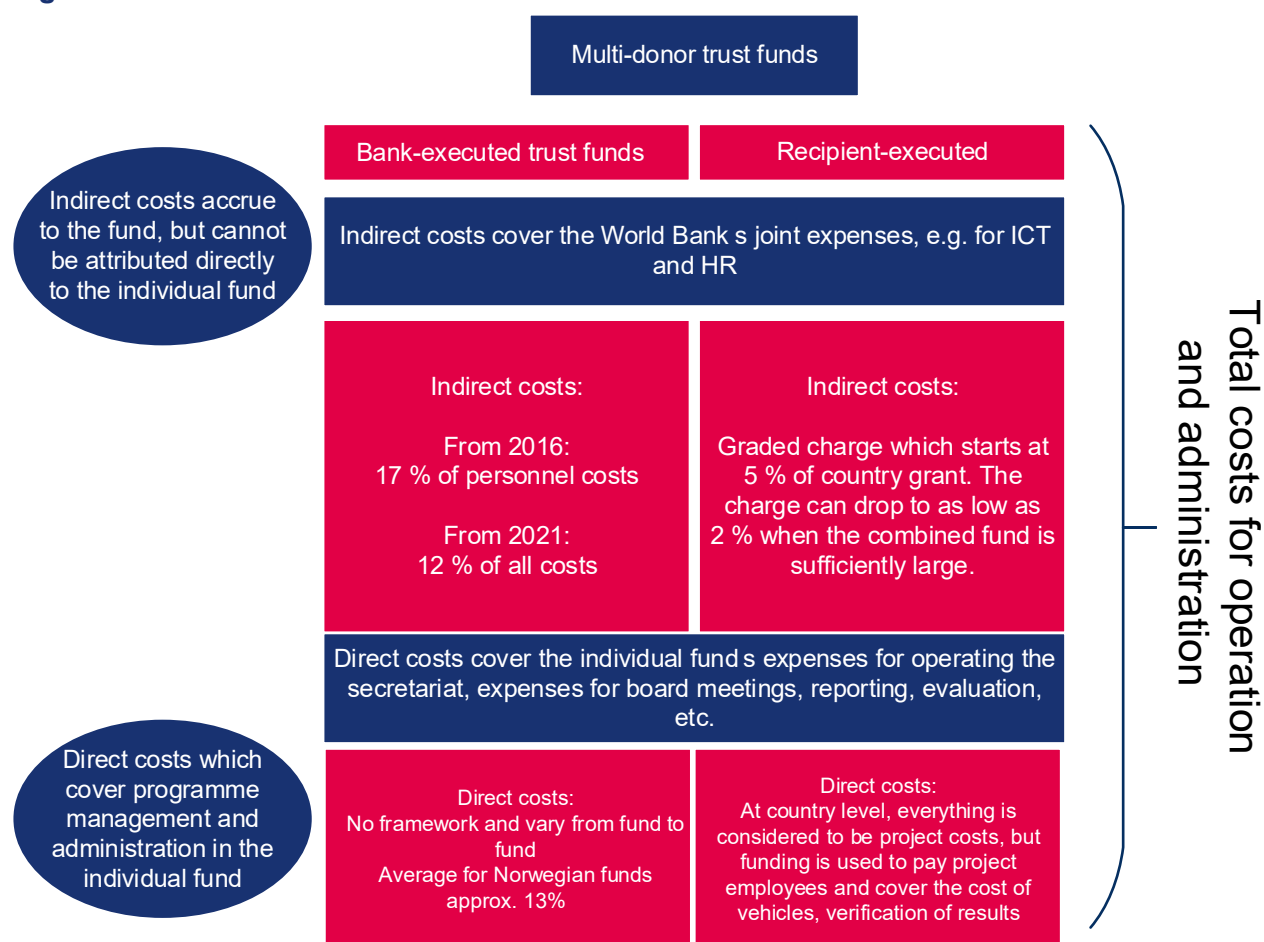
²⁹⁵ Interview with the Ministry of Foreign Affairs on 9 June 2020.

²⁹⁶ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

²⁹⁷ Interview with Norad on 9 October 2020.

²⁹⁸ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

Figure 9 Schematic overview of total administrative costs in a multi-donor trust fund*



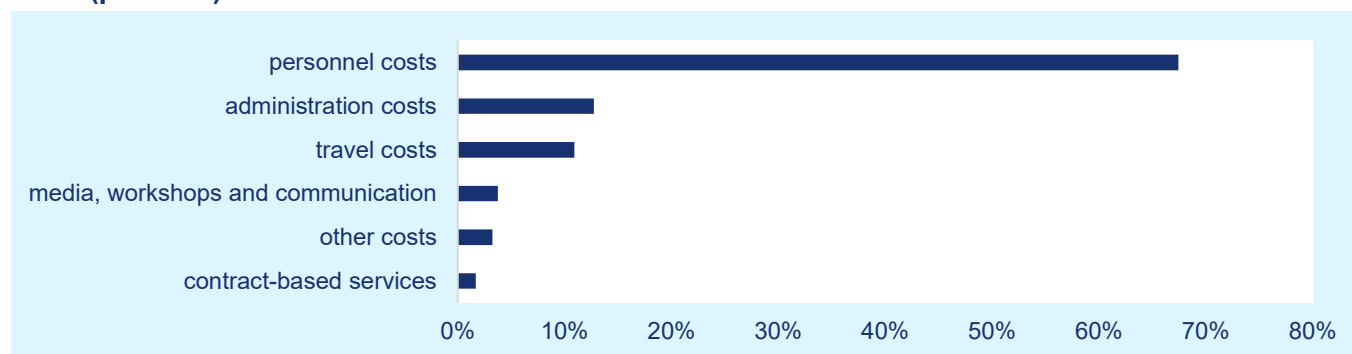
Source: The Office of the Auditor General *Programme management and administration are classified as a bank-executed trust fund, but also perform tasks that benefit recipient-executed trust funds

Indirect and direct administration costs in bank-executed trust funds

The World Bank does not disclose how much it collects through indirect costs, but it notes that cost coverage has increased for the bank-executed trust funds since the rule changes in 2016. The proportion of the World Bank's costs that are covered rose from 78 to 90 per cent from 2015 to 2021. This means that, according to the bank, bank-executed trust funds are still being underfunded to some extent, but significantly less than before. The aim is full cost coverage, in order to avoid having to subsidise trust fund-related costs through core funding. Although the indirect costs that the bank collects from bank-executed trust funds are not disclosed, we have received an extract of payments covering all multi-donor trust funds supported by Norway during the period 1998–2019.²⁹⁹ This extract shows a more detailed cost allocation for bank-executed trust funds, which collectively amounts to approximately USD 1.7 billion. This is shown in figure 10.

²⁹⁹ These are financial years which normally run from 1 July to 30 June. This extract ended on 31 December 2018, i.e. in the middle of the 2019 financial year.

Figure 10 Average costs for all bank-executed trust funds to which Norway contributes, 2009–2019 (per cent)



Source: Extract from the World Bank showing trust funds supported by Norway

Figure 10 shows that personnel costs account for around 67 per cent (USD 1.15 billion) of the costs incurred by bank-executed trust funds supported by Norway during the period. The proportion of personnel costs has increased over time. During the period 2017–2019, they accounted for more than 72 per cent. As mentioned previously, personnel costs form the basis for calculating the indirect charge of 17 per cent since 2016. As many of the trust funds applied different rules for calculating indirect costs before 2016, it is not possible to calculate the total indirect costs based on the extract. However, the figure shows that direct administration costs amount to approximately 13 per cent (USD 216.4 million). Unlike the indirect costs that go to cover joint administration costs for the entire World Bank as an organisation, these are administration costs which are linked to the individual funds.

The amounts presented in the figure are average costs for all trust funds. However, there are considerable differences between the funds. In the case of three of the funds supported by Norway, administration costs exceed 18 per cent, in two funds around 25 per cent and in one fund close to 70 per cent.

When asked why there is such a big difference between these costs in different funds, the World Bank replied that there are no restrictions on how much can be used for a trust fund's secretariat. The magnitude of these costs, which the bank refers to as “programme management and administration”, depends on the type of fund concerned. This means whether the fund is large or small, and whether it is an umbrella fund or an individual fund. The bank added that the actual costs are reported to donors on an ongoing basis in line with what each fund has determined. However, not all funds listed these costs before 2015.³⁰⁰ Norad also confirms that there is considerable variation in direct administrative costs between funds. In addition, Norad stresses that funds that are only involved with activities in IDA countries, i.e. the 74 poorest countries that can receive core funding, or fragile countries, will normally have higher costs.³⁰¹

Costs in recipient-executed trust funds

In the case of the recipient-executed trust funds, the bank charges the fund a fee each time an agreement is established concerning grants with a recipient country; see also the explanation under 6.2.1. These fees also constitute indirect costs which go towards the funding of joint services in the bank as shown for the bank-executed trust funds. The fee is set so that the fund charges 5 per cent for the first USD 50 million that is committed through a grant agreement. A fee of 4 per cent is then charged for the next USD 450 million that is committed, followed by a fee of 3 per cent for the next USD 500 million, in addition to 2 per cent on any additional committed amount. This means that the World Bank charges a smaller share to manage recipient-executed trust funds as the fund grows. However, few funds are so large that the rate charged is as low as 2 per cent.

³⁰⁰ Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

³⁰¹ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

No information is also available publicly regarding how much the World Bank charges in fees through the recipient-executed trust funds either per year or cumulatively.³⁰² It is thus not possible to state the sums that this amounts to annually. However, given that the maximum fee rate is 5 per cent, recipient-executed trust funds are cheaper to run for the World Bank than bank-executed trust funds. In a letter dated 24 September 2021, the Ministry of Foreign Affairs stated that higher administration costs will be incurred in the next link in the chain in the case of recipient-executed trust funds. This means that, in relative terms, the bank collects more in indirect costs from bank-executed trust funds than from recipient-executed trust funds. In addition, the total amount of fees charged to bank-executed trust funds has risen considerably since 2016, while the corresponding figure for recipient-executed trust funds has remained relatively stable. This can be explained by an increase in the volume of bank-executed trust funds during the period.

6.3.2 GFF – Global Financing Facility

Since its establishment in 2007³⁰³ and through to the end of 2020, the GFF health fund received a total of USD 1.56 billion (approximately NOK 13.5 billion³⁰⁴). Of this amount, Norway contributed approximately NOK 3.25 billion.³⁰⁵ GFF consists of both bank- and recipient-executed trust funds. Out of a total of USD 878 million spent in 2007–2020, 22 per cent was spent on bank-executed trust funds and 78 per cent on recipient-executed trust funds.

The review of GFF shows that administration costs have risen over time as the bank has changed its cost coverage rules from around 1 per cent to between 6 and 8 per cent for indirect costs. In addition, the direct administration costs for operating the secretariat are such that total administration costs (both indirect and direct) amount to between 9 and 11 per cent. These are administration costs at trust fund level and do not include administration costs incurred by projects at country level.

Fees to the World Bank (indirect costs)

Although GFF is a single fund, the World Bank charges different fees for different parts of GFF in order to cover its costs. These are what are referred to as ‘indirect costs’ in section 6.3.1. Norway therefore pays different amounts in fees to GFF, depending on when the agreements were signed and the sums involved in the individual agreements. This is because, as mentioned above, the World Bank has changed its cost coverage system over time. In practice, this has meant higher fee costs for GFF over time. The fee setup is set out in administrative agreements which are linked to the various accounts to which Norway makes payments:

- An original account that was established when the fund was set up in 2007. Most of Norway's contributions (94 per cent) have been paid into this account.
- A parallel account for the period 2016–2020, and a new account that was created in 2019.

There are different rules for calculating administration fees for the various agreements. This affects how much the World Bank charges GFF in fees; see table 3. The table shows that the World Bank charges higher fees under the cost coverage system dating from 2016 (ref. the parallel account and new account). In order to compare the fee rates across the accounts, we have calculated what the fee rates will be once all funding in the trust fund (at the end of 2020) has been disbursed. The World Bank charged GFF a total of USD 25.5 million in fees (approximately NOK 220 million) between 2007 and the end of 2020.

³⁰² Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

³⁰³ Until 2015, the fund was known as the Health Results Innovation Trust Fund (HRITF).

³⁰⁴ An exchange rate of NOK 8.63 is assumed (the exchange rate as of 27 March 2020).

³⁰⁵ Norad's *Norwegian Aid Statistics* database. Everything paid into the agreement GLO-07/460, QZA-09/331 and QZA-15/0421.

Table 3 Fees charged by the World Bank to GFF during the period 2007–2020 (USD, NOK and per cent)

Account	Fees USD million	Fees NOK million	Fee rate once all funding has been disbursed ³⁰⁶
Original account 2007–2020	9.65	83.3	1 per cent
Parallel account 2016–2020 and new account 2019–2020	15.85	136.6	6–8 per cent
Total	25.5	220	

Source: Calculations based on GFF's financial reports and the regulations for the three accounts

The table shows that, for the funding disbursed via the original account, the World Bank has collected USD 9.65 million (approx. NOK 83 million) in fees since its creation in late 2007. The fee rate comprises two components, with one component being fixed (at 0.83 per cent of the amount received) and the other (0.17 per cent of the amount received) being an indicative cap that the World Bank can collect in order to cover costs attributable to GFF's secretariat.

According to Norad, however, it is not known what proportion of the 0.17 percent the World Bank collects, because it is not included as a separate line in the financial statements. Norad assumes that the secretariat has used up to the ceiling of 0.17 per cent. Once all funding has been disbursed, the fee rate will amount to 1 per cent of the funding (see table 3).

The table shows that the World Bank has collected a total of USD 15.85 million in fees through the parallel account and the new account. The fees charged to the parallel account and new account are calculated differently than for the original account. It is no longer the amounts paid by the donors that determine the fee amount, but the use of the funds. The fee rates for these two accounts also consist of two components, one component for recipient-executed trust funds and one for bank-executed trust funds in accordance with the cost coverage system discussed in section 6.3.1.

Once all the funding paid into both accounts as of 2020 has been disbursed, the fee rate (determined as a proportion of the amount disbursed) will in practice be approximately 6–8 per cent. This assumes a personnel cost share of 70 per cent and a share of bank-executed projects of 20–30 per cent.

In an interview, Norad noted that the new rules lead to higher cost coverage for the World Bank than was previously the case. Norad also pointed out that the new rules for funds will realistically capture the World Bank's actual costs linked to the fund.³⁰⁷

Costs for GFF's secretariat (direct administration costs)

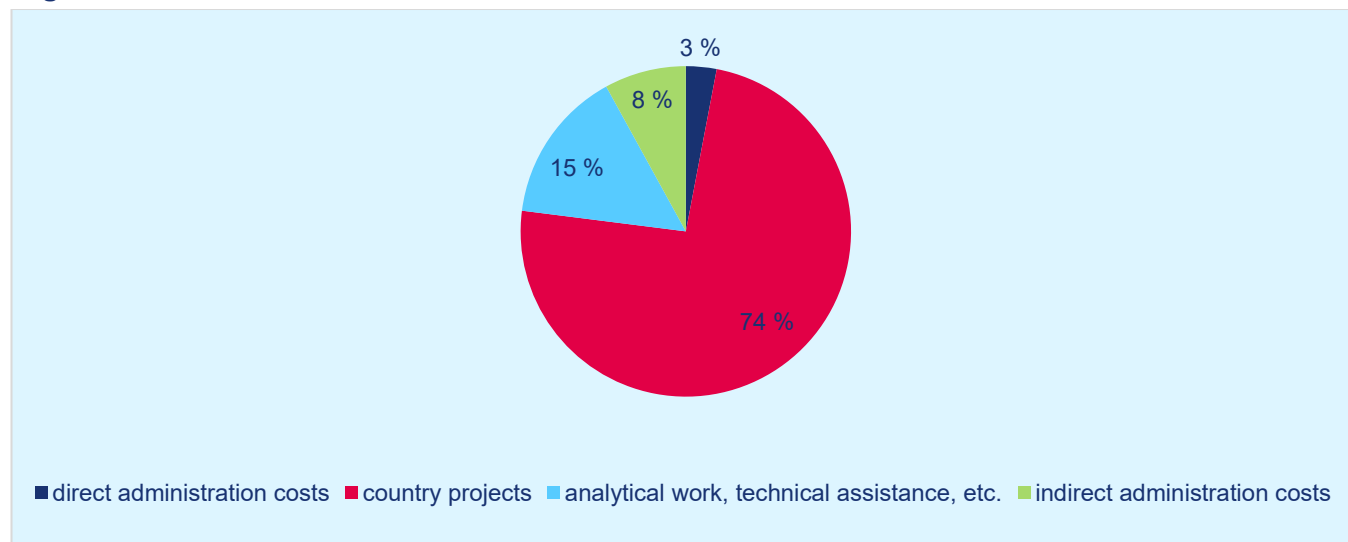
As table 3 shows, GFF will in the long term charge between 6 and 8 per cent in administration fees to cover 'indirect costs', i.e. central joint services for the entire bank for ICT and HR services. In addition to these costs, there are also costs linked to the direct management of trust funds as discussed above. These are costs which go towards covering the fund's secretariat, amongst other things. Figure 11 presents an overview of GFF's costs. GFF's budget, which is cumulative, showed that direct administration costs amounted to 2.6 per cent; see the

³⁰⁶ The fee rates are specified based on the assumption that the proportion of bank-executed trust funds will account for between 20–30 per cent of the use of funding in GFF.

³⁰⁷ Interview with Norad on 9 October 2020.

revised budget of March 2021. This means that, in real terms, total administration costs (both direct and indirect costs) amount to approximately 9 to 11 per cent. The budget also shows that 74 per cent goes to country projects. In addition, the budget shows that just over 15 per cent of all contributions paid in do not go to either country projects or administration, but to various forms of analysis, technical assistance, monitoring of results, etc.³⁰⁸

Figure 11 Distribution of costs in GFF



Source: GFF Trust Fund Financial Update, 25 March 2021

As of April 2021, GFF's secretariat comprises 34 permanent employees and 14 consultants or other temporary staff.³⁰⁹ In an interview, Norad stated that it wanted to see the GFF secretariat being much larger in terms of volume. At the time of the interview, the secretariat consisted of a total of 39 employees. Norad's view is that the secretariat is undersized, although its capacity is increasing. No proper assessment has been carried out as regards what constitutes an appropriate size for the secretariat.³¹⁰

Financial information in GFF's annual report

GFF's annual report contains little information about the trust fund's use of funding. When asked for Norad's view of the financial information provided in the 2018–2019 annual report, the directorate replied that not all information should be included in the annual report. In addition to providing general information, the annual report fulfils a marketing function for GFF. Donors are given more detailed information through other reports and documents relating to board meetings. However, Norad is not wholly satisfied with either the annual report or the information that it receives otherwise.³¹¹

Costs of transferring funding to third parties – *transfer out*

As previously discussed in section 5.3.3, a multi-donor trust fund may provide funding to selected UN organisations or the International Funding Institute (IFI), which can manage individual projects in individual countries ("transfer out"). GFF has been able to do this since 2021, and as of April 2021, GFF has entered into two such agreements, one with the World Health Organization and one with Unicef.

³⁰⁸ GFF Trust Fund Financial Update March 25, 2021.

³⁰⁹ Letter from GFF to the Office of the Auditor General, 25 April 2021.

³¹⁰ Interview with Norad on 9 October 2020.

³¹¹ Ibid.

The first transfer out agreement between Unicef and GFF was based on a contribution from the Lærdal Foundation³¹² of USD 12.5 million. GFF is providing a corresponding grant to the project as Lærdal. To administer the agreement, GFF receives 5 percent and Unicef 7 percent of the grant. As a result, the total administrative costs for the project amount to 12 per cent. When asked why GFF charges 5 per cent for a transfer out agreement when GFF is not responsible for the funds, Norad replied that, for GFF, this is a form of project support, which thus follows fixed rates. According to Norad, GFF used about one and a half full-time equivalents to establish the agreement with Unicef.³¹³ As of April 2021, USD 6 million of the agreement had been disbursed.

In 2019, Norad wrote to the Ministry of Foreign Affairs stating that an administrative cost of 12 percent would be unreasonably high. According to Norad, 12 per cent would be acceptable on this occasion, provided that GFF and Unicef reached agreement within a reasonable period of time to consider a reduction in administrative costs based on a review of previous experience. Furthermore, Norad stated that both the World Bank and Unicef agreed that 12 per cent was too high and that GFF should be willing to reduce its administrative costs in the long term.³¹⁴ In a letter dated 24 September 2021, the Ministry of Foreign Affairs stated that the World Bank's fees should be reduced to 1 per cent in the case of trust funds where some of the funding is transferred to other organisations. This applies to trust funds established after 1 January 2021.

Costs at country level - the example of Uganda

In order to support Uganda's work relating to child and maternal health, the World Bank decided to include both core funding contributions (IDA) and grants from GFF 2016. The project³¹⁵ (hereinafter "the health project") was started in 2017. The total framework for the project is USD 180 million, of which USD 125 million comprises IDA loans from the World Bank, USD 30 million is a grant from GFF, and USD 25 million is support from Sweden by the Swedish International Development Cooperation Agency (Sida).³¹⁶ The project is being carried out by the Ministry of Health in Uganda.

By the end of October 2020, the Ministry of Health in Uganda had spent approximately USD 80 million, i.e. 44 per cent of the funding. The project was scheduled to be completed in June 2021, but has now been extended until the end of 2022. The project has been delayed for a number of reasons. These include changes in the senior management at the Ministry of Health in Uganda, delays in hiring project employees and delays to procurement processes.

The funding that has been spent, which totals around USD 80 million, can be split into two components: non-contractual funding (approximately USD 57 million) and contractual funding (approximately USD 23 million). The contractual funds are public and are presented in the project's procurement plan.³¹⁷ The fact that the funds are not contractual means that no actual procurements form the basis for the disbursements, and that no information regarding how the money has been spent is made publicly available. The Ministry of Foreign Affairs has stated that this was because it constitutes results-based financing, which is paid in arrears based on results achieved.³¹⁸

Costs associated with non-contractual funds

The Office of the Auditor General has not received any financial reports showing all payments from the project. We have therefore requested information on what the money not referred to in the procurement plan was spent on. We have received a summary from GFF (see table 4), which presents an overview of the categories that this funding has been spent on.

³¹² The Lærdal Foundation was established in 1980 to provide financial support for practically oriented research and development within the field of emergency medicine. In recent years, the foundation has extensively supported projects linked to saving lives in connection with births in poor areas, based on UN SDG 3

³¹³ Ibid.

³¹⁴ E-mail from Norad to the Ministry of Foreign Affairs of 5 March 2019.

³¹⁵ The name of the project is: Reproductive, Maternal, Newborn, Child and Adolescent Health – RMNCAH.

³¹⁶ This includes an additional USD 15 million as a result of COVID-19. The original budget was USD 165 million.

³¹⁷ <https://documents1.worldbank.org/curated/en/964721619107314145/pdf/Uganda-AFRICA-EAST-P155186-Uganda-Reproductive-Maternal-and-Child-Health-Services-Improvement-Project-Procurement-Plan.pdf>.

³¹⁸ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

Table 4 Distribution of disbursed funds for the health project in Uganda – non-contractual funds

Component according to the results framework	Amount in USD millions	Proportion disbursed
1. Results-based funding of primary health services	21.1	37
2. Strengthening of child and maternal health services	13.5	23.7
3. Capacity-building birth and death register	4.3	7.5
4. Capacity-building to strengthen project management	4.3	7.5
5. Emergency aid - COVID-19 and Ebola	13.8	24.2
Total	57.0	100*

Source: GFF's secretariat * Rounding

GFF's share of the money primarily goes to components 1 and 3 in the table. The table shows that a high proportion (37 per cent) goes towards reimbursements through results-based financing. This includes around USD 3 million for the training of external consultants in order to verify reports from the healthcare units which request reimbursements. This means that 14 per cent of the funding for component 1 (results-based financing) goes towards administration of the scheme.

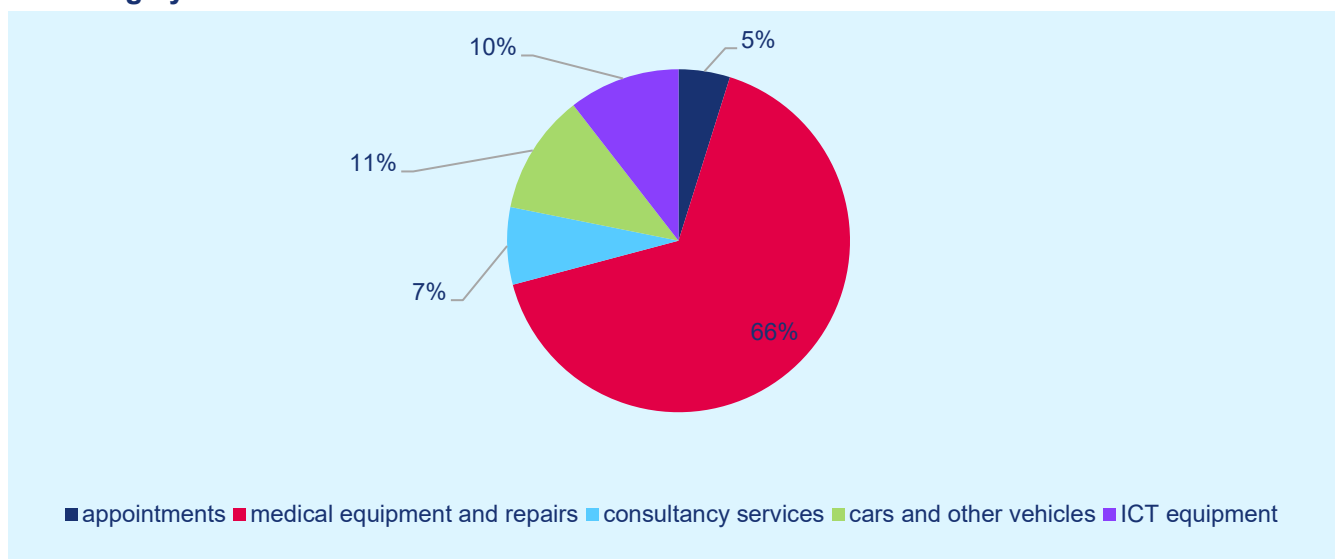
General measures to strengthen health services for children and mothers (component 2 in the table) are another major item. No more specific information is provided regarding what the payments have been spent on. Otherwise, the table shows that over USD 4 million is being spent on capacity-building to strengthen project management, and almost USD 14 million is going to emergency aid relating to Ebola and COVID-19.

Costs associated with contractual funds

As of March 2021, contracts have been signed for a total amount of USD 23.1 million.³¹⁹ The use of this USD 23 million is distributed as shown in figure 12:

³¹⁹ The amount was USD 22 million as of August 2020.

Figure 12 Distribution of contractual costs incurred by the health project in Uganda with co-financing by GFF



Source: Procurement plan updated 14 March 2021 – World Bank

Figure 12 shows that a high proportion (66 per cent) of the services purchased was spent on medicines and medical equipment, as well as repairs to such equipment. However, the figure shows that over 30 per cent of the funding was spent on purchases of cars, consultants and ICT equipment, as well as the hiring of project employees. These are project employees on a contract with various roles within project implementation. The World Bank's project document states that funding from the project is not to be used for salary grants to employees engaged in the Ugandan administration, but money is instead spent on hiring project employees in accordance with the agreement.³²⁰

6.3.3 Bank-executed trust funds – CGAP and Jobs Umbrella

Two bank-executed trust funds that Norway has supported are the Consultative Group to Assist the Poor (CGAP) and the Jobs Umbrella trust fund. CGAP is based around the theme of financial inclusion, while Jobs Umbrella is based on identifying what is needed in order to create jobs. Since the establishment of CGAP in 1995, Norway has contributed a total of NOK 97.5 million in support to the fund, while the corresponding figure for Jobs Umbrella is NOK 120 million. Chapter 5.1 of the report contains a more detailed description of the background, structure, goals and results of these two funds.

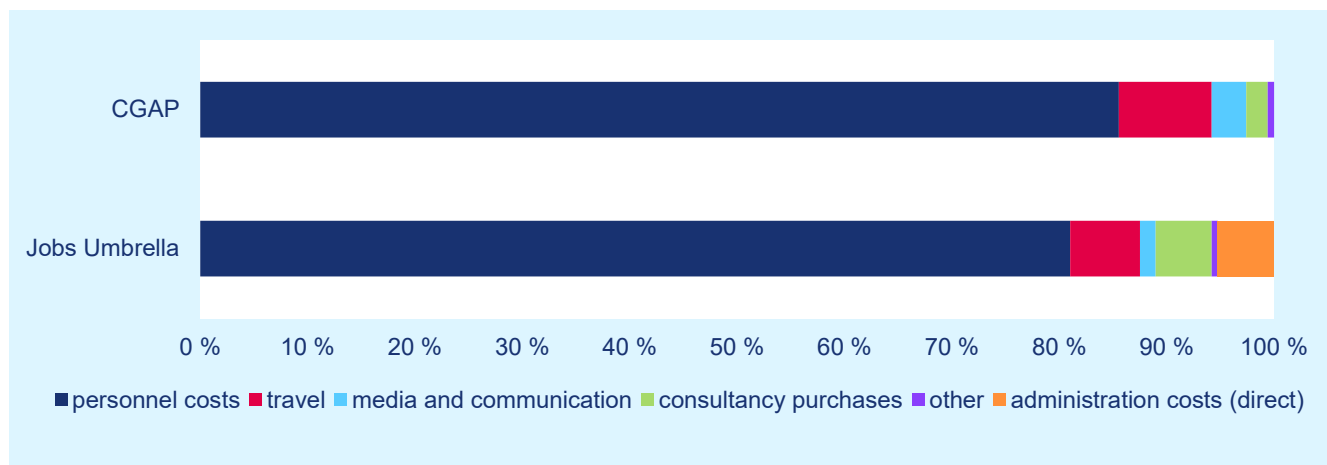
Cost distributions within the two funds

While many multi-donor trust funds consist of both recipient- and bank-executed trust funds, these two funds are almost exclusively bank-executed. This means that most of the funding is allocated to activities that are carried out by the World Bank. Grant and project costs go towards personnel, travel, media and communication, rent, the procurement of consultancy services, and administration and project management expenses. Funding from the trust funds is used to carry out studies and analyses, rather than on goods and services which will reach end users in recipient countries, in the manner that the funding for GFF and GPE is to be used. Figure 13 shows the cost allocation for CGAP and Jobs Umbrella for the 2014–2019 financial years.³²¹

³²⁰ Project Appraisal Document for *Uganda Reproductive, Maternal and Child Health Services Improvement Project*, July 14, 2016.

³²¹ Such a detailed distribution of costs is only available for bank-executed trust funds. It is therefore not possible to present similar distributions for the other trust funds covered by the investigation.

Figure 13 Distribution of costs in CGAP and Jobs Umbrella (2014–2019)



Source: Extract showing payments for CGAP TF072273 and for Jobs Umbrella TF072322 for the 2014–2019 financial years

Figure 13 shows that a high proportion (85 and 81 per cent respectively) of the costs in CGAP and Jobs Umbrella have gone to personnel costs. Personnel costs include salaries and other benefits for World Bank employees, including both permanent and part-time employees. Otherwise, there is some variation in how much the funds have spent on, for example, travel, media, communication and consultancy services.

One difference between CGAP and Jobs Umbrella is that Jobs Umbrella has spent 5 per cent on direct administration costs, including for the secretariat. CGAP has also used money for the secretariat, but deductions have been made from an account other than the one that Norway made payments into between 2014 and 2019, and which is shown in figure 13. Norway therefore did not contribute funding to CGAP's secretariat during this period.

The personnel costs presented in figure 13 for CGAP differ significantly from those presented in the financial statements for the same period. When asked why calculations from financial reports and extracts of payments from the World Bank show a much higher percentage spent on personnel costs than indicated in the financial statements, Norad replied that, as far as they are able to determine, the financial reports include consultancy costs under personnel costs, while the financial statements present consultants as separate items.³²² This means that personnel costs are lower in the financial statements than in the financial reports. In addition, it becomes more difficult to verify the distribution of costs within the fund when the categories are used in different ways in the financial statements and financial reports.

Administration costs (indirect and direct costs) in CGAP and Jobs Umbrella

As explained in section 6.3.1, the World Bank deducts administrative fees from the multi-donor trust funds in order to cover expenditure on joint services within the World Bank. These charges are referred to as indirect costs.

CGAP

With regard to the agreements covering NOK 47.5 million which Norway entered into with CGAP during the period 2004–2017, Norway has paid in 5 per cent, or NOK 2.37 million, of the grant funding as an administrative fee to the World Bank centrally.

The NOK 42 million that Norway is to pay CGAP during the period 2018-2022 will be covered by the new cost coverage rules introduced in 2016. This means that different fees will apply to recipient- and bank-executed trust funds. As CGAP is almost exclusively a bank-executed trust fund, the indirect rate of 17 per cent of all personnel

³²² Letter from Norad to the Office of the Auditor General dated 27 April 2021.

costs is deducted. The costs that are deducted for administration will therefore depend on the proportion that goes towards personnel costs. As regards Norway's contribution of NOK 12.5 million for the 2014–2019 financial years, personnel costs, as shown in figure 13 above, amounted to 85 per cent. According to the cost rules of 17 per cent of personnel costs, this would have amounted to NOK 1.8 million, or 14.5 per cent, in administration. As regards new trust funds established since 1 January 2021, administration costs in bank-executed trust funds will, as mentioned previously, amount to 12 per cent.

Jobs Umbrella

As of 2020, USD 36.55 million, or just under NOK 320 million, has been paid to the fund. Of this amount, Norway has contributed NOK 120 million.³²³

The agreements between Norway and Jobs Umbrella were established before the new cost coverage rules were introduced. The agreements show that the bank can charge an administration fee of 2 per cent per incoming payment. For Norway, this will mean 2 per cent of NOK 70 and 50 million respectively, which amounts to NOK 2.4 million in administrative fees.

In addition, up to 4.29 per cent may be deducted for the administration and project management of all contributions for costs that are not covered by the 2 per cent administration fee. In total, the bank may therefore receive coverage for 6.29 per cent of the fund's administration costs. As of 2020, the bank's administrative costs amount to USD 2.9 million, which constitutes 6.28 per cent of the funding and is thus within the agreement.³²⁴

The Ministry's follow-up and assessment of the costs within CGAP and Jobs Umbrella

CGAP

CGAP's personnel costs during the period 2014–2018 were significantly higher than was assumed in the budget of 2014. Personnel costs rose by a total of 65 per cent from budget to financial statements during the period.³²⁵

The Ministry of Foreign Affairs notes that the increase in personnel costs is remarkable. However, the ministry has no evidence to suggest that this difference between the budget and financial statements has been assessed or commented on with respect to CGAP. The ministry stresses that it expects case officers to monitor how costs develop in relation to budget.³²⁶

When asked whether the Ministry of Foreign Affairs was monitoring CGAP's administrative costs during the period 2014–2018, the ministry stated that there was no written input in the archives. The ministry added that, in the case of multi-donor trust funds, it is not common for donors to comment on administrative costs which often follow from the World Bank's guidelines, rates, etc.³²⁷

Jobs Umbrella

In an interview, the ministry stated that there are no notes or documents which assess Jobs Umbrella's costs. No detailed assessment of the fund's budget or financial statements has been carried out by the ministry. According to the ministry, costs are covered by the ongoing dialogue within the donor group. When asked how the indirect costs were calculated, the ministry noted that costs have been discussed by the steering committee for Jobs, but not at such a detailed level. According to the ministry, it is not particularly easy to determine what the category 'administrative costs' actually covers.³²⁸

³²³ Financial report for the Jobs Umbrella multi-donor Trust Fund (World Bank reference 72322).

³²⁴ This is according to a response from the World Bank obtained by the Ministry of Foreign Affairs following an interview on 9 June 2020.

³²⁵ In the budget, USD 32.4 million was allocated to personnel costs (see STRATEGIC DIRECTIONS FY2014–FY2018, Table 3), while in the financial statements referred to by the Ministry of Foreign Affairs in a reply of 29 May 2020, personnel costs amounted to USD 53.5 million.

³²⁶ Interview with the Ministry of Foreign Affairs on 9 June 2020.

³²⁷ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

³²⁸ Interview with the Ministry of Foreign Affairs on 9 June 2020.

6.4 FIF costs as exemplified by the GPE education partnership

This section begins by presenting how costs are calculated in FIFs, which are trust funds where the World Bank provides financial management services, before going on to take a closer look at GPE's administration costs.

6.4.1 General information regarding the calculation of costs within FIFs

While cost coverage in multi-donor trust funds follows standard rates, each FIF has its own rules regarding the calculation of administration and operating costs. The principle of full cost coverage for the secretariat and trustee applies within FIFs. According to the Ministry of Foreign Affairs, administrative costs in FIFs are reported to donors every year for approval by the FIF's board.³²⁹

The World Bank has the following roles with respect to FIFs:

- The World Bank is the bank administrator or trustee for all FIFs.
- The World Bank hosts the secretariat for 18 of the 27 FIFs.
- The World Bank implements projects for 20 of the FIFs, acting as 'grant agent'.³³⁰ In these cases, the World Bank also charges the FIFs various fees for administration and supervision for the tasks performed by the bank.

According to the annual report covering all funds, the bank received USD 14.5 million to provide banking services or act as trustee in 2017. The annual reports published since 2017 do not contain any information regarding what the World Bank receives for acting as trustee or hosting the secretariat for 18 FIFs. However, the World Bank has stated that it has received between USD 95 million and USD 101 million annually for hosting the secretariats over the past three years. For the provision of banking services or acting as trustee for all FIFs, the corresponding figure is between USD 16 million and USD 18 million over the same period.³³¹

In remarks to the Ministry of Foreign Affairs, Norad noted that the follow-up of FIFs involves considerably more work for the aid management than the corresponding follow-up of multi-donor trust funds.³³² One reason for this is that responsibility for the follow-up of the FIFs' projects (results and use of funding) rests with the FIF's governing bodies, while it rests with the World Bank in the case of multi-donor trust funds. The governing bodies of FIFs consist of representatives of the donors. Thus, FIFs entail less delegation of follow-up by the donors to the World Bank. Another reason is that it takes longer to determine which rules will apply to a new FIF, as agreements and management structures are not standardised in the way they generally are in the case of multi-donor trust funds.

Below, we look at how the costs are distributed within GPE, which is a FIF.

³²⁹ Ibid.

³³⁰ World Bank (2019) *Financial Intermediary Fund Management Framework June 4, 2019*, Annex Figure 2.

³³¹ Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

³³² Norad, *AMORs innspill til behandling av FIF reform i Verdensbankens styremøte*, memorandum to the Ministry of Foreign Affairs, 4 July 2019.



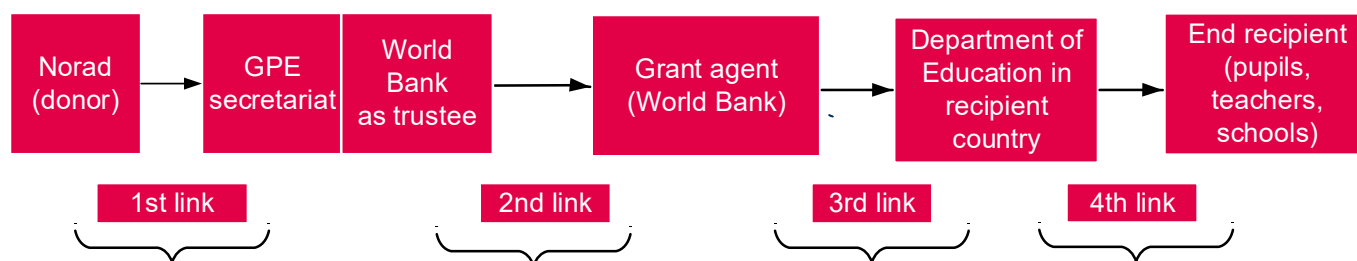
The GPE education fund has projects in many low-income countries. The photograph shows a pupil at a primary school in Dhaka, Bangladesh, and was taken when GPE's Chief Executive Officer, Alice Albright, visited the school in September 2019. Photo: GPE / Chantal Rigaud.

6.4.2 Charges and operating costs for GPE as a whole

During the period 2009-2020, Norway donated around NOK 4 billion to GPE. As of 2020, the fund had disbursed a total of USD 4.7 billion.³³³ Norway is the third largest donor after the United Kingdom and the Netherlands.

Education aid from Norway through the GPE fund results in transaction costs for administration and operation in at least four links in the chain before the funding reaches end users, such as teachers, students and schools. Norad, GPE's secretariat, the World Bank acting as trustee or bank administrator, the World Bank acting as grant agent and the recipient country all use funding for operations and administration. The recipient country is generally represented by the Ministry of Education. Figure 14 presents an overview of the links through which the money passes in the case of a country grant from GPE. In a letter dated 24 September 2021, the Ministry of Foreign Affairs stated that the Ministry of Education in the recipient country is not simply a link in the chain towards the end recipients. The building of capacity amongst the authorities is an important goal in itself. The various links in figure 14 are described below.

Figure 14 Cash flow within GPE from Norway to final recipient



Source: The Office of the Auditor General

³³³ Norway's contribution is taken from the *Norwegian Aid Statistics* database. The size of GPE is taken from a portfolio overview covering the period from 2002 to 30 September 2020 on the fund's website: <https://www.globalpartnership.org/funding/financial-reporting>. [Downloaded 15 April 2021.]

Norway transfers money to GPE through Norad. Norad uses about one full-time equivalent to administer the grant to GPE. GPE's secretariat spends around 6 per cent of the fund's total annual expenditure on operating the fund, and remains within the board's guidelines, which state that operating costs attributable to the secretariat should amount to 5-7 per cent of annual payments (*total outflows*). As of 2020, GPE has 108 permanent employees in the secretariat. In addition, consultants accounted for 20 per cent of total personnel costs for 2019. According to Norad, Norway closely monitors GPE's operating costs, salary costs, the number of employees in the secretariat and the use of consultants. According to Norad, the board wants to both reduce the resources allocated to the secretariat and assign them more tasks. There is therefore an ongoing discussion within the board regarding how much the secretariat actually does and how much they should do.

In addition to the secretariat, the World Bank also receives payment for banking services in its role as trustee. Norad's agreement with GPE does not stipulate any limits on indirect rates or percentages, as in the agreements relating to multi-donor trust funds. The Ministry of Foreign Affairs added that there is a safeguarding mechanism in the agreement, as the board must approve the secretariat's budgeted administrative costs.³³⁴ Money is paid every year to the World Bank in its capacity as trustee (for banking services) according to the principle of full cost coverage.³³⁵ In 2019, a total of USD 786,000 was disbursed, equivalent to 0.2 per cent of annual disbursements. This was twice as much as in 2018, but in line with the limit for such costs.³³⁶

Like all FIFs, GPE does not have any country offices, nor does it implement projects at country level. Other organisations, known as 'grant agents', are responsible for implementing the projects. GPE enters into specific agreements (*transfer agreements*), with these organisations. These agreements are publicly available. Grant agents charge various types of fees, which partly go to cover the agent's work to facilitate, develop and supervise a project. All of these costs for the grant agent follow fixed rates, resulting in an upper limit on the fees that are charged.

The World Bank is the grant agent or organisation that implements the most GPE funds, and is responsible for around 80 per cent of the funding that is disbursed.³³⁷ Other organisations responsible for implementing GPE's country grants include Unicef, Unesco, the United Kingdom's Foreign, Commonwealth and Development Office, the United Kingdom's former Department for International Development (DFID), the Swedish International Development Cooperation Agency (Sida) and Save the Children.

The World Bank or another organisation acting as grant agent enters into a grant agreement with the recipient country, which is often represented by the country's education authority. Both the World Bank and the Ministry of Education charge different fees for managing and operating the projects at country level. In total, these costs accounted for 8.6 per cent of all approved projects during the period December 2011 to June 2019. However, there is considerable variation amongst the projects regarding how much is spent on administration. This partly depends on the size of the grant and the vulnerability of the recipient country. Small projects in fragile countries are more expensive to operate than large projects in non-fragile countries. There are no combined overviews showing the various costs for all projects.

In addition to these four links in the chain, the implementing unit, the ministry of education in the recipient country, also incurs operating costs. Table 5 shows all administration and operating costs incurred by GPE.

³³⁴ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

³³⁵ Contribution letter, or the agreement between Norway and GPE, 7 December 2011.

³³⁶ Interview with Norad on 9 October 2020.

³³⁷ Consolidated Financial Report for the year ending December 31, 2019. Table 5, USD 3,868.6 million of USD 4,852.7 million.

Table 5 Overview of all types of administration and operating costs incurred by GPE during 2019 at fund level and for projects at country level

Unit reimbursed for operating costs	Type of charge/operating cost	Limit/rate	Actual operating costs in % for 2019	Operating costs in USD million 2019
At fund level based on the fund's cash balance per year				
GPE's secretariat	Operating the fund, including assisting the board of directors	5-7% of the fund's cash balance	6.3% in 2019	20.8
World Bank as trustee	For investing and managing the funds, amongst other things	Calculated partly on the basis of cash holdings in the trust fund and this rate is 0.045%	0.2% in 2019	0.8
Costs based on projects/country grants				
Grant agent	Various fees to cover costs for project development and supervision, amongst other things	These can collectively vary from 0-37% of the grant amount based on different calculation methods	The average total was 8.6% in 2019	24.8
Implementing unit in the recipient country	Costs for implementing the project in the recipient country	No rates or maximum limits		
Total				46.4

Source: Reply from Norad, Consolidated Financial Report for the year ending 31 December 2019, Table 1

Table 5 states that GPE paid a total of USD 46.4 million in 2019 for various types of operating costs. Total disbursements in 2019 amounted to USD 326.5 million. This means that 14.2 per cent of GPE's funds went towards operation and administration during 2019.³³⁸

6.4.3 Costs at country level - the example of Uganda

In the following, GPE's grant to Uganda will be used as an example to look at cost distribution at country level. In summary, the review shows that substantial sums of money do not go directly to schools, pupils or teachers. This is because a high proportion of the funding goes towards salaries in the ministry, consultants, project management and the verification of results and follow-up by the World Bank in its capacity as grant agent.

GPE has provided a grant for a project³³⁹ which aims to improve the effectiveness of teachers and schools in public primary schools in Uganda.

The World Bank acts as grant agent for GPE's grant to Uganda. The agreement with Uganda was therefore formally established between the World Bank, which is the administrator of GPE, and Uganda's Ministry of

³³⁸ Consolidated Financial Report for the year ending December 31, 2019. Table 1 shows that USD 326.5 million was disbursed for 2019.

³³⁹ Uganda UTSEP Uganda Teacher and School Effectiveness Project TF017702.

Education and Sport, which will actually carry out the project. According to the agreement, Uganda's Ministry of Education and Sport will provide an operational project coordination team with appropriate qualifications and experience.³⁴⁰ The agreement does not state what proportion of the grant Uganda can use for operations and administration within the ministry.

The grant disbursed to Uganda originally amounted to USD 100 million, or around NOK 800 million. The World Bank's status report of February 2020 states that the revised grant amount is USD 98.47 million³⁴¹. In an e-mail dated 11 February 2021, GPE states that Uganda had not complied with the procurement regulations in connection with the purchase of furniture and was therefore required to repay USD 1.53 million of the grant.³⁴²

The project in Uganda is split into three components:

- Part 1 – "Effective teachers"
- Part 2 – "Effective schools"
- Part 3 – "Support for implementation and capacity-building".

In addition to these three components, the project has added a results-based indicator which looks at teacher attendance. This largely concerns training of the school management, who are responsible for monitoring teacher attendance and time usage. A total of USD 2 million has been spent on this indicator.

Both the World Bank and Uganda's Ministry of Education and Sport use funds to monitor and implement the project. Some funding for the World Bank will be deducted from the USD 98.47 million grant. This sum accounts for 1.1 per cent of the grant in Uganda and will go towards supervision of the project. This means that Uganda actually receives USD 97.4 million. In addition, funding directly from GPE goes to the World Bank as a surcharge of the original USD 100 million grant. This World Bank charge is equivalent to 1.75 per cent of the grant amount. In addition, GPE paid a programme development grant of USD 0.54 million in advance of the project. GPE stated that the World Bank has also paid out funds from its own budgets totalling USD 0.74 million (about NOK 6 million) for programme development and supervision of the project.³⁴³

In addition to the funding that the World Bank receives for acting as grant agent, money also goes towards administration, operation and follow-up within the Ugandan Ministry of Education and Sport. The budget shows that USD 1.57 million had been allocated to the Ugandan Ministry of Education and Sports to carry out the project.³⁴⁴ As of the third quarter of 2019, USD 4.62 million has been spent on this.³⁴⁵

In particular, salaries for Ministry for Education and Sport staff amount to USD 3.1 million, which is around three times the figure of USD 1.1 million stated in the World Bank's plan. GPE states that the error was observed when the project started, and is partly due to statutory provisions concerning additional grants for employees on a contract basis and bonuses.³⁴⁶ In addition to salaries, the funding has been spent on rent, travel, cars for the ministry and office equipment.

The largest cost categories in the project include just under USD 24 million for construction under component 2 of the project, "Effective schools", and over USD 17 million for textbooks and written materials under component 1 of the project, "Effective teachers."

³⁴⁰ Global Partnership for Education Fund Grant Agreement (Uganda Teacher and School Effectiveness Project) between Republic of Uganda and International Development Association, August 19, 2014, p. 8.

³⁴¹ <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/584321582332032593/disclosable-version-of-the-isr-ug-teacher-and-school-effectiveness-project-p133780-sequence-no-11> [Downloaded 28.08.2020].

³⁴² Letter from GPE to the Office of the Auditor General, 11 February 2021.

³⁴³ Letter from GPE to the Office of the Auditor General, 29 January 2021.

³⁴⁴ *Project Appraisal Document on a proposed grant in the amount of USD 100 million to the Republic of Uganda for Uganda GPE teacher and school effectiveness project August 13, 2014*, p. 83.

³⁴⁵ This is based on three financial reports received from GPS's project in Uganda (GRANT No. TF017702). These reports cover the periods January–September 2018, October 2018–March 2019 and April–September 2019.

³⁴⁶ Letter from GPE to the Office of the Auditor General, 29 January 2021.

The project's financial reports show that a high proportion of the costs that have not been recognised as operating costs still reaches schools, pupils and teachers directly, albeit to a lesser extent. A total of USD 4.8 million has been spent on the procurement of consultancy services across the three components of the project. This is money that has gone to international consultants.

In component 3 of the project, "Project implementation and capacity-building", much of the money has, in addition to operations, been spent on supervision, monitoring and evaluation. A total of USD 14.9 million had been spent on component 3 of the project as of September 2019.

There are also many examples of costs which do not reach pupils and schools directly in the case of components 1 and 2 of the project. This includes travel, amongst other things. A trip for a delegation of seven people to Singapore to look at teacher training was expensed as capacity-building. The trip cost around USD 44,000. According to GPE, the trip to Singapore was classified under "Effective teachers", as the aim of the trip was to enable Uganda's Ministry of Education and Sport to establish good practice within teacher education and teacher management, and could be used as a starting point to improve the quality of primary and lower secondary education in Uganda.

The Norwegian embassy in Uganda has not commented on the travel activities of GPE in Uganda. However, the Norwegian embassy in Malawi has criticised the travel activities of GPE in Malawi. In Malawi, the donor group has repeatedly questioned whether too much support is being given for travel activity through GPE funding. This is considered to be unnecessary expenditure and means that staff with key core functions in the Ministry are often absent. The Norwegian embassy in Malawi believes that this leads to delays and inefficiency.

Project results

According to the final report, the project in Uganda has achieved all its goals. There are around 8.8 million pupils in public primary schools in Uganda, all of whom have received English and mathematics textbooks. Around 1.4 million pupils have benefited from teachers who have received extra training. The project also shows that the reading speed of the pupils has increased. Whereas 13 per cent of pupils were able to read 20 words or more per minute in 2016, this figure had risen to 27.5 per cent by 2018. Other operators also provide education aid in Uganda and may have contributed to the increase in reading speed.

In its final report, the World Bank states that involving a broad range of operators during the preparatory phase helped to ensure that the project goals were adapted to the country's priorities and that relevant local operators gained ownership of the project. This view is supported by the Norwegian embassy in Uganda, which believes that there is significant national ownership of the project, partly because the GPE project is compatible with the national education plan.³⁴⁷

However, the Norwegian embassy in Malawi is more critical of GPE and the World Bank. In Malawi, as in Uganda, the World Bank acts as grant agent for GPE's funding. According to the embassy in Malawi, GPE/World Bank employees fly in three times a year, and it is not easy to enter into a dialogue with them before, during or after their visit to Malawi. They are not very responsive to feedback. From the embassy's perspective, they also appear not to have the right dialogue with the authorities. There is little strategy and more acknowledgement for getting funding released through the agreement. The staff based at the head office in Washington, D.C. do not appear to have the right knowledge of the context in Malawi. Staff are continually being replaced and they do not seem to have sufficient time to act as grant agent for GPE. In addition, the content of GPE's education initiative at country level in Malawi is not always in line with what the embassy would wish to contribute to the implementation of. The perspective of equal opportunity (*equity*) is not always adequately addressed in GPE's programme. For example, they frequently reward talented pupils, despite the existence of research suggesting that this approach can have many very unfortunate consequences and few benefits, and the fact that it is inconsistent with the priorities

³⁴⁷ Interview with the Norwegian Embassy in Uganda, 17 December 2020.

established for the Norwegian education initiative. Nevertheless, this is something that is supported by Norwegian funding. The embassy has given feedback on these views to both the Ministry of Foreign Affairs and Norad.³⁴⁸

The Ministry of Foreign Affairs comments on the statement from the embassy in Malawi in its remarks on the report dated 24 September 2021. The ministry states that in subsequent reports, including that of June 2021, the embassy has noted that a constructive dialogue concerning cooperation at country level has been initiated, although criticism of the work at country level has also emerged in line with what is referenced in the section above. The ministry furthermore notes that this is an isolated example and that it is important not to generalise too much. According to the ministry, GPE rewards countries where education funding reaches the poorest and most marginalised people.

6.5 Example of how the use of consultants can increase the number of steps that aid must pass through before it reaches the end user

Trust funds spend considerable sums of money on consultancy services. In the following, we give an example of how the purchase of consultancy services resulted in aid from Norway to Somalia passing through an extra step.

This purchase of consultancy services was first carried out by the Ministry of Foreign Affairs and was criticised by both the media and the Storting due to the high costs involved. This purchase was subsequently continued by the World Bank. The example thus also illustrates how costs do not necessarily disappear, but are instead moved out of Norway's aid administration when administrative responsibility is transferred from the Ministry of Foreign Affairs to the World Bank. The Ministry of Foreign Affairs stated that the purpose of purchasing the consultancy services was to improve control and reduce the high risks associated with the aid.³⁴⁹

6.5.1 The contract between the consultancy firm and the Ministry of Foreign Affairs

Norway led the work relating to the temporary *Special Financing Facility* (SFF) in Somalia from 2013 to 2015. This mechanism was established by Norway with the aim of enabling the Somali government to receive international aid.³⁵⁰

Some of the work relating to SFF was carried out by a financial agent, a role initially performed by PricewaterhouseCoopers (PwC), which amongst other things was responsible for guaranteeing the sound management of SFF's funding.³⁵¹ This assumed that PwC had a presence in Mogadishu. However, due to security challenges, PwC decided it could not perform the task in accordance with its agreement with the Ministry of Foreign Affairs. Some PwC staff who worked in Mogadishu then set up a separate company called Abyrint AS in October 2013. Two months later, the Ministry of Foreign Affairs entered into an agreement with Abyrint AS for the aspects of the agreement with PwC that could no longer be implemented.

The agreement³⁵² with Abyrint AS was a direct acquisition without any tender competition, which the procurement section of the Ministry of Foreign Affairs considered to be justified.³⁵³ Abyrint AS was considered by the ministry to be the only possible supplier due to its professional competence, immediate availability and continuity in specialist expertise.³⁵⁴ According to the ministry, the services also had to be put in place as soon as possible to avoid substantial financial losses being incurred on both the donor and recipient sides. In 2016, two lawyers specialising in public procurement assessed the Ministry of Foreign Affairs' interpretation of the regulations, as well as the

³⁴⁸ Letter from the Norwegian Embassy in Malawi to the Office of the Auditor General, 3 February 2021.

³⁴⁹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

³⁵⁰ Ministry of Foreign Affairs, *Beslutningsnotat om støtte til PwC som finansiell agent for verifisering og gjennomføringen av en finansieringsmekanisme i Somalia*, 13 June 2013 and decision document of 18 November 2013.

³⁵¹ Ministry of Foreign Affairs, *Beslutningsnotat om støtte til PwC som finansiell agent for verifisering og gjennomføringen av en finansieringsmekanisme i Somalia*, 13 June 2013.

³⁵² Consultancy Assistance Agreement between Abyrint AS (the Consultant) and the Royal Norwegian Ministry of Foreign Affairs (the Customer), 9 December 2013.

³⁵³ Ministry of Foreign Affairs' decision document of 18 November 2013 and emails from the procurement section of the Ministry of Foreign Affairs, December 2013.

³⁵⁴ The Ministry of Foreign Affairs' decision document, 18 November 2013.

documentation of the decision. Both lawyers believed that there were serious deficiencies in the ministry's reasoning and documentation, and that the procurement may even have been illegal.³⁵⁵

The Ministry of Foreign Affairs paid a total of NOK 49.6 million to Abyrint AS during the period 2013–2015.³⁵⁶ More than 85 per cent of Abyrint AS's income in both 2014 and 2015 originated from the Norwegian aid budget, and critical questions were asked in *Bistandsaktuelt* and elsewhere concerning the size of the dividend distributed to the owners.³⁵⁷ According to regnskapstall.no, the two owners took dividends of NOK 6 million and NOK 8 million in 2014 and 2016 respectively.³⁵⁸ In *Bistandsaktuelt*, the Ministry of Foreign Affairs stated that it is not mandatory under the central government's procurement regulations to stipulate requirements or restrictions on dividends in a limited company from which the ministry purchases services.³⁵⁹ In an interview with the Office of the Auditor General in August 2019, the Ministry of Foreign Affairs explained that, although it is not unlawful for companies which win a tender competition to generate a profit, the grant recipient's rate may be too high as regards the amount concerned. The Ministry of Foreign Affairs also noted that it is the grant manager, i.e. the ministry itself in this case, which is responsible for assessing this in partner assessments before the grant is awarded.

In addition to a number of critical articles³⁶⁰ in the media, there was also criticism from the Storting in the autumn of 2014 regarding the use of private consultancy firms for aid purposes which charge considerable sums of money. During the Storting's question time on 5 November 2014, a representative expressed concern that half of the allocation to SFF had been spent on consultants. In their response, the then minister stated that certain areas of SFF would be taken over by the World Bank's multi-donor trust fund. According to the minister, the need for this type of consultancy service would then decrease dramatically because the World Bank would assume the bulk of the responsibility.

6.5.2 Further cooperation between the consultancy firm and the World Bank in Somalia

After the agreement with the Ministry of Foreign Affairs was terminated in 2015, Abyrint AS entered into a cooperation with the World Bank through the multi-donor trust fund Somalia Multi Partner Fund (SMPF), which mainly works through national authorities on institution-building, socio-economic growth and urban development. In June 2016, Abyrint AS was appointed as a "trusted agent" for the Central Bank of Somalia.³⁶¹ The consultants in the company thus continued to work on the project, albeit now on behalf of the World Bank.

During the period 2015–2020, the Norwegian authorities supported the multi-donor trust fund in the amount of NOK 679 million.³⁶² Through the World Bank's use of the consultancy firm, Norwegian funding is still being used to procure services from the company; see figure 15.

³⁵⁵ *Bistandsaktuelt*, *Konsulenter tok million-utbytte*, 10 December 2015 and *Advokater: – UD kan ha brutt loven da millionkontrakt ble inngått*, 12 February 2016.

³⁵⁶ *Agreement summary report* by Abyrint AS- Monitoring Agent, agreement number SOM-13/0042.

³⁵⁷ *Bistandsaktuelt*, *Norsk konsulentfirma tjener fett på oppdrag i sårbare stater*, 17 August 2018.

³⁵⁸ <https://www.regnskapstall.no/regnskapstall-for-abyrint-as-103930039S0?view=full> [Downloaded 21.08.2020].

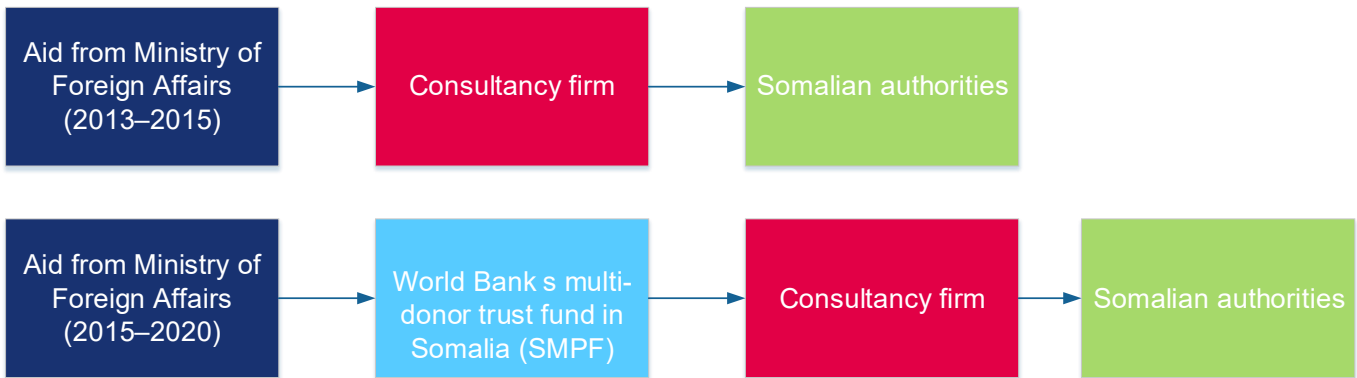
³⁵⁹ *Bistandsaktuelt*, *Konsulent-veteran: – Må ha lurt UD trill rundt*, 12 December 2015.

³⁶⁰ *Aftenposten*, *Mens somaliske statsansatte har fått 38,9 millioner kroner, har konsulentene fått 38,3 millioner*, 26 September 2014 and several articles in *Bistandsaktuelt*.

³⁶¹ <https://blogs.worldbank.org/psd/dealing-de-risking-tale-tenacity-and-creativity> og <https://www.worldbank.org/en/news/press-release/2016/06/10/world-bank-makes-progress-to-support-remittance-flows-to-somalia>

³⁶² Norad's *Norwegian Aid Statistics* database, extract from agreement numbers SOM-17/0005 and SOM-15/0009.

Figure 15 Norwegian development assistance to Somali authorities through the World Bank passes through several links



Source: The Office of the Auditor General

The figure shows how Norwegian aid supports the consultancy firm Abyrint AS. During the period 2013–2015, Norwegian funding was transferred directly from the Ministry of Foreign Affairs to the firm. Since 2015, Norwegian funding has gone to the World Bank's multi-donor trust fund in Somalia. As the World Bank's fund cooperates with the consultancy firm, Norwegian funding continues to finance the company's activities in Somalia, although the funding is now routed via an additional link, the World Bank's multi-donor trust fund. Abyrint AS's income during the period 2016–2019 primarily originated from consultancy assignments carried out on behalf of the World Bank's multi-donor trust fund in Somalia, which is financed by aid money from many countries.³⁶³

With regard to the procurement of consultancy services generally, the Ministry of Foreign Affairs stated in a letter to the Office of the Auditor General on 24 September 2021 that the World Bank makes extensive use of consultants. As in most industries, there is a price to pay for this. As the world's leading development funding institution, the bank is dependent on its ability to be agile and flexible when new challenges arise. Consultants are also used for streamlining and improvement processes and the use of consultants can be an effective way of reducing risk or increasing control. As regards the procurement of consultancy services in Somalia, the Ministry of Foreign Affairs notes that this is not a representative example.³⁶⁴

³⁶³ *Bistandsaktuelt, Risikabelt bistandsoppdrag er blitt gullgrube for norsk konsulentselskap*, 13 November 2020.

³⁶⁴ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

7 The Ministry of Foreign Affairs' management and follow-up of trust funds

This chapter starts by describing the delegation of tasks between the Ministry of Foreign Affairs and Norad in the follow-up of trust funds. It then goes on to describe what the Ministry of Foreign Affairs expects from the embassies in their efforts to monitor Norwegian-supported trust funds. It then briefly discusses the work of the Ministry of Foreign Affairs relating to the risk of irregularities and corruption amongst the selected trust funds covered by the investigation. The chapter concludes by discussing the strategic guidelines for Norwegian support for the World Bank's trust funds.

The chapter shows that embassies are monitoring Norwegian-supported funds to varying extents. The embassies also face a range of challenges in their work relating to Norwegian-supported trust funds at country level. For example, a number of embassies have no comprehensive overview of Norwegian support for the various trust funds at country level. The expectations of the Ministry of Foreign Affairs are also considered by many embassies to lack clarity, which may make it difficult for the embassies concerned to prioritise this work with respect to other tasks. Unlike Sweden, the Ministry of Foreign Affairs has no specific strategy for supporting the World Bank, as regards either its core funding or earmarked funding for trust funds.

7.1 Division of responsibilities between the Ministry of Foreign Affairs and Norad regarding the management of trust funds

A revised division of tasks between the Ministry and Norad came into force in February 2020, following a reform of the aid administration, known as 'Reform 2019'. The Ministry of Foreign Affairs explained that this is a hybrid model which involves Norad taking on administrative responsibility for trust funds, while the ministry sits on the boards of the trust funds.³⁶⁵ The objective of the reform and the reorganisation of grant administration was to ensure a clearer division of tasks between the Ministry of Foreign Affairs and Norad.³⁶⁶

In a letter to the Office of the Auditor General dated 24 September 2021, the Ministry of Foreign Affairs states that Reform 2019 was also intended to improve the overall capacity of the Ministry of Foreign Affairs and Norad with regard to the follow-up of trust funds. At times when the fund portfolio has experienced strong growth, the capacity available for the follow-up of funds has been stretched. It will always be a matter of resources, when the pressure to do more with less is considered to be strong and increasing. According to the ministry, at a time when annual aid appropriations are growing, it will be appropriate to increase the funding allocated to each initiative in order to keep the management burden down.

7.1.1 The Ministry of Foreign Affairs' responsibilities

Theme and geography are amongst the organising principles as regards where within the ministry the aid going to trust funds is managed. As a result, no single section or department has overall strategic responsibility and a complete overview. According to the Ministry of Foreign Affairs, such an organisation would also be more resource-intensive.³⁶⁷

The section for multilateral development banks within the multilateral department of the Ministry of Foreign Affairs is responsible for Norway's cooperation with the World Bank Group, the other development banks³⁶⁸ and the Nordic Development Fund. Much of the section's day-to-day work with the World Bank consists of board work. This means

³⁶⁵ Letter from the Ministry of Foreign Affairs on 29 June 2020 and interview with the Ministry of Foreign Affairs on 4 May 2021.

³⁶⁶ Letter of commitment from the Ministry of Foreign Affairs to Norad, no. 1 2020, p. 2.

³⁶⁷ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

³⁶⁸ These are the three regional development banks (the African Development Bank, the Asia Development Bank and the Inter-American Development Bank), the Asian Infrastructure Investment Bank and the Council of Europe Development Bank.

communicating with the foreign affairs ministries of the other countries with which Norway shares a board representative (the Nordic countries and the Baltic States), and issuing instructions to the board representative.³⁶⁹

The section for multilateral development banks is responsible for managing the core funding to the World Bank. This includes capital replenishment (share capital) in IBRD and IFC and donor country replenishment in IDA. The core funding also includes some trust funds which are used strategically in order to draw the World Bank's attention to priority areas. Gender equality, human rights and illegal capital flows are examples of such areas. This work is discussed in more detail in section 8.4.2. The section is also responsible for Norwegian debt policy with respect to developing countries.³⁷⁰ The department for sustainable development is primarily responsible for the thematic cooperation with the bank. The regional department is responsible for the geographical cooperation, with aspects of the work being delegated to a number of embassies.³⁷¹

Board positions in trust funds and FIFs remain the responsibility of Ministry of Foreign Affairs following Reform 2019.³⁷² If it is of no strategic or political importance that the ministry holds the board position, the responsibility may be delegated to Norad.³⁷³ For example, the position on the board of GFF has been returned to Norad after it had initially been transferred from Norad to the Ministry of Foreign Affairs under the reform.³⁷⁴

Norad notes that responsibility for much of the administration and decisions which are of importance to the administration of the trust fund rests with the boards. This leads to a need for some overlap between the tasks performed by the ministry and the directorate, as well as an appropriate system for securing a dialogue, amongst other things. In March 2021, the Ministry of Foreign Affairs adopted a system for operational work processes (see *Kjøreregler for samarbeid og ansvarsfordeling mellom UD og Norad i de multilaterale utviklingsbankene (kjernebidrag og strategisk samarbeid) og gjeldsletteordningene*). According to Norad, the division of tasks between the Ministry of Foreign Affairs and the directorate has become clearer as a result of the reform.³⁷⁵

The section for multilateral development banks in the Ministry of Foreign Affairs also notes that, although the division of tasks between the ministry and Norad has become clearer, there is still some way to go. Considerable work has been done internally to eliminate all the ambiguities and issues relating to the reform, but much work remains to be done to implement the reform in practical terms. According to the section for multilateral development banks, there will probably also be some overlap in the new model, as Norad has also noted. The section also notes that it has been a laborious challenge to explain the model that was adopted to the multilateral development banks, which are not accustomed to a model where board positions in trust funds and FIFs do not follow management responsibilities or the administrator's role as a contractual party. An evaluation of the reform should have been completed in January 2021, but this has been postponed by around 12 months because the reform has not yet been in place for long enough to achieve its intended effects.³⁷⁶

Norad's evaluation of Norway's portfolio for multilateral partnerships recommended that the Ministry of Foreign Affairs adopts the use of portfolio management. Norad also recommended the development of indicators for the portfolio's attainment of goals, along with guidelines for the establishment and closure of new agreements.³⁷⁷ The Ministry of Foreign Affairs has a positive view of portfolio management and the fact that the composition of trust funds is adjusted regularly with regard to political priorities and access to resources.³⁷⁸ According to the Ministry of Foreign Affairs' follow-up plan for the evaluation, the concept of portfolio management is still under development.³⁷⁹

³⁶⁹ Interview with the Ministry of Foreign Affairs on 30 May 2019.

³⁷⁰ Ibid.

³⁷¹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

³⁷² Interview with the Ministry of Foreign Affairs on 4 May 2021.

³⁷³ Letter of commitment from the Ministry of Foreign Affairs to Norad, no. 1, 2021, p. 3.

³⁷⁴ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

³⁷⁵ Ibid.

³⁷⁶ Interview with the Ministry of Foreign Affairs on 4 May 2021.

³⁷⁷ Norad, *Memorandum: Evaluering av Norges portefølje for multilaterale partnerskap - Verdensbanken og FNs fellesfond*, 18 September 2019.

³⁷⁸ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

³⁷⁹ Ministry of Foreign Affairs, *Oppfølgingsplan for Evaluering av Norges portefølje for multilaterale partnerskap*, 28 May 2020.

7.1.2 Norad's responsibilities

As a result of Reform 2019, Norad's instructions³⁸⁰ have been revised. According to these instructions, one of Norad's main tasks is to provide advice regarding aid and public administration issues to the Ministry of Foreign Affairs and foreign service missions. Norad's other key tasks include developing and operating the aid administration systems and managing grants in the development field.³⁸¹ The management of multi-donor trust funds has also been transferred to Norad, which has therefore been given greater responsibility regarding grant management.

Norad has for many years represented Norway via board and committee posts in many global initiatives and trust funds.³⁸² The directorate has had particular responsibility to monitor the work of the major global initiatives within health and education, where Norway has often been a key driving force and initiator from the outset.³⁸³ In addition, Norad has provided professional support regarding the board work of the Ministry of Foreign Affairs.

7.2 The work of the embassies relating to trust funds at country level

Thematic funds have become an increasingly important part of Norway's development policy, particularly within health and education.³⁸⁴ According to the Ministry of Foreign Affairs, there is a clear expectation that embassies will follow up the trust funds that receive large sums of money and report on what is happening on the ground in the partner country concerned. This expectation was expressed in White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation*.³⁸⁵ According to the white paper, the Norwegian authorities must strengthen their follow-up of *inter alia* the multilateral banks in the countries in which they operate, and ensure that there is a link between the work that is carried out at country level and the work of governing bodies for individual organisations.

7.2.1 The embassies are monitoring Norwegian-supported trust funds to varying degrees

Through interviews and letters to selected embassies with aid portfolios, we asked the embassies concerned how they were monitoring Norwegian-supported trust funds.

Several embassies stated that they are monitoring the work of global Norwegian-supported funds. They partly do this through meetings with multilateral actors at country level and other donors. The embassy in Ghana holds regular meetings with the World Bank locally, during which information regarding Norwegian-supported trust funds may be discussed. Some embassies also stated that they primarily monitor Norwegian-supported funds within sectors with which staff are already familiar through the bilateral development cooperation. According to the Ministry of Foreign Affairs, it is unlikely that an embassy will monitor trust funds which fall outside that embassy's priority areas.³⁸⁶

The responses from the embassies also show that some embassies are not monitoring global Norwegian-supported trust funds at all. For example, this applies to the embassy in Bangladesh, which states that it does not have the staff it needs to perform such a task, nor has it been instructed by Oslo to monitor specific trust funds. In Myanmar, the embassy monitors how much money is channelled to the country via thematic trust funds, although the embassy notes that it does not monitor these trust funds in any detailed way. However, the embassy in Tanzania points out that it often monitors Norwegian-supported thematic trust funds on the basis of orders from the Ministry of Foreign Affairs and the embassy's experiences in other similar fields. The embassy stated that it spends

³⁸⁰ This was established through a Royal Decree of 31 January 2020.

³⁸¹ Letter of commitment from the Ministry of Foreign Affairs to Norad, no. 1 2020, p. 2.

³⁸² See Norad's 2019 annual report for an overview of board and committee positions through which Norad has represented Norway.

³⁸³ Letter of commitment from the Ministry of Foreign Affairs to Norad, no. 1 2018, p. 10.

³⁸⁴ Prop. 1 S (2020–2021) for the Ministry of Foreign Affairs, p. 81.

³⁸⁵ Interview with the Ministry of Foreign Affairs on 9 June 2020.

³⁸⁶ Interview with the Ministry of Foreign Affairs on 4 May 2021.

most of its time providing input regarding orders and following up trust funds to which Norway provides substantial support.

In an interview, the Ministry of Foreign Affairs noted that the general impression is that the reporting by the embassies regarding the activities of the trust funds is variable in quality. These reports have improved compared with the situation ten years ago and, according to the ministry, many ambassadors are strongly committed to multilateral development cooperation. The ministry is particularly pleased with many embassies in Africa which are monitoring the World Bank and the African Development Bank at country level. Other embassies are not prioritising the matter to the same extent and struggling to find the capacity in a hectic everyday schedule.³⁸⁷

Limited resource availability is a challenge for the embassies

According to most embassies, a lack of resources is a challenge in monitoring the activities of Norwegian-supported thematic funds. For example, the embassy in Tanzania explained that it is both about having sufficient resources and about priorities. According to the embassy in Myanmar, it is not clear how the follow-up should be prioritised with respect to other tasks. According to the embassy in Malawi, it is easy to forget about the follow-up of multilateral trust funds at country level when embassies are staffed. The bilateral agreements are given priority and it is difficult to find the time to follow up trust funds that are not managed by the embassy. The follow-up also requires expertise and a knowledge of the multilateral trust funds and organisations concerned. The embassy said that many of its partners have sufficient staff and resources to follow up the multilateral trust funds more closely. With regard to this, the embassy has noted that major donors such as the USA, the United Kingdom and the Gates Foundation have posted employees in many countries which send situation reports home. According to Norad, the United Kingdom's Foreign, Commonwealth and Development Office, formerly the Department for International Development (DFID), also has many staff stationed in the recipient countries.³⁸⁸

The Ministry of Foreign Affairs confirms that embassies often do not have the resources to closely monitor Norwegian contributions through trust funds, and that embassies are forced to establish different priorities in their day-to-day work. This is apparent from a letter from the Ministry of Foreign Affairs dated 24 September 2021. In essence, the stations should prioritise the follow-up of trust funds to which Norway is a major contributor. Even within realistic resource frameworks, there is scope for quality improvements through better and more targeted information from the home country, as well as better communication between the Ministry of Foreign Affairs, Norad, the foreign service missions and the Nordic-Baltic office at the World Bank.

7.2.2 The expectations of the Ministry of Foreign Affairs as regards the embassies are not always clear

The embassies' responsibilities for trust funds are set out in the annual instructions.³⁸⁹ In the annual instructions for 2021, the embassies were for the first time asked to follow up named multilateral trust funds in the health and education sector, including GPE and GFF. This was done to contribute to good and coordinated deliveries at country level and to ensure that Norwegian investments were used wisely. The annual instructions for 2019 and 2020 do not mention specific trust funds, but ask the missions to monitor activities under the auspices of global trust funds to which Norway makes significant contributions.

Although the Ministry of Foreign Affairs provides some guidance as regards how embassies should monitor multilateral channels and trust funds, several embassies pointed out that the guidelines are not always sufficiently clear. One of these was the embassy in Uganda, which noted during an interview that the instructions issued to the embassy, such as those in the annual instructions and letters of commitment, could have been clearer and more concrete. The embassy believes that the Ministry of Foreign Affairs must clarify *what* it should follow up on. For

³⁸⁷ Interview with the Ministry of Foreign Affairs on 9 June 2020.

³⁸⁸ Interview with Norad on 9 October 2020.

³⁸⁹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2019.

example, if the embassy is expected to follow up and verify the projects' financial statements, it must have access to the budgets. If the embassy is to follow up on results, it must be able to see the results framework. Furthermore, if the embassy is to investigate activities, it must have a mandate and checklist for field visits, in the same way as it has for bilateral projects. According to the embassy, this shows that it is essential to always be clear and precise about what is expected.³⁹⁰

With regard to the follow-up of the education sector in Malawi, the embassy said that the expectations of the Ministry of Foreign Affairs were unclear. An employee with expertise within the field of education enables the embassy to follow up multilateral channels and trust funds in a different way compared with many other embassies. Deliveries from the embassy often come about on the initiative of the embassy itself, rather than as a follow-up to the ministry's expectations.

7.2.3 Embassies lack an overview of Norwegian aid to multilateral trust funds at country level

An evaluation report dating from 2018 stated that the embassies lack information about and an overview of Norwegian funding for various aid channels at country level.³⁹¹ A number of embassies agreed with this. The embassy in Uganda notes that it would be useful if Norad and the Ministry of Foreign Affairs could prepare an overview of all multilateral engagements that Norway supports, including thematic funds, and specify which countries they operate in. Multilateral agreements are also not included in the Ministry of Foreign Affairs' system for financial management and follow-up of grant agreements (PTA), which makes it more difficult to track down any information about them.³⁹²

A lack of information and an overview of Norwegian support for various aid channels at country level may make it difficult for embassies to submit reports on activities to which Norway makes significant contributions. For example, the embassy in Indonesia has come across Norwegian-supported projects or measures in the country which it was not previously aware of. According to the embassy in Kenya, it has not been easy to gain an insight into facts and figures from Norway regarding how Norway's support for thematic funds materialises in the country. The embassy said it has raised the issue with the Ministry of Foreign Affairs on a number of occasions.³⁹³ According to the section for multilateral development banks in the Ministry of Foreign Affairs, this most likely applies to trust funds that are not managed by the section, but by other sections within the ministry or Norad. The section notes that it has good procedures in place for informing relevant embassies.³⁹⁴

The Ministry of Foreign Affairs and a number of embassies note that information regarding Norwegian support for various aid channels at country level is now more readily available, partly because Norad has initiated several projects which have provided a better overview.³⁹⁵ Norad states that the directorate has calculated Norwegian multilateral core funding by recipient country. The statistics section has also prepared an overview of the countries to which the earmarked aid plus the core funding goes.³⁹⁶ However, according to the embassy in Tanzania, this information has not been systematically shared with relevant embassies.³⁹⁷

7.2.4 The Ministry of Foreign Affairs' information-sharing concerning individual trust funds is variable and to some extent person-dependent

Both the Ministry of Foreign Affairs and a number of embassies noted that different departments and sections within the ministry have different practices as regards the sharing of information with embassies. The embassy in Mozambique notes that information from the Ministry of Foreign Affairs and Norad to the embassies depends on culture and procedures within the individual sections and, to some extent, on the person who is responsible for the

³⁹⁰ Interview with the Norwegian Embassy in Uganda, 17 December 2020.

³⁹¹ Norad (2018) *Evaluering av organisatoriske aspekter av norsk bistandsadministrasjon*. Rapport 13/2018.

³⁹² Interview with the Norwegian Embassy in Uganda, 17 December 2020.

³⁹³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

³⁹⁴ Interview with the Ministry of Foreign Affairs on 9 June 2020.

³⁹⁵ Interview with the Ministry of Foreign Affairs on 4 May 2021.

³⁹⁶ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

³⁹⁷ Letter from the Norwegian Embassy in Tanzania to the Office of the Auditor General, 29 January 2021.

administration. There is therefore a need for a systematic and long-term initiative to establish satisfactory procedures. However, some embassies point out that the Ministry of Foreign Affairs has become better at sharing information in recent years.

A number of embassies are calling for a better structure regarding the sharing of information. According to the embassy in Ghana, there is considerable potential to improve the flow of information between the Ministry of Foreign Affairs in Oslo and the embassies. According to the embassy in Tanzania, the constant replacement of staff in posts both in Norway and abroad makes regular information-sharing and coordination even more important. The embassy also points out that the flow of information regarding thematic funds in particular needs to be improved. According to the Ministry of Foreign Affairs, it can be more difficult to share information regarding thematic funds which operate across countries compared with country funds.³⁹⁸ The thematic funds are not anchored in the section for multilateral development banks or the UN section, which according to the embassy in Tanzania already has established procedures in place for the sharing of information with embassies.

According to Norad, the sharing of information regarding thematic funds between Norad and the embassies varies with the set-up and structure of the trust fund concerned. There will be more communication in the case of funds which finance major activities at country level and in countries which have a Norwegian embassy. On the other hand, there may be less contact regarding professional development funds which, for example, finance a study covering many countries.³⁹⁹

The section for multilateral development banks in the Ministry of Foreign Affairs notes that it has a good and close dialogue with many embassies regarding board matters. Embassies contribute information from country level when drawing up instructions for board meetings within the bank (core funding) and for board meetings of various trust funds.⁴⁰⁰ Several embassies also state that they sometimes provide input concerning board work in larger trust funds and in trust funds that they are already monitoring. Some embassies also note that they are not involved in such work.

According to the embassy in Tanzania, the more information that embassies receive regarding Norway's priorities and work in governing bodies, the easier it will be for them to provide relevant information. Furthermore, the embassy notes that it is up to the individual section to assess whether it is relevant to involve the embassies in preparations for board meetings within trust funds. The embassy in Malawi states that the Ministry of Foreign Affairs does not use the knowledge that the embassy possesses, even though it is the only Norwegian embassy to have a member of staff who is a health professional and able to provide country information in advance of board meetings and other important multilateral forums.

7.2.5 The organisational structure of the World Bank may make it difficult for embassies to follow up trust funds

According to White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation*, the foreign service missions must take greater responsibility for obtaining information regarding the work of development banks in the individual country, amongst other things. However, this can be challenging for the embassies. The embassy in Ghana notes that much is controlled from the World Bank centrally and not necessarily by the bank's local or regional office. According to the embassy, the World Bank should take the initiative to involve and inform donors at country level to a greater extent. According to the embassy in Uganda, it can be difficult to obtain the necessary information from the World Bank's country office because it is not the responsibility of the country office to report on the bank's trust fund activities in the country.⁴⁰¹ In Malawi, the embassy finds it difficult to enter into a dialogue with the World Bank's GPE representatives. The embassy does not receive any information or invitations

³⁹⁸ Interview with the Ministry of Foreign Affairs on 4 May 2021.

³⁹⁹ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

⁴⁰⁰ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁴⁰¹ Interview with the Norwegian Embassy in Uganda, 17 December 2020.

to meetings, and it is also not easy to enter into a dialogue with them when GPE/World Bank employees visit Malawi three times a year, either before or after visits. The Development Finance department at the World Bank said that the bank is in the process of implementing changes to strengthen its presence in the field. Much of the growth in the number of employees in the field is occurring in the poorest countries and fragile states affected by conflict and violence.⁴⁰²

7.3 Efforts to combat irregularities and corruption

7.3.1 The World Bank is responsible for managing risks relating to irregularities and corruption

It is the responsibility of the World Bank to ensure that irregularities do not take place in multi-donor trust funds. According to the Ministry of Foreign Affairs, this is one of the advantages of cooperating in multi-donor trust funds. With regard to this, the ministry notes that the World Bank Group has established strict guidelines, good control routines and procedures regarding anti-corruption.⁴⁰³ All development banks have systems in place for quality assurance, and the Norwegian authorities have approved these by being a co-owner and board member of the World Bank. Norad also states that development banks carry out a considerable amount of preventive work. The Ministry of Foreign Affairs believes that it receives sufficient information regarding how the World Bank operates to prevent irregularities in trust funds.⁴⁰⁴

It is the World Bank that is responsible for cleaning up the situation in the event that a specific case involving irregularities and corruption arises in a multi-donor trust fund.⁴⁰⁵ The Ministry of Foreign Affairs receives an early and confidential notification if the World Bank is about to investigate a case concerning a Norwegian-supported fund. However, the ministry notes that the World Bank is concerned that leaked information will harm the investigation. The World Bank will notify the contact person stated in the agreement with the trust fund, rather than the central control unit.⁴⁰⁶

The agreement template for all multi-donor trust funds used since 2016 covers the World Bank's whistleblowing obligation and includes an anti-corruption clause. According to Norad, this clause has made it clearer to all employees of the Ministry of Foreign Affairs and Norad which rules apply. There are no corresponding agreement templates for FIFs and therefore no standard clause on anti-corruption either. According to Norad, GPE has for example developed its own strategy regarding irregularities. Because a FIF does not implement projects itself, but uses other organisations as grant agents, it will be this organisation's anti-corruption regulations and irregularities that apply to the individual grant concerned. This will often be a development bank or UN organisation.

The Ministry of Foreign Affairs states that, after the aid reform came into force in 2020, Norad will, as fund administrator, be the first to receive notification of possible irregularities.⁴⁰⁷ The Ministry of Foreign Affairs must be kept informed; see *Kjøreregler for samarbeid og ansvarsfordeling mellom UD og Norad i de multilaterale utviklingsbankene (kjernebidrag og strategisk samarbeid) og gjeldsletteordningene* of 24 March 2021.

7.3.2 Few cases concerning irregularities and corruption amongst the selected trust funds

The World Bank is the largest recipient of Norwegian aid. According to Norad, this is precisely because of the robust mechanisms, procedures and processes adopted by the World Bank Group's board of directors.⁴⁰⁸ In addition, the Ministry of Foreign Affairs and Norad point out that their work on the boards of the various trust funds has helped to draw attention to themes such as risk assessments and transparency regarding whistleblowing cases.

⁴⁰² Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

⁴⁰³ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General, 29 May 2020.

⁴⁰⁴ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁴⁰⁵ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

⁴⁰⁶ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴⁰⁷ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁴⁰⁸ Letter from Norad to the Office of the Auditor General, 29 May 2020.

The Ministry of Foreign Affairs and Norad state that, as far as they are aware, there have been no cases involving corruption or irregularities in four of the selected trust funds covered by the investigation: CGAP, GFF, Jobs Umbrella and SREP. However, 11 cases involving irregularities within GPE were reported to the board during the period 2017–2020. According to Norad, there are no particular risk factors associated with GPE, nor is there any genuine suspicion that the actual number of cases involving irregularities should have been any higher. The risk of corruption applies to all trust funds in poor countries, and is particularly high with regard to procurements.⁴⁰⁹ According to the Ministry of Foreign Affairs, the fact that there are few or no reported cases of irregularities and corruption amongst the selected trust funds is partly because the World Bank has excellent safeguarding mechanisms in place and standards set out in operational guidelines. This also applies to areas that are prone to irregularities, such as procurement.⁴¹⁰

The Ministry of Foreign Affairs states that there is very little or no risk of corruption in bank-executed multi-donor trust funds, such as Jobs Umbrella and CGAP.⁴¹¹ This is because programmes and activities are carried out by the World Bank itself, and because the bank-executed trust funds are subject to the rules applying to the World Bank's internal operations and financial management.⁴¹²

7.3.3 The embassies rarely receive information about irregularities and corruption in Norwegian-supported funds

We sent written questions to eight Norwegian embassies with aid portfolios. Most embassies stated that they have not received any information regarding irregularities or corruption in Norwegian-supported funds. With regard to this, the embassy in Mozambique notes that all multilateral organisations have a robust internal control system in place for the follow-up of suspected cases of corruption. A number of embassies also point out that there are no fixed procedures in place for this type of information to be shared with the embassies.

If specific cases of irregularities and corruption should arise in Norwegian-supported funds at country level, several embassies were unsure whether they would have received any information about them at all. A number of embassies mentioned that they would perhaps have wanted to receive information regarding specific cases in sectors with which they are already working. For example, the embassy in Myanmar states that it is unlikely that it would receive such information, with the possible exception of information regarding GPE, with which it works somewhat more closely.

7.4 Strategic guidelines for Norway's development assistance through the World Bank's trust funds

7.4.1 Strategic guidelines for the work of the Ministry of Foreign Affairs

The annual budget propositions to the Storting

The Ministry of Foreign Affairs considers the annual budget proposition to be the most important strategic document. According to the ministry, the document sets out clear guidelines and justifications regarding where, why and in what contexts it would be strategically appropriate to contribute to trust funds.⁴¹³

We have reviewed the budget propositions for the years 2019–2021. Norway's work with respect to the World Bank is primarily discussed under the budget items in Chapter 172, which concern core funding for the World Bank (item 70) and strategic cooperation (item 72). The budget item for the World Bank's core funding describes goals and priorities for next year's support, as well as a report on last year. The objectives of the appropriation are the same for all the years concerned: 1) Extreme poverty has been reduced, 2) economic inequality has been reduced,

⁴⁰⁹ Interview with Norad on 9 October 2020.

⁴¹⁰ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁴¹¹ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

⁴¹² World Bank (2008) *Operational Policy: Trust Funds*. OP 14.40, point 6.

⁴¹³ Interview with the Ministry of Foreign Affairs on 9 June 2020 and letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 May 2020.

through income growth amongst the 40 per cent poorest, and 3) greenhouse gas emissions have been cut and climate adaptation strengthened. The Norwegian priorities which are described concern the themes that Norway wishes to prioritise in its work with respect to the World Bank centrally and in the replenishment negotiations concerning core funding (IDA), such as climate change, gender equality and the provision of aid to fragile states. The budget item for strategic cooperation also refers to goals and priorities. The aim of this appropriation is to strengthen the overall effort being made by the multilateral development banks to combat poverty and deliver common goods. The priorities for strategic cooperation with the World Bank include themes that Norway wishes to promote in cooperation with the bank, such as digitalisation, capacity-building and job creation for marginalised groups. No specific reference is made to support for trust funds under either item 70 or 72.

In addition, several of the World Bank's trust funds and projects which receive Norwegian support are discussed under relevant country items and thematic items, such as education, climate change and the ocean. Amongst other things, a description is presented here of the purpose and results of the initiative. However, the various trust funds are not discussed in context across themes and geographical orientations. As a result, we do not find that the annual budget propositions set out clear guidelines regarding where, why and in what contexts it would be strategically appropriate to contribute to trust funds.

Other strategic guidelines for Norway's development assistance through the World Bank's trust funds

The Ministry of Foreign Affairs has no specific strategy for supporting the World Bank, as regards either the core funding to the IDA or earmarked funding for trust funds. The ministry has considered establishing multiannual strategies, but concluded that this would not be appropriate.⁴¹⁴ The World Bank's agenda can move quickly, and any strategy would therefore have to be revised frequently. This would be a very labour-intensive task.⁴¹⁵

There are also no specific guidelines in place regarding when it would be appropriate to start providing support for a fund. The Ministry of Foreign Affairs states that it is the political leadership and the bank's management which discuss participation in thematic funds. It is also common for the bank to ask for Norwegian support for thematic initiatives. The ministry also referred to Norad's manual entitled *Good Practice Note – How to Work with Fund Mechanisms (2019)*, which concerns the factors that must be taken into account both when entering new trust funds and when concluding existing funds.⁴¹⁶

According to the ministry, strategic guidelines are set out in white papers, instructions for board work, mandates for meetings of the Trust Fund Forum and board meetings in trust funds, as well as an ongoing dialogue with staff and management within the bank.⁴¹⁷ In practice, a strategic approach is also embedded in mandates for negotiations concerning replenishment of the core funding for the World Bank's trust funds for the poorest countries (IDA), all of which have a three-year time horizon.⁴¹⁸ Support for the poorest countries, vulnerable groups and climate adaptation are amongst the priorities in Norwegian development policy in these negotiations; ref. the mandate from June 2019. However, the strategic approach that underpins Norway's position in these negotiations only includes core funding, and not funding for trust funds and FIFs. The work of the Ministry of Foreign Affairs relating to the World Bank is sometimes also about political visibility, which according to the ministry also includes a strategic element.⁴¹⁹

7.4.2 Sweden's strategy for cooperating with the World Bank

The Swedish Ministry of Foreign Affairs prepares three-year strategies for Sweden's cooperation with the World Bank Group. The strategy for the period 2020–2023 establishes priorities for Swedish membership of and

⁴¹⁴ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

⁴¹⁵ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴¹⁶ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 29 September 2020.

⁴¹⁷ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

⁴¹⁸ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General, 29 May 2020.

⁴¹⁹ Interview with the Ministry of Foreign Affairs on 9 June 2020.

partnerships with the World Bank Group and is intended to provide guidance regarding Sweden's stances, partly with regard to board work and funding negotiations concerning impending replenishments of IDA, as well as efforts to follow these up. Swedish earmarked funding for multi-donor trust funds must also be approved in accordance with the strategy. When the Swedish International Development Cooperation Agency (Sida) decides to support a multi-donor trust fund or FIF, it must be in accordance with the strategy.⁴²⁰

The strategy sets out how the Swedish government can influence the World Bank's policies, e.g. with regard to climate change, the environment and gender equality. It also shows how the Swedish government can work to make its input heard, e.g. through board work, the recruitment of Swedes to the World Bank and bilateral dialogue at both political and official levels.

The strategy sets out priorities and expectations with regard to the World Bank

The Swedish Ministry of Foreign Affairs notes that, although drawing up such a strategy is a time-consuming process, it leads to a good discussion regarding priorities where different interests are balanced against each other. The strategy also works well in communication with the World Bank, because it makes it clear what Sweden's priorities are.⁴²¹

According to the Development Finance department at the World Bank, there is no difference between the Swedish and Norwegian authorities' dissemination of thematic priorities, despite the fact that the Norwegian authorities do not have a specific strategy for cooperation with the World Bank. The World Bank notes that the Swedish strategy is useful, partly because it summarises the expectations of the Swedes regarding the strategy period and because it clarifies policy lines and who has authority within the Swedish public administration (*authorising environment*).⁴²²

The Swedish Foreign Ministry also notes that the ministry reports to the Swedish Parliament (*Riksdag*) every two years concerning multilateral aid in general. These reports also include the follow-up of the strategy for the World Bank Group. The reports are structured around thematic priorities for Sweden's multilateral aid and present a systematic picture of the efforts being made. In the report for 2019/2020, the World Bank Group is specifically discussed under the themes of "economic development" and "peaceful and inclusive societies". The report also covers Swedish-supported funds which are pivotal to the aid initiative in key areas. In 2019/2020, GPE is, for example, reported under the theme of "education".⁴²³

⁴²⁰ Swedish Ministry for Foreign Affairs (2020) *Organisationsstrategi för Sveriges samarbete med Världsbankgruppen 2020–2023*.

⁴²¹ Interview with the Swedish Ministry of Foreign Affairs on 18 May 2020.

⁴²² Letter from Development Finance at the World Bank to the Office of the Auditor General dated 23 April 2021.

⁴²³ Regeringens skrivelse 2019/20:91, *Resultatskrivelse om utvecklingssamarbete och humanitär bistånd genom multilaterala organisationer*, Stockholm, 5 March 2020.

8 The work of the Ministry of Foreign Affairs and Norad with respect to the World Bank centrally to make trust funds more effective

This chapter describes the work of the Ministry of Foreign Affairs and Norad with respect to the World Bank centrally, including the bank's board of directors, to improve the management of thematic trust funds. The World Bank is working to reform the management of both multi-donor trust funds and FIFs, where the World Bank provides financial management services. The Ministry of Foreign Affairs and Norad have therefore concentrated on influencing these reform processes in recent years. However, since not all aspects of the reforms have been finalised as of 2021, it is not always possible to assess whether the input has been considered, or what the outcome of the reforms will be.

In summary, the chapter shows that the Ministry of Foreign Affairs and Norad are actively working with respect to the World Bank's board and reform efforts to make trust funds more effective. Norway has also achieved breakthroughs as regards a number of contributions linked to the reform of FIFs and multi-donor trust funds. However, the chapter shows that the Ministry of Foreign Affairs and Norad are only able to influence the decisions that are made to varying degrees. The processes are complicated, and it is difficult for the Norwegian administration to have a complete overview of them.

In general, the ministry is positive regarding the reforms of multi-donor trust funds and FIFs, although there is a lot to monitor, especially with two major reform processes proceeding in parallel.⁴²⁴

8.1 The work with respect to the World Bank's board and other forums

8.1.1 Work through Norway's board representative

The most important way in which the Ministry of Foreign Affairs communicates with the World Bank concerning strategic issues is through Norway's board representative. Norway has an advisor at the Nordic-Baltic electoral group's permanent office at the World Bank. This person acts as a link between the board representative and the ministry, and helps to gather and disseminate Norwegian input regarding matters which are to be discussed by the World Bank's board of directors. However, the funds are rarely discussed by the World Bank's board of directors. As a result, the Ministry of Foreign Affairs has limited scope to influence the World Bank's general administration of trust funds. The documentation obtained during the investigation does not contain any evidence to suggest that the Ministry of Foreign Affairs has taken the initiative to encourage the board to have more fundamental discussions concerning trust funds.

The Ministry of Foreign Affairs also has the opportunity to promote its views regarding trust funds to the World Bank in a less formal way. One example is breakout meetings arranged by the World Bank in connection with the bank's annual and spring meetings. The Ministry of Foreign Affairs and/or Norad attended such meetings in 2018 and 2019, with the trust fund reform as the theme.

8.1.2 Work through the Trust Fund Forum

Another key arena for providing input is the *Trust Fund Forum*, which held its first meeting in January 2019.⁴²⁵ The largest donors to the World Bank's fund participate in this forum. In the forum, donors discuss issues relating to both multi-donor trust funds and FIFs with those responsible at the World Bank. The aim is to help ensure that trust

⁴²⁴ Interviews with the Ministry of Foreign Affairs on 9 June 2020 and 4 May 2021.

⁴²⁵ The predecessor of the Trust Fund Forum was the Consultative Group on Operational Principles, which was set up in November 2014. In its remarks on the draft report, the Ministry of Foreign Affairs states that Norway was represented in this group from the outset and has helped set the agenda for the work. Norway was a driving force behind the establishment of a specific working group tasked with revising the World Bank's agreement template for multi-donor trust funds. According to the Ministry of Foreign Affairs, this work led to the agreement template dating from 2016, as well as several sets of guidelines for the reporting of results.

funds are used in a more strategic and effective way.⁴²⁶ The forum has no decision-making powers. The World Bank's participants report back from the meetings to the World Bank's administration.⁴²⁷ Although the forum's mandate allows for the views of recipient countries to be taken into account, no recipient country has yet attended these meetings.⁴²⁸ Only donor countries have been invited to participate in the forum.⁴²⁹

Norad participated in the meetings of the Trust Fund Forum in 2019 and 2020, with a mandate from the Ministry of Foreign Affairs. For the meeting in September 2019, Norad wrote a background memorandum⁴³⁰ on Norway's experiences of FIFs. Norad held a separate breakout meeting with those responsible for the FIF reform at the World Bank, during which they discussed the key points of the memorandum.⁴³¹ Before the meeting in 2020, Norad sent its key remarks to the World Bank and the other donors. These points included ambiguities linked to the management structure of the new trust funds, the need for more information regarding how "transfer out"⁴³² should work, and the need for greater transparency regarding individual trust funds.⁴³³

In addition to the Trust Fund Forum's meetings, a number of working groups have been established under this forum. Norad has participated in several of these, which have discussed issues such as the reporting of results and governance in multi-donor trust funds. As part of this work, Norad presented remarks on draft guidance material in these areas.⁴³⁴ Norad has normally attended the forum, but the remarks are approved by the Ministry of Foreign Affairs.

The World Bank notes that Norway supports the reforms of multi-donor trust funds and FIFs, particularly the goals of greater effectiveness and more coordination. Norway is often a driving force for innovation through multi-donor trust funds, a fact which the World Bank appreciates.⁴³⁵

8.2 The reform of multi-donor trust funds

8.2.1 Purpose of the reform

The World Bank notes that there are a number of challenges associated with multi-donor trust funds. Establishing a large number of small trust funds leads to the fragmentation of aid. For example, 50 per cent of the funds account for only 4 per cent of the total funding.⁴³⁶ The small funds are often adapted to specific circumstances and needs, which means that they have different management structures, as well as different mechanisms for allocating resources, reporting, etc. As a result, the World Bank believes there is scope for streamlining.⁴³⁷ There is also a need for better overall strategic governance of the funds.⁴³⁸

In order to respond to these challenges, the World Bank has initiated a reform of its administration of multi-donor trust funds. This is the fourth round of reforms to multi-donor trust funds which the World Bank initiated in 2001. The fourth reform was initiated in 2017.⁴³⁹

⁴²⁶ World Bank (2019) *Terms of Reference. Trust Fund Forum*, January 2019.

⁴²⁷ Norad's minutes of the meeting of the Trust Fund Forum in January 2019, 1 February 2019.

⁴²⁸ World Bank (2019) *Terms of Reference. Trust Fund Forum*, January 2019.

⁴²⁹ Norad's minutes of the Trust Fund Forum 11–12 September 2019.

⁴³⁰ Norad's discussion memorandum entitled *Opportunities and challenges related to FIF reform, including "direct access"*, 11 – 12 September 2019.

⁴³¹ Norad's minutes of a meeting of the Trust Fund Forum in September 2019, 16 September 2019.

⁴³² Multi-donor trust funds are able to pass on some of the funding to other organisations which carry out the projects The World Bank will then not have any responsibility for this funding. This is known as "transfer out".

⁴³³ Norad's summary of the meeting of the Trust Fund Forum, 4 and 5 March 2020.

⁴³⁴ Norad's remarks on the World Bank's draft *Guidance on Governance in IBRD/IDA Trust Funds* 14 January 2020, and e-mail with remarks on the draft *Guidance on Results Management and Reporting in IBRD/IDA Trust Funds*, 21 January 2020.

⁴³⁵ Letter from Development Finance at the World Bank to the Office of the Auditor General, 22 April 2021.

⁴³⁶ Norad's summary of meetings with the World Bank represented by Dirk Reinmann, 8 February 2018.

⁴³⁷ World Bank (2019) *Trust Fund Annual Report 2018–2019*, p. 80.

⁴³⁸ Norad's summary of meetings with the World Bank represented by Dirk Reinmann, 8 February 2018.

⁴³⁹ World Bank (2019) *Trust Fund Annual Report 2018–2019*, p. 79–80.

As part of the reform, an updated *Trust Fund Policy* was approved by the World Bank Board in February 2021. Various guides have also been prepared covering areas such as fund management, the reporting of results and communication regarding funds.⁴⁴⁰

Key elements of the fourth reform are:

Smaller multi-donor trust funds will be brought together under umbrella funds

A key aspect of the ongoing reform is to bring together smaller multi-donor trust funds which cover similar themes under larger umbrella funds. The bank introduced umbrella funds for the first time in 2013, but the ongoing reform sets out a new model for such funds. The bank's rationale for using umbrella funds to a greater extent is that the bank and its donors can devote fewer resources to administering the fund and that the approach will help to strengthen coordination between donors.⁴⁴¹ One particular streamlining initiative under the reform is that each umbrella fund will have a common results framework which will be developed in a dialogue with the donors.⁴⁴² The Problue multi-donor trust fund, which aims to combat marine littering, is one example of an umbrella trust fund established under the new model. More information is presented on experiences of the umbrella fund model for Problue in section 8.2.4.

Internal processes within the World Bank must be streamlined

The World Bank will develop and implement a raft of efficiency measures aimed at making internal processes and systems both simpler and more streamlined.⁴⁴³ For example, the fund's key functions, including reporting mechanisms and results frameworks, will be standardised to a greater extent.⁴⁴⁴

Another objective of the reform is to improve the coordination of multi-donor trust funds, particularly the activities of the funds, project planning and budgeting processes, with the World Bank's other activities. According to the World Bank, this will also strengthen the management's and the board's supervision of multi-donor trust funds.⁴⁴⁵

8.2.2 Progress in the reform of multi-donor trust funds

According to the World Bank, the systems in place for administering the funding and the integration of the funds with the bank's other processes have been strengthened as a result of previous reforms. However, some challenges have remained over time. As long ago as 2011, the World Bank's evaluation body noted that the funds contributed to fragmentation, that many funds lacked a results framework with clear goals and indicators, and that they did not always follow the World Bank's overall strategy. The fact that different rules applied to different individual funds also contributed to higher transaction costs.⁴⁴⁶

The umbrella fund trial scheme under the ongoing reform was scheduled to be concluded in June 2019.⁴⁴⁷ The new model was then to be introduced in 2019–2020. However, the reform has been delayed.⁴⁴⁸ According to the World Bank, at the end of 2020, a total of 70 new umbrella trust funds were planned according to the new model. As of January 2021, only 32 out of a total of 71 planned umbrella funds had been established. It is therefore too early to assess whether the new umbrella trust funds are contributing to greater effectiveness and coordination.

⁴⁴⁰ The World Bank's case documents for the Trust Fund Forum in September 2019, 2 September 2019; The World Bank's case documents for the Trust Fund Forum in December 2019, 2 December 2020; The World Bank's case documents for the Trust Fund Forum in January 2020, 18 December 2019.

⁴⁴¹ World Bank (2019) *Donor Guide for Umbrellas 2.0*, September 2019, p. 2-3.

⁴⁴² World Bank (2020) *Trust Fund Annual Report 2020. Moving the Needle for Greater Impact*, o. 27.

⁴⁴³ World Bank (2019) *Trust Fund Annual Report 2018-2019*, p. 82.

⁴⁴⁴ Norad's summary of meetings with the World Bank represented by Dirk Reinmann, 8 February 2018.

⁴⁴⁵ Letter from Development Finance at the World Bank to the Office of the Auditor General, 22 April 2021.

⁴⁴⁶ Independent Evaluation Group (2011). *An evaluation of the World Bank's Trust Fund Portfolio: Trust Fund Support for Development*.

⁴⁴⁷ World Bank, presentation with the title *Trust Fund and FIF Reforms Update. Board Technical Briefing*, September 2018.

⁴⁴⁸ World Bank (2018) "Trust Fund Reform: An overview". *Trust Fund Reform Brief*, September 2018.

In an interview, the Ministry of Foreign Affairs stated that both the ministry and Norad have worked extensively on the fund reform, and that it has been a long process. The ministry has signalled to the World Bank that an end point must be established for the reform. It cannot be allowed to continue in perpetuity.⁴⁴⁹

8.2.3 Norwegian input concerning the reform of multi-donor trust funds

As discussed above, it is rare for trust funds to be discussed by the World Bank's board of directors. However, the board has had some fundamental discussions regarding funds in recent years. In September 2018, the board of directors was given the opportunity to comment on the fund reform. No formal decision was made. For the board meeting, Norad prepared comprehensive input⁴⁵⁰, which the Ministry of Foreign Affairs relayed to the Nordic-Baltic electoral group office. According to the electoral group office, this input was forwarded to the project manager in charge of the reform.⁴⁵¹

Norway has expressed its support for the key points of the fund reform.⁴⁵² However, there are two key areas where the Ministry of Foreign Affairs and Norad have identified challenges:

- **The umbrella fund model:** Although the Ministry of Foreign Affairs and Norad have referred to positive experiences with the new umbrella fund Problue,⁴⁵³ they have also pointed to a number of possible challenges associated with the new umbrella fund model.
- **Result measurement and reporting and transparency concerning results:** Many of Norad's remarks have concerned standardisation of the measurement of results, improvements to the reporting of results and the securing of greater transparency regarding results.

The umbrella trust fund model

On numerous occasions, Norad has provided input to the World Bank which underlines various challenges associated with the umbrella trust fund model. According to Norad, there is a risk that the umbrella trust funds could become unmanageable and less transparent.⁴⁵⁴ The Ministry of Foreign Affairs and Norad believe that it is important that the umbrella trust fund model ensures that donors are able to exert an influence in the sub-funds if they only support some of them. Norad has also raised the issue that donors must be confident that funding given to umbrella trust funds will be used in accordance with Norway's priorities and only for measures which are recognised as *official development assistance* (ODA) in accordance with OECD DAC's definitions.⁴⁵⁵ Norad believes there is a risk that these considerations will not be adequately addressed if the World Bank is given greater responsibility⁴⁵⁶. However, a guide for development partners dating from 2020 states that, although a donor may express a preference that the funding be used to finance a specific theme, sector or geographical area under an umbrella trust fund, the bank cannot guarantee that this will actually be the case⁴⁵⁷. Thus, Norwegian funding given through umbrella trust funds will not necessarily be used in accordance with Norway's priorities.

When asked in an interview about the status of these inputs as of 2021, the Ministry of Foreign Affairs noted that it had no legal powers to earmark funding for umbrella trust funds, although it is possible to use "soft earmarking". This means a preference that the Norwegian contribution goes to specific sub-funds in an umbrella trust fund. According to the Ministry of Foreign Affairs, it is important to build up a good cooperation with the trust funds, so that they understand what Norway as a donor wants the money to be used for. The ministry explained that any donor wishing to support only certain areas of the fund can establish an *associated fund* linked to an umbrella trust

⁴⁴⁹ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴⁵⁰ Norad's input to the Ministry of Foreign Affairs in connection with a discussion concerning the reform of trust funds by the World Bank's board of directors on 18 September 2018, e-mail of 14 September 2018.

⁴⁵¹ NBO's summary of an informal World Bank board meeting on trust fund reform and the FIF reform, 21 September 2018.

⁴⁵² Norad's remarks on the World Bank's presentation of the Trust Fund and FIF reform on 14 September 2018; interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴⁵³ Norad's minutes of a meeting of the Trust Fund Forum in September 2019, 16 September 2019.

⁴⁵⁴ Norad's input to the Ministry of Foreign Affairs in connection with a discussion concerning the reform of trust funds by the World Bank's board of directors on 18 September 2018, e-mail of 14 September 2018.

⁴⁵⁵ Norad's mandate for a meeting of the Trust Fund Forum in January 2019, 28 January 2019; Norad's mandate and minutes for a meeting of the Trust Fund Forum in September 2019, 10 and 16 September 2019.

⁴⁵⁶ Norad's remarks on the World Bank's presentation of the Trust Fund and FIF reform on 14 September 2018.

⁴⁵⁷ World Bank Group (2020) *Partnering with the World Bank through Trust Funds and Umbrella 2.0 Programs*, October 2020, p. 10.

fund. However, such associated funds may create certain challenges for the World Bank, so the ministry assumes that the bank wishes to limit the number of such funds.⁴⁵⁸

Result measurement and reporting

Norad has also provided input on a number of occasions regarding result measurement and reporting by the multi-donor trust funds. Norad has been concerned about the need for separate reports from each sub-fund in an umbrella trust fund. Norway can finance different sub-funds via different budget items and needs to receive reports for each budget item.⁴⁵⁹ This was most recently repeated in a remark that Norad submitted concerning a guide on the reporting of results for umbrella trust funds in January 2020.⁴⁶⁰ The draft version made no reference to such reporting arrangements. The remarks were taken into account in the final version of the guide.⁴⁶¹

Furthermore, Norad has worked to ensure that the results of the trust funds are measured and reported in a more systematic and standardised way (for both multi-donor trust funds and FIFs)⁴⁶². Norad wants the World Bank to report directly against planned results in the results framework, and the reports to explain why any planned results have not been achieved. In Norad's experience, this has not always been the case. Norad also believes that the results framework and -reports should be approved by the donors to the funds. The World Bank originally suggested that input from donors should only be seen as indicative.⁴⁶³ The World Bank's updated guidelines for the reporting of results for donors dating from March 2020 assume that, although the bank will report directly with respect to the results framework, donors will not approve the results framework or reports. Norad's input concerning results frameworks and reports has thus been partly addressed in the new guidelines.

Norad also notes that guidelines were drawn up in March 2020 regarding how results frameworks for the new umbrella trust funds were to be set up. Norad has not yet built up any experience of how this will be followed up in practice, but in the view of the directorate the guidelines are at least clearer than was the case in the past.⁴⁶⁴

Visibility to the donors is another theme that has concerned the Ministry of Foreign Affairs and Norad. At the meeting of the Trust Fund Forum in September 2019, Norad stated that it believed that the new umbrella trust funds must provide scope to highlight political guidelines.⁴⁶⁵ Norad is also calling for better information regarding the results of funds which can be communicated to the public in Norway, including the Storting.⁴⁶⁶ In its 2020 annual report on the World Bank's trust funds, the World Bank states that improving communication with and ensuring visibility for donors is vital. The bank stated that each umbrella trust fund is therefore obliged to develop a communication and visibility plan in a dialogue with its donors.⁴⁶⁷

8.2.4 Experiences of the Problue pilot fund

As mentioned in 8.2.1, the Problue umbrella trust fund is one of the pilot funds for the new reform. The experiences gained through Problue can therefore provide an indication of how the new umbrella trust funds will work, and to what extent they will contribute to further improvements in effectiveness.

The World Bank presented its preliminary experiences of Problue in September 2019.⁴⁶⁸ For the World Bank, these experiences had been positive so far. Problue had brought together around 20 existing multi-donor trust funds with

⁴⁵⁸ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁴⁵⁹ Norad's summary from the breakout meeting on the trust fund reform at the World Bank's annual meeting in 2018, 22 October 2018; Norad's mandate for and minutes of a meeting of the Trust Fund Forum in September 2019, 10 and 16 September 2019.

⁴⁶⁰ E-mail from Norad with remarks on the World Bank's draft *Guidance Note on Managing Trust Funds for Results and Bank Guidance on Trust Fund Reporting for Development Partners*, 27 January 2020.

⁴⁶¹ World Bank (2020) *Guidance Note. Trust Fund Reporting for Development Partners*.

⁴⁶² Norad's mandate for a meeting of the Trust Fund Forum in January 2019, 28 January 2019; Norad's mandate for a meeting of the Trust Fund Forum in September 2019, 10 September 2019.

⁴⁶³ E-mail from Norad with remarks on the World Bank's draft *Guidance Note on Managing Trust Funds for Results and Bank Guidance on Trust Fund Reporting for Development Partners*, 27 January 2020.

⁴⁶⁴ Letter from Norad to the Office of the Auditor General, 27 April 2021.

⁴⁶⁵ Norad, minutes of a meeting of the Trust Fund Forum in September 2019, 16 September 2019.

⁴⁶⁶ Norad, mandate for the meeting of the Trust Fund Forum in September 2019, 10 September 2019.

⁴⁶⁷ World Bank (2020) *Trust Fund Annual Report*, p. 28.

⁴⁶⁸ Norad's minutes of the meeting of the Trust Fund Forum in September 2019, 16 September 2019.

water as their theme. According to the World Bank, this had led to better internal cooperation, strengthened strategic thinking around the sector and streamlined internal processes and project work. One reason for this was that both inhouse employees and partner countries only needed to communicate with one office as regards financing and professional issues.

However, the experiences of the Ministry of Foreign Affairs and Norad regarding Problue suggest that not all the challenges associated with multi-donor trust funds have been solved through the new umbrella fund model. In connection with the support for Problue, both the Ministry of Foreign Affairs and Norad have pointed to the risk that such umbrella trust funds may become too broad⁴⁶⁹. According to Norad, it can be particularly challenging to create synergies between the various sub-funds.⁴⁷⁰

In its work relating to Problue, Norad has pointed to challenges relating to what is known as "soft earmarking" (*preferencing*). However, according to the Problue agreement, the bank is not obliged to follow the earmarking. Norad was surprised by this when the directorate reviewed the agreement.⁴⁷¹ However, in the 2020 annual report for the World Bank's multi-donor trust funds, the World Bank states that Problue advises donors against using soft earmarking even though it is permitted. The reason for this is that earmarking gives the fund less flexibility in responding to changes in the needs of recipient countries or other changes in priorities within the fund's thematic framework.⁴⁷²

One advantage of using umbrella trust funds was reportedly that each donor only had one agreement per fund. This reduces the number of agreements that both donor countries and the World Bank have to administer. However, in connection with Norwegian support for Problue, it became apparent that Norway still opted to have two agreements linked to the fund.⁴⁷³ The reason for this was that the financing of Problue would require payments from two separate budget lines. The Ministry of Foreign Affairs and Norad, which are separate legal entities, were each responsible for their own budget line. In order for payments to be made from each budget line, the Ministry of Foreign Affairs and Norad each had to have their own agreement with the bank.⁴⁷⁴

The Ministry of Foreign Affairs states that it is still of the opinion that it is more effective for Norway to participate in umbrella trust funds, even though two separate agreements with Problue were needed for Norway's contributions.⁴⁷⁵

8.3 The reform of FIFs

Within FIFs, the World Bank provides financial management services. The World Bank adopted a framework for a FIF reform in 2019. The reform is so recent that it is not possible to assess any progress or results made in its implementation. The following presents the purpose of the reform and Norway's involvement in the process.

8.3.1 Purpose of the reform

The purpose of the FIF reform is to make the World Bank's management of FIFs more effective. With regard to this, the World Bank refers to a number of challenges associated with FIFs for the bank itself and donors and recipient countries.⁴⁷⁶ The reform is intended to help address a number of key challenges:

⁴⁶⁹ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴⁷⁰ Norad's minutes of the first partnership meeting of Problue, the World Bank's multi-donor trust fund, 8 March 2019.

⁴⁷¹ Norad, e-mail to the Ministry of Foreign Affairs concerning Norad's legal assessment of the Problue agreement, 21 October 2018.

⁴⁷² World Bank (2020) *Trust Fund Annual Report*.

⁴⁷³ Ministry of Foreign Affairs, Problue decision memorandum, 19 November 2018.

⁴⁷⁴ Ministry of Foreign Affairs, e-mail from the section for multilateral development banks to the secretariat of the Minister of International Development, 6 November 2018.

⁴⁷⁵ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴⁷⁶ World Bank (2019) *Financial Intermediary Fund Management Framework*, 4 June 2019.

The reform is intended to prevent further fragmentation of the aid

The use of FIFs can lead to the fragmentation of aid. According to the World Bank, the increase in the number of relatively small FIFs each aimed at a specific theme represents a particular problem. Many of these overlap with other trust funds.⁴⁷⁷ Fragmentation also makes it more difficult for the recipient countries to keep track of the various funds within a sector. It also means higher transaction costs for both donors and the World Bank. Amongst other things, this is resulting in more programmes that have to be followed up.⁴⁷⁸

The reform is intended to ensure a clearer division of responsibilities

Another challenge is that the World Bank performs different roles in different FIFs. This makes it more difficult to understand who is responsible for what and what kinds of risks both the donors and the World Bank are assuming.

The reform is intended to reduce the World Bank's transaction costs

One final challenge highlighted by the World Bank is that FIFs have become increasingly complex. More organisations than before are carrying out projects on behalf of FIFs, and additional types of financing mechanisms have been adopted, such as loans and guarantees. This also means higher transaction costs for the World Bank.⁴⁷⁹

According to the new FIF framework, the World Bank will achieve these goals by implementing the following changes:

- limit the number of new FIFs by making it clearer when it is necessary to create a FIF, and when it may be better to use other channels, such as multi-donor trust funds
- inform the World Bank's board at an earlier stage when new FIFs are being planned
- strengthen its internal follow-up of FIFs, both at the time of establishment and subsequently
- clarify its responsibilities in all the various roles the World Bank can perform in FIFs, especially when the World Bank hosts the secretariat for a FIF and/or carries out projects on behalf of it
- make it clear which of the World Bank's regulations will be amended in order to follow up the reform
- review the rules regarding administration costs in the various roles that the World Bank can perform in FIFs, with the aim of achieving full cost coverage in a simpler and more consistent way

8.3.2 The process of adopting the FIF reform

In March 2019, the World Bank invited the Nordic-Baltic board representative to an information meeting concerning the FIF reform. This gave the Ministry of Foreign Affairs an insight into the FIF reform before a draft new FIF framework was presented in June 2019.⁴⁸⁰

The FIF framework was approved without the knowledge of the Ministry of Foreign Affairs and Norad

The World Bank's board of directors endorsed the FIF reform in July 2019 in the form of a document which describes the administration of FIFs (*FIF Framework*). Prior to this board meeting, the Ministry of Foreign Affairs had commented that the framework should be revised further and presented to the board again following the discussion by the board in July. The minutes of the board meeting, written by the Nordic-Baltic board representative, state that the World Bank's management promised to have a close dialogue with the board and donors regarding the completion of the framework. The management gave assurance that comments from these parties would be reflected in a new draft framework to be presented to the board later in 2019.⁴⁸¹ However, it is

⁴⁷⁷ World Bank, minutes of a meeting of the Trust Fund Forum in January 2019, 13 February 2019.

⁴⁷⁸ World Bank (2019) *Financial Intermediary Fund Management Framework*, 4 June 2019.

⁴⁷⁹ World Bank (2019) *Financial Intermediary Fund Management Framework*, 4 June 2019.

⁴⁸⁰ NBO minutes of the information meeting on the FIF report, 26 March 2019.

⁴⁸¹ NBO's minutes of World Bank board meeting concerning the FIF reform, 19 July 2019.

evident from the World Bank's annual report for 2020 that the draft document discussed at the board meeting in July 2019 represents the final framework⁴⁸². According to the annual report, the World Bank worked to implement the framework during 2020, partly by updating directives and guidance notes for FIFs.⁴⁸³

According to the Ministry of Foreign Affairs, the World Bank announced in June 2020 that it has no plans to revise the FIF Framework in the immediate future. The World Bank then noted that, like the previous version of the framework, the framework had been presented for discussion.⁴⁸⁴ Frameworks from the management do not have to be approved by the board, but extensive consultation took place with the board in connection with the development of the framework. The World Bank stressed that the board expressed its strong support for the new framework.⁴⁸⁵

During an interview, it became apparent that neither the Ministry of Foreign Affairs nor Norad knew that the FIF framework had been finalised in July 2019.⁴⁸⁶ Neither the Ministry of Foreign Affairs nor Norad had been made aware that the draft framework presented in June 2019 was the final version, as was also evident from the minutes of the board meeting in July 2019 prepared by the Nordic-Baltic board representative. However, Norad stresses that discussions concerning the FIF framework are still ongoing. Amongst other things, Norad states that it has taken the initiative to discuss the content of the agreement templates regarding FIFs, and that they have assumed that this will be the subject of broader consultations with the donors in the future.⁴⁸⁷ The Ministry of Foreign Affairs also considers this to be an ongoing process. The ministry notes that the World Bank has communicated that the FIF framework may be revised or adjusted if donors identify weaknesses in it. The next step in the FIF reform is to draw up new directives and procedures, which will involve the approval of more concrete and operational rules and procedures. The Ministry of Foreign Affairs also stresses that the World Bank is permitted to adopt the FIF framework on its own initiative.⁴⁸⁸

8.3.3 Norway's input regarding the FIF reform

The Ministry of Foreign Affairs and Norad have mainly been positive towards the proposals set out in the reform

The Ministry of Foreign Affairs and Norad have mainly been positive towards the proposals set out in the FIF reform.⁴⁸⁹ This particularly applies to the key message of the reform that donors and the World Bank must become more critical about setting up new FIFs.⁴⁹⁰ They have also been positive towards the suggestions that the World Bank's board should play a more active role in FIFs, that the World Bank should distinguish more clearly between the various roles it can perform within FIFs, and that there should be greater transparency regarding FIFs⁴⁹¹. These principles are safeguarded in the final version of the FIF framework. However, more concrete strategies setting out how the proposals will be achieved in practice must be presented in new directives, procedural documents and guidelines which have not yet been finalised.⁴⁹²

Input from the Ministry of Foreign Affairs and Norad prior to the new FIF framework has partly been taken into account. Before a new FIF framework had been drawn up, the Ministry of Foreign Affairs and Norad raised the following issues with the World Bank:

- that donors must have sufficient options open to them even if FIFs become more standardised, e.g. as regards who can implement projects in a FIF, to ensure that the FIFs are effective and relevant

⁴⁸² This concerns the following version: World Bank (2019) *Financial Intermediary Fund Management Framework June 4, 2019*,

⁴⁸³ World Bank (2020) *Trust Fund Annual Report 2020. Moving the Needle for Greater Impact*, p. 97.

⁴⁸⁴ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴⁸⁵ Letter from Development Finance at the World Bank to the Office of the Auditor General, 22 April 2021.

⁴⁸⁶ Interviews with the Ministry of Foreign Affairs and Norad on 9 June 2020 and 4 May 2021.

⁴⁸⁷ Interview with the Ministry of Foreign Affairs on 9 June 2020; Norad's remarks on the minutes.

⁴⁸⁸ Interview with the Ministry of Foreign Affairs on 4 May 2021.

⁴⁸⁹ Norad, memorandum to the Ministry of Foreign Affairs with input regarding consideration of the FIF reform during the World Bank's board meeting on 4 July 2019.

⁴⁹⁰ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴⁹¹ Ministry of Foreign Affairs, input to Norway's board representative for a discussion concerning FIFs by the World Bank's board of directors on 16 July 2019, 14 July 2019.

⁴⁹² World Bank (2019) *Financial Intermediary Fund Management Framework, 4 June 2019*.

- that the reform of FIFs and the reform of multi-donor trust funds should be viewed more in context⁴⁹³

However, the first remark does not appear to have been taken into account in the final version of the FIF Framework, of June 2019. In April 2021, Norad confirmed that only development banks and UN organisations can carry out projects in FIFs. When asked whether this means that Norad wants the World Bank to act as host for future FIFs to a lesser extent, Norad replied that they will have to consider this matter on a case-by-case basis.⁴⁹⁴

However, the draft version of the new Trust Fund Policy indicates that the second remark has been taken into account, i.e. that the FIF reform should be viewed in the context of the reform of multi-donor trust funds.

According to the Ministry of Foreign Affairs and Norad, the World Bank should take greater responsibility for the reporting of results

As of 2020, the World Bank is not responsible for the way in which funding in FIFs is used. This responsibility is split between the various organisations that carry out projects at country level. According to the Ministry of Foreign Affairs and Norad, this means that FIFs have a weaker overall management structure as regards the follow-up of results at overarching level, reporting and financial management.

In an interview, the Ministry of Foreign Affairs stated that it would like to see the World Bank prepare overall results reports from the FIFs, which in turn would see the bank taking more responsibility for the reporting of results by the FIFs.⁴⁹⁵ The new FIF framework makes no mention of the reporting of results by the FIFs, and the World Bank does not prepare overall results reports from the FIFs as of 2021. According to the Ministry of Foreign Affairs, a requirement for results reporting will be set out in the fund's Operational Manual or in a Framework Document.⁴⁹⁶

The Ministry of Foreign Affairs and Norad wish to standardise the FIF agreements

Norad's legal affairs section has been particularly concerned about the need to standardise and improve the FIF agreements, as has been done for the agreements for multi-donor trust funds.⁴⁹⁷ The Ministry of Foreign Affairs and Norad have raised this issue with the World Bank.⁴⁹⁸ The Ministry of Foreign Affairs stated that the World Bank has been unclear on this point. According to the Ministry, Norad has not received any indications that the bank will introduce such a standard agreement, on the contrary. On the other hand, the ministry believes that the FIF framework suggests that the bank has a positive attitude towards standardisation. However, the World Bank uses the term "constitutive documents" in the FIF framework, and it is unclear to the Ministry of Foreign Affairs what this term actually means.

The World Bank states that there have been a number of challenges relating to the issue of whether any standard provisions from the multi-donor trust fund agreements should be repeated in the FIF agreements. The bank notes that, in the case of multi-donor trust funds, it performs the role of administrator and is responsible for carrying out the trust fund's activities. In the case of FIFs, the bank primarily acts as trustee. Other organisations are often implementation partners in the same FIF. The bank is unable to take legal responsibility for matters for which other organisations are responsible, including results. These differences between FIFs and multi-donor trust funds have led to numerous discussions with Norway and other donors regarding the relevance of incorporating such provisions in FIF documents.⁴⁹⁹

⁴⁹³ Norad's remarks to the Ministry of Foreign Affairs in connection with a discussion on the reform of trust funds by the World Bank's board of directors on 18 September 2018; ref. e-mail of 14 September 2018; Norad's mandate for a meeting of the Trust Fund Forum in January 2019, 28 January 2019; Norad's minutes of a meeting of the Trust Fund Forum in January 2019, 1 February 2019.

⁴⁹⁴ Letter from Norad to the Office of the Auditor General dated 27 April 2021.

⁴⁹⁵ Interview with the Ministry of Foreign Affairs on 30 August 2019, which was also attended by a representative of Norad's legal affairs section.

⁴⁹⁶ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General dated 24 September 2021.

⁴⁹⁷ Interview with the Ministry of Foreign Affairs on 9 June 2020.

⁴⁹⁸ Norad's input to the Ministry of Foreign Affairs in connection with a discussion on the reform of trust funds by the World Bank's board of directors on 18 September 2018; ref. e-mail of 14 September 2018.

⁴⁹⁹ Letter from Development Finance at the World Bank to the Office of the Auditor General, 22 April 2021.

8.4 The Ministry of Foreign Affairs and Norad's other work relating to the World Bank's fund management

8.4.1 Other input regarding the World Bank's management of multi-donor trust funds

The Ministry of Foreign Affairs and Norad have also provided input regarding the World Bank's rules for core funding for IDA and IBRD. In many cases, these rules also apply to multi-donor trust funds.⁵⁰⁰

Furthermore, Norad has contributed input on a number of occasions regarding the preparation of a standard agreement for multi-donor trust funds in the World Bank. The current standard agreement was finalised in November 2016. In an interview, a representative for Norad said that the current version of the template contains clearer requirements than was previously the case as regards financial irregularities, results and deadlines. The use of agreement templates facilitates the negotiation of individual agreements. According to Norad, transaction costs during this phase are significantly lower.

Norad also states that the World Bank has included a number of mandatory clauses in its standard templates for funds that meet the requirements of the Norwegian Appropriation Regulations and the Regulations on Financial Management in Central Government. Clauses concerning irregularities and results frameworks have also been incorporated in the templates.⁵⁰¹

8.4.2 Strategic cooperation with the World Bank

In addition to core funding for development banks, Norway contributes earmarked funds to strategic cooperation⁵⁰² in high-priority areas, known as 'co-financing'. Amongst other things, the appropriations help to put new themes on the agenda and influence the banks in themes where the ministry believes they should do more.⁵⁰³ Funding for strategic cooperation amounted to NOK 174 million in 2019. The corresponding figure in 2020 was NOK 139 million.⁵⁰⁴

The funding is not substantial, but according to the ministry, it is very important in Norway's interaction with the banks. When combined with Norway's participation in governing bodies, this flexible and politically important funding can help to strengthen financial institutions in priority areas of foreign and development policy.⁵⁰⁵ Appropriation memoranda for the budget item during the period 2016–2020 show that business development and job creation in Africa, peace and nation-building and governance have been amongst the priority themes.

The Ministry of Foreign Affairs states that, through this funding, the Norwegian authorities have been able to ensure that the banks have developed their policies in areas such as gender equality, anti-corruption, energy and climate, financial transparency and human rights,⁵⁰⁶ as well as illegal capital outflow.

⁵⁰⁰ Internal e-mail from Norad regarding input concerning the NBO's stance with regard to safeguarding mechanisms, 25 April 2014; Norad's assessment of the World Bank's draft new framework for social and environmental safeguarding mechanisms, 5 November 2014; the World Bank's minutes of consultations with the World Bank on safeguarding mechanisms, 12 November 2014; Norad's assessment of the second draft of the new framework for social and environmental safeguarding mechanisms, 17 June 2015.

⁵⁰¹ Interview with the Ministry of Foreign Affairs on 30 August 2019, which was also attended by a representative of Norad's legal affairs section.

⁵⁰² Chapter item 172.72 *Strategic cooperation*.

⁵⁰³ Ministry of Foreign Affairs, *Fordelingsnotat: Strategisk samarbeid med multilaterale utviklingsbanker og finansinstitusjoner 2020 – Kap 172.72*, 12 December 2019.

⁵⁰⁴ Prop. 1 S (2020–2021) Ministry of Foreign Affairs, p. 172.

⁵⁰⁵ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General, 29 April 2020.

⁵⁰⁶ Letter from the Ministry of Foreign Affairs to the Office of the Auditor General, 29 April 2020.

9 Assessments

For many years, there has been an increase in the amount of Norwegian aid going to multilateral actors. Between 2016 and 2020, the proportion of Norwegian aid going to multilateral organisations rose from 43 to 59 per cent. There has particularly been an increase in earmarked funding for multilateral organisations, including support for various types of trust funds. The World Bank is the largest recipient of Norwegian earmarked aid and is the development organisation which manages the most trust funds.

In 2020, the World Bank received more than NOK 5.3 billion in support from Norway, of which more than NOK 4 billion comprised earmarked funding which primarily went to trust funds. Trust funds are a funding mechanism for channelling aid to a specific purpose from donors through an administrator organisation (trustee), such as the World Bank. The two main types of trust funds in the World Bank are multi-donor trust funds and FIFs (financial intermediary funds), where the World Bank provides financial management services.

The Office of the Auditor General has both investigated the Ministry of Foreign Affairs' management and follow-up of aid to the World Bank's trust funds and analysed selected individual funds. These trust funds are: The GFF health fund, the SREP climate fund, the CGAP which promotes financial inclusion, and Jobs Umbrella which promotes job creation. The investigation also looked at the GPE and IFFEd education funds, albeit to a lesser extent.⁵⁰⁷

In summary, the investigation shows that support provided through the World Bank Fund will not necessarily contribute to attainment of Norway's development policy goals in an effective manner. This applies to both cross-sectoral and sector-specific goals. Many trust funds document only to a small degree how results benefit the target group. In addition, the investigation shows that substantial administration costs are charged at multiple stages before the aid reaches the end user, and that it is difficult to obtain a clear overview of the total costs. It is thus not possible to conclude that aid to trust funds is cost-effective, as the Ministry of Foreign Affairs assumes. The Ministry of Foreign Affairs also lacks a comprehensive strategic approach which clarifies the contexts in which it is appropriate to support trust funds, and which sets out justified priorities between earmarked and core funding.

9.1 Aid to thematic funds does not adequately underpin key cross-sectoral targets for Norwegian development assistance

9.1.1 Many middle-income countries receive aid through Norwegian-supported funds

Poverty orientation is an important cross-sectoral goal for Norwegian aid. In other words, the aid must help to lift poor and marginalised groups, including those outside the poorest countries; see for example Recommendation S 93 (2004–2005). In Prop. 1 S (2019–2020), the Ministry of Foreign Affairs states that an increasing proportion of aid will be concentrated in the least developed countries, particularly in sub-Saharan Africa, in order to strengthen the poverty orientation.

We have looked at the overview of all trust funds that have received Norwegian support through to 2019. Of the 143 countries that had received aid from Norwegian-supported trust funds, around half were middle-income countries. There is considerable variation within this group. Around 50 of the countries that have received Norwegian support belong to the group upper middle-income countries. In addition, more than ten of the countries that have received support are what are known as 'high-income countries'.

It must be possible to classify all measures via the aid budget as Official Development Assistance (ODA); see Prop. 1 S (2020–2021). However, the investigation has revealed that many countries that are not ODA-approved

⁵⁰⁷ The full names of the funds are *Global Financing Facility* (GFF), *Scaling up Renewable Energy in Low Income Countries* (SREP), *Consultative Group to Assist the Poor* (CGAP), *Jobs Umbrella Multidonor Trust Fund*, *Global Partnership for Education* (GPE) and *International Finance Facility for Education* (IFFEd).

have received aid through Norwegian-supported funds via the World Bank, including Saudi Arabia and a number of European countries such as Poland, Bulgaria and Russia. In other words, they are not covered by the OECD DAC's definition of countries which can receive development assistance. In various contexts, the Ministry of Foreign Affairs has raised the issue with the World Bank that Norway wants to see funding from trust funds go exclusively to ODA-approved countries. The World Bank says that although it does not impose any requirement for this to take place, it does attempt to fulfil requests from individual donors for their contributions to only go to ODA-approved countries.

The Ministry of Foreign Affairs notes that most people living in poverty live in middle-income countries. In addition, aid to global common goods, such as climate, makes aid to middle-income countries essential. However, the Ministry of Foreign Affairs acknowledges that there may have been unintended leaks of support to middle-income countries where the aim was to support low-income countries, often the poorest countries, which are Norway's main priority.

In our opinion, the aid given to countries that are not ODA-approved, combined with the high number of middle-income countries receiving aid, does not sufficiently support the Storting's goal of contributing to poverty reduction; see Recommendation 440 S (2016–2017).

9.1.2 Many thematic funds contributes to the fragmentation of aid

Another cross-sectoral goal is to avoid the fragmentation of aid. Fragmentation means that the aid is given piecemeal and shared from many donors via many channels, which can lead to high transaction costs and make it difficult for recipient countries to manage their own development. According to White Paper 27 (2018–2019) *Norway's role and interests in multilateral cooperation*, strictly earmarked funds can lead to greater fragmentation. According to the Busan declaration (2011), which Norway has endorsed, donors have a responsibility to counter the fragmentation of aid.

In recent years, the Ministry of Foreign Affairs has put a lot of effort into reducing the number of trust funds that Norway supports. The investigation has revealed that Norway still supports a large number of World Bank trust funds, around 70 compared with the previous figure of over 100. The World Bank itself also notes that using a large number of multi-donor trust funds and FIFs leads to greater fragmentation. The Swedish Ministry of Foreign Affairs has been particularly critical of the establishment of one of the funds covered by our investigation – the World Bank's global health fund GFF – to which Norway is the largest contributor. Sweden's Ministry of Foreign Affairs does not wish to support the fund because it believes that the risk of fragmentation of health aid was and remains greater than the benefits of the GFF. Overall, greater fragmentation increases the risk that the goals behind the aid will not be achieved.

9.1.3 Weak national ownership in several funds covered by the investigation

National ownership has long been an important principle in Norwegian development policy; see Recommendation S 93 (2004–2005). The orientation and priorities of the Norwegian aid must be determined on the basis of the needs of the developing countries, not those of the donor countries; see Recommendation 269 S (2008–2009). Two key principles in the declarations of Paris, Accra and Busan concerning aid effectiveness, which Norway has endorsed, are ownership and following national plans. Ownership means that the recipients themselves develop and implement long-term development plans and coordinate the aid. Donors must base their support on the national development strategies, institutions and procedures of the countries concerned.

The investigation has revealed that the donors took the initiative to establish three of the trust funds covered by the investigation (CGAP, Jobs Umbrella and GFF). These trust funds are also donor-controlled, which means that it is the donors who sit on the fund's steering committee and make the strategic decisions. The fact that the recipient countries are not represented on the funds' decision-making bodies may undermine the recipient countries' national ownership of the trust funds' activities and projects. In our opinion, this increases the risk that the aid channelled through these funds will not achieve the desired results on the ground.

The recipient ownership of the IFFEd education fund and the GFF health fund has been criticised by other countries, researchers and civil society organisations. In the case of GFF, the criticism has come from civil society organisations, which have pointed out, amongst other things, that recipient countries and civil society organisations are not sufficiently represented on GFF's board of directors. As regards IFFEd, experts have argued that poor countries do not wish to borrow money for education, which is the premise of the fund. According to critics, IFFEd is being driven by donors who believe poor countries should spend more money on education. Norad also requested a better analysis of actual demand amongst the recipient countries for such an initiative. Norway was amongst the initiators behind IFFEd, but ultimately chose not to support the fund.

The work of the SREP climate fund in Uganda is another example of weak national ownership, with associated negative consequences for both progress and results. SREP aims to help recipient countries develop more sources of energy production, and ensure that the projects are developed alongside existing energy programmes. This orientation has not proved to be successful in Uganda, with three planned SREP projects being terminated and funding being repaid in 2019. Eighty per cent of Uganda's energy production comes from hydropower, but SREP instead wanted to support the development of geothermal energy and wind power, which are new forms of energy in the country. This approach was criticised by both Norad and the Norwegian embassy in the country. They believed that it would be both more cost-effective and help to accelerate results if SREP were to support the existing hydropower energy programme. The embassy believed that, in Uganda, SREP lacked both national ownership and expertise in geothermal energy. It is the Ugandan Ministry of Energy that manages trust funds within the energy sector, and the establishment of new trust funds would therefore give rise to capacity challenges. In our opinion, it is unfortunate that the recipient country's limited capacity is being used to draw up an investment plan which it has neither sufficient ownership nor the necessary expertise to implement.

9.2 Many funds are unable to demonstrate results on the ground, and it is difficult to assess how activities lead to change for the recipients

The Ministry of Foreign Affairs' management and administration are covered by the principle of goal and results management laid down in the *Regulations on Financial Management in Central Government* and the associated *provisions relating to financial management in central government*. A fundamental governing principle is that the Ministry of Foreign Affairs must ensure that adopted goals and result requirements regarding aid are achieved. Other key principles are that the ministry must ensure the efficient use of resources, the availability of sufficient management information and a sound decision-making basis for the follow-up of results and activities; see Section 4 of the *Regulations on Financial Management in Central Government*.

The results of four selected trust funds reviewed in this investigation show that there are weaknesses in both goal attainment and results.

9.2.1 Two knowledge funds have received development aid over a number of years despite poor documentation of results

Norway has donated a total of NOK 217.5 million to CGAP, which promotes financial inclusion, and Jobs Umbrella, which promotes job creation. Common to both of these trust funds is that they aim to generate new knowledge, and that the activities are carried out by the World Bank itself.

The investigation has revealed that the two trust funds are unable to point to any real results in the recipient countries. This means that the trust funds are unable to adequately demonstrate that the activities that are being carried out and the knowledge products that are being developed lead to real changes for the people who are the intended recipients of the aid. The trust funds' framework for measuring results has not been developed in a way which makes it possible to measure results further down the results chain, i.e. at user and societal level (*outcome* and *impact*). The results frameworks only make it possible to measure results at activity and product level (*output*), such as the number of reports and research articles that are prepared. Even if the funds' activities were to be carried out in an appropriate manner, this would not mean that the activities would contribute to attainment of the overall objectives of the aid.

The investigation has also revealed that the Ministry of Foreign Affairs and Norad have continued to support the trust funds over a long period of time, even though they are unable to cite results at user and societal levels. CGAP has received Norwegian support since 1995. In an interview, Norad stated that the directorate is convinced that CGAP's knowledge production is beneficial, even though it is difficult to accurately measure the benefits that it leads to. By contrast, the director of CGAP has acknowledged that it is not entirely clear whether CGAP is actually helping to improve the lives of people living in poverty. In our opinion, a trust fund that has been receiving Norwegian support since 1995 should be able to demonstrate the results and utility value of the fund to end users in recipient countries. We do not believe that an assumption of utility value provides an adequate basis for continuing the support.

As regards Jobs Umbrella, which Norway has supported since 2014, the Ministry of Foreign Affairs has questioned the fund's poor results on the ground. The Ministry of Foreign Affairs has been critical of Jobs Umbrella's work methodology and results over time. In December 2019, the Ministry of Foreign Affairs stated in a memorandum that "Norway calls for concrete results on the ground instead of extensive analyses and tool kit development." In 2020, the Ministry of Foreign Affairs decided to end support for Jobs Umbrella, partly due to the fund's poor results.

9.2.2 Poor progress by the SREP climate fund

During the period 2009–2018, the Norwegian authorities disbursed a total of NOK 802 million to the SREP climate investment fund. Amongst other things, the fund aims to contribute to better access to renewable energy in low-income countries.

The investigation indicates that SREP has only just begun to produce results after 13 years. Few of the fund's projects can present tangible results. As of December 2020, only 23 per cent of SREP's funds, or USD 137 million, had been paid out. The investigation also shows that the Ministry of Foreign Affairs and Norad have disagreed on Norwegian support for SREP. The Ministry of Foreign Affairs delegated administrative responsibility for SREP to Norad in 2017, and in 2018 Norad recommended putting further Norwegian support for SREP on hold. However, this recommendation was contrary to what the Ministry of Foreign Affairs had already announced regarding further Norwegian support at a board meeting in the same year.

In 2018, Norad called for confirmation that SREP is a cost-effective programme which actually delivers results. Norad had still not received confirmation as of April 2021, but the directorate believes that a future evaluation of the fund will provide the answer. Projects within the energy sector take time to complete. Nevertheless, we believe that it is problematic that poor progress and few concrete results did not have a greater impact on the Ministry of Foreign Affairs' support for the fund during the period 2009–2017.

9.2.3 Large sums of money, but weak reporting on results from the GFF health fund

The Norwegian authorities are the largest donor to the GFF health fund and contributed around NOK 3 billion in support to the fund during the period 2016–2020. The fund aims to improve the health of women, adolescents and children and to bolster health systems in low- and middle-income countries.

The investigation shows that it is difficult to assess which results can be attributed to activities under the auspices of GFF, with the result that it is difficult to know how the activities have led to change for the recipients. According to Norad, GFF makes no attempt to link results to the fund's own activities within the health sector. In its reports, the fund instead refers to the *overall* health results in the country or region concerned, without clarifying what constitutes GFF's contribution to these results. In our opinion, it is unfortunate that GFF is unable to demonstrate the added value of the fund in clearer terms.

Sexual and reproductive health and rights (SRHR) are an important goal for Norway's health aid, and GFF is a pivotal contributor to the attainment of this goal. The investigation shows that it is not possible to monitor developments within SRHR as a whole for GFF. It is estimated that around 28 per cent of the annual appropriations of NOK 600 million in GFF go to SRHR. However, this is based not on actual measurements, but on modelling from historical data. There are many recommended SRHR indicators for measuring progress within Sustainable Development Goal 3 concerning health, but GFF collects data for only one indicator: "adolescent fertility rate" for all

recipient countries. GFF's most recent annual report refers only to occasional contributions from individual countries in this area. In other words, there is no scope to systematically measure GFF's contribution to improvements in SRHR. In our opinion, these weaknesses in results reporting compromise the ability to assess GFF's results in each country and what GFF has brought about for the recipients. It is also difficult to assess GFF's contribution to attainment of the goals prioritised by Norway for its health aid.

9.3 The Ministry of Foreign Affairs has not paid enough attention to the cost of providing aid through the World Bank's funds

The goals of effective management follow from Section 10 of the Appropriation Regulations, which states that expenditure appropriations must be used in such a way that resource use and instruments are effective in achieving the predicted results. In the budget propositions for 2017 and 2018, the Ministry of Foreign Affairs stated that development banks represent large multilateral teams with coordinated political guidelines, economies of scale and efficiency gains. The budget propositions for 2016–2018 explain that the Norwegian authorities are committed to reducing transaction costs and increasing donor cooperation by participating in multi-donor trust funds.

An evaluation by Norad indicates that there is no transparency regarding the total cost of providing aid through trust funds. This is because we only know about the operating costs of the fund to which the money goes, not the operating costs of other organisations, as the money is transferred to recipients of the aid. This investigation has aimed to acquire new knowledge regarding the actual cost of providing aid to the World Bank's trust funds. The investigation has not drawn any comparisons with other aid channels or mechanisms. However, we have identified several expensive elements which indicate that the Ministry of Foreign Affairs should pay more attention to costs.

9.3.1 Substantial administrative costs are charged at multiple stages before the funding reaches the end users

Norwegian aid to trust funds is reported as officially approved aid to the OECD DAC. This aid includes various components for administration and operation in a number of links in the chain from Norway disbursing the funding through until end users in the recipient countries actually receive the aid. These could for example be administrative costs incurred by the World Bank, either indirectly to cover joint costs within the bank or directly to manage the individual fund concerned. Administration costs will also be incurred in cases where other organisations or operators at country level are responsible for funding. In other words, considerable sums of money go towards administration and operations which are embedded in the aid that is channelled through the World Bank.

The GPE education fund is an example of a fund where Norwegian aid passes through a number of stages before it reaches the recipient countries and any end users in schools and health centres. The investigation shows that, for one education sector project in Uganda, the GPE fund, the World Bank and the Ugandan Ministry of Education all charge considerable sums of money for administration and operation. In Uganda, expenditure on wages for staff at the Ministry of Education and Sport almost tripled compared with the original budget. On average, a country project in the fund spends almost 9 per cent on operations and administration in total. This is in addition to the cost of running GPS's secretariat, which amounts to around 6 per cent. A significant proportion of the project funding also fails to reach schools and pupils in Uganda directly. One example is expensive travel which is classed as capacity-building. Another example is the procurement of international consultancy services. This is within the agreement, but it probably reduces the amount of money that reaches those who need it most. In an evaluation, Norad has also noted that operating costs incurred in a number of links in the chain are likely to reduce the proportion of aid that is spent on measures in the recipient countries.

The complex structure of some funds also leads to higher administrative costs. For example, the GFF health fund has its own component ("transfer out") which enables other organisations to carry out projects financed by the fund. This could mean that Norway gives money to GFF, which is managed by the World Bank, which in turn gives money to, for example, Unicef, which in turn can enter into agreements with a health ministry in a recipient country.

In this case, the World Bank and Unicef charge 5 and 7 per cent in administration fees respectively. It is not clear to us why the World Bank charges as high a fee for passing on funding to another organisation as it does in cases where the bank itself is responsible for the grant. This is a link in the chain which not only adds to the costs incurred and creates an extra layer of administrative costs, but also requires closer monitoring of the fund's results by Norway. The Ministry of Foreign Affairs states that the World Bank's fees should be reduced to 1 per cent in the case of trust funds where some of the funding is transferred to other organisations. This applies to trust funds established after 1 January 2021.

The procurement of consultancy services by funds can also add an extra link in the chain, resulting in administrative costs from donor to recipient. The investigation revealed one case where the Ministry of Foreign Affairs purchased services from a consultancy firm in Somalia. After much criticism, partly because the owners took dividends from the aid, the ministry terminated the agreement with the company. In 2014, the then minister stated that Norway would support the World Bank's multi-donor trust fund in Somalia instead. In this way, the need for this type of consultancy service would then decrease dramatically because the World Bank would assume the bulk of the responsibility. However, the consultancy firm has since entered into a major agreement with the World Bank's multi-donor trust fund in Somalia. As a result, Norwegian aid continues to go to the company, not directly as before, but indirectly through support for the World Bank's trust funds, which then purchase consultancy services from the company. In addition, costs are increased because the funding now passes through an extra link in the chain before it reaches the recipient country.

9.3.2 There is little transparency about the costs incurred by the World Bank's funds

The investigation has revealed that obtaining an overview of operating and administrative costs is a complicated process. This is due to the fact that costs are deducted in several links in the chain, and that the World Bank is not very open about these costs. For example, the World Bank does not disclose the total amount that it charges in what are known as 'indirect costs', e.g. joint costs for ICT and HR services for the entire bank. This is important information in determining the price, or cost coverage, that the bank charges for administering trust funds. In addition, there are many different rules for deducting fees and charges, which also change over time. This complexity makes it difficult for the public sector to know how much it costs to provide aid via the World Bank.

Both the Ministry of Foreign Affairs and Norad note that financial reports from trust funds can be difficult to understand. Norad has also called for greater transparency regarding the overall cost of administering trust funds. Nevertheless, the Ministry of Foreign Affairs and Norad have not assessed or calculated the cost of using trust funds as a channel. There are few examples of them investigating costs incurred by trust funds as channels in general, or by individual trust funds in particular. The annual budget propositions do not contain any figures concerning the cost of administering and operating trust funds as a channel. Collectively, this makes it impossible to verify whether the ministry's assumptions regarding effectiveness and economies of scale are actually correct.

9.3.3 The Ministry of Foreign Affairs has not followed through on its ambition to provide more of the multilateral aid in the form of core funding and less as earmarked for trust funds

White Paper 27 (2018–2019) states that the government will shift support for the UN system and the World Bank towards a higher proportion of core funding. This was justified by the fact that strictly earmarked funds can result in greater fragmentation and higher administrative costs for the organisations involved. The Ministry of Foreign Affairs has since been unable to explain what it is doing in order to shift support to the World Bank towards a higher proportion of core funding. The section for multilateral development banks in the Ministry of Foreign Affairs stated that it is currently unclear whether there will be any increase in core funding in the next replenishment round for the World Bank's International Development Association (IDA).

The investigation has revealed that funding is often used to support the World Bank's core projects (IDA funding). Funding from trust funds often involves small amounts compared with core funding. Many grants under Jobs Umbrella and GFF are examples of this. Neither the Ministry of Foreign Affairs nor Norad has managed to explain clearly why this funding has not been provided directly in the form of core funding, which would reduce administration costs.

The Ministry of Foreign Affairs has stated that Norway provides a significantly lower proportion of core funding for IDA, and a correspondingly higher proportion of earmarked funding, than comparable countries such as Sweden. The World Bank also prefers to receive core funding. The World Bank justifies this by stating that the increase in the number of thematic funds and FIFs in recent years entails costs such as potential ineffectiveness, duplication and a risk of fragmentation of the global aid architecture.

For many years, most of the increase in multilateral aid from Norway has primarily been earmarked funding for trust funds, amongst other things, rather than core funding. This is contrary to what the Norwegian government assumed in White Paper 27 (2018–2019). In our opinion, it is unfortunate that the Ministry of Foreign Affairs has not prepared a decision basis which discusses the priorities between core and earmarked funding. This could reduce the effectiveness of the aid and lead to fewer people benefiting.

9.3.4 Large sums of money go to knowledge production, but the documentation of results is inadequate

The investigation has revealed that a lot of money goes to bank-executed trust funds. This is funding which is used by the bank itself for knowledge production, analysis and advice, rather than funding which reaches users in recipient countries directly. In 2020, a total of 30 per cent of all the funding disbursed by multi-donor trust funds went to bank-executed funds. This amounts to over USD 1 billion. Norway is one of the largest contributors to such trust funds.

CGAP and Jobs Umbrella are examples of such trust funds. It is understandable that the bank uses funding to follow up and advise recipient countries. However, there is insufficient transparency regarding the results. As shown in section 9.2.1, the utility value of the trust funds for the recipient countries is poorly documented. The difficulty of measuring the results of small multi-donor trust funds is another factor that the World Bank itself has referred to. According to the bank, although many small trust funds contribute to innovation and knowledge-building, it is often difficult to measure how they contribute to development. We accept the fact that a certain proportion of Norway's aid goes towards the bank's activities relating to knowledge production and technical assistance. In our opinion, however, it is problematic that such a high proportion of Norway's aid is spent on financing the bank's activities without the ministry receiving high-quality results reports that show how the activities benefit the inhabitants of the recipient countries.

9.4 The Ministry of Foreign Affairs works actively with the World Bank's board of directors, but lacks a long-term and holistic strategy for management of the trust fund portfolio

The Ministry of Foreign Affairs has overarching responsibility for managing and administering Norwegian-supported funds. The pivotal governing principles are based around the ministry ensuring the effective use of resources, the availability of sufficient management information and a sound decision-making basis for the follow-up of results and activities; see Section 4 of the Regulations on Financial Management in Central Government.

9.4.1 The absence of a long-term and holistic strategy may result in less efficient use of resources

The investigation shows that the Ministry of Foreign Affairs has no overall strategy for Norwegian support for either the World Bank in general or trust funds in particular. The ministry considers the annual budget proposition to be the most important strategic document for Norwegian aid to trust funds. According to the ministry, the document sets out clear guidelines and justifications regarding where, why and in what contexts it would be appropriate to contribute to trust funds. It is the political leadership within the ministry and the bank's management that discuss participation in thematic funds.

In our opinion, the information provided by the annual budget propositions is not sufficient to provide a holistic strategic approach to Norwegian support for the World Bank's trust funds. The budget propositions mainly contain

information regarding goals for the core funding and the themes that are given priority in this context. No information is reported concerning the number of trust funds that Norway supports. Although individual funds are mentioned, the various trust funds are not discussed in context across themes and geographical orientations. Thus, the annual budget propositions do not set out clear guidelines regarding where, why and in what contexts it would be strategically appropriate to contribute to trust funds.

Unlike the Norwegian Ministry of Foreign Affairs, the Swedish Ministry of Foreign Affairs has a multi-annual strategy for its work with respect to the World Bank. Sweden's earmarked funding for multi-donor trust funds must also be granted in accordance with the strategy. The Swedish Ministry of Foreign Affairs states that the strategy leads to a good discussion regarding priorities, where different interests are weighed against each other.

In our opinion, the absence of a clear strategy in the work relating to trust funds represents a weakness in the approach adopted by the Ministry of Foreign Affairs and Norad to the World Bank's trust funds. A holistic strategic approach would have helped to clarify which trust funds should receive Norwegian aid, and better justified the established priorities between earmarked funding for trust funds and core funding. The current trust fund portfolio comprises many trust funds, some large and many small, and it is difficult to see any holistic assessment behind the composition of the trust funds that Norway supports.

One example of a consequence of changing priorities is Norad's work relating to the establishment of the IFFEd education fund⁵⁰⁸. This preparatory work was resource-intensive for Norad, which actively participated in a working group over a period of almost two years. Nevertheless, Norway opted not to support IFFEd when the trust fund was eventually established, partly because of a desire to prioritise initiatives relating to education in fragile states. In our opinion, a more thorough assessment of this should have been carried out at an earlier stage. Prior to the establishment of IFFEd, Norway had previously funded the commission which proposed this trust fund, contributing over NOK 100 million. In our opinion, this example shows that poor long-term management of the trust fund portfolio may lead to the less effective use of resources.

Responsibility for the support to the World Bank's trust fund is split between a number of departments within the Ministry of Foreign Affairs and Norad. The section for multilateral development banks within the Ministry of Foreign Affairs is admittedly responsible for Norway's cooperation with the World Bank's board of directors and the reforms of the various types of trust funds. However, there is no section which has overall strategic responsibility for support for trust funds, or which is responsible for viewing all Norwegian support for trust funds in context. Such a decentralised organisation reinforces the need for an overarching and clear strategic approach.

9.4.2 The Ministry of Foreign Affairs is actively involved in the World Bank's board and reform work

Another aspect of the management of the World Bank's trust funds by the Ministry of Foreign Affairs and Norad is the work being carried out with respect to the bank's board and the reforms to multi-donor trust funds and FIFs.

The investigation has revealed that the Ministry of Foreign Affairs and Norad are actively working with respect to the internal processes at the World Bank. Norway has achieved breakthroughs on a number of occasions regarding its views on the reform of FIFs and multi-donor trust funds, including the standardisation and improvement of results measurement and reporting. We consider this to be a positive development.

However, the Ministry of Foreign Affairs and Norad are only able to influence the decisions that are made to varying degrees. The processes are complicated, and there are long lines of governance from Norad and the Ministry of Foreign Affairs via the joint Nordic-Baltic board representative until decisions are made by the World Bank's board of directors. The investigation shows, inter alia, that the Ministry of Foreign Affairs and Norad do not always have an overview of the decision-making processes that are important for Norway. For example, the new FIF framework was approved without the knowledge of the Ministry of Foreign Affairs and Norad.

⁵⁰⁸ IFFEd is an abbreviation for *International Finance Facility for Education*.

9.5 Trust fund results and costs should have been more closely monitored

The management and follow-up of Norway's support for trust funds largely takes place centrally within the Ministry of Foreign Affairs and Norad, but follow-up also takes place at country level via the embassies.

The investigation shows that results and costs should have been monitored more closely. This applies for example to CGAP and Jobs Umbrella.

9.5.1 The Ministry of Foreign Affairs and Norad often prepare thoroughly, but there are weaknesses in the follow-up of the trust funds

According to Prop. 1 S (2018–2019), the Ministry of Foreign Affairs's system for aid administration must ensure that the Storting's appropriation decisions are implemented as intended, that grants are administered in accordance with relevant regulations and current guidelines, and that the measures produce results.

The investigation shows that the Ministry of Foreign Affairs and Norad often carry out thorough preparatory work regarding the quality assurance of documents when establishing new trust funds, and before Norway decides whether or not to support an existing trust fund. The preparatory work includes assessments of the results framework, the preparation of agreements and legal quality assurance. However, there were considerable variations between the various trust funds that we looked at in the investigation. While thorough preparatory work had been carried out concerning GFF, SREP and IFFEd, the preparations made for both CGAP and Jobs Umbrella were not sufficiently thorough.

Compared with the often thorough preparatory work, the investigation shows that aid management pays less attention to following up trust funds during the implementation phase. For example, the Ministry of Foreign Affairs and Norad have not followed up on the weaknesses in CGAP's results framework, even though the weaknesses made it impossible to measure results at user and societal level. Furthermore, the management has insufficiently monitored developments and increases in overall administration and operating costs within trust funds. The Ministry of Foreign Affairs has stated that the capacity for following up funds has been stretched at times.

Several of the trust fund's annual reports are also not very informative, particularly with regard to financial information. This is for example the case with Jobs Umbrella and GFF. Overall, the Office of the Auditor General believes that this may contribute to poorer follow-up of funds and increase the risk that Norway will not achieve the desired results through the support that has been provided.

9.5.2 The embassies do not have the prerequisites needed to follow up the multilateral component of the aid

According to White Paper 27 to the Storting (2018–2019) *Norway's role and interests in multilateral cooperation*, the Norwegian authorities must strengthen their follow-up of, inter alia, the multilateral banks in the countries in which they operate, and ensure a link between the work that takes place at country level and the work of governing bodies for individual organisations. The responsibilities of the embassies with regard to trust funds are set out in the annual instructions issued by the Ministry of Foreign Affairs. During the period 2019–2021, the embassies were asked to monitor activities under the auspices of thematic funds to which Norway makes significant contributions.

The investigation revealed that a number of embassies believe that the expectations of the Ministry of Foreign Affairs regarding them are not sufficiently clear. One of the embassies stated that the Ministry of Foreign Affairs must clarify *what* they should follow up on – whether it is the projects' financial statements or the results framework. Further documents such as mandates and checklists which clarify *how* the follow-up should take place are also absent. We believe that the fact that a number of embassies do not consider management signals to be clear increases the risk that the ministry will not receive important information at country level regarding Norwegian-supported funds.

According to the Ministry of Foreign Affairs, the reporting by the embassies regarding the activities of trust funds at country level has improved, and more embassies have become more heavily involved in multilateral development

cooperation than was previously the case. However, the ministry states that some embassies do not give a sufficiently high priority to this and are struggling as regards capacity. A number of embassies have confirmed this and called for clearer priorities from the Ministry of Foreign Affairs regarding how the follow-up of trust funds should be viewed in the context of other tasks.

The investigation has also revealed that a number of embassies are calling for better information-sharing regarding individual trust funds between the Ministry of Foreign Affairs and the embassies. Departments and sections within the Ministry of Foreign Affairs have different information-sharing practices with respect to embassies. The need for a better structure regarding information-sharing is reinforced by frequent replacements in posts both in Norway and abroad. More structured information-sharing can help the embassies to find out more about Norwegian-supported funds in the country concerned, which in turn will make them better-equipped to report more relevant information back to the ministry.

In addition to lacking information regarding individual trust funds, several embassies also stated that they do not have any overview of Norwegian funding for various aid channels at country level. This is a prerequisite for embassies to be able to keep track of Norwegian-supported funds, and we therefore believe that embassies should have such an overview. Norad's work to prepare an overview of Norwegian funding for various aid channels at country level has helped to make this information more readily available. However, this information has not been systematically shared with relevant embassies.

Overall, our assessment is that the Ministry of Foreign Affairs should improve the embassies' ability to follow up the multilateral component of the aid, which constitutes an increasing proportion of Norwegian aid. A lack of clear expectations regarding what embassies should follow up on, combined with the fact that embassies are primarily organised to follow up bilateral aid, is making it difficult for the embassies to follow up Norwegian-supported funds, as expressed in White Paper 27 (2018–2019). However, there are aspects of the World Bank's governance and organisation which may make it difficult for the embassies to take on the responsibility that the white paper expects them to take. Many of the World Bank's activities are managed from the bank's head office and not necessarily from the bank's local or regional office in the recipient countries. As a result, the World Bank is sometimes perceived as being difficult to enter into dialogue with at country level.

9.6 Reporting of the results of aid to the Storting remains imbalanced

The budget propositions must be based on the principles laid down in Sections 3–9 of the Appropriation Regulations, which state, inter alia, that the ministry must provide information on the results achieved during the most recent financial year. According to Section 5 of the Regulations on Financial Management in Central Government, the budget proposition to the Storting must provide a basis for the establishment of priorities between the ministry's areas of responsibility in accordance with the current political objectives.

The investigation has revealed that the Ministry of Foreign Affairs' reports on Norwegian support for the World Bank's trust funds in the propositions for 2018–2021 were not very balanced. The ministry makes extensive reference to positive individual results, and rarely mentions challenges or poor results, even when the ministry is aware of them. Jobs Umbrella is an example of a trust fund where the ministry has been dissatisfied with the results. Nevertheless, only positive contributions from the trust fund have been reported to the Storting.

The reports submitted to the Storting regarding the SREP climate fund are examples of the Ministry of Foreign Affairs reporting greater goal attainment than the ministry is aware of through Norad's reports. According to Norad's draft text for Proposition 1 S (2019–2020), the fund has *started* delivering on its key result goals, but full goal attainment remains a *long* way off. However, in the budget proposition, the Ministry states that SREP *has delivered* on its key result goals, although there is *some* way to go until all the goals will have been achieved. In the following year, in the draft text for Proposition 1 S (2020–2021), Norad stated that SREP has experienced *major* delays and is barely achieving its aggregated goals. No information regarding the non-attainment of goals can be found in the final version of Prop. 1 (2020–2021) where the Ministry of Foreign Affairs states that the trust fund has suffered *some* delays, largely as a result of external circumstances. In our opinion, the less critical reports from the Ministry

of Foreign Affairs may contribute to giving the Storting an inaccurate impression of the support given to the trust funds.

The Office of the Auditor General's investigation of information on the results of education aid (Document 3:10 (2018–2019)) also identified weaknesses in reporting to the Storting. On this occasion, the investigation identified examples of direct inaccuracies in reports and misleading reporting. The minister replied that he took this finding seriously and would ensure that future reports would be both better and more comprehensive.

We accept that it is not possible to include information on all trust funds in the budget proposition every year. However, this should not prevent the ministry from submitting accurate and balanced reports.

No information is provided in the reports concerning administration or operating costs for any of the trust funds covered by the investigation. There is also no information concerning general cost-effectiveness regarding use of the World Bank's trust funds.

Overall, this means that the Storting does not receive comprehensive information concerning the achieved results or what the aid actually costs. The absence of this information may hinder the Storting from prioritising between the various focus areas within development assistance.

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