

Daniel Oscar Jensen

Navigating Complexity:

Norway's Approach to Aligning Global Aid
Funding Streams

Master's thesis in Globalisation and Sustainable Development

Supervisor: Hilde Refstie

May 2024



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Abstract

Many global challenges are competing for a limited amount of foreign aid. Although Official Development Assistance was meant to assist in the economic growth and welfare of developing countries, other issues such as climate change, the costs of refugees, and security are consuming a greater portion of the aid budget. This thesis investigates the structuring of Norway's foreign aid financing mechanisms and budgets to integrate and balance global needs for humanitarian assistance, development support, peacebuilding, and green transition initiatives. Through a comprehensive analysis of political documents, expert interviews and relevant theory, key challenges, and recommendations for how Norwegian foreign aid can be structured to effectively meet the global needs, have been identified. The study highlights the importance of aligning different funding streams across the humanitarian-development-peace nexus and green transition initiatives for enhancing global aid effectiveness. Recommendations include finding additional funding for climate actions outside of the aid budget and reconsidering the separation of climate finance from traditional aid. This research contributes with valuable insight to the ongoing discourse on aid allocation and underscores the need for holistic approaches to address complex global challenges.

Sammendrag

Flere globale utfordringer kjemper om en begrenset mengde bistand. Selv om offisiell utviklingsbistand var ment til å hjelpe med økonomisk vekst og velferd i utviklingsland, konsumerer andre problemer som klimaendringer, kostnadene ved flyktninger og sikkerhet større deler av bistandsbudsjettet. Denne oppgaven undersøker strukturen til Norges bistandsbudsjett og finansieringsmekanismer for å innpasse og balansere globale behov for humanitær bistand, langvarig utvikling, fredsbygging og det grønne skiftet. Gjennom en omfattende analyse av relevant teori, politiske dokumenter og ekspertintervjuer har det blitt identifisert noen nøkkelutfordringer og anbefalinger for hvordan norsk bistand kan struktureres for å effektivt møte globale behov. Studien understreker viktigheten av å innrette ulike finansieringsstrømmer over humanitær-, utviklings- og freds-nexus og det grønne skiftet, for å forbedre bistandens effektivitet globalt. Anbefalingene inkluderer å finne ytterligere finansiering for klimatiltak utenfor bistandsbudsjettet og å revurdere å holde klimafinansiering separert fra tradisjonell bistand. Denne oppgaven bidrar med verdifull innsikt til den pågående diskusjonen om bistandsallokering og understreker behovet for helhetlige tilnærminger for å adressere komplekse globale utfordringer.

Acknowledgment

I would like to express my deepest gratitude to my supervisor, Associate Professor Hilde Refstie from the Norwegian University of Science and Technology (NTNU), for her guidance through the whole master's thesis research project. Her feedback and support have been invaluable for its completion. A special appreciation also goes to the participants of the interviews conducted for this research, who have taken time from their busy schedules to give insight into real time issues and discussions. Many thanks to my peers for their inspiration, motivation, and good support through the years we have spent together. We are all so different, but somehow united by our engagement toward globalization and sustainable development. I am also deeply grateful for my family whose encouragement, and understanding have sustained me throughout my academic journey. Finally, I would like to acknowledge the academic community and resources provided by NTNU, which have provided an environment set up for learning and personal development.

Daniel O. Jensen

Trondheim, 15.05.2024

Table of Content

Abstract	V
Sammendrag	V
Acknowledgment	VII
List of Figures	XI
List of Tables	XI
Abbreviations	XI
1. Introduction	1
1.1 <i>Research Questions</i>	2
1.2 <i>Significance of research</i>	2
1.3 <i>Thesis outline</i>	3
2. Discourses of international aid and development	5
2.1 <i>The role of foreign aid in development</i>	5
2.2 <i>Official Development Assistance (ODA)</i>	7
2.3 <i>The humanitarian-development-peace nexus</i>	9
2.4 <i>Just and Sustainable Transitions</i>	11
2.5 <i>From aid to global public investment</i>	13
2.6 <i>Chapter Summary</i>	15
3. Methodological approach.....	17
3.1 <i>Document analysis</i>	17
3.2 <i>Expert interview</i>	18
3.3 <i>Coding and analysis</i>	19
4. Document Analysis	23
4.1 <i>Norwegian Foreign Aid</i>	23
4.2 <i>Document Descriptions</i>	25
4.2.1 <i>The Hurdal Platform</i>	25
4.2.2 <i>Investments in a Shared Future</i>	26

4.2.3	<i>Evaluation of the Interaction between Humanitarian, Development, and Peace Efforts in Norwegian Aid</i>	26
4.2.4	<i>Report. St. 26 (2022–2023) Changing climate – together for a climate-robust society</i>	26
4.2.5	<i>The West against the rest? - Norwegian politics in a polarized world</i>	27
4.2.6	<i>If not Norway, then who?</i>	27
4.2.7	<i>Peer Review on Development Finance Statistics in Norway</i>	27
4.3	<i>Major Themes and Analysis</i>	28
5.	Rethinking Norwegian Foreign Aid paradigms and Structural changes	37
5.1	<i>Overview of Norway’s Foreign Aid Financing Mechanisms</i>	37
5.2	<i>Integration and balance of global needs</i>	39
5.3	<i>Climate finance</i>	41
5.4	<i>Prominent recommendations for restructuring foreign aid</i>	43
6.	Conclusion	47
	References.....	49
	Appendices	57

List of Figures

Figure 1: Official development assistance – definition and coverage.....	8
Figure 2: Doughnut Economics	14
Figure 3: Planetary boundaries	14
Figure 4: Visualization of how Norwegian foreign aid is organized and managed	23
Figure 5: Norwegian foreign aid in 2022 by sector.....	24
Figure 6: Different aid sources, mechanisms, and channels.	33

List of Tables

Table 1: Potential sources of finance for development	15
Table 2: Visualization on method of coding.....	19
Table 3: Overview of common threads through chapters	20

Abbreviations

GNI	Gross National Income
ODA	Official Development Assistance
MFA	Ministry of Foreign Affairs
SDG	Sustainable Development Goals
DAC	Development Assistance Committee
OECD	Organization for Economic Co-operation and Development
UN	United Nations
NGO	Non-Governmental Organization
TOSSD	Total Official Support for Sustainable Development
FDI	Foreign Direct Investment

CHAPTER ONE

Introduction

At the time of writing, it is 2024, and it has been quite a disruptive start to the decade. A worldwide pandemic would command massive mobilization in the health sector, and a lot of foreign aid went into financing global vaccination programs. Big earthquakes in countries like Syria, Turkey, and Haiti (in 2021 on top of already damage from 2010) have taken thousands of lives and led to masses of human displacement. Taliban regained power in Afghanistan in 2021 affecting human rights in the country. In 2022 Russia invaded Ukraine, sending millions of people on the run, both domestically and abroad. In 2023 the long-running conflict in Gaza escalated as Hamas attacked Israel and Israel responded with massive attacks leaving behind more than 30 000 mainly civilian casualties. At the same time, Sub-Saharan Africa saw surges of conflict in Sudan, Ethiopia, DR Congo, and Somalia. The tension in international politics is at a new peak, with sovereign states like Russia, China, Japan, and the United States (US) trying to make allies on the African continent (Amusa et al., 2016), while most of the Western world is condemning the Russian invasion. In 2023 BRICS (Brazil, Russia, India, China, South Africa) welcomed new members to the alliance, Egypt, Ethiopia, Iran, and the United Arab Emirates, making the member countries reach around 40% of the world population. Together, this has made for a new geopolitical landscape, and some would even say a new world order (European Parliament, 2024).

Another factor influencing the changing geopolitics is climate change. This global challenge poses one of the most pressing challenges of our time. As greenhouse gas emissions continue to rise, so do global temperatures, leading to more frequent and severe weather hazards such as hurricanes, floods, droughts, and heatwaves. While being a direct threat to human lives, it also impacts economies and politics. Displacement of communities due to rising sea levels and extreme weather conditions is becoming increasingly common, placing additional strain on already stretched resources and infrastructure (McLeman, 2018). Furthermore, the unequal distribution of the impacts of climate change disproportionately affects marginalized communities, intensifying issues of social justice and equity (Ipcc, 2023). Addressing climate change requires concerted global action, but the complexity of the issue, coupled with competing interests and priorities among nations, presents significant obstacles to effective mitigation and adaptation efforts.

The interconnected global challenges are making it more complicated to operate within the traditional aid budget categories and structures. At the same time, donor countries are facing domestic challenges and are becoming more self-centered in their aid funding. Norway has been a strong and proud contributor to development- and humanitarian aid for several decades and is one of few countries that have reached the UN's target of 0,7 percent of Gross National Income (GNI) in Official Development Assistance (ODA) year after year (OECD, 2023). However, this funding is constantly under debate, and faces restructuring to respond to changes in global relations and rising global challenges, as well as domestic politics. Some of the changes in Norwegian foreign aid over the last decade has been that aid is concentrated

on fewer countries, more funding has gone from being bilateral to multilateral, climate finance is demanding a larger portion of the budget, and the humanitarian-development-peace nexus (often referred to as the 'triple' or HDP nexus) has gained more attention (Tjønneland, 2022). A major change related to the latter is the move of all Norwegian humanitarian aid from the Ministry of Foreign Affairs (MFA) to the Norwegian Agency for Development Cooperation (Norad). In the face of such changes, it is relevant to assess how Norwegian foreign aid is rigged to respond to new geopolitical landscapes, complex issues transcending traditional humanitarian-aid-peace boundaries and increasing domestic pressure to invest closer to home.

1.1 Research Questions

In this thesis, I have analyzed influential documents and conducted expert interviews to get an overview of how Norway is changing its foreign aid financing against the backdrop of climate crises, global tensions, and domestic pressure to invest nationally. I have chosen to center my research on Norwegian foreign aid, while at the same time acknowledging that aid is not distributed in a void. To narrow it down further, I examine two main topics; firstly, I look at how Norwegian aid currently is and can potentially be implemented across the humanitarian-development-peace nexus. Secondly, how climate financing, both concerning investment and climate justice is handled in Norwegian aid strategies. With that in mind, the main question I have tried to answer with this research is as follows:

- 1. How are Norway's foreign aid financing mechanisms and budgets structured to integrate and balance the related global needs for humanitarian assistance, development support, peacebuilding, and green transition initiatives?*
- 2. What perceived potential implications can aligning the different funding streams have on global aid effectiveness?*

In line with the research questions, this thesis aims to make sense of the evolving landscape of Norway's foreign aid financing amidst interconnected global challenges. Recognizing the shifting dynamics within traditional aid frameworks and the increasing emphasis on domestic priorities among donor countries, particularly Norway, the thesis makes a qualitative analysis of influential documents and expert interviews. Central to the investigation is an examination of how Norway navigates the humanitarian-development-peace nexus and addresses climate financing within its aid strategies. The thesis seeks to explain the integration and balance of funding streams across these thematic areas and discuss what would be the potential implications of better alignment of these funding streams. By doing that, the research seeks to contribute to a deeper understanding of the complexities in contemporary aid financing and its implications for global development efforts.

1.2 Significance of research

Recent research indicates that global challenges like natural and human-made disasters, conflicts and wars, and pandemics, all amplified by climate change and political tension will occur more frequently in the years to come (Sandvik et al., 2024). With seven years left to achieve the Sustainable Development Goals (SDGs) and a changing geopolitical landscape,

new tools, partnerships, and structures are needed. While development aid is only one part of this picture, it remains relevant to discuss. As stated by Jonathan Glennie “not even students of development studies are studying aid” (2021, pp. 17–18). He argues that this is a mistake since “it remains a critical part of the overall development ecosystems and can be used powerfully for good and bad” (Glennie, 2021, pp. 17–18).

As already mentioned in the introduction, Norway is, in relative measures, a big player in the international aid market, and several scholars have been curious about what, why, and how that is (Borchgrevink, 2004; Lindkvist & Dixon, 2014; Tvedt, 2007). That being said, major changes have happened in the last couple of years impacting Norway’s position as a development partner (Tjønneland, 2022). New debates are being raised and decisions are being made. This includes a discussion on how ODA definitions should be interpreted, how climate finance fits into the scheme of foreign aid, (Utenriksdepartementet, 2023a), and how to effectively work with a triple nexus approach (Howe, 2019). While state bodies, other governmental-funded organizations, and NGOs are rapidly producing reports, there has been a lack of academic work in the late years to supplement discussions in newspapers and comment threads. In this thesis, I therefore aim to contribute to debates on the role of foreign aid, and more specifically, Norwegian foreign aid into the future.

1.3 Thesis outline

Chapter 2 sets a common understanding of the different concepts, organizations, and mechanisms later analyzed in the interviews and document analysis. I refer to previous research and longstanding discussion on how international aid fits into the broader discourse of development. I also present an overview of what ODA is, how it works, and the way Norway relates to this mechanism as a member of the Development Assistance Committee (DAC). I also present the humanitarian-development-peacebuilding nexus and discussions on green transitions and climate justice concerning development aid.

I have allocated Chapter 3 to present the chosen methods for this research: document analysis and expert interviews. I discuss the advantages and disadvantages of the chosen methods, as well as ethical considerations made in collecting data. I also discuss which hindrances and shortcomings I have faced with the chosen methods and their impact on the validity of the findings. In Chapter 4, I go more in-depth to analyze the chosen 7 documents that together with the expert interviews lay the foundation for the for the discussion in chapter 5. The latter discuss the findings from collected data, connecting them to prior literature presented in Chapter 2 and the research questions. In this chapter I have outlined the main global challenges in society today, how Norway’s foreign aid strategies are situated in relation to those challenges, and what potential exists in thinking differently about aid across the humanitarian-development-peace nexus and green transition. In chapter 6 I summarize the discussion and review implications and recommendations for further research.

CHAPTER TWO

Discourses of international aid and development

2.1 The role of foreign aid in development

To be able to discuss what foreign aid currently includes, and how it best can be used effectively to address different global needs across nexuses, I need to start by describing what role foreign aid has been seen to play within development according to different development discourses, and how it connects to broader international geopolitics. As argued by Tomohisa Hattori, one can talk about three different definitions of what aid is, from three separate world views (2001, p. 634):

According to political realism, it is a policy tool that originated in the Cold War to influence the political judgments of recipient countries in a bipolar struggle. According to liberal internationalism, it is a set of programmatic measures designed to enhance the socio-economic and political development of recipient countries. Finally, according to world system theory, it is a means of constraining the development path of recipient countries, promoting the unequal accumulation of capital in the world.

While more structural foreign aid, where aid becomes a separate entry on state budgets, can be argued to start with the rebuilding after World War 2, and during the Cold War, some of the bilateral systems have roots back to colonial times. Development was mainly identified as industrialization, where people were resources and other cultural life words were replaced by a commodity culture (McMichael & Weber, 2022). The colonists' interventions in colonies became the steppingstone for more structural foreign aid. For example, in 1929 the Brits established the Colonial Development Act to provide loans and grants for infrastructure. The act was changed to Colonial Development and Welfare in 1940. In post-colonial times, several European colonial development acts were continued, as with the British which became the Commonwealth Development Cooperation in the 1960s (Hjerteholm & White, 2000). Furthermore, several other international activities were initiated as rebuilding project after the Second World War, as well as the establishment of multilateral organizations such as the United Nations Relief and Rehabilitation Agency (UNRRA) and the World Bank (Hjerteholm & White, 2000). The Organization for European Economic Co-operation (OEEC) was created in 1948, to administrate the American aid through the Marshall Plan (OECD, n.d.-a). The transnational cooperation continued to function even after the Marshall Plan ended, and the OEEC was reorganized in 1961 to become the Organization for Economic Cooperation and Development (OECD).

Following the famous speech of President Truman in 1947 and the subsequent implementation of foreign aid programs in the aftermath of World War II, foreign aid has been accused of constituting neocolonial instruments. While framed as initiatives to promote democracy, development, and stability in war-torn and impoverished regions, these aid efforts have been criticized for frequently serving to reinforce existing power dynamics and extend Western influence over former colonies and vulnerable nations (McMichael & Weber, 2022). The concept of development has undergone significant evolution throughout history, reflecting

changing societal values, economic structures, and geopolitical dynamics. Initially tied to economic progress and industrialization, development has later embraced broader dimensions such as social justice, human rights, and environmental sustainability. However, this evolution has also led to divergent interpretations and contestations over what constitutes development. While some view it purely through an economic lens, others emphasize human well-being, cultural preservation, or ecological balance (McMichael & Weber, 2022). Moreover, the imposition of Western-centric models of development has sparked debates on cultural imperialism and the need for contextually relevant approaches. When we talk of development in the scheme of Norwegian foreign aid, it often refers to economic development, since long-term aid projects are concentrated in the least economically developed countries. In this thesis, I adopt a holistic definition of development that encompasses economic, social, and environmental dimensions while emphasizing standards set by the United Nations (UN) and the OECD.

A changing aid landscape

International development is by the UN defined as “to employ international machinery for the promotion of the economic and social advancement of all peoples” (UN, n.d.). As previously mentioned, development has long been almost synonymous with economic growth, and ODA has to a large degree been used as an instrument for promoting a market economy as a solution to poverty, following dominant development discourses (Castelli & Formenti, 2023). The term Development as something global was strengthened with the Millennium Development Goals in 2000, and even more so with the initiation of the 2030 agenda and the Sustainable Development Goals from 2015.(Castelli & Formenti, 2023). Although different countries are allocated different responsibilities in the SDG framework, it is meant to cover collective action in all countries working towards common global goals. With goal 17 focusing on partnerships, the field of development has also become more complex involving a larger range of actors. Severino writes that international collaboration is now characterized by ‘hypercollective action’ (2010). The expansion of needs, alongside the increasing number of involved actors, has led to the establishment of global public policies through international organizations, often organized around themes such as poverty, economy, or climate. These multilateral organizations are supposed to collaborate with regional actors, bilateral actors, states, Non-Governmental Organizations (NGOs), foundations, think tanks, industry, and businesses. These different actors work in different ways, and even though they may agree on similar end goals, they have different strategies, visions, and doctrines to get there (Severino, 2010).

Collaboration on an international scale presents significant challenges yet remains a pivotal avenue for addressing global issues. Castelli and Formenti (2023) outline three key considerations regarding the effectiveness of international development: Firstly, that increased level of aid would reduce poverty. Secondly that foreign aid can be harmful, creating dependency and preventing countries from searching for their own solutions. Lastly, that evidence-based policymaking may help devise effective and specific aid programs. They further say that “Peace, diplomacy, and international cooperation are fundamental conditions for the world to progress toward the Sustainable Development Goals and beyond” (2023, p. 447).

2.2 Official Development Assistance (ODA)

What is ODA?

OECD defines ODA as “Government aid that promotes and specifically targets the economic development and welfare of developing countries” (2023). ODA was adopted by the DAC at OECD as the main measuring method of foreign aid in 1969. DAC has today 32 members and is currently chaired by the Dane Carsten Staur. All low- and middle-income countries based on Gross National Income (GNI) per capita except for G8 members and EU members are eligible to receive ODA from DAC members. The list of receiving countries is revised every three years and includes a separate list with the Least Developed Countries (LDC) defined by the UN (OECD, n.d.-b).

In 1698, the Pearson Commission, an independent Commission on International Development, financed by the World Bank, was formed. The Commission aimed to write a report with recommendations regarding foreign aid. The report ended up including thirty-three recommendations including a request for developed countries to make a more sustainable commitment to foreign aid and economic development (The World Bank, n.d.). More specifically, it was recommended that developed countries should yearly give 0,7% of Gross Domestic Product (GDP), later changed to GNI, in ODA. The recommendation was adopted as a UN resolution in 1970, and all DAC members except the US and Switzerland accepted the annual goal (Stortinget, 2012). Only 4 countries reached the 0,7 % target in 2022 including Luxembourg, Sweden, Norway, and Germany, with Denmark and the Netherlands just behind (OECD, 2023c). In 2023 Denmark also reached the target, and Norway was the DAC country that could document the biggest percentage of GNI to ODA, with 1.09 percent. The average from all DAC members in 2023 was 0,37 percent (OECD, 2024b). It is important to address that countries interpret the ODA indicators differently (Kenny, 2022). Norway interpretation is further discussed below.

ODA definition and indicators

ODA flows are defined as grants, loans, and other financial aids provided by official agencies, including national and local governments or their executive bodies, to countries and territories listed on the DAC List of ODA Recipients and multilateral development institutions. These financial flows are administered with the primary objective of promoting economic development and welfare in developing countries. Crucially, ODA flows must exhibit concessional characteristics, indicating favorable terms for the recipient, such as low interest rates or extended repayment periods. The ODA grant equivalent serves as a measure of donor effort, encompassing these various forms of financial assistance. The current regulations of ODA are based on the below definition (OECD, 2023) (see appendix for the full document):

Official development assistance flows are defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:

- i.* provided by official agencies, including state and local governments, or by their executive agencies; and
- ii.* each transaction of which:
 - is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
 - is concessional in character. In DAC statistics, this implies a grant element of at least (see note 4).
 - **45 per cent** in the case of bilateral loans to the official sector of LDCs and other LICs (calculated at a rate of discount of 9 per cent).
 - **15 per cent** in the case of bilateral loans to the official sector of LMICs (calculated at a rate of discount of 7 per cent).
 - **10 per cent** in the case of bilateral loans to the official sector of UMICs (calculated at a rate of discount of 6 per cent).
 - **10 per cent** in the case of loans to multilateral institutions (see note 1) (calculated at a rate of discount of 5 per cent for global institutions and multilateral development banks, and 6 per cent for other organisations, including sub-regional organisations) (see notes 2 and 3).

Loans whose terms are not consistent with the IMF Debt Limits Policy and/or the World Bank's Non-Concessional Borrowing Policy are not reportable as ODA.

ODA grant equivalent measure

The ODA grant equivalent measure is calculated for ODA flows, as defined above. For loans to the official sector which pass the tests for ODA scoring [conditions i) and ii) above], the grant equivalent recorded as ODA is obtained by multiplying the annual disbursements on the loan by the loan's grant element as calculated at the time of the commitment (see note 4).

Figure 1: Official development assistance – definition and coverage

As of my knowledge, there is no official document describing how Norway has chosen to define the indicators mentioned above. Nonetheless, there have been discussions on how Norway is stretching its understanding of ODA to include financial streams that do not directly affect the economy and welfare in developing countries (Kirkens Nødhjelp, 2024; Utenriksdepartementet, 2023a). The International Monetary Fund (IMF) defines Global Public Goods as measures “whose benefits affect all citizens of the world” (Chin, 2021). This can include the natural environment, technological progress, culture, and public health. In a Peer Review on Development Finance Statistics (analyzed in chapter 4), Norad specifically mentioned culture, peace and security, and Global Public Goods as challenging to assess ODA eligibility. Regarding the latter, Norway presented that:

To Norway, it seems sensible to use ODA funds to finance global public goods that will in turn also benefit developing countries. However, because ODA activities need to be administered with the promotion of the economic development and welfare of developing countries as their main objective, many contributions to global public goods are not reflected in ODA (OECD, 2019b, p. 9).

ODA is meant to have a direct impact on welfare and economic growth in developing countries but is today allocated to projects towards climate mitigation and other global public goods (Norad, 2024). The current definition of ODA has thus been criticized for not being specific enough, and that it should either be expanded or tightened (Kirkens Nødhjelp, 2024)

In this thesis, I will often refer to ODA since that is how Norway and most of the other DAC countries report their foreign aid. Nevertheless, it is important to note that foreign aid is not synonymous with ODA and that there is a growing market of foreign aid happening outside of the structural frames of DAC and ODA (OECD, n.d.-c). An example is the way China is establishing itself as a big foreign aid actor, competing with the top DAC members (Kitano & Miyabayashi, 2023).

Bilateral vs Multilateral aid flows

There are two main funding paths from donor countries to recipient countries. OECD defines bilateral flows from official (government) sources directly to the recipient country (n.d.). These funds are delivered to NGOs or other agencies for a specific project in a recipient country. Multilateral aid is by OECD defined as core contributions from official (government) sources to multilateral agencies that use them to fund their developmental programs. Funding through multilateral agencies for specific projects can be logged as either bilateral or multilateral (n.d.). 52, 8 percent of ODA from DAC countries went to multilateral agencies in 2022, showing almost a doubling throughout the last two decades (OECD, 2024a). Multilateral organizations are often considered less political than bilateral aid, which is more directly dictated by the interest of the donor country (Quazi et al., 2019). Nonetheless, member countries have the power to influence the decisions and guidelines of the organizations. Bilateral funding is also more resource intensive, as it requires a prioritization, management, and reporting apparatus in the donor countries. Lastly, it is increasingly recognized that foreign aid needs to be better coordinated to have more impact. These are some of the reasons why more states have moved from bilateral to multilateral financing of aid in the last decade.

The Norwegian government perceives the general trend towards increased use of the multilateral system positive. For Norway, multilateral institutions are crucial partners to involve more donors and supporters in the SDGs and their normative functions properly link to implementation work on the ground (OECD, 2019b, p. 4).

2.3 The humanitarian-development-peace nexus

Priorly, humanitarian assistance and development projects have been seen as separate at sequential. A crisis occurred and ended, a development project had a start and finish, and different actors were mobilized at different stages. However, more recent understandings of crises are that they are more complex and co-evolving, and that they are inextricably linked to development work, both in terms of prevention, response, and recovery (Hegertun et al., 2023). The term 'protracted crisis' is used to define "contexts where a significant proportion of the population is acutely vulnerable to death, disease, and disruption of their livelihoods over a prolonged period of time" (Hegertun et al., 2023, p. 5). The triple nexus has been

referred to as a needed interlinkage to address such crises. According to DAC, nexus aims to strengthen “collaboration, coherence, and complementarity[between projects] ...to reduce overall vulnerability and the number of unmet needs, strengthen risk management capacities and address root causes of conflict” (OECD, 2019c,p.6). In theory, the triple nexus is widely welcomed across sectors, but the implementation of it proved challenging due to different sectoral mandates and funding streams. Humanitarian aid is focused on preserving lives, easing suffering, and shielding civilians affected by war and conflict (Utenriksdepartementet, 2024c). These projects must follow principles of humanity, impartiality, independence, and neutrality, using non-political affiliation to secure access for aid workers. These principles have been made universal by the UN through General Assembly Resolutions 46/182 and 58/114. Development assistance is often more political and pragmatic, and has long-term goals (Lie, 2020). Peace, in the context of ODA, refers to aid that can “contribute to peace and conflict prevention objectives given their focus on basic safety and security, core government functions or inclusive political processes” (OECD,2023d,p.10). In other words, peacebuilding deals with the root causes of conflict (Lie, 2020). Peace processes could, for example come in conflict with humanitarian principles if supporting one part of a conflict. However, there seems to be general consensus on the fact that actions in the different sectors should at least be nexus-sensitive, meaning that they do not have negative effect on the other elements of the nexus (Fanning & Fullwood-Thomas, 2019).

In 2016, the Norwegian Institute of International Affairs (NUPI) published a policy brief with recommendations regarding the triple nexus that are still relevant today (Stamnes, 2016). The advice includes firstly strengthening coordination platforms like the Office for the Coordination of Humanitarian Affairs (OCHA) and the United Nations Development Group (UNDG), Secondly, improving planning horizons to address mid-term challenges, and accelerating the time it takes to plan development projects. Thirdly, prioritizing the SDGs as they cover all humanitarian and development actions. Fourthly, emphasizing prevention over reaction and that it is prioritized through funding. Fifthly, promoting joint programming between humanitarian and development actors, and ultimately aiming to make humanitarian action obsolete through proactive development and resilience-building efforts (Stamnes, 2016). The idea for an HDP-nexus approach is to “nudge modalities and structures towards a more joint and coherent way of addressing people’s needs and vulnerabilities” this can only be done through implementing a common framework and long-term commitment and through stable funding (Hegertun et al., 2023, p. 6). It is therefore relevant to consider how current financing mechanisms relates to the triple nexus, and what could be achieved through better alignment.

Interconnected global challenges

A multitude of global and regional challenges to reach the SDGs rely on financial support from various stakeholders. Furthermore, there is a clear interconnection among these challenges, including climate change, humanitarian emergencies, and long-term development. Red Cross Norway came out with a report in 2024 stating five ways climate change will affect people’s health: (1) More people are going to die of increasing heat, (2) more extreme weather will lead to large humanitarian consequences, (3) climate change will cause the greater spread of dangerous diseases, (4) health systems will further be weakened by climate change and

conflict, (5) and the most vulnerable countries will have lack of climate finance (Sandvik et al., 2024). The burden Climate change has on the economy is also supported by the World Economic Forum in a recent insight report (World Economic Forum, 2024). The report predicts that climate change will cause 14.5 million casualties and 12.5 trillion USD in economic losses by 2050. While being a global problem, climate change is impacting regions in different ways. Currently, the countries and regions least responsible for global emissions are and will be experiencing the worst effects of climate change. Moreover, within these countries and regions it is the most vulnerable populations that will suffer the most. Climate justice is a term used to describe how “climate change impacts people differently, unevenly, and disproportionately, as well as redressing the resultant injustices in fair and equitable ways” (Sultana, 2022, p. 118). To deal with climate injustice, a loss and damage fund was signed by UN members in 2023. The United Nations Framework Convention on Climate Change (UNFCCC) defines loss and damage as “the actual and potential manifestation of climate change impacts that negatively affect human and natural systems” (2012).

Climate change effects, evolving conflicts and wars require an increasing portion of international foreign aid budgets. The location of such effects and conflicts also plays a role. Donor support to Ukraine in 2022 was, for example, the second highest recorded to a country behind Iraq in 2005 with 204 billion dollars (Carey et al., 2023). In addition, in-donor country refugee hosting costs, meaning that ODA is used to pay for refugee expenses within donor countries, more than doubled in the same period. OECD is concerned that these high costs will leave less to reach the SDGs and facilitate the just and sustainable transitions required in the face of climate change (Carey et al., 2023).

2.4 Just and Sustainable Transitions

In the face of an absolutely unrepresented emergency, society has no choice but to take dramatic action to avert a collapse of civilization. Either we will change our ways and build an entirely new kind of global society, or they will be changed for us. – Past winners of the Blue Planet prize (2012, p. 3).

Environmental sustainability has increasingly captured global attention, with a growing emphasis on addressing both climate change and biodiversity loss. Historically, the prevailing development paradigm has been one of 'grow now, clean up later,' prioritizing economic progress while relegating environmental concerns to a secondary position (Ekins & Zenghelis, 2021). However, this approach has not considered the effect on the environment, and how human and environmental development is interlinked. In contrast, the Paris Agreement and the SDGs have provided a comprehensive framework outlining the principles of sustainable development considering both people and the environment. The framework is criticized for not being able to break away from previous development paradigms in the sense that it does not provide solutions to potentially conflicting development goals. The framework also leaves it up to existing actors and structures to determine how the goals are to be reached, providing opportunities for stretching interpretations to meet different agendas (Adams, 2019). However, the international development community widely respects and supports this framework, and it has empowered the sustainability aspect of development with its focus on

the environment as an integrated part spanning both low, middle and high-income countries (Norad, 2021).

OECD uses the term **green growth** to describe finance to projects that have a goal of “achieving economic growth while reducing pollution and greenhouse gas emissions, minimizing waste and improving efficiency in the use of natural resources” (OECDiLibrary, n.d.). Another definition of green growth is “fostering economic growth and development while ensuring that the natural assets continue to provide environmental resources and services” (Dogaru, 2021). Although highly praised, other scholars like Hickel argue that it is not possible to continue economic growth and still not surpass the planetary boundaries. Said in other words, growth cannot be green (2024). Berrou et.al. define **green finance** as the efforts made by the financial market to join public actors, NGOs, and civil society in facing global environmental challenges (2019). **Climate finance**, a subset of green finance (ISO, 2022) is defined by the Norwegian Expert Committee on Climate Finance (NECCF) as “financial support from developed countries for climate actions in developing countries and emerging economies in line with the UN Climate Convention and the Paris Agreement from both public, private or other sources” (NECCF, 2023, p. 5). While green finance focuses on broader environmental sustainability objectives across various sectors and from different stakeholders, climate finance specifically targets financial (often public) support for activities aimed at addressing climate change mitigation, adaptation, and resilience-building efforts. In this thesis, I will mostly refer to climate finance as it is the terminology mostly used regarding ODA. The OECD also uses the term **climate-related ODA** as funding aimed at supporting activities geared towards climate change adaptation, mitigation, or both (2022). The Rio markers methodology, employed by DAC members, categorizes climate-related ODA based on whether it primarily targets climate change mitigation, and/or adaptation, or is not explicitly focused on these objectives (OECD, 2022). This systematic approach helps track and evaluate efforts aimed at addressing climate change within the context of development assistance.

In 2022, Norad joined the UK government Program MOBILIST, a mechanism funded to support investments related to climate transition and sustainable development. As a result, the world's first climate-focused warranty company, the Green Guarantee Company (GGC), was established by the Norwegian Investment Fund for Developing Countries (Norfund), together with United Kingdom's Foreign Commonwealth & Development Office (FCDO), the Green Climate Fund (GCF), the Nigeria Sovereign Investment Authority (NSIA), and the United States Agency for International Development (USAID) with Prosper Africa (GGC, 2024). In addition to the urgency of climate financing, the UN deems it crucial to acknowledge the significant role of partnerships in advancing the SDGs. The framework, especially goal 17 on Partnerships, underscores the necessity of collaborative efforts across sectors to address complex global challenges. Target 17 includes mobilizing the private sector and industry to invest and share knowledge with developing countries. Understanding the SDGs is crucial for analyzing Norway's foreign aid financing, as the country's development politics is built around (Norad, 2021). To reach the SDGs, aligning mechanisms for triple nexus and climate finance will be crucial.

2.5 From aid to global public investment

Foreign aid has since the sixties been built on the notion that 'developing countries' need help from 'developed ones'. As highlighted within Dependency theory, this way of thinking has been, and continues to be, based on "unequal economic relations between Western and non-European states (McMichael & Weber, 2022, p. 13). Western development has remained dependent on raw materials from the ex-colonial world. This mode of operating is increasingly being rejected by former colonial states, and new players such as China and Russia have entered the foreign aid and investment field with force. At the same time, Western societies have been impacted by the COVID-19 pandemic and the war against Ukraine. While nationalism and state boundaries are as strong as ever, nature cycles and processes like climate change do not respect these boundaries, leaving the world in a so-called biophysical unity (McMichael & Weber, 2022). This changing geopolitical as well as environmental landscape requires a rethinking of how foreign aid is organized and implemented.

In his book *The Future of Aid (2021)*, Jonathan Glennie advocates for a paradigm shift in development cooperation, proposing a transition from traditional aid models to the concept of Global Public Investment (GPI). The term Global Public investment is intended to be more empowering and mutual, suggesting that the monetary flow is not charity, but is a responsibility for global welfare and investment in global goods. Drawing parallels with domestic approaches to public goods provision in areas such as healthcare and education, as well as regional cooperation frameworks like the European Union and the African Union, Glennie argues for viewing GPI as a long-term commitment rather than a temporary funding stream. By likening global investment to essential domestic expenditures, he emphasizes the importance of governments adopting a sustained perspective towards aid, positioning it as integral to national investment strategies. This reframing, Glennie suggests, would transform aid from a short-term remedy to a foundational element of nations' developmental agendas. Glennie argues that "aid and donors need to become a thing of the past" (2021, p. 108). To make this change in discourse work, Glennie suggests five paradigm shifts in financial development cooperation. One is that the **ambition** of cooperation should not be based on securing minimum standards but have a long-term goal of development and cooperation. Climate change, emergencies, a sustainable planet, and migration are areas every country will have to work on continuously. Glennie advocates for thinking that goes beyond a 'good-enough' mentality, and argues that one should strive towards a future where every country thrives in a way that wealthier countries today would be content with. He emphasizes that it is natural in a globalized world that aspirations will grow in less developed countries and that it should lead to higher ambition and higher financial streams to secure good and sustainable futures for all. Secondly, the **function** of public finance has some important characteristics that private funds do not, and the aim should not be to cut down on public finance. He does not neglect that other sources of finance are crucial to reaching set development goals, but that does not mean that public resources can back down. Rather, public funds should continue to complement private funds. Thirdly, Global public investment should not be delimited by **geography** or even GNI. Glennie argues that every country should contribute to global sustainable development according to their abilities. More money equals more power in international relations. Emerging economies, like the BRICS nations, are witnessing rapid economic growth, transitioning from aid recipients to major players in the global investment arena. He assesses that this shift has resulted in a significant increase in total global investment,

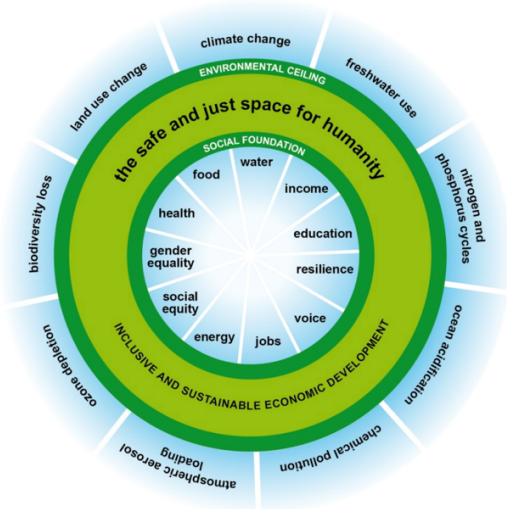


Figure 2: Doughnut Economics (Raworth, 2012)

even as ODA flows have stagnated. Fourthly, Global Public Investment should focus on new ways of thinking about **governance**. Instead of holding on to an outdated donor/recipient mindset, the structure should be flattened out and become more democratic among all stakeholders. "A few groups of privileged countries should not have the ability to dictate how aid should be described" (Glennie, 2021, p. 9). A whole range of scholars have come to the same conclusion (Moyo, 2009; Nair, 2013), without any bigger changes happening. Glennie suggests that discussions on defining aid should be done on a more universal scale like in the UN and that aid should be structured in such a way that it is no longer considered a voluntary act, but rather a stable contribution following a plan through

multilateral funds (2021). The last paradigm shift advocated by Glennie is a change in the **narrative** we use when talking about development cooperation. First, he argues that all countries are developing, so instead of categorizing into developed and developing countries, we should rather use the terminologies sustainability and sustainable development (Glennie, 2021, p. 7). This challenges the notion that development is linear, and instead takes into consideration the measures so-called developed countries must take for the progress to be compatible with the earth's environmental limits. This way of thinking has been illustrated by Kate Raworth with Doughnut Economics (Figure 2) (2012) and with the Planetary Boundaries (figure 3) by the Stockholm Resilience Center (SRC) (2012). The main takeaway from Raworth's work is that we must strive for the ideal sweet spot of humanity where societies are meeting the needs of their citizens without compromising or surpassing the environmental ceiling. The planetary boundaries go further to show which boundaries are already trespassed. While Raworth and SRC underscore the necessity of achieving equilibrium between societal needs and environmental sustainability, advocating for a comprehensive development approach, Glennie proposes a shift from perceiving development. This thesis highlights the imperative for collective action towards a prosperous and sustainable future for all. Common for all is the implication that development is something that is done together and leads to a greater commitment from all parts (2021).

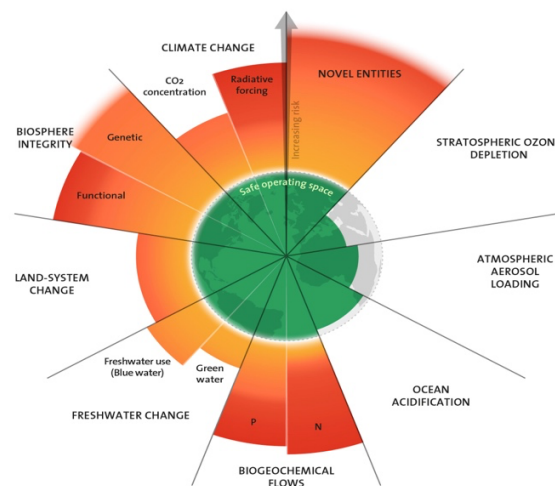


Figure 3: Planetary boundaries (Stockholm Resilience Center, 2012)

2.6 Chapter Summary

This thesis mostly discusses the need for public foreign aid streams and FDI, but it is crucial to recognize that development aid constitutes only a fraction of the financial resources flowing into developing countries. Glennie outlines eight common potential sources of finance for development visualized in table 1. For instance, remittances, which are funds transferred by migrants to their home countries, often surpass the volume of ODA received by recipient nations. In 2023 alone, global remittance flows reached an estimated 860 billion USD, while only 224 billion USD of ODA was disbursed during the same period (OECD, n.d.-e). Additionally, other forms of financial inflows, such as private philanthropy and domestic resource mobilization, significantly contribute to the overall funding landscape for development. This underscores the need to situate development aid within the broader context of international finance and explore innovative strategies for leveraging diverse funding sources to advance sustainable development goals.

	Public	Private (for profit)	Philanthropic	Household
Domestic	National taxes Natural resource revenues	Bank-credit Public-private partnerships	National charities Corporate philanthropy	Household spending
International	ODA & SSC Non-concessional loans	Foreign direct investment Foreign market loans	International NGOs Philanthropic foundations	Remittances

Table 1: Potential sources of finance for development (Glennie, 2021, p. 50)

This chapter has provided an overview of international aid and development discourses, explaining the complexities and interconnectedness of global challenges. Through examining the evolution of foreign aid, the emergence of new paradigms like the triple nexus, and the transition towards just and sustainable development pathways, we can gain insights into the shifting landscape of development cooperation. The theory shows the importance of holistic approaches that go beyond traditional aid methods and encourage collaboration between humanitarian, development, peacebuilding, and green transition initiatives. Chapter 5 will draw upon these insights to further discuss Norway's foreign aid strategies and their alignment with broader global development objectives.

CHAPTER THREE

Methodological approach

This chapter outlines the methodological approach of the research, detailing the rationale behind choices, data collection methods, ethical considerations, and limitations. To be able to answer the research questions, this thesis combines content analysis of selected documents with expert interviews with officials from the MFA, the Norad and Norfund. This chapter discusses the methods employed, the coding procedures used to organize data, and addresses ethical considerations guiding the research.

3.1 Document analysis

A document can be defined as “a material object shaped by someone for a specific reason, one that functions as a connection to the world beyond itself” (Asdal & Reinertsen, 2022). Document analysis can be categorized as a sub-method of archival research (Hay & Cope, 2021,) and is chosen as a method in this research for several reasons. The documents increase the trustworthiness of the current study (Morgan, 2022) and set the groundwork for discussing the research questions. They also sat the backdrop for what was discussed in the expert interviews. Being easily accessible to the public, the original written documents eliminate transcription errors, thereby maintaining the credibility of the authors' opinions. The chosen documents are secondary texts consisting of white papers, policy briefs, and reports.

In this research, I follow a conceptual and methodological framework for document analysis presented by Asdal & Reinertsen in their book *Doing Document Analysis* (2022). Their framework analyzes documents through sites, tools, work, text, issues, and movements, which combined leads to a practice-oriented analysis (2022, p. 8). **Sites** refer to the context in which the documents were produced. This can for instance be a physical place where the content for the document is produced (Hurdal for the Hurdal Platform) or how the state budget is built on past experiences. The **tools** refer to the action the documents are intended to lead to (for instance influence decision-making). The **work** refers to the people involved in creating the document (experts, journalists, NGO staff). The **text** explores the actual content, language, and structure of the document. **Issues** say something about how a document can either take part in an ongoing matter or create new discussions, not necessarily connected to the intended purpose. **Movements** refer to all the operations that occur after a document is published. For instance, after a state budget is released, new documents are produced, seminars are held, and new actions are made. Although I apply the mentioned tools in my analysis chapter, the focus will be on the document’s text and content, as it is what enabled me to compare recommendations and thoughts from different actors and to be able to discuss and answer the research questions in Chapter 5.

Reviewed documents

The following seven documents are analyzed in chapter 4:

- The Hurdal Platform (Norwegian Government).
- Investments in a Shared Future (Expert group on behalf of the Norwegian MFA).
- Evaluation of the Interaction between Humanitarian, Development and Peace (HDP) Efforts in Norwegian Aid (Norad).
- Report. St. 26 (2022–2023) Changing climate – together for a climate-robust society (Ministry of Climate and Environment).
- The West against the rest? - Norwegian politics in a polarized world (Norwegian Church Aid).
- If not Norway, then who? (Norwegian Expert Committee on Climate Finance (NECCF)).
- *Peer Review on Development Finance Statistics in Norway (MFA, DAC peers and the OECD secretariat).*

3.2 Expert interview

Expert interviews were conducted as a supplementary method to document analysis, providing valuable insights and perspectives from key stakeholders in Norwegian foreign aid and development. Doing interviews in qualitative research can be summarized as being a “data-gathering method in which there is a spoken exchange of information” (Hay & Cope, 2021, p. 148). Interviews allowed me to ask questions that I have not been able to answer in the document analysis and receive up-to-date information tailored to what I am trying to investigate. The interviews followed a semi-structured format, allowing for flexibility in questioning while ensuring consistency across interviews. The selection of interviewees was deliberate, targeting individuals with expertise and authority in the field of Norwegian foreign aid and development. The interviews provided valuable insights that complemented the findings from document analysis. They offered nuanced perspectives on Norway's foreign aid priorities, the rationale behind aid reform initiatives, and recommendations put forward by relevant committees and organizations. Additionally, the interviews enriched the discussion by providing real-time updates and contextual understanding of the issues discussed in the documents. By triangulating findings from document analysis with insights from expert interviews (Hay & Cope, 2021), this study achieved a comprehensive understanding of Norwegian foreign aid mechanisms and climate finance policies, enhancing the validity and reliability of the research findings.

Participants

Three interviews were held with field directors from MFA, Norad, and Norfund. **MFA** is the Norwegian government agency responsible for formulating and implementing Norway's foreign policy, including its international development cooperation efforts. It plays a central role in shaping Norway's foreign aid strategies, policies, and initiatives. It has also had the financial management over humanitarian projects. **Norad** is a directorate under the MFA tasked with managing and coordinating Norway's development aid programs. Norad is

responsible for administering foreign aid projects, conducting evaluations, and providing expertise on development issues. They also have the mandate to register ODA eligibility. **Norfund** is a government-owned investment fund that aims to promote sustainable development and poverty reduction in developing countries. Norfund provides capital and expertise to support investments in businesses and projects that contribute to economic growth, job creation, and social development in developing countries. In addition, Norfund is given the responsibility to manage the new climate investment fund (Norad, n.d.-d).

The interviews were held in Norwegian, and an interview transcription was written in Norwegian for each interview. The quotes later used in the discussion are translated freely into English by the author. With the MFA and Norad, I was interested in getting more insights into Norway’s main objective regarding foreign aid today and for the future, the aid reform, and the recommendations given by the Sending's committee (their report is analyzed in the next chapter). With Norfund I was eager to hear more about investment in the private sector, and how it fits into the overall scheme of foreign aid discussions. Additionally, I asked them all about how they think climate action should be financed, and which role foreign aid has on Norway's international influence. The three interviews were held digitally, lasting around 45 minutes, and followed ethical regulations from the Norwegian knowledge sector's service provider (SIKT). The approval for conducting the interviews is added as an appendix.

3.3 Coding and analysis

After collecting the data from selected documents and interviews, a hybrid coding approach, deductive and inductive, is used to reduce the information gathered into manageable amounts and help to organize the different points of view from different actors into commonalities for further analysis and discussion. More specifically, analytic (Hay & Cope, 2021) and descriptive codes are used to gather information on which recommendations the different actors mention, and how the interview participant responds to different themes. The deductive codes were chosen before commencing with the document analysis and interviews, while the inductive were chosen posteriorly. Some examples of deductive codes include *triple nexus*, *Climate Finance*, and *aid categorizations*, while inductive codes include for instance *climate-related ODA*, *international tax*, *the Oil Fund* and *Total Official Support for Sustainable Development (TOSSD)*. Table 2 shows an example on how coding has been used in the research. You will find the codes in the horizontal axes, and the data source vertically.

Codes		triple nexus	aid categorization	climate finance	international tax	TOSSD	Oil fund
data							
document	1						
	2						
	3						
	4						
	5						
	6						
	7						
interview	1						
	2						
	3						

Table 2: Visualization on method of coding

Content analysis is utilized to carefully examine the documents, identifying, and extracting key sections that directly address the research objectives. The thematic analysis complements this by

Theory	Analysis	Discussion
Foreign aid discourse	Foreign aid discourse	
Triple nexus	Triple nexus	Triple nexus
ODA definitions	ODA definitions	ODA definitions
	Private investment	Private investment

Table 3: Overview of common threads through chapters

identifying recurring themes, patterns, and concepts across the documents, providing a deeper understanding of the complex issues surrounding Norwegian foreign aid mechanisms and climate finance policies. By systematically analyzing documents and expert interviews, this methodological framework facilitates a comprehensive examination of the research topic, enriching the analysis with diverse perspectives and enhancing the validity of the findings. Table 3 shows an excerpt of the method used to be certain that there is a cohesive common thread between the theory, analysis, and discussion of the thesis.

3.4 Ethical considerations

All the documents analyzed are openly published, and as such there has been no restriction on collecting, storing, or using the data in the texts, other than proper referencing to their sources. This study adheres to ethical guidelines outlined by SIKT, ensuring the protection of participants' rights and confidentiality throughout the research process. Before conducting expert interviews, consent information was sent to all participants, clarifying the purpose of the study, the voluntary nature of participation, and the confidentiality of their responses. This was followed by a verbal agreement during the interviews. Even though anonymity was not expected, the participants' names are kept out of the analysis, only referring to seniority and workplace. Ethical considerations have also been taken in the analysis phase, where data are reviewed avoiding misrepresentation or distortion of participants' perspectives. Acknowledgment is to be made of inherent limitations and challenges, including potential biases in data interpretation and constraints in accessing expert interviewees.

Limitations

The documents analyzed are representations of opinions from and to different actors, written in a context. I mainly study what the documents represent, and the rhetoric and viewpoints they express. Referring to the framework for document analysis, I do not have insights into how the documents were formed, the development, and what was negotiated in the process. I am, however, cautious regarding who has produced the different documents, whom the main target is, and what is the main purpose of the document. Expert interviews as a method can present some challenges that I encountered firsthand during the research process. One notable limitation is the difficulty in accessing and engaging with experts. Experts in their field are typically busy individuals, often inundated with requests for their insights and expertise. As a master's student without established connections or extensive networks, gaining access to these experts proved to be a demanding task. I contacted potential participants directly through email, seeking their participation in the study. I was aiming for 6-7 interviews, but the lack of response made me end up with three. In addition to the three stakeholders, I was able to reach, I also contacted Norwegian NGOs, academics, researchers, and think tanks,

without success. I targeted non-governmental actors as I to be able to discuss more freely and critically. That type of content can be found through reports, secondary interviews, and articles, still giving me access to their opinions without being personally involved. It is important to recognize a limitation emerging from the reliance on documents and expert interviews primarily sourced from within the aid industry. This approach may narrow the range of viewpoints considered, potentially introducing bias into the analysis. Nonetheless, efforts are made to contextualize and enrich the findings by engaging with critical scholarly literature. Finally, I would like to acknowledge that I, based on secondary data, share the assumption that integration across the nexus is beneficial for the effectiveness of aid. I am also an advocate for Norway to continue to be an important player in the international aid scene, using at least 1 percent of GNI toward foreign development.

CHAPTER FOUR

Document Analysis

In this chapter, I analyze a set of selected documents crucial for discussing the current research questions. Section 4.1 lays the foundation for analysis by looking into Norwegian foreign aid history, budget structures, and recent changes. Section 4.2 gives a short description of each document, including name, purpose, origin, target audience, and a brief overview of its content. This is followed by a thematic section, where insights are gathered from all analyzed documents to offer a cohesive and nuanced analysis.

4.1 Norwegian Foreign Aid

Norwegian foreign aid history and structure

Systematic aid from Norway, like we have today, started in 1952 with the Kerala Project in India. Since this first project, Norwegian funding has worked together with- and through the UN and United Nations Development Program (UNDP). The first Norwegian institution for foreign Aid was established in 1962, the same year as they became the first Scandinavian member of DAC (OECD, 2006, p. 12). As a DAC member, Norway joined the UN resolution to give a minimum of 0,7% of GDP, later changed to GNI, in ODA, and has been able to do so since the mid-1970s (Stortinget, 2012, p. 5). Figure 4 shows a visualization of how Norwegian foreign aid is organized and managed. The Norwegian Government presents a suggested state budget every year, including foreign affairs and aid, which is later voted over in the parliament. The parliament has the final power when deciding which global regions should be prioritized and which focus areas Norway will pursue regarding foreign aid. MFA works towards Norwegian international interests. The ministry has two ministers; the minister of foreign affairs manages the foreign political landscape and diplomacy and is the head of the foreign stations (embassies and consulates). The Minister of Development has most of the

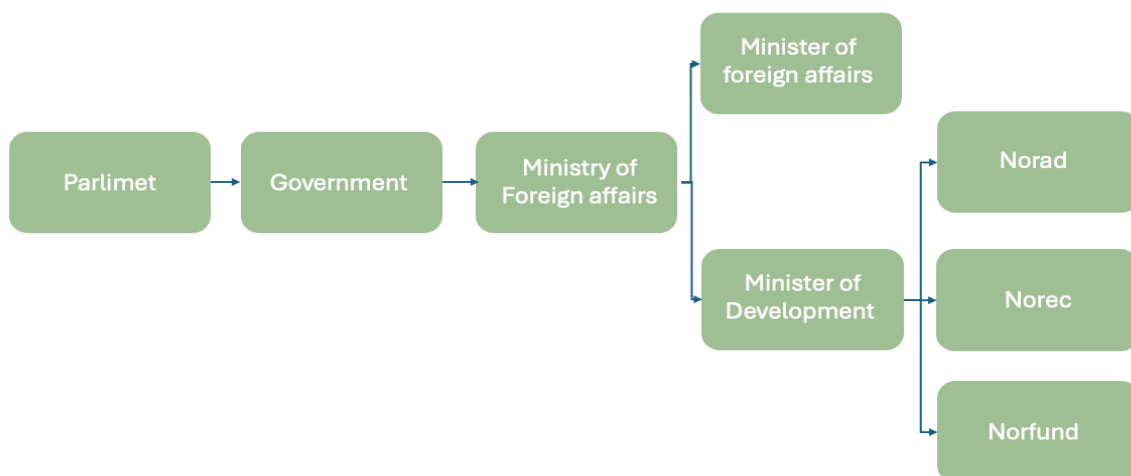


Figure 4: Visualization of how Norwegian foreign aid is organized and managed

responsibility for development politics including humanitarian assistance and multilateral collaboration, and is the head of Norad, Norec, and Norfund. The Norwegian Agency for Exchange Cooperation (Norec) is a center for competence that works through work exchange. It is rather a partnership in exchange of knowledge than aid related (Norad, n.d.-d).

Norwegian Aid Results (2022) and budget (2024)

The official result for the Norwegian aid in 2023 was published too late to be analyzed, so the numbers from 2022 are the most current I have access to. Norway reported a total of 49,6 billion NOK in aid in 2022, once again a record-high number. Nonetheless, they only reached 0,86 percent of GNI. That is still over the UN request of 0,7percent, but not over the 1 percent as has been the commitment from the Norwegian government (OECD, 2019a). The record number is mainly due to the war in Ukraine, which became the country that received the most Norwegian ODA in 2022 (5,3 billion NOK). (NORAD, n.d.-c). After Ukraine, Norway was the second biggest recipient of its own ODA with, 7,4 billion NOK in 2022. 2,4 of the billions went to administrative costs, similar to previous years, while 5 billion were for costs related to refugees, mostly from Ukraine (NORAD, n.d.-b).



Figure 5: Norwegian foreign aid in 2022 by sector

Norway was not alone in increasing in-donor-refugee-cost in their budget, as the total for DAC members was at an all-time high of 14,4 percent in 2022, three times more than in 2021 (Matters, 2023). This is a result of the fact that DAC allows members to define refugee costs as ODA in the first year after refugees arrive in their first country of asylum (Matters, 2023). After the increase of 2022, DAC chairman Carsten Staur emphasizes that members must follow the 1-year rule strictly, should consider which costs need to be defined as ODA, and that these finances, as far as possible, should not affect already budgeted ODA programs and donations (Matters, 2023). If you disregard the additional cost of the Ukrainian war, adding up to 13,4 billion NOK, Norway distributed 36,3 billion NOK which is 4,8 billion less than budgeted (Utenriksdepartementet, 2021). This means that some other programs got less than originally planned.

In 2020, the Norwegian government launched the platform bistandsresultater.no (Aid results) to give information on the results of Norwegian ODA. The website gives in-depth information on where the funding is going and to which sectors. The distribution for 2022 between sectors is shown in figure 5. However, more detailed reviews can only show results for around 4 percent of the projects (Bolle, 2023). The work of reviewing was stopped because of a lack of funding to be used on the platform.

Every October, the Norwegian government presents proposals for next year's national budget. For 2024 the government proposed a budget of 51,7 billion NOK, estimated to be around 0,94 percent of GNI. 7,5 billion is budgeted to go to Ukraine, which is approximately where the

budgeted increase from 2023 is found. Up to 5 billion NOK is budgeted towards a guaranteed scheme for renewable energy in developing countries (Norad, 2023). The war in Ukraine does not only affect the foreign aid budget. The defense and security budget has increased by 20 percent since the balanced budget of 2023 to 15 billion NOK, estimated to be around 1,8 percent of GNI. The current government has additionally committed to reaching NATO's goal of 2 percent of GNI going to defense (Forsvarsdepartementet, 2023). Over the next twelve years, the Norwegian government plans to use 600 billion NOK to strengthen the Norwegian defense capability, taking more responsibility for their own security and that of their allies (Forsvarsdepartementet, 2024).

Structural change in Norwegian aid financing

Up until 2023, ODA has been contributed simultaneously by the MFA and by Norad. MFA oversaw managing funds for humanitarian work and emergency aid, security issues, and multilateral support to organizations and different UN programs. Norad was mostly managing long-term development funding. At the start of 2023, less than 20 billion NOK was to be distributed by Norad. In the summer of 2023, that number rose to 26 billion due to Norway's contribution to Ukraine with the Nansen program of 7.5 billion. From 2024 most of the ODA will be managed from Norad, while posts like funding foreign stations, high political risk issues, and some multilateral funding will remain in the MFA administration. MFA will also still be managing grants to Norfund, Norec, and The Research Council of Norway (Utenriksdepartementet, 2023b). The new structure is designed to better facilitate the triple nexus. Not everyone is positive about the structural change. Cecile Hellestveit, a doctorate in international war law, says that the change will reduce the flexibility in Norwegian humanitarianism, and also the proximity between the agenda, the financing, and contextual understanding (Røst, 2023b). Another challenge is argued to be the conflict of interest between MFA and Norad. While MFA's main objective is to work for Norwegian interests internationally, Norad's objective is to serve other countries' citizens (Eggen, 2024).

4.2 Document Descriptions

4.2.1 The Hurdal Platform

The Hurdal Platform stands as the definitive political mandate of the Norwegian government for the period of 2021-2025. Crafted through negotiations between the Labor Party (AP) and the Center Party (SP) at Hurdal, this document charts the course for Norway's governance trajectory. Specifically, it maps out the government's stance on various policy fronts, including a dedicated segment addressing foreign policies. Here, Norway's commitments to key international institutions like the UN, the North Atlantic Treaty Organization (NATO), and the European Free Trade Association (EEA) agreement are reinstated. Moreover, the platform underscores Norway's pledge to bolster collaboration among Nordic countries, intensify efforts in combating climate change, and ensure geopolitical stability. Notably, the section addressing development politics emphasizes a holistic approach, intertwining climate action with poverty alleviation and humanitarian aid. Through the document, the government outlines its vision

for Norway's role on the global stage, laying down directives that will influence budgetary allocations, including those related to foreign aid.

4.2.2 Investments in a Shared Future

The MFA established an expert group to advise them on three topics regarding what Jonathan Glennie would call global public investment (2021). The group was led by Ole Jacob Sending and will from here be referred to as the Sending's group. First, they were set to advise on how financial support can be used to reach the UN goals of social-, economic- and environmental sustainability on the background of a government statement that they want to use 1 percent of GNI for international efforts, not necessarily only meaning ODA. Secondly, how Norway can contribute to the international discussion on aid as an investment in global goods. Thirdly, they were set to give advice on which global public investments could be counted as Norwegian aid to reach the goal of 1 percent of GNI, although not necessarily approved as being ODA or going to ODA-approved countries (Utenriksdepartementet, 2023a).

4.2.3 Evaluation of the Interaction between Humanitarian, Development, and Peace Efforts in Norwegian Aid

As stated in the Hurdal Platform, Norwegian governmental institutions are trying to find effective ways to incorporate a more holistic approach to foreign aid, often referred to as the triple nexus. To gather more information, the MFA and the Ministry of Climate and Environment (KLD) have funded an evaluation project executed by the Department for Evaluation in Norad. The project is based on the case study of three countries, DR Congo, Ethiopia, and Lebanon, where they tried to look at the coherent of the HDP in these countries. After the project, 5 reports were released; one for each country, one external report based on quantitative analysis, and one synthesis report which I am focusing on in this analysis. In addition, there has been sent a consignment note from Norad to MFA, with key recommendations, which has been responded (Fabra-Matja & Haslie, 2023). A similar report has been published by the Danish MFA, with more attention to civil society (2022).

4.2.4 Report. St. 26 (2022–2023) Changing climate – together for a climate-robust society

In June 2023, the Minister of Climate and Environment, Espen Barth Eide, presented a Storting notice outlining Norway's strategy for climate adaptation. This comprehensive document was collaboratively developed by the KLD in conjunction with other key ministries within an inter-ministerial working group. The document was first presented to the King in cabinet and followed by review and processing within the Storting. The notice outlines Norway's approach to climate adaptation and strategies for strengthening both society and natural ecosystems to effectively address the challenges posed by climate change during the period 2024-2028. The document is divided into three main parts. The first part provides an overview of climate change and its implications for both nature and society. The second part introduces an enhanced governance system for national climate adaptation efforts, aimed at coordinating actions across various sectors. The third part outlines specific focus areas and measures planned for the four-year period, spanning both cross-sectoral initiatives and those

targeting specific areas (KLD, 2023). While the document mostly talks about how climate change affect Norway, the climate adaptation will have consequences also for foreign aid and climate finance.

4.2.5 The West against the rest? - Norwegian politics in a polarized world

In 2024, Norwegian Church Aid (NCA) published a seminal report aimed at informing political parties ahead of the upcoming Norwegian general election, outlining global development trends and offering policy recommendations for the 2025-2029 term. This report, a product of extensive research and analysis, provides critical insights into pressing humanitarian and development challenges facing the world today (Kirkens Nødhjelp, 2024). By highlighting key issues such as climate change, conflict, and inequality, NCA's report underscores the interconnected nature of global problems and the need for comprehensive policy responses. While being a different type of document from the prior, it gives a comprehensive view from one of the leading NGOs in Norway, previously owned by the state, through the state church. Even though they must follow the government's priorities to be able to get funding, they can give recommendations that may be less influenced by political agenda.

4.2.6 If not Norway, then who?

Six of the most prominent NGOs in Norway(6H), Norwegian Church Aid, Save the Children Norway, The Norwegian Red Cross, Norwegian People's Aid, Caritas, and the Norwegian Refugee Council, went together to establish the Norwegian Expert Committee on Climate Finance (NECCF), to release a report on innovative sources of climate finance. The committee consisted of experts from banks, previous ministers and state secretaries, researchers, and NGOs and was supported by a secretary with representatives from the 6H. As data, the committee has had a meeting with Norwegian and international experts on climate finance, aid, and development, loss and damage, adaptation, and emission reduction (NECCF, 2023). The report is ultimately a call for action towards the wealthiest countries to speed up climate action in the hope of triggering private climate investment in developing countries. Since there has been, if we are to believe the report, more talk than action, it is crucial that someone sets a standard for climate finance, and as the title states "if not Norway, then who?" (NECCF, 2023). The main question raised is:

How can Norway secure additional, innovative financing for climate action in line with international commitments and needs that is in addition to and from sources other than the development aid budget, with a particular focus on mobilizing investments and private capital? (p. 5).

4.2.7 Peer Review on Development Finance Statistics in Norway

There has been published eleven Peer Reviews on Development Finance Statistics so far, by eleven DAC members. The aim for the reviews is to assess how the different countries are working on statistical reporting, and which challenges they face in collecting data and reporting on development finance. The reviews are based on seven dimensions: statistical

policy issues; domestic data collection; statistical reporting; performance on DAC recommendations and international commitments; transparency; data accessibility; and publication of statistics (OECD, n.d.-f). The Norwegian part of the review is written by the MFA, but in close cooperation with Norad since they have the mandate to control ODA eligibility and for collecting development data from all departments. The targeted audience for this document is firstly the other DAC peers and the OECD secretariat, but also other actors with interest regarding aid reporting and the ODA definition. The aim for Norway's review is to share insights into their way of working, while also opening up for feedback from the other peer countries (OECD, 2019b).

4.3 Major Themes and Analysis

This section delves into major themes and analyses derived from key documents and reports listed previously. Through a comprehensive examination of these documents, one can see some common recurrent factors shaping the international landscape and Norway's response to pressing global issues.

Global challenges

The global landscape is faced with challenges that demand immediate attention and concerted efforts from nations worldwide. The documents mentioned prior, shed the light on several pressing challenges. The Sending's group express that globalization and economic growth have experienced significant expansion over the past three decades but started to slow down even before the pandemic. During the pandemic the percentage of the world's population living in poverty increased to 9,3 percent in 2021. The biggest challenges today can be found in the South of the Sahara, where extreme poverty is still at 41 percent. Even though it was reduced by 14 percent between 1990 and 2018, the number of people living in poverty has increased because of population growth (Utenriksdepartementet, 2023a). Further, they express that corruption remains one of the main reasons why the percentage of extreme poverty still is so high in the global South. Additionally, these countries are more affected by climate change, while contributing less to them. They assess that in the years to come, extreme poverty will be more concentrated in vulnerable states. 73 percent of people living in extreme poverty, also live in one of the 60 vulnerable states. The prognosis for 2030 is 86 percent. The report states that peace and stability are fundamental prerequisites for development and economic growth. The challenges they mention seems to be connected to all three sectors of the triple nexus, in addition to climate change.

The report goes on by saying that, due to rapid development and industrialization, the stability of the climate has been disrupted, leading to an unprecedented acceleration in global temperatures, far exceeding earlier projections. They base the statement on data showing that nearly half of the world's population resides in regions highly vulnerable to climate change, facing recurring water shortages. This has sparked a humanitarian crisis, with a surge in climate refugees forced to flee their homes due to heatwaves, diseases, and food insecurity, disproportionately affecting the most marginalized communities who also bear the brunt of globalization's impacts. Moreover, the expert group asses that climate change is poised to

escalate conflicts, posing significant threats to the world's peace and security. In the Northern Hemisphere, temperatures are rising at an alarming rate, particularly impacting regions like Norwegian Svalbard. Additionally, climate change threatens global food production, potentially driving up prices of essential commodities upon which Norway depends. While the impact of climate change for the time being is more severe in the global south, KLD emphasizes that climate change also will lead to severe consequences locally in Norway (2023). This can add to the discussion about climate adaptation and finance being global common goods rather than development and humanitarian aid.

NCA points out in their report, eight global trends that will affect Norwegian development and aid politics in the years to come; The first trend is that the humanitarian system as we know it today is under pressure. The gap between needs and resources has never been so big as today with an increase in armed conflicts and natural hazards around the globe. NCA experiences that humanitarian assistance for new crises has a negative impact on ongoing, long-term crises and development (Kirkens Nødhjelp, 2024). The second trend is connected and argues that long-term aid is weakened. The third trend is that financing global public goods is impacting the aid budget, and that climate financing is done through the aid budget instead of other finance mechanisms. The report refers to statistics that show that in 2021, 84 percent of global climate financing came from aid budgets. The fourth trend is that rich countries are not giving enough towards climate financing. The fifth trend NCA experience, is a lack of political will in facing the climate- and environmental crisis. Norway is mentioned as one of the countries that agree to reduce fossil fuel on one side but continue to invest in new projects at the same time. The sixth trend is that global financial inequalities are growing. The seventh trend is that fundamental rights and civil society are being restricted, led by political polarization, and more than 70 percent of the world's population lives in autocracies. The last trend is that there has been a setback in gender equality. In addition to the fact that women's rights are restricted by social norms and socioeconomic inequality, this trend is reinforced by humanitarian crises and climate change. NCA states that gender equality is a goal in itself, but also crucial to reach development goals, peace mediation, and poverty reduction (2024). These trends highlight the strain on the current aid budget with increasing humanitarian needs and weakening of long-term aid projects. Further, the report stresses the shortcomings of wealthy nations in financing and addressing climate and environmental crises. This can add to the discussion about the necessity of redefining aid budgets to prioritize climate adaptation and finance as global common goods. It also highlights the need for international efforts to address the complexity between triple nexus and climate change impacts.

Changes in Foreign Aid: ODA Definition, Eligibility, and TOSSD

In the DAC peer review (OECD, 2019), Norad expressed concerns about the eligibility of areas such as peace and reconciliation, global issues, culture, and human rights for ODA. They find it challenging to ascertain ODA eligibility when projects have multiple objectives or indirect development effects. The review also reflects Norway's stance on global public goods, suggesting it's sensible to use ODA for projects benefiting developing countries. However, the OECD secretariat asserts that the definition of ODA remains unchanged with the SDG agenda's inclusion and that global public goods fall outside ODA's scope due to their global nature.

Instead, they advocate for the TOSSD framework (which will be explained later) to account for SDG-related efforts ineligible for ODA. Moreover, peers question the funding of Norwegian embassies concerning ODA and request more details on expenditures from various sections of the MFA. Specifically, they urge Norway to exercise caution in categorizing general foreign affairs administrative costs as ODA.

The Sending's report point out that the biggest change in foreign aid in the last decade is an increase in humanitarian assistance and refugee costs, an increase in focus on equality, climate, and environment, and a decrease in direct aid to poor countries (Utenriksdepartementet, 2023a). The cost of refugees in donor countries was as high as 14,4 percent in 2022 while aid to Africa (where most low-income countries are) decreased by 7,4 percent from 2021 to 2022. Climate finance is redirecting aid from lower-income countries to middle-income countries, and this is mostly covered by ODA budgets. The report points out especially the 76 million NOK from the Norwegian aid budget that went to China in 2021 (2023a). Further they argue that Norway is pushing, and sometimes crossing, the lines of what can be categorized as ODA, for example, regional developments, climate finance, and human rights and defense collaboration (Utenriksdepartementet, 2023a). OECD is concerned that ODA budgets are being stretched to reach so far, that is close to a breaking point. In the case of Norway, they had 1640 projects in 2021, divided by 101 countries and 869 partners (Utenriksdepartementet,2023a). To facilitate a framework for a broader way to track finance towards sustainable development, which ODA is lacking, TOSSD was presented at the Financing for Development conference in Addis Abeba in 2015. The ambition with the framework was that the directive would be implemented in the UN system and become an official global indicator parallel to ODA (2023a). the International Forum on TOSSD started operations in 2024, showing monetary flow to developed countries like India, Egypt, and Brazil, especially going to transport and storage (TOSSD, n.d.). Norway have not sent their respective report to the forum. The Norwegian MFA are critical in their DAC peer review, towards the new framework. Their main concern is about what the added value would be in relation to the cost. They also do not see how the new framework will benefit developing countries. They say that they want to prioritize reaching their 1 percent target of GNI to ODA, and further develop good ODA statistics (OECD, 2019). The Sending's report on the other hand is positive to the new framework. It recommends that Norway actively contributes to further develop and use TOSSD as a supplement to ODA. The expert group believes that the new framework can ensure more universal participation in discussions on reporting of development financing (Utenriksdepartementet, 2023a). The Sending's report suggest that the term 'aid' is faced out, and that we should instead start using the phrasing 'investing in sustainability'. They argue that this will wash away the lines between donor and recipient and establish more equal partnerships. Further they believe it will give the receiving part more ownership of the projects, and that evaluation and control of results will be even more essential as both parties will have something to lose. For this approach to succeed, the expert group recognizes three important principles that have to be in place; Efficiency and clear performance goals, long-term and patient investment, and active management (Utenriksdepartementet, 2023a). This adds to the discussion by addressing recommendations for the restructuring of Norway's foreign aid financing mechanisms Furthermore, it raises concerns regarding the stretching of ODA budgets and the potential benefits of incorporating

new schemes, as a supplement to ODA, for tracking finance towards sustainable development goals.

Categorizing international efforts

A traditional categorizing of Norwegian foreign aid has been to divide the efforts into humanitarian assistance and development projects. In their work, the Sending's groups suggest a new way of categorizing. They suggest that the first category will be poverty reduction and development as a subcategory 1a, and humanitarian assistance as subcategory 1b. Category 1 is still intended to be one joint effort, with a more holistic nexus approach (Utenriksdepartementet, 2023a). We can already see this happening with Norad taking over the responsibility for humanitarian assistance from the MFA in 2024. The second category will include investment in global goods for investment (Utenriksdepartementet, 2023a). They further suggest that category 1 should be 0,7 percent of GNI (as is the UN benchmark for ODA) and that category 2 should start with 0,3 percent and increase by 0,05 percent each year until reaching a total of 1,4 percent of GNI in development funding in 2032 (2023a). This method also emphasizes that with severe crisis, the percent of category 1b should bring in additional resources than the 0,7 percent already set aside, so it does affect other projects (2023a). NCA have an even more aggressive approach, recommending that Norway use at least 1 percent of GNI in foreign aid solely for poverty reduction and humanitarian assistance, and that investment in public goods and refugee costs in Norway must come on top of that (2024). The Sending's group also mentions a third category, with investment in global goods that does not have direct development relevance. This category includes refugee costs in donor countries, climate adaptation, security and defense in high-income countries, and even humanitarian assistance to high-income countries. This category is not to be included in the percentage goals of GNI, even though it technically can fall under ODA or TOSSD (2023a).

NCA assert that poverty reduction must continue to be a main focus of Norwegian aid, and that emphasis that long-term efforts are crucial. They claim that aid today is set to solve too many things at the same time, and that it is having a negative effect on the development for the most vulnerable (2024). They experience that foreign aid budgets are declining all over the world, and more of the financing is going to global public goods instead of poverty reduction. At the same time, they argue, DAC countries are trying to broaden the definition of ODA. NCA also underline that refugee costs have no place in an aid budget, as it lack a development effect (2024).

Climate action and finance

The Sending's report assess that the climate crisis can lead to a backlash in human development and requires immediate action to stop unreversible consequences (Utenriksdepartementet, 2023). The Norwegian government stated in the Hurdal platform that they want to make renewable energy an important investment and renew the Norwegian rainforest initiative where fitted. Furthermore, the platform calls on Norway to take a lead in international climate work in areas we have a lot of expertise, like carbon capture and storage, renewable energy, green shipping, and maritime planning. The platform advocates for a

unification between climate and development policies. Norway should be a driving force behind ambitious international agreements that ensure more sustainable management and environmental considerations should be strongly emphasized in our relations with other countries (Regjeringen, 2021).

In addition to statistics from Norad published yearly, Norway reports its climate finance contribution to the UN every two years. The last report was in 2022 for the 2019-20. In 2020 Norway reported almost 7 billion NOK in climate finance, whereas 4,6 went to earmarked grants, 2 went to core support to multilateral organizations, and 313 million went to mobilize private capital. On a global scale, most of climate finance is public support, according to OECD, whereas the majority is loans. Further, OECD reports show that 43 percent of climate finance goes to lower-middle-income countries, while only 8 percent to low-income countries (NECCF, 2023). The NECCF states four requirements for what climate finance should cover; Firstly, it should be clear if the funding's main goal is poverty reduction or climate action. Secondly, since much climate action is needed in more developed countries, it should not be expected to also cover poverty reduction. Thirdly, the poorest countries should continue to receive funding covering other development goals than climate action. Lastly, current funding and aid budgets are far from sufficient to cover the need for global climate actions (2023).

NECCF further address that an effective way to gather sufficient renewable energy is with the use of public funds to involve the public sector, in addition to incorporating green transition reforms (2023). Since Norway historically has both a large economy- and high emissions per capita, it is by the Paris Agreement expected that they also contribute more. Following OECD's estimate of a 1000 billion USD climate finance gap, Norway's share compared to GNI among high-income countries, would be 6.7 billion USD (0,67 percent) (2023). While the finance gap is expected to be filled by more than just high-income countries, it still gives a pointer on how far countries like Norway are to meet climate action demands. The committee recommends that Norway take leadership in more aggressive climate financing by mobilizing private capital, pushing taxes on greenhouse gas emissions, and using the Norwegian oil fund. Another recommendation from NECCF is that Norway make use of the Government Pension Fund Global, better known as the Oil Fund, towards climate finance. The fund was established in 1990 after a sudden increase in Norway's economy from oil and gas revenue. The fund's purpose was to shield the economy from an unstable oil market and have a reserve for future generations (NBIM, 2010). In 2001, a fiscal rule was made by the government, saying that withdraws from the fund should not surpass the fund return on investment. In 2017, the expected return was changed from four to three percent (Ministry of Finance, 2022). The fund has reached record-high returns in the last years, but even with the 3 percent trajectory,

there was 38 billion NOK left of the budget in 2023 within the framework (NECCF, 2023). The return for the first quartal of 2024 was over 6 percent (Government Pension Fund Global, 2024). The committee argues that climate change is such a threat to future generations that using the fund for climate finance is in line with the fiscal rule. To provide predictability, they suggest that a fixed share of return should be used. A 0,5 percent of the expected return, which will usually fit into the ceiling of 3 percent, would equal 62,5 billion NOK in 2023 (NECCF, 2023). That is almost ten times more than actual climate finance, and a tenth of Norway's expected contribution to close the climate gap. Figure 6 is a visualization from NECCF on which aid sources, mechanism, and channels they believe should finance different climate actions, loss and damage, adaptation and Emissions cuts.

Sources, mechanisms and channels	Loss and damage	Adaptation	Emissions cuts
<i>Sources</i>			
Private capital			
Carbon taxes of various kinds			
The Government Pensions Fund (part of the return that is within the limit set by the fiscal rule)			
The Government Pension Fund (share of the fund for green investments)			
Special Drawing Rights			
<i>Mechanisms</i>			
International guarantee scheme for private investments			
Increased borrowing ratio in development banks			
Increasing the capital of the World Bank			
<i>Channels</i>			
The Development banks			
The Loss and Damage Fund (UNFCCC)			
The Adaptation Fund (UNFCCC)			
The Green Climate Fund (UNFCCC)			
Climate Investment Fund (Norfund)			
NBIM Renewable			

Figure 6: Different aid sources, mechanisms, and channels (NECCF, 2023, p. 18).

NCA agrees that Norway should increase its climate efforts and look for new flows of financing (2024). In addition, they advocate for Norway to support a UN tax convention, where income is taxed where the value is created, and push regulations for transparency in tax reports. This will require global tax regulations, already commenced by the UN, with negotiations on a new tax convention. To stop the increase in economic inequality, the NCA also argues that there must be a new commitment to debt relief and an establishment of a sustainable debt management system, so more countries can use more of their GNI to reach the SDG, than towards debt servicing. (2024).

The Storting notice outlines several commitments made by the government across various domains. In the context of international security, one key commitment involves integrating climate-related considerations into global decision-making processes, including the development of scenario analyses tailored to vulnerable areas. Additionally, there is a pledge to support the United Nations' work on climate and peace, encompassing peacekeeping efforts and political missions, to foster stability. Furthermore, the government emphasizes promoting local cooperation for climate adaptation and sustainable resource management to enhance global resilience. In terms of aid and development cooperation, the Norwegian government has pledged to significantly increase support for climate adaptation by 2026 compared to 2020 and to actively contribute to reducing climate vulnerability in developing countries. The government also aims to facilitate a cohesive interaction between humanitarian efforts and long-term development work and to be a driver of this both domestically and internationally. The notice emphasizes that an increase in climate adaptation is crucial to reduce future humanitarian crises (KLD, 2023).

Mobilization of private investment

Private investment was to be an important factor in reaching international development goals, but the Sending's report assess that investments have not increased at a fast enough speed, and that most of the private finance has gone to middle-income countries for emission reduction. They find it interesting that private monetary transfer and foreign direct investments (FDI), both were over the amount of total ODA in 2021 (Utenriksdepartementet, 2023a). For category 1, the risk connected to private investment in low-income countries is very high, which is why just 0,2 percent of Norwegian foreign investment goes to these countries. The expert group emphasizes a need for an increase in state security and insurance through schemes like Norfund or even new cross-border systems. For Category 2 there should be even more possibilities for private investors to contribute to the green transition and sustainable development with security in different warranty schemes. The ambition from the expert group is that a new 0,7 percent of GNI should be mobilized through private investment to maximize Norwegian expertise and resources. This will only be possible through warranty schemes (Utenriksdepartementet, 2023a) as already mentioned because, at the end of the day, capital will always have the last word in the private sector. Not mentioned in the report, but relevant, is that an increase in private financing will also contribute to the Norwegian Export reform from 2022, which states that Norway will increase exports without oil and gas by 50 percent within 2030 (fiskeridepartementet, 2022).

Holistic Approach to Development

The Hurdal Platform makes it clear that climate and development politics should be seen more holistically while keeping efforts against hunger and inequalities. It also states that Norway will support in humanitarian crises, and work towards coherence between humanitarian assistance and development (Regjeringen, 2021). In the synthesis report, Norad defines coherence as the "compatibility of humanitarian, development, and peace projects with other humanitarian, development and peace efforts in a given country". Further, they divide it into implementation coherence, regarding each project, and policy coherence, regarding the consistency between projects for the different actors. (Fabra-Matja & Haslie, 2023). Further, they point out five criteria that should be in place for a coherent HDP response: (1) it targets the same population with different types of programs. (2) it involves development actors early on in a crisis and can link humanitarian efforts with a longer perspective in mind. (3) the linkage between projects is done without compromising humanitarian principles. (4) It enhances the efforts and strengths of various actors to achieve shared goals over an extended period. (5) It upholds humanitarian principles and fulfills obligations regarding conflict sensibility, involvement with local communities, capacity building, and ensuring accountability, transparency, non-discrimination, and participation (2023, p. 6). The states that there is already in practice some interaction between the nexus, although less with peace efforts. The Norwegian MFA published in 2024 a guide towards employees in the foreign service and Norad who work in or with countries with long-term humanitarian crises on how they can incorporate an HDP approach in their work (Utenriksdepartementet, 2024a). There is a degree of implementation coherence for the nexus, but the policy coherence is still weak. Further, the synthesis report emphasizes that coherence must be seen in context with the different crises and that the peace effort is unreasonably low. When it comes to dilemmas and trade-offs,

especially regarding humanitarian principles, the report is asking for a more systematic approach to handle them, and that the work with dilemmas are documented for future occurrences, to find a best practice for crisis-affected persons (Fabra-Matja & Haslie, 2023). NCA recommends that Norway should give aid to long-term development, humanitarian assistance, and peacebuilding through civil society organizations (2024). This is similar to the way the Danish MFA approach it (MFA of Denmark, 2022).

International collaboration

The Hurdal Platform recognizes Norway's strong support towards the UN and international law, NATO membership, and the EEA agreement. Further, it emphasizes a strengthened collaboration between the Nordic countries, larger efforts to combat climate change, and ensure geopolitical stability, both as a form of solidarity and for Norwegian interests (Regjeringen, 2021). Regarding climate finance, NECCF mentions four ways where Norway can take more leadership; First, they should establish a global guaranteed scheme to mobilize more private investment and invite other donor countries to cooperate. The scheme should be backed by diplomatic dialogues to open investment markets. The committee emphasizes that the cost should not be included in the 1 percent target of GNI (NECCF, 2023). Second, Norway should contribute to the strengthening of multilateral development banks' climate efforts by increasing borrowing ratios and issuing guarantees as Norway has a AAA rating. Third, Norway should establish a separate fund within oil fund, managed by a separate unit, which exclusively invests in projects with a positive climate impact. The committee also recommends that the Climate Investment Fund, managed by Norfund, is increased substantially and that only the loss is to be counted as development aid. Fourth, in addition to the prior funding stream, Norway should prioritize increasing investments to funds under the UNFCCC, such as the GCF, the Adaptation Fund, and the Loss and Damage Fund. The committee suggests supporting existing mechanisms instead of creating new ones, as they are easier and quicker in negotiating terms.

Summary of findings

In the **Hurdal Platform**, The Norwegian government outlines a clear direction for foreign policies, emphasizing support for the UN, international law, and efforts toward climate change mitigation. The platform underscores the importance of holistic approaches to development, integrating climate and development policies while maintaining efforts against hunger and inequalities. **The Sending's report** suggests a shift from the current aid frameworks to a categorization between traditional aid supporting a conservative understanding of what ODA should go to, and investment in global goods as a separate category, including climate finance. This way Norway can ensure that at least 0,7 percent of GNI is going towards economic growth and development, while they work to increase the total budget for international efforts. The evaluation report from **Norad** on HDP indicates some level of coherence between humanitarian, development, and peace efforts, but also highlights weaknesses, especially concerning policy coherence and peace efforts. To maximize trade-offs through a holistic approach, the report calls for a more systematic approach. The Storting notice from **KLD** outlines Norway's approach to climate adaptation for 2024-2028, focusing on understanding

climate change impacts, enhancing governance, and implementing specific measures, with implications for foreign aid and climate finance. **Norwegian Church Aid** highlight in their report how global trends impact development aid and how they see a decline in long-term development projects. They emphasize that a high focus must be remained on poverty reduction and humanitarian assistance, while efforts are made to mobilize additional financing for climate action. the joined NGO group **NECCF** emphasizes the urgency of climate action and calls for innovative sources of climate finance. Among other things, they recommend that the Norwegian Oil fund be utilized for climate finance, pushing global guarantee schemes, strengthening multilateral development banks' climate efforts, and increasing investments towards the UN climate funds. Lastly, the **Peer Review** on Development Finance Statistics offers valuable insights into Norway's statistical reporting practices, interpreting both strengths and areas for improvement in data collection and the ODA reporting processes. For this thesis, it is especially interesting for understanding how MFA and Norad interpret the ODA definition.

CHAPTER FIVE

Rethinking Norwegian Foreign Aid paradigms and Structural changes

Thus far, this thesis has explored some prominent discourses surrounding foreign aid and fundamental aspects of Norwegian development policies, particularly examining the structural framework of foreign aid in Norway and its interplay with specific elements such as the triple nexus and climate finance. Chapter 4 went deeper into a few essential white papers and reports, suggesting and recommending how Norwegian foreign aid will and should be structured moving forward. This chapter will discuss the collected data, and through relevant theory try to answer the research questions: *How are Norway's foreign aid financing mechanisms and budgets structured to integrate and balance the related global needs for humanitarian assistance, development support, peacebuilding, and green transition initiatives? and what perceived potential implications can aligning the different funding streams have on global aid effectiveness?* To do so I will use the background theory, the document analysis, and interviews.

5.1 Overview of Norway's Foreign Aid Financing Mechanisms

As addressed in the second chapter, MFA, Norad, and Norfund are the three key government agencies responsible for managing Norway's foreign aid financing. While the funding is on a large scale managed through Norad and Norfund, it is the government, together with MFA, that is responsible for deciding the total budget, priorities, and focus areas. In cases regarding climate and forestry ventures, the budget is overlooked by KLD (Norad, 2020). The governments priorities, based on the 2030 sustainability agenda, are summarized in six key focus areas: integrating climate and development policies, prioritizing renewable energy and climate-smart agriculture, combating hunger and food security through sustainable small-scale production, tackling inequality through sustainable economic growth and equitable distribution, empowering women's rights to control their own bodies, providing humanitarian aid in response to disease outbreaks and natural or human-made disasters, and combating infectious diseases through financing, development, and equitable distribution of vaccines and health technology. In addition to these, some cross-cutting considerations transfer all projects, such as human rights, gender equality, climate and environment, and anti-corruption (Utenriksdepartementet, 2023d). The current priorities are reflected by the Center Party having the minister of development, with a larger focus on agriculture and food security (Utenriksdepartementet, 2023f). When summarizing their effort, Norad states that they work towards a greener future in a world free from poverty, where human rights are respected, and no one is left behind (Norad, 2021). It is also very clear that the priorities are defining ODA in a very broad manner, where not everything necessarily can be connected directly to poverty reduction, as the main objective, in developing countries.

Of the total Norwegian foreign aid in 2021, 25 percent went to core multilateral contributions, 32,7 percent to earmarked multilateral projects, and the rest through bilateral partnerships. 54,4 percent of the multilateral contribution went to the UN system (OECD, 2023b). core

support consists of funds disbursed to organizations without specifying the countries or types of projects and programs eligible to receive the funds (Norad, 2015). As mentioned in Chapter 2, funding through multilateral organizations may help boost FDI. It may also make it easier to navigate the landscape of aid in fragile states since these organizations can portray less political. If Norway is to make more use of multilateral organizations, they should then consider giving them more flexibility in how they use the money, and not just let it fit into Norway's agenda to tick something off a list of pre-planned projects or categories. This flexibility would enable multilateral organizations to respond more effectively to dynamic challenges and deploy resources where they are most urgently needed, ultimately advancing global development goals more efficiently.

Norway's commitments

As a member of various international organizations tackling international challenges, Norway has made significant commitments towards global development and sustainability. As a DAC and OECD member, Norway is committed to allocating 0.7 percent of GNI towards ODA, a pledge that they nationally have set to 1 percent (Utenriksdepartementet, 2024b). Against the backdrop of the Ukraine war, Norway has established the *Nansen program*, supporting Ukraine with 75 billion NOK between 2023-2027 (Regjeringen, 2024). Under the Climate Summit in Paris 2015 (COP21) Norway joined, together with all UN members, the 2030 agenda for sustainable development and to reach the 17 SDGs. Norway also joined a consensus that industrialized countries should increase climate funding by 100 billion dollars early by 2020. Under COP26 in Glasgow 2021, this goal was still not reached. The Norwegian government then decided to make a goal to double the climate funding from 7 billion NOK in 2020 to 14 billion NOK in 2026 (Miljødepartementet, 2021), a goal that was reached already in 2021 (Utenriksdepartementet, 2023c). Included in the 14 billion NOK are 3 billion to reduce emissions of carbon from deforestation and forest degradation, announced at COP13 in 2007 (Norad, n.d.-a), and a Guarantee Scheme for renewable energy with a commitment of up to 5 billion (Utenriksdepartementet, 2023e). Less tangible commitments toward climate adaptation were mentioned in Chapter 4, regarding the climate adaptation Storting notice.

In maneuvering the landscape of evolving global priorities, political intricacies, and financial limitations, Norway's foreign aid financing mechanisms encounter a multitude of challenges. Adapting to shifting development needs while balancing domestic and international political considerations requires careful navigation. Moreover, constrained budgets require prioritization and innovative financing models to maximize impact. Yet, within these challenges also lie opportunities for Norway to become an international example of effective aid governance. Norway has a seat at the table in several international forums such as the OECD, the UN, and now as a guest country in G20, and has therefore the opportunity to influence the definitions of foreign aid for the future. By fostering policy innovation and drawing insights from successful initiatives, Norway is positioned to enhance the competence of its aid efforts, thus contributing significantly to the advancement of sustainable development on a global scale.

5.2 Integration and balance of global needs

Norway's recent shift in aid management, transferring oversight from MOFA to Norad, signifies a move towards a holistic approach to foreign aid. While stakeholders anticipate benefits like improved coordination, concerns arise regarding potential drawbacks and conflicts of interest. At the same time, finding ways to integrate climate considerations into aid allocation becomes increasingly crucial, reflecting the interconnected nature of global challenges. As Norway navigates these complexities, balancing priorities and ensuring effective aid allocation remains essential.

A new aid-reform towards a holistic approach

In 2023, a decision was made that the allocation of humanitarian aid would go from being managed by MOFA to now being managed by Norad, sometime within 2024. This change is an outcome of a project started in 2018 by the prior government, to look at possible changes for Norwegian aid management (Norad, 2018). While some minor administrative changes have happened in the last years, a new government finally decided on the outcome of the reform in August 2023 (Utenriksdepartementet, 2023b). This change will potentially enable further work toward a holistic approach to foreign aid. Several organizations funded by the Norwegian aid budget have had both projects targeting humanitarian assistance and long-term development work in addition to peace-building. This way they have had to deal with both Norad and MOFA, depending on what the essence of the project was, even though there were obvious overlapping of targets. With the new reform, organizations will in theory just have to communicate with Norad. Furthermore, if an HDP approach is established, NGOs will no longer have to make the project fit solely into a humanitarian, development, or peace application. The representative from Norad commented on the reform as follows:

This means that we can think and plan much more holistically and look across humanitarian and long-term efforts more easily. It makes it easier for organizations that work with both humanitarian- and long-term funding, and who work locally, often with the same funds, to be more flexible and plan much more long-term with the humanitarian side and perhaps become better at handling crises and work much more preventively. Lots of things will hopefully now be easier to do in the new setting than it has been before.

Implication for the Humanitarian-Development-Peace Nexus

The new aid-reform has led to large debates from different stakeholders and researchers, and not everyone is optimistic about the new approach. In an interview, researcher Cecile Hellestveit says that:

The reality is that this restructuring will reduce Norway's humanitarian flexibility, and also what has been the hallmark of Norwegian humanitarian policy - proximity between agenda and money, a good understanding of context, and thus also the ability and willingness to take acceptable risks...(Røst, 2023b).

As mentioned in the second chapter, it is crucial that a better framework is in place to accelerate the time it takes to set in motion humanitarian projects. The Norwegian NGOs; Save the Children, NRC, and NCA are more positive about the change but are making it clear that Norad must be strengthened in line with the increased responsibilities (Røst, 2023a). Dagfinn Høybråten, general secretary of NCA, says that the reform will make it possible to work with a more holistic approach, that has not been the case before. He emphasizes that Norad has to get the same trust as MFA has regarding humanitarian work, so the processes do not take too much time (Røst, 2023a). Nora Ingdal in NRC hopes the new way will make it possible for more work across humanitarian- and development projects, for instance, prevention and preparation before natural catastrophes, that before did not fit into any of the two divisions (Røst, 2023a).

Another concern about the new system is the conflict of interest between humanitarian work following humanitarian law, and for instance, developing work supporting Human Rights (HR) advocates. In an open letter to MFA and Norad, five organizations with experience in HR issues (Menneskerettighetsfondet, Raftostiftelsen, Amnesty International Norway, Helsigforskomiteen, Human Rights House Foundation), gave five pieces of advice on how to work with HR in the new aid reform (Panorama Nyheter, 2023): (1) Understand the context, (2) Support the bravest voices, (3) dare to take risks and act quickly, (4) Norad must be strengthened, (5) and that MFA cannot let go right away. In the letter they state that:

Norad must recognize that there can be a real conflict of interest between long-term development projects with good intentions, and support for HR advocates who the authorities see as troublesome when building infrastructure, developing renewable energy or promoting industrial development (Panorama Nyheter, 2023).

Aligning funding streams across HDP efforts seems to present both opportunities and challenges for aid effectiveness. The integrated approach of the HDP nexus recognizes the interconnectedness of these dimensions and aims to address the root causes of conflict, promote sustainable development, and build resilient communities. By pooling resources and coordinating interventions, aid organizations can maximize their impact and contribute to long-term peace and stability in conflict-affected contexts. However, implementing the HDP nexus requires navigating complex dynamics and trade-offs. For example, there may be tensions between short-term humanitarian imperatives and long-term development goals. Balancing immediate needs with sustainable solutions is essential to ensure that interventions are both responsive and transformative. Moreover, peacebuilding and long-term development often involve engaging with political processes and addressing underlying power imbalances, which can pose challenges to impartiality and neutrality (Lie, 2020).

To optimize aid effectiveness within the HDP nexus, robust monitoring, evaluation, and learning mechanisms are crucial. These tools enable stakeholders to assess the impact of interventions, identify areas for improvement, and adapt strategies accordingly. By incorporating feedback from affected communities and local partners, aid organizations can ensure that their interventions are contextually appropriate and responsive to evolving needs. This is shown by both the report from Norad (Fabra-Matja & Haslie, 2023) and the Danish MFA (2022). As of my understanding, two main discussions in Norwegian aid happening simultaneously need to be addressed. The first discussion is how Norway can go forward with a holistic HDP approach without compromising humanitarian principles or projects coming in

the way of other projects. The second discussion is how Norway can asset additional funding for climate action and how this funding is to be incorporated into the greater scheme of the Norwegian foreign aid budget. Both discussions require structural solutions, and further research is needed.

5.3 Climate finance

In addition to the urgency of integrating humanitarian, development, and peacebuilding efforts, there is a pressing need to incorporate climate considerations into the broader equation of global needs and aid allocation. Both in the Hurdal Platform and the Norway's development priorities, it is specified that climate action and adaptation should be incorporated in the greater scheme of aid. Climate change poses a multifaceted challenge that intersects with various dimensions of human development, intensifying existing vulnerabilities and undermining efforts to achieve sustainable development goals. Integrating climate action into the balance of global needs requires a paradigm shift in how development assistance is conceptualized and allocated. It entails recognizing climate change as a cross-cutting issue that penetrates all sectors and necessitates comprehensive, coordinated responses. As mentioned, Norway has committed to increasing its efforts towards climate adaptation and loss and damage. Although it seems to be a greater understanding that it is right that Norway spends money on international climate action, there is an ongoing discussion regarding how the increased priority is affecting other projects, especially long-term development.

How to pay for climate finance

Discussions around how climate finance fits in with development budgets are happening in every international development organization. Public Climate finance from OECD members where almost doubled from 2013-21, going from 38 to 73.1 billion USD, reaching a total of 89.6 billion of the 100 billion target (OECD, 2023a). While actors, including the Sending's group of experts, would suggest that climate finance should be a separate budget post, as it seems now There are mainly two ways for Norway to increase climate finance. Either redirect funding from other aid projects or increase the total budget. The World Bank came out with a new vision for the organization in 2023, "to create a world free of poverty on a livable planet", where 45 percent of the funding will go towards climate change in the fiscal year 2024-2025 (The World Bank, 2023). They started by changing the percentage ratio first, in the hope of an increase in resources in the years to come. Norad has a similar statement saying "Together with our partners and on behalf of Norway, Norad works for a greener future in a world without poverty" (2021). For Norway, around 16 percent of the aid budget went to climate and environmental projects in 2022 (NORAD, n.d.-b), a percentage that is set to increase in the years to come. When asked if they believe that the percentage of aid going to climate finance will increase, the representative from Norad responded:

Absolutely, because first of all Norway has committed to increasing its climate financing, so it will increase as a share of the budget. And then the needs also increase, which causes it [the percentage] to increase. But as long as the aid budgets [in total]

do not increase, the question is what it is [climate financing] increasing at the expense of.

If the government is not willing to increase the overall aid budget to fund climate finance, and it is not going to affect existing development or humanitarian projects, then the funding must come from other sources. The **private sector** is often mentioned as a solution to increase funding for climate finance, and Norway is already utilizing it to some degree, but not as much as it could or maybe should. In 2022, 251,4 million NOK from the aid budget went to projects with the private sector, most going to research. In addition, Norfund receives between 1-2 billion NOK over the aid budget to use as capital in their investment. In 2022 they receive an extra billion yearly targeted a Climate Investment Fund created to invest in renewable energy projects in developing countries (Norfund, 2023). Together with capital from the aid budget and a net profit of 2,2 billion NOK, Norfund had an overall balance of 37,4 billion NOK at the exit of 2022 (Norfund, n.d.). Here there should be a greater market to work together with the private sector. One example is Norfund's cooperation with the Norwegian pension company KLP since 2012 (KLP, n.d.). Norfund's field expertise and risk assessment make them a good partner for Norwegian companies that want to invest in new energy markets, especially in developing countries. In addition to climate finance, the representative interviewed from Norfund argues that investing in the private sector is also the most effective way for poverty reduction:

I would think that what we do is the most effective Norwegian aid does in terms of long-term poverty reduction. We measure our development effects and all the companies in our portfolio must report to us on how many jobs they manage to create and how much they are growing. Measurements show that over half a million have gotten jobs through our portfolios.

Another source of income mentioned by Norwegian NGOs and by the representative from MFA, is the work for the implementation of a **UN tax convention**. This convention will not have any positive benefits for the amount of funding Norway can account for, but it has the capability to slow down the increase in economic inequalities by incorporating a global minimum tax and making sure that tax is paid, where the profit is made (Kirkens Nødhjelp, 2024). A third source of income, and one discussed to be used in many different areas, is to use the **Government Pension Fund Global**, to make a greater contribution to climate finance. An argument used is that it will be cheaper to invest more to combat climate change now than to pay for the damages in the aftermath (Lange, 2024). The NECCF report in the previous chapter, argues that the fiscal rule of using three percent of the fund is not used fully and that using some of the remaining percentages towards a climate fund is in line with the fund's agenda toward long-term benefit for present and future generations. The representative interviewed from MFA said that she "*thinks that discussion might be more interesting [than Sending's categorizing]*" but emphasizes that "*there is probably nothing to indicate that something like that will be adopted anytime soon*". This idea of using more of the fund is supported by the fiscal spokesperson for The Socialist Left Party (SV) Kari Elisabeth Kaski. She suggests that a separate action rule of 0,25 percent of the fund, should be created targeting international climate finance. She also mentions that Norway has a particular responsibility since the fund is built on the export of oil and gas and that the fund has increased due to the war in Ukraine (Skårdalsmo, 2024).

Keeping climate finance outside of foreign aid and ODA

Several NGOs and expert reports including the Sending report, recommend that climate finance and other common goods are to be separated from classical foreign aid, and not be documented as ODA (Kirkens Nødhjelp, 2024; Utenriksdepartementet, 2023). In a way, climate finance and development aid can be said to work against each other on some occasions (Hickel, 2024). Economic growth is described as a key factor in undermining ecological growth (Edwards, 2021). At the same time, future development must be more considerate of their ecological footprint if we are ever going to get close to the SDGs globally within the earth's environmental limits (Raworth, 2012). Ideally, one could work parallel with green transition and development in the same regions and through the same projects and financing schemes. Nevertheless, the reality is that green investment reaches further into middle-income countries, regions where ODA usually is phased out. As NECCF argues (2023), most climate finance is used in developed countries, and should not be expected to reduce poverty. The climate investment fund managed by Norfund is counted as ODA, even though the targeted countries are chosen by their energy mix and not by economic development, as confirmed by the representative interviewed from Norfund: *"The Climate Investment Fund is different, the countries are selected based on their energy mixes, such as South Africa and India due to their high proportion of coal"*.

As mentioned, many times already, there is a gap between financial resources and the need for climate action, but that should not result in a decrease in development projects among the least developed countries. This has been the case already and will be the case if there is no increase in the total ODA, or if climate finance is not separated from the scheme altogether. Unfortunately, the Norwegian government does not seem interested in separating climate finance or other common goods from the rest of the foreign aid budget. One of the main recommendations from the Sending group was to categorize foreign aid into HDP and common goods in another, an idea that the government has rejected. The minister of development argues that climate and development politics are so intertwined that separating them does not make sense (Tvinnereim, 2024). The truth is that Norway would have difficulties reaching the 0,7 or 1 percent of GNI goal by keeping climate finance out of ODA. If the categorization from the Sending's group was used in 2022, only 0,57 percent of GNI would have gone to Category 1 targeting HDP projects, while 0,28 percent would have gone to common goods, including climate finance, in Category 2 (Sveen, 2024). Seeing that there is no expectation that foreign aid is to be significantly increased, the only way to reach the ODA goals is to keep everything together, under the same budget structure. Humanitarian assistance, development aid, and peacebuilding work as a nexus because they all have an impact on economic growth and development for low-income countries and can be justified to be "targeting economic development and welfare of developing countries", as the definition of ODA states.

5.4 Prominent recommendations for restructuring foreign aid

This section delves into the critical recommendations for restructuring foreign aid, emphasizing the categorization of international efforts and the allocation of funding. Stakeholder insights, including NGOs and experts, underscore the imperative of balancing

competing priorities within budget constraints, particularly regarding poverty reduction, humanitarian assistance, and global common goods. Discussions around climate finance integration highlight the complexities of aid policy, underscoring the importance of maintaining a focus on poverty alleviation and humanitarian support. Through an examination of these recommendations, this section aims to provide insights for more effective and equitable aid policy decisions.

Categorizing international efforts

Dividing into traditional aid in Category 1 and more new investments in Category 2 as the expert group suggests, would make it easier to define what can- and should be recognized as ODA, and what should be kept outside those frameworks. It would ensure that sufficient funding is made both for poverty reduction and humanitarian assistance, and investments in global common goods. The representative from Norad confirms this by saying:

Now we have been in a situation where the two purposes are constantly competing against each other and are at the expense of each other. With a clearer categorization, it would have been easier to secure sufficient funding for both purposes.

This would also make it easier to control the quality of investments, rather than an unhealthy chase for showing aid muscles against other states, to gain political influence. The representative from Norad said: "...And I also think that a clearer categorization will make it easier to find out what are the most effective ways to work, as the effectiveness of different measures varies". It will no doubt be more challenging to reach 0,7 or 1 percent of GNI this way, but the effectiveness and results of the investment will not change. This recommendation of categories is based on an increase in financial flow, and as it looks like now, there is no outlook that the Norwegian government will increase the foreign aid budget substantially to include climate financing and global goods investment on top of the already high budget. Neither MFA nor Norad are expecting a substantial increase in the foreign aid budget in the near future. The representative from MFA said that:

...The Sending-report, and the classification into poverty and global common good, were very much based on the fact that the total level [aid] should be increased, and as it looks now, there is no indication that there will be that increase, and then perhaps the classification is not so useful. In addition, it is a goal in the Hurdal platform, that poverty and climate should be seen in context. A classification also goes slightly in the opposite direction to that, so there is nothing now to suggest that it is particularly sensible to carry out a separate classification.

That means that the funding must either come from other flows or substitute some of the projects already in place. Nonetheless, a categorizing would already work with today's budget, potentially just not reaching 0,7 percent for category 1 as it seems right now. The representative from Norad says that:

It [Sending's categorizations] is based on 1 percent today, with 0.7 percent for poverty and deprivation, and 0.3 percent for global common goods. It then argues that the

needs in climate change are so obviously increasing that it is cheaper to make climate investments today than in 10 years, so it should therefore be increased.

He further explains that Norway has already committed to increasing the effort for climate action. Therefore, I would argue, that a categorization would be significant to make sure that finance towards HDP is kept as a priority and not vanish at the expense of climate action and global common goods.

Aid or public investment

The position of aid in international development has long been debated, and experts argue that development is seen more according to the world system theory, meaning that it is a means of constraining the development path of recipient countries, promoting the unequal accumulation of capital in the world (Tomohisa Hattori, 2001). Castelli & Formenti (2023) suggest that foreign aid can be harmful, creating dependency and preventing countries from searching for their solutions. As an alternative discourse, Glennie suggests that we start to look at aid as a global public investment (Glennie, 2021). The sending's group suggest a similar approach with their term 'investing in sustainability' (Utenriksdepartementet, 2023a). The American dictionary define investment as "the act of putting money or effort into something to make a profit or achieve a result" (Cambridge Dictionary, 2024). Global public investment suggests then that the money or effort put in, lead to global profits or achievements. Similar, investing in sustainability suggest a clear expectation of that the projects lead to the greatest possible return for people and the planet (Utenriksdepartementet, 2023). Reframing aid as investment, may have the potential to foster sustainable development outcomes and promote economic growth in recipient countries. However, this shift requires careful consideration of the balance between short-term aid interventions and long-term development strategies.

Norway is a major global foreign aid actor when compared to GNI, and from my understanding from the interviews, this has become a very important way for Norway's relevance in international discussions. While there is an expectation for OECD countries to use 0,7 percent of their GNI in ODA, Norway has for many years set the goal to 1 percent. To keep these high numbers, they will try to stretch what can be categorized as ODA as far as they are able. ODA is supposed to go towards "economic development and welfare of developing countries as its main objective", while Norway interprets climate finance and even private investment from Norfund as ODA.

CHAPTER SIX

Conclusion

This thesis has delved into Norway's foreign aid financing mechanisms and budgets, seeking to understand how they can be structured to effectively integrate and balance the interconnected global needs for humanitarian assistance, development support, peacebuilding, and green transition initiatives. Additionally, it has explored the potential implications of aligning different funding streams across the triple nexus and green transition initiatives on global aid effectiveness. Drawing on relevant theory, document analysis, and insights from expert interviews, the study has shed light on several key challenges and recommendations in this regard.

One of the primary challenges identified is the need to secure additional funding for climate actions. As climate change poses an increasingly urgent threat to global development, allocating sufficient resources to climate finance is crucial. I have discussed various channels for mobilizing additional resources, including leveraging private sector partnerships, tapping into funds from the Government Pension Fund Global, and advocating for international mechanisms such as a UN tax convention. Furthermore, the potential for increasing climate finance through innovative financing models, such as redirecting funding from other aid projects or increasing the overall aid budget, has been explored. Another significant recommendation emerging from the study is the reconsideration of keeping climate finance separate from traditional HDP aid. While there are good arguments for a more integrated approach, the current structure is not facilitated to embody climate finance without potentially being at the expense of long-term development. Furthermore, the research has highlighted the importance of maintaining a balanced approach to aid allocation within the HDP nexus. While there are inherent tensions between short-term humanitarian imperatives and long-term development objectives, achieving sustainable outcomes requires careful navigation and prioritization. By adopting robust monitoring, evaluation, and learning mechanisms, aid organizations can optimize their interventions and contribute to long-term peace and stability in conflict-affected contexts.

This thesis underscores the critical need for Norway to rethink its foreign aid financing mechanisms and budgets considering evolving global challenges. By embracing a holistic approach that integrates climate considerations and balances competing priorities within the HDP nexus, Norway can enhance the effectiveness of its aid efforts and make meaningful contributions to global sustainable development. Through continued dialogue, collaboration, and innovation, Norway has the opportunity to lead by example and inspire positive change on the international stage.

Future research

The field of international aid is undergoing rapid transformation due to ongoing global challenges, political agendas, and new research. As targeted in this paper, this includes areas

such as climate change and humanitarian emergencies. New data is constantly being produced by international organizations such as OECD, the UN, and NGOs, and it has been challenging in the scope of this research to confine to a set of documents to analyze. This has also affected the comprehensiveness of the research questions, and it has become too broad to conform to the boundaries of a master's thesis. Nonetheless, I am positive that this research contributes to the ongoing discourse and policy formulation within the field of international and Norwegian aid.

Future research could further explore how separating foreign aid from the ministry of foreign affairs impact political influence and how it affects foreign stations' work. It will also be crucial to research how moving the humanitarian assistance to Norad will impact the effectiveness of getting the project approved rapidly. Furthermore, regarding HDP, further research could be made on how this approach will affect the administrative cost of NGOs. When it comes to climate finance, there has been a big expectation on the scale of which private sector can contribute to this. Further research should be conducted to explore what is realistic to expect. If we are to continue to compare ODA amongst DAC members, research should be made on how the different countries chose to interpret the ODA definitions and guidelines. Lastly, new research should be made regarding the effectiveness of core funding to international mechanisms, versus earmarked projects or bilateral contributions.

The data we have so far is limited, but there is a large professional consensus that HDP is a crucial action for further development. This is backed by the Norwegian government, which is working on finding solutions towards a holistic foreign aid strategy. While my research question is based on a classical HDP nexus, it has become obvious to me that climate finance is taking a much more leading role in foreign aid debates and discussions around budgets and mechanisms structures. If the Norwegian government does not reconsider keeping climate finance apart from foreign aid, other new mechanism must come in place to secure the future of long-term development while assuring that climate action commitments are being held.

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Appendices

The appendices include the following document:

- Appendix A: Interview guide
- Appendix B: Approval from the Norwegian Agency for Shared Services in Education and Research (SIKT)
- Appendix C: Definition of Official Development Assistance (ODA)

Appendix A

Interview Guide

(translated from Norwegian for the Appendix)

Interview with [Name of the participant]

[Organization] – [Position]

[A summary of what the organization and/or department work with]

Introduction

Hello. First, I just want to thank you for taking the time to show up here today.

I thought I could start with some information about the research and the practicality of the interview.

- I wanted to interview you as part of my master's thesis in the master's program Globalization and Sustainable Development at NTNU. In the study, I look at the Norwegian aid structure and how it can facilitate balanced financing against global challenges. It is a topic that has become much more relevant than expected since I started this project.
- "The interview has been approved by SIKT and data will be handled based on SIKT's guidelines in collaboration with NTNU".
- You can request to withdraw your consent at any time without giving any reason. All your personal data will then be deleted.
- And as agreed, we will try to stick to 45 min.
- Do you agree that information from the interview can be used for the purpose of the master's thesis?
- Is it okay if I record our conversation? "The recording will of course not be shared further and will be deleted as soon as the project is finalized.

Start Recording

Opening Questions

- Can you start by telling a little about your background, and how you have worked with topics such as aid and development?
- Today you work at [org.] as a [position]. Can you say something about how the department is organized, and what you work on?

Aid In General

- Since the 1970s, poverty reduction has been an important, if not the most important, part of Norwegian aid. What do you think is the main priority in Norwegian aid today?
 - What factors stand in the way of eliminating poverty?
 - Do you think that eliminating poverty is a realistic goal, or will there always be factors that make this difficult?
- Norway is known for being a large aid nation, and one of the few DAC members that again and again reaches the 0.7% target. What impact do high ODA numbers have on our international position and influence?
- The ODA regulations have been accused of being too imprecise, which some believe that Norway and others have used to their advantage. Has it become a goal in itself to reach 1 percent of GNI?
- Do you think that the ODA regulations should be tightened?
 - What about a more universal definition of aid that also includes countries outside the OECD?
- It has also been mentioned by several actors that the private sector must become more involved in the investment towards global common goods. How does [org.] work with the private sector today? (250 million of the aid budget in 2022).
 - If I have understood correctly, the OECD has opened made it possible to report private investments as ODA (PSI). Can you explain a little more about that and what consequences it may have?

Aid Structure

- According to the plan, humanitarian and development funds will both be managed from Norad in the near future, how does that change the differences between the two aid sectors?
 - Will there be challenges regarding keeping the humanitarian principles?
 - What do you think are the benefits and challenges of the new aid reform?
- Norad is in the process of evaluating Norwegian comprehensive efforts (humanitarian efforts, development cooperation, and peace work)
 - Do you know anything about what has been learned so far?
- One of the main recommendations in the Sending's report is a new categorization of aid with poverty reduction, development and humanitarian assistance in Category 1 and investment in other global common goods in Category 2.
 - What consequences do you think that could have had on the current aid budget and ODA reporting?

- Do you imagine that we will move away from the concept of aid?
- In 2018, the focus on partner countries was introduced, what effect has it had?

Financing

The Norwegian aid budget is relatively large and will always create many discussions regarding distribution.

- In 2022, Norway used around 16% of the aid budget for the environment and energy. Is there a percentage that you think will increase in the coming years?
- In 2022, Norway was the country that received the second largest amount of its own aid (after Ukraine), especially due to refugee expenses.
 - Do you have any reflections on that?
 - Should the ODA regulations be changed on this point?
- How does [org.] work with evaluation and streamlining, and how much is prioritized financially?
- Norad currently uses 0.02 percent to make sure that the money goes where it should, while the UN suggests 1-3 percent. At the same time Norad is introducing the plus-partner model (adopted by the MFA), which will give the external partners even more self-control.
 - Do you have any thoughts on that?
- How can you ensure quality in aid, without having to spend large parts of the budget on evaluation, control, and research?
- What do you think the structure of Norwegian aid will look like in 10 years?

In closing

- I think it's time to wrap up the conversation soon, but is there anything that hasn't come up in the conversation that you would have liked to have told?
- Are there any aspects of the topics around aid structure, holistic approach, and green investment that you think I could benefit from exploring more deeply?

Thank you very much for taking the time to speak with me. If you have any questions about the research, please just get in touch.

Appendix B



Notification Form

Reference number

320900

Which personal data will be processed?

- Name
- Voice on audio recordings
- Background information that, when combined, can be used to identify an individual
- Political opinions

Describe the background information

Arbeidstillinger, verv og/eller engasjement.

Project information

Title

Evaluating financial decisions in the Norwegian Aid budget: Humanitarian aid, development aid, and green investments.

Summary

The interconnected global challenges are making it more complicated to deliver an aid budget that everyone is happy with. In my thesis I will do an analysis of the Norwegian Aid Budget 2024 and conduct expert interviews to get an overview on how Norwegian foreign affairs and NORAD are changing their finances against the backdrop of climate crises and global tensions. I will also analyze the changes in how DACs define ODA, now including the Private sector and differentiating between grants and loans. I want to evaluate how these changes are affecting other challenges in developing countries like poverty, sanitation and school access, and the cost versus reward on making these changes.

What is the purpose for processing personal data?

Jeg skal gjennomføre ekspertintervjuer for å få en dypere og bredere forståelse av prosjektspørsmålet. Jeg vil bruke navn og stillinger for økt kredibilitet, og stemmeopptak for bedre nøyaktighet i behandlingen av den innhentede informasjonen.

External funding

Ikke utfyllt

Type of project

Master's

Contact information, student

Daniel Oscar Jensen, danieloscarjensen@gmail.com, tlf: 46749240

Data controller

Institution responsible for the project

Norges teknisk-naturvitenskapelige universitet / Fakultet for samfunns- og utdanningsvitenskap (SU) / Institutt for geografi

Project leader

Hilde Refstie, hilde.refstie@ntnu.no, tlf: 90103741

Do multiple institutions share responsibility (joint data controllers)?

No

Sample 1

Describe the sample

Ekspertene innen bistand, utenrikspolitikk og evaluering.

Describe how you will identify or contact the sample

Utvalget vil bli kontaktet direkte eller gjennom nettverket mitt.

Age group

18 - 100

Which data relating to sample **{{i}}** will be processed? 1

- Name
- Voice on audio recordings
- Background information that, when combined, can be used to identify an individual
- Political opinions

How will data relating to sample 1 be collected?

Personal interview

Attachment

[utkast Intervjuguide Daniel 03.01.2024 .pdf](#)

Legal basis for processing general personal data

Consent (General Data Protection Regulation art. 6 nr. 1 a)

Legal basis for processing special personal data

Explicit consent (General Data Protection Regulation art. 9 nr. 2 a)

Justify the choice of legal basis for processing

Information for sample 1

Will the sample receive information about the processing of personal data?

Yes

How does the sample receive information about the processing?

Oral

Documentation of oral information

[samtykke - standard infoskriv 04.01.24.pdf](#)

Third persons

Will the project collect information about third persons?

No

Documentation

How will consent be documented?

- Electronically (email, e-form, digital signature)
- Orally

Describe how oral consent will be documented

Eventuelt muntlig samtykke vil bli tatt opp sammen med intervjuet.

How can consent be withdrawn?

Samtykke kan til enhver tid trekkes tilbake muntlig eller via mail.

How can data subjects get access to their personal data or have their personal data corrected or deleted?

Ved å ta informasjon direkte med masterstudent eller veileder.

Total number of data subjects in the project

1-99

Approvals

Will any of the following approvals or permits be obtained?

Ikke utfyllt

Security measures

Will the personal data be stored separately from other data?

No

Provide a reason for why the personal data should not be stored separately

Siden det er snakk om ekspertintervjuer er noe personopplysninger vesentlig for kredibilitet.

Which technical and practical measures will be used to secure the personal data?

- Restricted access
- Multi-factor authentication

Where will the personal data be processed

- Hardware
- Mobile devices

Who has access to the personal data?

- Project leader

Will personal data be transferred to a third country?

No

Closure

Project period

01.01.2024 - 31.07.2024

What happens to the data at the end of the project?

All data will be deleted (deleting raw data)

Will the data subjects be identifiable in publications?

Yes

Explain why

Siden det er snakk om ekspertintervjuer er noe personopplysninger vesentlig for kredibilitet.

Additional information

Appendix C

Official development assistance – definition and coverage

The DAC has measured resource flows to developing countries since 1961. Special attention has been given to the official and concessional part of this flow, defined as “official development assistance” (ODA). The DAC first defined ODA in 1969, and tightened the definition in 1972. ODA is the key measure used in practically all aid targets and assessments of aid performance.

Definition of ODA

Starting with 2018 data, the new grant equivalent measure of ODA became the standard for reporting, with the headline ODA figures published on that basis. (See [below for ODA definition applicable up to 2017 data](#))

Definition of ODA, starting with 2018 data

The **ODA grant equivalent** is a measure of donor effort. Grants, loans and other flows entering the calculation of the ODA grant equivalent measure are referred to as **ODA flows**.

ODA flows

Official development assistance flows are defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:

- i. provided by official agencies, including state and local governments, or by their executive agencies; and
- ii. each transaction of which:
 - a. is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
 - b. is concessional in character. In DAC statistics, this implies a grant element of at least ([see note 4](#))
 - **45 per cent** in the case of bilateral loans to the official sector of LDCs and other LICs (calculated at a rate of discount of 9 per cent).
 - **15 per cent** in the case of bilateral loans to the official sector of LMICs (calculated at a rate of discount of 7 per cent).
 - **10 per cent** in the case of bilateral loans to the official sector of UMICs (calculated at a rate of discount of 6 per cent).
 - **10 per cent** in the case of loans to multilateral institutions ([see note 1](#)) (calculated at a rate of discount of 5 per cent for global institutions and multilateral development banks, and 6 per cent for other organisations, including sub-regional organisations) ([see notes 2 and 3](#)).

Loans whose terms are not consistent with the IMF Debt Limits Policy and/or the World Bank's Non-Concessional Borrowing Policy are not reportable as ODA.

ODA grant equivalent measure

The ODA grant equivalent measure is calculated for ODA flows, as defined above. For loans to the official sector which pass the tests for ODA scoring [conditions i) and ii) above], the grant equivalent recorded as ODA is obtained by multiplying the annual disbursements on the loan by the loan's grant element as calculated at the time of the commitment ([see note 4](#)).

Definition of ODA, up to 2017 data

The DAC defined ODA as “those flows to countries and territories on the [DAC List of ODA Recipients](#) and to [multilateral institutions](#) which are:

- i. provided by official agencies, including state and local governments, or by their executive agencies; and
- ii. each transaction of which:
 - a. is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
 - b. is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).

Notes:

1. This includes both loans in the form of core contributions to multilateral institutions (classified as multilateral ODA), loans channelled through multilateral institutions (classified as bilateral ODA), and loans to trust funds administered by these institutions.
2. The definition of concessionality remains to be clarified for other types of loans [e.g. loans to the private sector], and other non-grant instruments (e.g. equity). Pending clarification, the criterion “is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)” remains in force for these instruments. See Addendum 3 for the reporting methods for PSI.
3. Discount rates consist of a base factor of 5%, which is consistent with the discount rate that IMF used in 2014 for calculating IMF grant element, and an adjustment factor of 1% for UMICs, 2% for LMICs and 4% for LDCs and other LICs. There is no adjustment factor for loans to global institutions and multilateral development banks, and an adjustment factor of 1 per cent for loans to other multilateral organisations, including sub-regional organisations. The DAC will regularly assess the need for adjusting discount rates, in particular following any change to the IMF rate.
4. The method for calculating ODA grant equivalent has so far been defined for bilateral loans to the official sector and for loans to multilaterals, not for loans to the private sector. The approach for measuring the donor effort in the use of private-sector instruments has not been agreed yet and is therefore not reflected in this interim version of the [Directives](#) (See Reporting Directives and Addenda section, Addendum 3 for the reporting methods of PSI on a cash flow basis).

Coverage

Over the years the DAC has continuously refined the detailed ODA reporting rules to ensure fidelity to the definition and the greatest possible consistency among donors. The boundary of ODA has been carefully delineated in many fields, including:

- **Military aid:** No military equipment or services are reportable as ODA. Anti-terrorism activities are also excluded. However, the cost of using donors' armed forces to deliver humanitarian aid is eligible.
- **Peacekeeping:** Most peacekeeping expenditures are excluded in line with the exclusion of military costs. However, some closely-defined developmentally relevant activities within peacekeeping operations are included.
- **Nuclear energy:** Reportable as ODA, provided it is for civilian purposes.
- **Cultural programmes:** Eligible as ODA if they build the cultural capacities of recipient countries, but one-off tours by donor country artists or sportsmen, and activities to promote the donors' image, are excluded.



 **NTNU**

Norwegian University of
Science and Technology