Government Funded
Non Governmental Organisations

Civil society aid organisations and Donor Governments, the case of Norway

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Abstract: Using *clientelism* as the point of entry into five interconnected concepts – *(i) institutional capture, (ii) agenda chasing, (iii), partisan politics, (iv) moral hazard* and *(v) crowding out* – this report seeks to determine the main challenges that come with a civil society sector predominantly funded by the government. Examples are provided from the Norwegian aid industry. This segment is singled out for scrutiny because it is a large recipient of state funding, the ties to the government are tight and dependence is especially strong. It is also because the trend towards state financed and directed NGOs can be seen to have originated in the aid industry. The main argument of the essay is that the risks associated with a fully state-funded civil society are greater – both for the Government and for Non-governmental Organisations – than is generally acknowledged.

Keywords: *clientelism, institutional capture, agenda chasing, partisan politics, moral hazard, crowding out,*

Table of Contents

The clientelist challenge 6

The Norwegian model 10

What is civil society? 14

Clientelism 18

Institutional capture 23

Agenda chasing 27

Partisan politics 31

Moral hazard 33

Crowding out 36

Concluding remarks 40

Notes & References 44

Figures

Fig. 1 Norwegian Government Aid through NGOs: the four largest partners in 2000, 2005 and 2009

Fig. 2 Norwegian aid spending in real terms and as a percentage of Gross National Product over time

Fig. 3 NGO employment in the aid industry

Fig. 4 Norwegian aid spending in real terms and as a percentage of Gross National Product over time

Appendix

1: Foreign Aid through Norwegian NGOs, 2000-2010.

The clientelist challenge

The term "civil society" is usually seen to refer to the entirety of charitable civic and social organisations and institutions that form the basis of a modern society, as distinct from the structures of the state and for-profit mechanisms of the market. Civil society organisations are in most countries seen as a sector separate from the government. They belong neither to the public sector nor to the private sector, but are rather something in between as is highlighted in the Anglo-American designation for civil society actors: Non-Governmental organisations-NGOs. In a little over two decades the Norwegian government, notably in the realm of aid policies, has come to be the indispensable financier of Norwegian Non-governmental Organisations. This raises a number of questions regarding both practice and principle.

In return for government funding, civil society organisations are expected to work towards politically defined policy objectives. The state relies on private organisations to implement the public sector's many goals. This is the case in a variety of policy areas from foreign aid to the healthcare sector, for example, the Norwegian Red Cross receives public funding to run nursing homes and to achieve Norwegian foreign policy objectives in Haiti. Håkon Lorentzen has mapped this dependency on government grants. His survey showed that fourteen different ministries have eighty-one grants available, which amounted to 4.7 billion nok ($0.8 bn) in the 2009 budget.[1] These grants have quadrupled over the last 25 years, and where the culture and sports sectors have been primary beneficiaries. Had the study included the aid sector the figure would have been closer to ten billion nok ($1.7 bn).

A civil society bankrolled by the government invites a number of questions. First, what is the effect on the government funded NGOs? When up to ninety % of income stems from the government, are relations between them weighted in such a manner that civil society becomes less independent? Are civil society's collegial relations with the government a by-product of economic dependence? Has civil society's role as the extended arm of central government retarded the national interest? And to what extent does civil society play a politically partisan role? To what extent are jobs used as privileges in patron–client relationships; and to what extent is the "engagement policy" characterised by official practice for private gain? Has the political control of the funding prevented the aid NGOs from playing their corrective function – that is, their speak-truth-to-power purpose?

In Norway, such questions are rarely asked.[2] One example can stand for many similar instances. Atle Sommerfeldt, the head of the Norwegian Church Aid, one of the single largest recipients of government money, put it in plain terms: "It has not succeeded, for scientists to point out

specifically how the state has affected Norwegian aid organizations working in a way that undermines their independence and critical role for government policy in the field." He went on to claim, "Government money will ensure that operations are increasingly professionally managed and not dependent on commercial collection strategies and the whims of wealthy patrons."[3]

The difference in perspective warrants a closer examination. Is it unproblematic that the government has become the main source of revenue for the vast majority of Norwegian development NGOs, or is this cohabitation more problematic than insiders would have us think? Using *clientelism* as the point of entry into five interconnected challenges:

(i) *Institutional capture*
(ii) *Agenda chasing*
(iii) *Partisan politics*
(iv) *Moral hazard*
(v) *Crowding out*

This report will seek to flesh out the main challenges that arise when civil society is for the most part funded by the state. Focus will be on the effects on the civil society actors in the donor states. For those interested in the role of NGOs in recipient states there is a fair amount of literature available, with some of the most notable works listed in the footnotes. Examples will be provided from the Norwegian aid industry. This segment is singled out because it is the single largest recipient of state funding, the ties to the government are tight and the dependence is especially heavy. It is also because the trend towards fully state-funded NGOs can be seen to have originated in the aid industry.

This is not an attempt to reach a final verdict, only to illustrate that there is a case to be made – that state financed (and directed) civil society can have, and has, undesirable effects. The examples are provided to illustrate the relevance of these challenges to the Norwegian case. The ambition of the study is therefore limited – to persuade the reader that the risks associated with clientelism also carries relevance in the specific case of government funded aid NGOs in Norway. In order to assess the scope or depth of the clientelist challenge, a more comprehensive study is required. The analysis could have been broadened to include the media, where a great many journalists rely on the aid organisations for work and travel expenses – and in state-financed research institutes, where researchers often stand in economically beneficial relationships (through commissioned reports) with same agencies they are supposed to analyse as academicians. In order to bring focus to the inquest attention will be here on the government–civil society nexus only. The main argument of the report is that the potential for

corrosion stemming from a state-funded civil society is greater – both for the Government and for Non-governmental organisations – than is generally acknowledged.

The analysis draws on an extensive body of primary and secondary literature. It would not have been possible, however, without the cooperation of the Norwegian officials who have been directly involved in making and executing policy, who consented to be interviewed. The backbone of the study, carried out in late 2010, is comprised of twelve in-depth interviews with people who have followed the processes from up close – decision-makers, implementers and analysts. Since all interviews were given on condition of anonymity, only the dates and places of consultations will be listed. For this reason, I would ask readers to accept the analysis and conclusion for what they are intended to be: a working hypothesis arrived at conscientiously, but ever subject to alteration if a longer perspective and new evidence suggest a need for it.

The Norwegian model

Since not all readers will be equally familiar with the pronounced role of the state in Norwegian society, a few words on the so-called Norwegian model may be of use. The 'Norwegian model' refers to the idea that government, civil society organisations and research institutions are mobilised for concerted foreign policy efforts, in particular that the shared effort remains directed by the state. Iver B. Neumann explores several reasons for this. He argues that Norwegian diplomacy changed after the end of the Cold War and that the involvement of civil society actors is an integral element of this change. The state took on new responsibilities, more than the state bureaucracy could reasonably be expected to handle. The additional manpower was found in civil society. This has led to what Neumann calls "dual-track diplomacy", where one track concerns traditional governmental actors and the second the NGO sector.[4]

In 1993 Ian Smillie wrote that the average Norwegian NGO has “a very high level of financial dependency on the government”.[5] Since then the volume of government money in the sector has increased dramatically. The key funding principles for Norwegian ODA are not of direct relevance for this study, some information is provided in Appx 2. One reason for the surge in government NGO funding in the 1990s and 2000s was that the state, by using the Norwegian civil society, increased its own administrative resources, allowing for a more ambitious foreign policy than one might otherwise expect from a state with less than 5 million inhabitants. A second reason is found the belief that NGOs are able efficiently and cost-effectively to implement projects in a sustainable manner, particularly on a local level. This shift was by no means unique to Norway. As David Korten observed in 1987:

> *In an area of declining financial resources and deepening poverty both donors and national governments are looking to NGOs as a means of getting benefits more directly and cheaply to the poor than governments have been able to accomplish on their own. Many NGOs are becoming increasingly aware of their potential to command national attention and international funding*.[6]

Terje Tvedt has argued that 'the Norwegian model' is distinguished by substantial government funding (for the NGOs) and an extensive elite interpenetration, including exchange of personnel, among the various branches of the sector- government, civil society and research.[7] Tvedt argues that the shared agenda of the complex has helped forge a national consensus on the legitimacy and political priority given to development aid in general and to the specific policies decided on a political level in particular. This view was controversial at the time when first published. Eva Bjøreng of Norwegian People's Aid demanded that Professor Tvedt should be made to 'eat his words' for pointing out problems with the Norwegian Model in general and with the NPA's role within it.[8] She presented a view that 'the support that Norwegian People's Aid and similar

organizations enjoy in the Norwegian people would be impossible if Tvedts analysis is correct'.[9] She went on to argue that the policy guidelines that come with the money are unproblematic – since had there been any such concerns, the NPA would not have taken the money. The logic was that since the Norwegian NGOs do it, it must be above-board.

It is worth noting that Tvedt's assessment finds support in Neumann's works. The latter concludes that organisations that receive most of their budgets from the government and report back to the same government, "might just as well, even preferably, treat such organisations as part of the state formation".[10] With regard to distribution of resources and staff, the whole of the Ministry of Foreign Affairs has been converted into the administrative apparatus for 'the Norwegian model'. This model characterised by corporatism has over the past two decades been an inspiration for other parts of Norwegian civil society. The aid organisations and the state-financed research institutions have alongside the government bureaucracy formed a neo-corporative triangle.[11]

Government funding of NGOs	2 000	2005	2009
Norwegian Church Aid	259	396	452
Norwegian Refugee Council	226	344	451
Norwegian Red Cross	290	449	434
Norwegian People's Aid	316	358	385

Norad/AMOR/Govt. 2010

Fig. 1 Norwegian Government Aid through NGOs: the four largest partners in 2000, 2005 and 2009 (Million nok)

In 2005 the Norwegian government appointed a committee to look at the Norwegian development organizations' role in development. This reflects a political decision to connect the Norwegian assistance to a fixed percentage of GDP. This committee was led by Jørn Rattsø. The final report pointed out that in 2004, the Norwegian aid funds channelled to and through the 160 Norwegian and 25 regional and international NGOs.[12] Only 6-8 percent of the support given to local organizations in recipient states. While the Paris Agenda asserts that local organizations in recipient countries are best placed to manage funds, because they have local knowledge and understanding of culture, social norms and political systems.[13] However, the Rattsø report concluded that it is most appropriate that the largest transfers channelled through the Norwegian aid organizations so that they can better ensure the follow-through of Norwegian

policy objectives. What distinguishes the 'Norwegian model' from similar aid industry sub-systems in other countries is, according to Tvedt:

i) that the system is disproportionally larger in Norway, in the sense that the number of organisations involved is larger;
ii) the aid segment make up a larger part in the Norwegian civil society sector than in other states;
iii) the government gives more, relatively, through the civil society than is the case in other states;
iv) the political consensus between the government and the civil society actors is greater in Norway than in other countries;
v) the circulation among elites within 'the Norwegian model' is more pervasive than is the case in other countries;
vi) 'the Norwegian model' enjoys relatively stronger support in the population than is the case in comparable countries; and
vii) the leaders in the civil society organisations have an unusual degree of flexibility when it comes to administering the funds that they are given from the government.[14]

In 2010 the Norwegian aid segment comprises more than 200 organisations with over nok three billion ($ 500 million) in annual government support. These organisations encompass more than traditional relief and missionary work, although these have been the largest beneficiaries.[15] The Norwegian Church Aid, the Red Cross, the Norwegian People's Aid and Save the Children are the largest recipients. Individually, over the period 1990–2010, these four organisations have received between four and five billion kroner from the state budget, or almost 20 billion nok ($3,3 billion) in total.[16] Norwegian Church Aid alone received nok 452 million ($ 75 million) in 2009. The actual amounts received may be greater still. For instance, the annual government budget operates with a higher figure, of nok 489 million ($ 82 million) in 2009 to Norwegian Church Aid.[17] Other organisations, such as Norway's sports federations, have also received several hundred million nok in state aid to carry out development projects in poor countries.

What is civil society?

Before delving into the dependence and interdependence in the Norwegian model, a few words on civil society. This is necessary to dispel any notion that the NGO and the government exists in separate dimensions, or that they should do so. They are, in fact, in all societies intimately intertwined. Hegel, de Tocqueville and Gramsci are generally seen as the architects of the concept of modern civil society. G.W. F. Hegel has been credited with providing our modern understanding of the concept. He understood civil society as a sort of aggregate of the private sphere in public life apart from the state apparatus.[18] Unlike thinkers before him, Hegel considered civil society as catering to the interests of the individual and private property, as opposed to those of the state.[19] Hence, Hegel sees civil society as "civilian society" – a sphere beyond the state.

Hegel focused on the tensions and contradictions inherent in civil society as it is located at the intersection of market and state interests. In an era without developed democratic systems, the pervasiveness of the modern state necessitated some form of societal counter-weight, which civil associations help provide. He saw the state as a stimulus to civil society, a catalyst for groups seeking to influence state policies as a substitute for democratic accountability. Alexis de Tocqueville brought this analysis into the democratic era by distinguishing between political society and a less partisan civil society.[20] Accepting the core tenets of this analysis, Karl Marx focused on the power wielded by civil society. For Marx, civil society was the 'base' where social interplay and production took place, and political society was the 'superstructure'. Noting the link between capitalism and civil society, Marx argued that the latter represents the interests of a 'ruling class'. For this reason, he saw the state and civil society as the executive arm of the ruling class.

This perspective on civil society was reconsidered by Antonio Gramsci. The latter did not consider civil society to be identical to the socio-economic base of the state. Rather, Gramsci saw civil society as an arena where the working class could develop its own intellectuals and build competing structures. For Gramsci, the complex nature of modern civil society meant that it was also en agency capable of undermining the hegemony of the ruling class.[21] Rather than viewing civil society as a problem, Gramsci viewed civil society as a catalyst for problem-solving, which defended people against the state and the market through the ability to influence the state. The national agendas of civil society actors over time came to take on an international dimension. NGOs have long been the standard bearers for internationalism in its liberal and socialist incarnations.

During the development discourse of the 1990s, sometimes referred to as ‘the Washington Consensus’, there were strong pressures to reduce the role played by governments in poor countries, including donor governments. This in turn led a renewed enthusiasm for civil society, making it a donor darling. Civil society was presented as an alternative to state-to-state aid and provision of services.[22] The UN High Level Panel on Civil Society cautioned that this arrangement created new challenges, especially in the recipient states.[23] For instance, based on studies of Norwegian NGOs operating in Southern Sudan, Tvedt concludes that the NGOs eroded the authority of a weak state, “not by organizing civil society against the state, but by being efficient substitutes for state administration”, what might be referred to as “a state within the state”.[24]

Post-modern civil society theory can be said to have returned to a more nuanced position, yet marked differences between the study of state-civil society interplay in developed societies and in developing states persists.[25] A curious disconnect has occurred. In developing countries the discourse has focused on civil society as a complement rather than an alternative to the state, or as Alan Whaites pointed out, `the state is seen as a precondition of civil society'.[26] In developed countries, the focus has been on civil society as a counter-weight to the state. While much of the research so far has focused on the role of domestic and external civil society actors in weak states, there has been notably less focus on the ebbs and flows of dependence on the state and civil society in strong states.

Dag Wollebæk has found shift away from voluntary civil society in Norway. He argues that the membership-based “peoples’ movement” model where organisations are seen to represent societal strata is no longer representative for modern Norwegian civil society.[27] Today Norwegian civil society on the whole is arguably better seen as “civilian” than as an aggregate level of popular engagement. Other labels carry with them similar problems. The actors in the group cannot reasonably be labelled “private” of “non-governmental”, as they are predominantly government financed, owned and/or controlled. Curiously, there has been little research on the effects the change in funding sources have had on the organisations. The Norwegian reluctance to delve into questions of dependence is by no means unique. There are on a basic level three different ways in which NGOs can relate to the state:

i) by complementing it, through gap-filling and service provision;
ii) by opposing it, either directly or by forming a counter weight, together with local groups and in support of locals, and
iii) by joining it, helping to raise concerns at state level and working with governments to improve policies.

This creates a paradox of seeing the state as part saviour (a vehicle for social change and redistribution) and part villain (an intrusive Leviathan that cannot be trusted to serve the real common good over the pursuit of its own bureaucratic agenda).[28]

Adil Najam has contrasted the massive growth in the number of civil society organisations with the relatively small number of research papers written on the topic. He suggests three potential reasons why this may be the case. One, the research has been predominantly descriptive with little effort to synthesize the available descriptive analysis into analytic frameworks for the entire sector. Two, he finds that the focus of the literature has tended to concentrate on single aspects of NGO activities. And, three, most studies focus exclusively on narrow segments of the sector that the researcher(s) are familiar with little effort to establish connections on an aggregate level. Najam concludes that “the result of these chronic deficiencies is a sporadic and temperamental appreciation of the behaviour of this sector, as a sector”.[29]

Clientelism

Much, perhaps most, of the debate about the state–civil society relationship is concerned with the old Bolshevik question - *who dominates whom?* Economic dependence carries with it an inherent potential for clientelism. In its undiluted form clientelism refers to a form of patronage. In such instances, relatively influential and wealthy "patrons" provide clients with jobs, protection, infrastructure and other benefits in exchange for labour and other forms of fidelity, including public support (cheerleading).[30] Although this characterization suggests mutualism in a sosio-economic sense, these relations are essentially asymmetric, leading to indebtedness on behalf of the clients in what is sometimes described as "debt–peonage".[31] Clientelistic relationships are often seen as creating perverse incentives and unfair power distribution, and are therefore seen as being at odds with institutional or individual independence.

According to a leading scholar in the topic, Simona Piattoni clientelism is found "in a variety of political systems characterised by allegedly different [political] cultures and social systems in connection to the transformation of the set of incentives that make them viable and acceptable".[32] This is a question of particular salience for 'the Norwegian model': why would civil society actors part with their main distinguishing feature and prized asset – their non-governmental nature? Part of the answer to this question may be found in Robert Putnam's study of Italian regional institutions. He asserts that the polities can be neatly divided into two broad categories: those with particular interests that are promoted at the expense of the general interest, and those in which particular interests manage to be expressed as cases of broader general interest.[33]

The 'Norwegian model' is very much based on an assumption that, in the words of one Ministry of Foreign Affairs (MFA) official, "we are all in the same boat" and that "in this idealistic endeavour, ordinary rules of independence have not been seen to apply".[34] Government dependence is generally not seen as a problem, not even a potential one as was illustrated by the prompt and uncompromising defence of the current arrangements on behalf of the large aid organisations in response to this report, even before it was launched.[35] This notion is perhaps best summarised by then-Prime Minister Einar Gerhardsen who, in the parliamentary debate that took place when Norway first became an aid donor, stated that Norwegians have "from their whole culture and history represented freedom and democracy … everyone knows that we cannot be suspected of having any interest in exploiting anyone".[36]

In other countries it is common for NGOs to restrict themselves to limit government funds to less than 50 % of the total budget. These organisations believe that there is such a thing as

overreliance. Similar concerns can be found in other countries. In Britain, Oxfam restricts its government income to 20 % of the total, while Oxfam America takes no money from the US government whatsoever. In Norway, as government money has surged into the NGOs, other sources of funding have dwindled. In practice, all the large aid organisations are now utterly reliant on government funding, without it they would be bankrupt. This is worth noting because there has been no lack of guidelines as to the balance between public and private money in the NGOs to ensure institutional independence in Norway. This balance fell from 50 % in 1962, to 20 % in 1972, to 10 % in 2001. Today, aid organisations are frequently not asked to provide funds of their own at all. The government White Paper No. 35 (2003–2004) is the last report that explicitly mentioned self-finance, playing down the importance of the organisations' own contribution: "Some of the organizations' activities required self-finance – but there is no automatic link between our own funding and grants".[37]

Government White Paper No. 35 (2003–2004) pointed out that the NGOs are expected to carry out authorities' policy requests. Where there is policy objective agreed in the Ministry of Foreign Affairs or Norad, such as in humanitarian work, full funding can be provided. The White Paper also asserted that the combination of professionalism and a large proportion of income from public grants challenge the organisations' grounding, understanding of roles and independence. Paradoxically, a trend towards a looser and more informal civil society lead to more formalization and professional coordination. It is harder to get people to take responsibility for the organization operating on a voluntary basis as the willingness to spend volunteer time for meetings and paperwork is waning, replaced by paid staff. The report emphasise that critical reflection on behalf of the NGOs regarding the tradeoffs at the intersection of popular support and professionalism is expected. It is worth noting that the responsibility for maintaining independence is, in the government White Paper, placed squarely on the shoulders of the organisations themselves: it is up to them to maintain their independence.[38]

NGOs	2000	2005	2009
Norwegian Church Aid	66%	54.6 %	62.67 %
Norwegian Refuge Council	75%	65%	59%
Norwegian Red Cross	75%	62%	67.68%
Norwegian People's Aid	63.56%	59.25%	69.55%
Save the Children	65%	51%	43%
CARE	93%	94%	65%

Atlas-alliance	80.48%	76.84%	88.57%
FORUT	75.20 %	52 %	90.58 %
Norwegian Missions	81%	90%	87.40 %
Rainforest Foundation	62.4%	72.4%	88.2%
The Development Fund	91.4%	70%	83%
Doctors without Borders	79%	53%	21%
Strømme-Foundation	49.4%	44.4%	45.7%
WWF	80.3%	95%	98%

Fig. 2 NGO reliance on government funding over time. (Source: Lervåg & Slenes, 2010)[39]

In 2006 the Rattsø Commission's report on new roles for NGOs suggested that no changes were needed in relation to self-financing requirements. The report stated that that the state supports NGOs that engages the Norwegian population in international solidarity work, and that the self-financing requirement may be seen as a test of the organisations' efforts, as well as an incentive to engage with the broader population. The same report concluded that "the basis for government support should primarily be what organisations provide in relation to the objectives of reducing poverty, improving economic development and democratic governance". However, the report also concluded that the NGOs should finance the activist aspects of their activities that diverge from government policies themselves. This would be a direct reflection of their ability to garner support among the population segments that they are assumed to represent. Collections contribute to the Norwegian population being more directly involved in aid work and ensure that aid organisations have popular support. The challenge is, of course, that the amount collected is not a direct reflection of popular support; it could just as easily reflect collection methods. The Rattsø report expressed concern about the numerous, expensive and less than transparent advertising campaigns.

According to a Norad study carried out by Astrid Lervåg and Tone Slenes, in 2010, approximately 2 billion in Norwegian government aid funds were allocated to Norwegian NGOs, out of a total budget of about nok 11.1 billion. According to the study, this represents approximately 18 % of the total government aid budget. In 2005 and 2006, the share was 17 % of total assistance; in 2007, it was 16 % and in 2008 it was 15 %. In 2009, about nok 3.5 billion in Norwegian government aid funds was allocated to the Norwegian NGOs, out of a total of about nok 25.6 billion. This constituted 14 % of the total aid budget. From 2000 to 2009, the public subsidy to

Norwegian Non-governmental Organisations was increased by 77 % while the overall aid budget was increased by 131 %.[40] However, the increase in volume hides a continuing slide towards increased dependence on government funding. For the organisations the dwindling of private funding has not led to a scaling down of activities; on the contrary, there have been frequent and vocal demands that the government should compensate for their failure to meet budget targets – out of concern for the world's poor.[41]

Government money has allowed the organisations to considerably increase the number of staff and their wages. One example is the Norwegian Church Aid, which has gone from being an organisation of eight employees, in 1977, mainly financed by voluntary church contributions, to being one of the "big five" aid organisations with 150 permanent staff in Norway and 33 abroad.[42] The exact number of Norwegians drawing salaries directly and indirectly from the aid budgets is hard to assess. In addition to government bureaucrats and the permanent and non-permanent civil society organisations, there are missionaries, a government investment fund (Norfund), the aid research establishment, information services (e.g. the Rorg network) and philanthrocapitalist actors (e.g. *Stiftelsen et rikere liv* and *Voxtra)*. One possible indicator of the overall industry is that the free industry newspaper, "Bistandsaktuelt" has in 2011 a monthly circulation of 18.300, although this figure, according to the editor, Gunnar Zachrisen almost certainly includes some, what he calls, "aid industry wannabes".[43]

	1988–1989	**1989–1999**	**2008–2009***
Norwegian Church Aid	165	255	183
Norwegian Red Cross	37	322	428*
Norwegian People's Aid	55	303	114**
Save the Children Norway	78	127	148
Norad	337	339	230***

*Fig. 3 NGO e*mployment in the aid industry

* plus 40 contract workers. **Plus 150 staff in asylum centres- *** Staff transfers to the MFA through reorganisation

In an economic sense there clearly exists a patronage relationship between the government and the civil society organisations in the aid sector. This relationship is constituted by the

government providing funds and the aid organisations carrying out government objectives. This is significant since it goes to the heart of who the organisations actually represent. As economic independence has dwindled, the leading aid organisations have been at pains to profess their independence, prominently, in printed and online material. This is amply illustrated in Dag Wollebæk's research and was highlighted in a newspaper article by Terje Tvedt where the latter criticised Care Norway for claiming to be a 'membership-based volunteer organisation' when, in fact, "CARE has no members, it is impossible to join CARE. CARE does not even have membership fees."[44] A former state secretary drew a mischievous parallel to the insistence on independence: 'No country that has the word "democratic" in its official title has ever been a democracy'.[45] Let us then ask the question, as NCA boss Atle Sommerfelt did – 'so what?' If the NGOs are funded by the state, are they not united in an altruistic endeavour? The following section will look at five challenges of clientelism that can be seen to have affected the Norwegian aid industry within the confines of 'the Norwegian model'.

Institutional capture

The term "institutional capture" was first coined by researchers at the World Bank Institute, who observed a process where "oligarchs stage-manage policy formation and even shape the emerging rules of the game to their own, very substantial advantage".[46] In his doctoral dissertation, "Clientelism", Samuel Huntingon described how federal agencies, exemplified by the Interstate Commerce Commission, were taken over by the very industries that they were intended to regulate.[47] Institutional capture is defined as the ability of powerful actors to create broad laws and institutions that protect their advantages in the future and allow for their continued enrichment and power. It refers to the de facto take-over of entire state institutions by an elite cartel, which will often manifest itself in these actors' ability to block laws or reforms that would level the playing field.

As discussed in the previous section, the debate over adverse effects of reliance on state funding is by no means new. A 1973 USAID report listed the three fundamental challenges that come with financial overdependence on government:

i) the deep constraints it places on the freedom to determine what they feel they should be engaged in, thus confining them to the role of 'hired hands' rather than independent thinkers and doers.
ii) The easy availability of government money may have a lulling effect, to the extent that personnel are no longer able to make independent assessments of whether they have sacrificed agency integrity or are indeed continuing to act in good conscience.
iii) Finally, the arrangement can weaken the NGO's aims to make a contribution to the fundamental analysis and debate about the nature of the development process.[48]

These problems become all the more acute since the government agencies are not charged with nurturing the independence of the civil society actors. Quite the contrary, they are charged with making sure the NGOs comply with government regulations and agendas, and are indignant of NGO criticism. There is, in other words, a gap in the assumed common interest. The NGOs want to have as much money as possible to carry out their worthy objectives The Norwegian governments want ready and compliant NGOs that can go where itself cannot, but a recurring theme in interviews has been distaste for the grasping, self-serving mentality that is seen to have infected many aid NGOs.

1980	2.4 nok billion)	billion ($0.4	0.87 % / BNP
1990	7.6	billion	1.17 % / BNP

	nok ($1.2 billion)		
2000	12.7 billion nok ($2.1 billion)		0.89 % / BNP
2010	27.0 billion nok ($4.5 billion)		1.09 % / BNP

Illustration 4: Norwegian aid spending in real terms and as a percentage of Gross National Product over time

When the Soviets collapsed Norway came in need of a new foreign policy doctrine. The result was the "engagement policy".[49] In the book that can be referred to as the 'birth certificate' of the engagement policies *Impotent Superpower: Potent Small State,* Jan Egeland argues that Norway should direct its foreign policy resources on humanitarian endeavours. The claim is that the goodwill generated from state idealism would further national interest objectives. The engagement policy meant that Norway directed its foreign policy resources to help it to play the role of a bigger actor.[50] This was made possible by directing disproportionate foreign policy resources to internationalist activities. One figure that illustrates the gravity of this shift is that as the funding for aid NGOs has risen, the defence expenditure has dropped. In 2008 Norway used a historically low proportion of GDP for defence spending (1.3 %) yet a historically much higher proportion of GDP (an estimated 1.2 %) on engagement policies, of which civil society has been a primary beneficiary.

The historian Jens Arup Seip was amongst the first who noted the symbiosis of government and civil society in Norway, describing the latter as "ticks imbedded in the flanks of the political parties".[51] What is new in the post Cold War climate was that the state took up the means, ends and, importantly, the vocabulary of the NGOs and elevated them to the heart of foreign policy, a point that will be discussed in greater detail in the 'agenda chasing' section.[52] Any explanations about how this came about are bound to have a great number of variables. On a practical level, one factor – elite circulation – stands out. At the centre of the aid system, and in the border zones of both state and industry, is a surprisingly large category of people who circulate within the aid industry. A single career typically spans jobs in the government, the research institutions and in the aid NGOs. This not only concerns the top tier but also administrative levels. In the aid sector, the three agencies (of state bureaucracy, research institutions and the NGOs) form a coherent career ladder in which a given person will sit first on one side of the table, and then on the other.

The authors of the three-volume *Norwegian foreign aid history* underline the close links between the state aid bureaucracy, aid organisations and research institutions.[53] A small number of people circulate among the leading positions in government and organisations, while the same people, often without transparency or parliamentary control, divide system resources among themselves. Terje Tvedt concludes, "the character of elite circulation weakens both the outside world's access to information and the likelihood that the best decisions are being made".[54] NGOs can influence not only the work of official development agencies, but key aspects of development policy as well. In Norway this group has achieved greater than usual freedom to use discretion (and thereby power) in relation to which actors are to be involved and what level of funding they should be allocated.[55] Øyvind Østerud has pointed out that within this group there is a tendency to consistently overestimate the positive aspects of foreign aid and peace-building, and to underestimate the negative. He argues that "practitioners from government, NGOs and affiliated academicians form a pressure group that blocks objections".[56] The three sides of the triangle have found a common cause in demands for ever increasing amounts of money to be directed to the aid industry. As illustrated in figure 1, this growth has been nothing short of spectacular.[57]

Helge Pharo argues that the increase in funding has lead to a situation where the level of activity exceeds the administrative resources. He concludes that this state of affairs is the single biggest quandary in Norwegian aid policies.[58] This also means that limited MFA personnel resources are spent on donor activities. One diplomat recently returned from a posting abroad lamented: "In Oslo we are spending very little time tending the national interest – it is like working for a global NGO. The aid industry is a main recruitment base for the MFA. The logic and language of Norwegian foreign policy has become that of the NGO."[59] This view was echoed in several other interviews. One source working for Norway on a posting in Africa said "foreign policy has become extra-curricular ['valgfag']. Much, even most of our activities are derived from the logic of the NGO, not that of a state.[60] The rationale is that the development lobby has succeeded in convincingly arguing that the good of humankind is synonymous with the aid industry's self-interest, and that this in turn is synonymous with Norway's national interests, what might be labelled the "NGO-ification" of Norwegian foreign affairs.

The flipside of the coin is a 'government-ification' of the NGOs. While state-NGO consensus from the 1990s was is increasingly seen by many NGOs as a logical extension of their project activities. The idea is that their efforts may have an important community impact in poor countries, but which alone have little general impact unless carried out in a concerted manner. Over the past decade, NGOs have dealt with the policy challenge in a hesitant manner. The growing ambivalence has much to do with the NATO operations in Afghanistan and the notion of "integrated missions" where the NGO have been expected to formally or informally (the case of Norway) work alongside the army. Some have simply denied that there is any potential conflict of interests, as is the government position. Others, concerned about cost and possible

government and donor reaction, have somewhat unrealistically argued that coordinating bodies such as 'Bistandstorget', the Norwegian Missionary Council, the Atlas Alliance, and Fokus can be expected to take the risks associated with giving voice to concerns. Some NGOs have become overtly involved in policy debate, taking the chance of incurring the wrath of government (e.g. Norwegian Refugee Council's clashes with the Norwegian Minister of Defence over the militarization of aid), while others have voiced concerns quietly.

Institutional capture is often assumed, rather than studied; the veiled nature of the processes involved makes this a difficult issue to pursue. One reason for this is that the group tends to develop a shared set of norms and values. Dorothy E. Smith points out that "[i]nstitutional capture can occur when both [involved parties] are familiar with institutional discourse, know how to speak it, and can hence easily lose touch with experiential knowledge".[61] This is not to suggest that a sinister plan is at work here. As Russell Hardin points out, no intent is necessary for institutional capture – it can result from the structure or the formal rules, or from the unintended consequences of standard practices within the agency.[62]

Agenda chasing

Agenda chasing, sometimes referred to as "rent seeking" or "ambulance chasing", refers to treating the misfortune of others as fundraising opportunities.[63] The aid industry has on occasions been accused of focusing on the crisis that will likely generate the most income, and of responding in a manner that gives the highest public profile to the home country. The International Crisis Group criticised aid organisations for clustering in the countries and regions where there are many television cameras, while harder-hit regions, such as Banda Ache, received less attention. More recently, in March 2011, the Norwegian Red Cross, Sve the Children and Norwegian Church Aid were criticised for asking Norwegians for donations to "help the tsunami victims in Japan", despite the Japanese authorities having asked for such assistance and the organisations in question not having frameworks in place in Japan to distribute aid.[64]

Industry insiders readily admit to participating in agenda chasing because of the financial rewards. As Stein Villumstad of Christian People's Aid is quoted as having mused, "One pursue what is politically correct, or what one 'smell' is the political correct, one can get into pretty big funds immediately. This is the reality, and one that each organization must face up to".[65] Linda Polmann has called this phenomenon a "crisis caravan" that "moves on whenever and wherever it sees fit, scattering aid like confetti".[66] As Jan Egeland, in his capacity at the time as UN under-secretary said, "aid is a lottery … You have twenty-five equally desperate communities taking part in this lottery for attention every week. Twenty-four lose and one wins".[67] Jan Egeland himself received unwelcome attention in a case study conducted by Professor Terje Tvedt. [68] The former was accused of, acting as the head of the Norwegian Red Cross, to trigger 100 million nok in funding from the State Department to send 367 derelict military trucks to third world countries. The salient point was that the trucks were sent to alleviate a "humanitarian disaster" in Southern Africa that subsequent evaluation reports agree had been exaggerated in the Norwegian media with representatives from the government and the NGO community lending authority to the alarmist claims.[69]

To what extent the Norwegian aid industry is more or less culpable in agenda chasing, compared to their international counterparts, remains unclear. What is certain is that leading NGOs are remarkably attuned to changing government priorities, claiming expert competence in areas that, until a change in government priorities, had previously gone unmentioned. One revealing example is when Erik Solheim, the Minister for Development, was handed a second government post as Environment Minister in 2008; announced that he would see global climate change and development as integrated questions. In a remarkably short time, all the government-funded aid organisations developed an environmental focus, accepting and evangelising Solheim's hypothesis that saving the environment and bringing about development are two sides of the same question.

There can be little question that this arrangement has weakened the NGOs as checks and balances on government priorities. This is all the more apparent both because these priorities change at a rapid pace in accordance with the Norwegian political debate (as opposed to responding to the priorities of the recipient countries) and because the ambitions are often unrealistic. Norway has adopted what critics call a "spray & pray" strategy where aid is dispersed to some of the world's most corrupt states with little evaluation and tracing of funds. It would appear that the state-NGO relations prevent the sort of critique that brings focus. In 2008 Norway was criticized by the OECD for spreading the aid budget too thin, in too many countries (103 recipient states in 2010), with too many objectives and too many intermediaries.[70]

To give an example: In 2004, the Norwegian Parliament adopted a "Comprehensive Development Policy" explicitly based on the notion that everyone around the world agree development goals and how they are to be achieved. The message was organised around good intentions and an index of unrealistic goals. One goal stated an aim to ensure gender equality in primary education, "preferably by 2005".[71] Norwegian aid organisations rarely question the wisdom of the political priorities that come attached to the money they covet. Money has not flown to the organisations with the largest membership or public support. On the contrary, the organisations that have grown the fastest are those that have most whole-heartedly supported government priorities. One example of this is Norwegian People's Aid, which, by specialising in mine clearance, grew its budget in the period 1991–1996 by some nok 255 million after the Red Cross had turned the initiative down.

One surprising trend is that although the institutions are seemingly varied in terms of constituency and focus, different types of NGOs employ more or less the same language in describing aid projects, their goals and achievements et cetera – regardless of whether they are social democrat internationalist, missionary organizations or humanitarian NGOs. This is of relevance because the system appears to reproduce via the means by which the actors within it and *vis-a–vis* the rest of the world. This type of rhetorical consensus is system-maintaining in that it communicates the systems perceived legitimacy and sense of togetherness that could perhaps be labelled the "Oslo consensus". Helge Pharo notes how critics are met with 'deafening silence, evasion, or fierce denunciation'.[72] If there is such a thing as an Oslo consensus, it is '*there is no such thing as too much aid'*. Norwegian aid policy characterized the involved parties seeking to minimize conflict and build consensus without critically analysing, testing and evaluating their ideas. This could entail that the Norwegian NGO system is donor-led, which might entail that NGOs are more influenced by the policy makers than on the needs of the policy takers in recipient states, although more research would be necessary to confirm such a hypothesis.

One element of this predicament is the expectations of the government. Norwegian NGOs have been proud of their capacity to help the poor rapidly and efficiently. This may have been the case some decades ago, when the bulk of NGO efforts were trained on emergency relief. It is less true in the current field of operations. As NGOs turned their efforts to in development operations, their selling points have remained constant: rapidity and efficiency. As the rivalry for funding has increased the claims of what the money will deliver have escalated. The dilemma is that development is not a speedy thing. NGOs - working with the very poor in underdeveloped regions of strife-torn countries - know that efficiency is far less easy to deliver, or indeed to measure. Having over-promised not only to the government, but also to the public at large, the Norwegian NGOs find themselves trapped by their own rhetoric. As a result success is frequently exaggerated, while failures are under communicated, even hidden. The downside of this arrangement is that vital lessons are not learned, and successes - often highly situational- are propagated as solutions also for cases where they are not suitable. One relevant example here is micro finance which recently has been touted as one such catch all solution, only to founder when introduced *en masse* in Africa.[73]

It is not possible to draw conclusions about how exactly the NGOs are influenced by their close proximity to the state: there is quite simply a gap in the research. Jan Pronk was among the first to warn against the inherent dangers of the then growing NGO reliance on state funding: "NGOs have created a large bureaucracy, employment is at stake, and contracts in developing countries are at stake. It will become impossible for them to criticize governments for decreasing the quality of the overall aid programme."[74] Janne Haaland Matlary observes that any suggestion that the close ties between leaders of the civil society organisations and the political elites that influence funding decisions might impair the former's impartiality is generally dismissed as impertinent innuendo. She notes, "NGOs are logically based on the thesis of opposition, as a critical corrective to government and politics, in short, on independence. But Norwegian NGOs aspire to the state's money, the major [aid organisations] have intimate relationships with the ministries, especially the Ministry of Foreign Affairs. The principle and fundamental problem is that [he who pays the piper calls the tune]: If you have 90 % of your income from the government, it is easier to swallow the criticism rather than bite the hand that feeds you." [75]

Partisan politics

With civilians functioning as both "militarized" actors and strategic targets in modern-day conflicts, the relief activities of humanitarian organisations in underdeveloped regions have become increasingly politicised. Factions targeting civilians view any kind of aid to these civilian "opponents" as supporting the enemy. This challenge also presents itself in the donor country where civil society actors can take on the role of political 'sherpas', providing support for incumbents, or as partisans, needling the opposition. The politicisation of civil society occurs when government, business or advocacy groups use legal or economic pressure to influence the findings or the way information is disseminated, reported or interpreted. The politicisation of civil society may also negatively affect personal and institutional freedom of opinion.[76]

In politics, a partisan is a committed supporter of a political party.[77] Representative democracies have a form of power that is inevitably partisan. There is in a democracy a constant tension between the need for partisan and universalistic government – political responsiveness has to be tempered with even-handedness.[78] Much of the research into the effects of partisanship has been carried out in the UK under the catchphrase 'quasi-autonomous Non-governmental Organisations' – quangos.[79] Sommerfeldt previously mentioned assertion that quangos provide a 'democratic gain' has been challenged on a number fronts. In the US, for example, a seminal study demonstrates that high levels of government funding can seriously reduce independence of action and, more to the point, the independence of mind.[80] This finding is unsurprising, for as the saying goes – he who pays the piper calls the tune.

The state funding of the aid establishment has coincided with a seemingly rapid rise in the employment of politicians in the industry. Norwegian aid NGOs mirror British quangos in the undemocratic selection of leaders; the lack of effective structures for scrutinising quangos' focus and performance.[81]This is, I hasten to add, not a new phenomenon. Many of the aid organisations have historical ties to political parties, notably, the Socialist Left Party, the Christian People's Party and the Labour Party. What is new is that as political funding has dried up and government funding has taken its place, the politicisation of the aid industry has escalated. There are a great many examples of former politicians being parachuted into the leadership of civil society organisations: the head of the Red Cross, Børge Brende, is a former conservative government minister; Helen Bjørnøy, General Secretary of Plan Norway, is a former socialist (Socialist Left Party) government minister *et cetera*.[82] It should be noted that these posts come with (in a Norwegian context) high wages.[83] One senior MFA official observed,

> Several political parties have in fact used the dependence on subsidies as a lever to place supporters in key positions. The positions are used as privileges, as rewards to loyalists. Let us have no illusions about this. The problem is that critique and damnation are disproportionately levelled at the opposition. Not least because it is consequently the

> Progress party which also is the largest opposition party in parliament that in election years suffer partisan ambushes masking as civil society critique, while the main patron party, Labour, usually get off scot free.[84]

As a result, Norwegian aid politics has a pronounced element of pork barrel politics. The aid NGOs embrace (and are expected to embrace) the political parties with the loosest purse strings. This new form of politicisation of aid is seen to challenge the very nature of civil society, by “subordinating humanitarian objectives to political and strategic ones”.[85] This has taken the form of members of the aid industry using their role as independent civil society actors in the political discourse to condemn or lend support political parties. On general election day 2009, the leader of Norwegian People's Aid, Petter Eide, claimed that statements made by the Progress Party (Frp) "about asylum seekers [are] at odds with the Penal Code". The implication was that the Progress Party is a criminal party. Eide did not mention that he is a SV politician. When the government later adopted a similar policy, Eide did not repeat his accusation.

Another example from the 2009 election was the Peace Council’s “peace policy audit” of parties, where the governing coalition came out most favourably. Naturally, The Norwegian Peace Council are aware that intentions expressed in the party programme are not the same as real world outcomes but they still drew far-reaching conclusions, claiming that a win for the opposition would make for less peace in the world. They forgot to mention that the previous government cut funding to the organisation, while the incumbent government had brought them back to life. No survey has been carried out in relation to partisanship in the aid sector. Aid organisations have accepted Erik Solheim’s claim, “apolitical aid is nonsense”, not only holds true in the recipient country, but also in Norwegian domestic politics. [86] In the same issue of Bistandsaktuelt, the head of Norad, Poul Engberg-Pedersen, concurred: “We should embrace being politicized”.

In May 2009, the author was present at a jamboree where the leadership of the aid organisations were present. Erik Solheim gave a speech here; he ended his address stating that it was the obligation of the aid industry to work for a continued left-wing government, “because if we do not win, you will loose!” The clear implication was that a right-wing government might be less generous with government funding. Rather than protesting this suggestion that the organisations were the clients of certain political parties, the minister was roundly applauded. One interviewee at Norad argued that the main element of partisan politics was not the attacks on the opposition, but the failure to criticise the government: “when the NGOs accepted that the government placed handling of asylum seekers in Norway on the aid budget, the lack of independence lead them to muffled opposition, when they should have spoken out vociferously”[87]

Moral hazard

Moral hazard occurs when a party insulated from risk acts in a different manner than could be expected if it were in fact exposed to the risk.[88] Moral hazard occurs when an individual or organisation do not have to reap the consequences of their own actions. This is seen to encourage a propensity to act more careless than might be expected in other circumstances, in that an external party is left with the liability springing from these actions. For example, one that has travel insurance may be less cautious about guarding their belongings, because the adverse consequences of theft will, for the most part, a loss for the insurance provider. In economics moral hazard is often seen as a case of information asymmetry. More to the point, moral hazard comes into play when an actor that is protected from risk has more information about its actions and intentions than the actor paying the price.[89]

A typical moral hazard scenario occurs when a person represents an agency in contact with a different agency where he or she is seeking employment. This can lead to what in research literature is called "anticipated reaction" i.e. that the staffer acts in the way he or she assumes is the preference of the external agency. Moral hazard is more present when the management of an organisation is insulated from the consequences of bad decision-making.[90] Bertin Martens explains: "Like every contract, aid contracts are necessarily incomplete and some of the activities and results will be costly to verify. Those familiar with aid reporting will recognise the quest for a language sufficiently vague to cover almost any result on the ground. For instance, it is hard to prove or disprove whether "competence building" has taken place. As a result, moral hazard and adverse selection are inherent in aid delivery."[91] He argues that because of "the broken feedback loop" in foreign aid, inserting an independent evaluation function in foreign aid programmes is necessary to overcome the moral hazard of the aid service suppliers.[92]

These thoughts point towards one of the great unresolved questions of foreign aid: How can so many positive evaluations lead to so little development? Overall development assistance is estimated at upwards $120 billion a year.[93] Yet still the real income per capita in Africa today is lower than it was in 1970.[94] The number of poor has doubled since 1990. The 'development that disappeared' is one of the great mysteries in aid research. Norad's "grand effort" to combat corruption uncovered nok 12 million in the wrong hands, that is, 0.0004 % of a budget that for a large part is directed towards the world's most corrupt states. According to William Easterly, moral hazard creates incentives for donor country NGOs and the recipient countries to keep the lid on bad news.[95] As an aid donor, Norway has a long list of cases where aid money has been used to influence politics in recipient states, and Norwegian NGOs have even taken part in the war effort in some areas – as was the case with Norwegian People's Aid in southern Sudan.[96]

Norwegian NGOs operate in a field defined by insecurity (of funding) and change (in terms of rapidly shifting policy objectives). While they spend billions each year (fig. 4) they also

experience a high level of financial insecurity. Frequently criticised in evaluation reports for lack of professionalism, they are open to the charge of bureaucratisation when they do professionalise. As a rule of thumb, the governments are reluctant to finance professionalism in terms of staff to oversee the increasing budgets, insisting on unrealistically low overheads. This creates an incentive to conceal staff costs as development aid. Most Norwegian aid NGOs can be reasonably expected for stating that their overheads are lower than they really are. The chance of being caught is minimal. One of the persistent facts of government-NGO relations is that although governments spend tens of millions of dollars annually through their NGO communities, few governments take evaluation seriously.[97] Norway is no exception.

This creates a worrying phenomenon where Norwegian aid NGOs spends the money in other ways than the government directs. As one former political adviser put it,

> we give the money to Norwegian Church Aid, knowing that they will use it to evangelize, we give it to Norwegian People's Aid knowing they will use it to support armed struggles, we give it to the Red Cross knowing they will spend it somewhere else than agreed. It is a polite fiction – just as when we hand over budget support each year to the world's most corrupt regimes and they promise they will spend the money on schools and gender equality. The whole system is based on trusting against better knowledge.[98]

Although the aid sector is seemingly governed by rigid bureaucratic practice, this structure gives a false impression, according to Tvedt. [99] Failing to observe reporting routines will not usually have any impact on future funding, and weak evaluation practices means that any misrepresentation of results will, for the most part, go undetected and even if detected, will in most cases go unpunished. With the result that Norwegian NGO performance has effectively been de-linked from results on the ground and instead fused with observing the criteria of the bureaucratic process i.e. handing in the right form at the right time. Tvedt argues that the reason for this is that there is a community of interest in the aid segment in misrepresenting the effectiveness of their efforts: "All parties in this system know that the other parties are vulnerable. The leaders of the NGOs know that the MFA and political leaders misinform parliament and the general population about what the engagement policy has achieved and is achieving."[100]

A recent testimony of moral hazard is provided by Tone Ellefsrud in the 2010 novel *Monsoon* ('Regntid'). The story, which takes place in Tanzania and Sri Lanka, describes how the aid agencies fail to take responsibility even for direct causal negative consequences of their actions. She describes the fuelling of corruption and aid-giving in ways that short circuit market

mechanisms and democratic governance.[101] Part of the challenge is that what was once an occupation for shoestring idealists has, over time, come to resemble the lifestyle of diplomats. Shielded from the population they are intended to help, the aid workers in Ellefsrud's book pass time in a decidedly neo-colonial fashion. The opinions placed in the mouths of the civil society experts are dishearteningly cynical. Morten Eriksen, Head of Buskerud Community College, made a similar observation about the "lack of "idealist" in the Norwegian aid industry. He laments a lack of will to cut back on the lavish lifestyles of NGO personnel in developing countries.[102] In an in-depth interview, a former director of Norad explained that the problem is that the volume of money is greater than the administrative resources; this creates perverse incentives. The result is a culture of accepting misallocation and misspending."[103]

The moral hazard inherent in 'the Norwegian model' is that bad practice goes, if not unreported, then unpunished. A cursory survey of the aid industry in the newspaper *Bistandsaktuelt* 2006-2010 shows that the majority of cases of bad practice mentioned relate to the "big five", and that the inflow of government aid to the same organisations has continued to grow year-on-year. Organisations caught up in bad practice, such as the misappropriation of funds, are not given smaller budgets the following year. Philip Gourevitch notes that while some flinch at the tone of the debate, and others still insist that they don't need to be told – that NGOs "are all too aware of the moral risks of their work and are their own fiercest critics". [104] This last argument is arguably part of the problem: a public institution that is self-policing is effectively un-policed, and deflecting the critique by claiming the critique is not a serious form of reckoning.

Crowding out

In economics, “crowding out” refers to a reduction in private consumption or investment that occurs because of an increase in government spending. Although there are a great many reasons for giving foreign aid, one dominant rationale for such activities is that such aid will act as a catalyst for economic growth in the recipient states. This ‘growth rationale’ of aid proponents has nevertheless in most cases failed to deliver on its promise. Although some of this disappointment may be down to unrealistic expectations, research, for example by William Easterly, has provided reasons as to why traditional aid has proved to be largely ineffective in generating economic development.[105] The arguably most widely agreed explanation is that aid largely fosters consumption, retards market mechanisms and provides perverse economic incentives.[106]

	2008	2009*
Norwegian Church Aid	489	453
Norwegian Red Cross	415	435
Norwegian People’s Aid	385	385
Save the Children Norway	223	218

*In million Norwegian kroner

Illustration 3: “big five” transfers from the government aid budget, funds from other state budgets not included

In development studies, crowding out refers to the market dominance of the largest aid organisations that corner so much of the available finance that they prevent alternatives from emerging. For this reason they are sometimes referred to as ‘ferns’ – a plant that kills off the vegetation beneath its dense foliage. A key finding in Håkon Lorentzen’s survey is that the big national umbrella organisations that have been created, in part, to facilitate the allocation of funds from the public to smaller organisations, have an intermediate position that is potentially problematic. Umbrella organisations protect members’ interests. In this context, Lorentzen suggests, it might be tempting to limit the number of new recipients in order to secure funds for themselves.[107] It is a distinguishing trait that the organisations that make up the backbone of a sector that is worth some $5.8 bn (35 bn/nok) annually depends only to a limited degree on funding from private individuals, corporations, foundations and other parts of civil society. Few

attempts have been made to foster such a culture of independence. Norway lacks, for example, a system of tax deductions for gifts similar to that in the UK or in the United States. [108]

Norwegian NGOs solicit private funds through fund raising and earning money. One example is the UFF shops in Norway that make up a multi-million (nok) business. In fund-raising the trend is that an increasing number of NGOs are chasing the same money that, with a few exceptions, is not expanding as fast as the NGO demand for them. The result is more dramatic fund-raising campaigns. What is referred to in the United Kingdom as "starving baby fund-raising" NGOs rely on emotional and distressing imagery, sophisticated media handling and 'cold call' phone techniques, resulting in an apparent growing fatigue among the public. Not surprisingly in such situations, the cost per krone raised also increase. In 2010 the "Red Nose" campaign of the Norwegian Save the Children was accused by the daily Verdens Gang of having spent more money on the campaign than the campaign had actually brought in.[109]

While Norwegian NGOs clearly compete with each other for public recognition, media attention and private donor support, there is, with a few exceptions, little competition - in the true sense of the word - for government funding. Although the Norwegian government provide financial support on a project-by-project basis, most NGOs have reasonable expectations of continuing support year on year. In spite of the ritual of applying and approval, the outcome is a relatively secure subsidy arrangement. This is especially due to frame agreements and block grants allocated on an annual or multi-year basis. Over the past 20 years the worst that could happen is a less rapid growth in the level of subsidy. It would appear that one of the main obstacles to enlarging the role of NGOs in development is the difficulty they have in working effectively with each other. It is no secret that internal jealousies, especially among the larger NGOs, are often acute, and efforts at teamwork often disintegrate into smouldering feuds to the detriment of policy objectives. Paradoxically, it often appears challenging for NGOs to work with the Norwegian government than with other NGOs. In an interview with a former head of a big-five Norwegian aid organisations the result is "financial confusion, shortfalls in NGO administration practices, committed but amateurish staff, reliance on charismatic – often autocratic – leaders, feeble monitoring, generic reporting, limited accountability and token transparency".[110]

One example of crowding out is found in the case of the new segment of "philantrocapitalist" actors in Norway. The term 'philantrocapitalism' was first introduced by Matthew Bishop, as a prescription to solve the world's problems in areas where governments, NGOs and the business sector have failed: "[it is] a new way of doing philanthropy, which mirrors the way that business is done in the for-profit capitalist world".[111] Examples of Norwegian organizations falling into this category are *Stiftelsen et rikere liv, Kolibri Kapital* and *Voxtra*. In interviews carried out in

2009 and made available to the author, respondents note that Norwegian hybrid organizations are frequently viewed with scepticism, especially by civil society actors. A recurring view was that the new sector was seen as unwelcome competition and efforts were made to prevent the philanthrocapitalist from gaining access to the state apparatus. [112]

Tvedt notes that although the large aid organisations are part of the same neo-corporate structure, they do not coordinate their relations with the government. Instead they compete with each other and with smaller organisations. The main competitive advantage of the "big five" is the sheer size of their administrative resources, which means they can handle larger volumes of funds – an important factor in a sector so well-funded that 'getting rid' of the money is a primary challenge for government bureaucrats. From this perspective, it is advantageous to transfer larger sums to organisations with hands-on experience of the routines and habits of Norad and the ministry of foreign affairs. As one member of a small Human Rights Organisation put it – "it is so much easier to apply for 2 million (nok) than for 200,000. The handlers [government bureaucrats] make no secret of the fact that the two represent the same amount of work – and that they would rather do it once than repeat it twenty times".[113]

Concluding remarks

We began this inquest by noting that civil society exists in a symbiosis with the government. The NGOs can seek to complement the government, through gap-filling and service provision, or act as a check and a balance against it, or it can join it, helping to raise concerns at state level and working with governments to improve policies. The Norwegian aid organizations have with few exceptions opted for the latter. This position has become increasingly problematic. The Norwegian aid sector's culture of economic dependence predisposes it to accept government primacy in their own area of expertise. The political setting with little accountability and government guarantees, the various negative aspects of clientelism, be they in the shape of institutional capture, agenda chasing, partisanship, moral hazard or crowding out are all present in the Norwegian case.

Clientelism is, to use Huntington's reasoning, a rudimentary response to decision-making insufficiencies, and the consequent social and political instability caused by an imbalance between the advances in political participation and rising standards of democratic governance, and the slowness of political institutionalisation and administrative modernisation to respond to those changes.[114] This leads into the question of the possible impact the organizations' economic dependence on the state of civil society's role and legitimacy? The most obvious challenge that comes with this arrangement is that the Norway democracy is being deprived of the role played by civil society as a check and balance to the state.

This challenge is all the more problematic because of the important role the organizations play as intermediaries between the government and society. The Norwegian aid NGOs wish to be both a membership based, independent nongovernmental entities but also internationally oriented professional aid business. This study has attempted to shed light on the challenges that arise when these two goals come into conflict with each other. This is not because the two are necessarily incompatible, but because they carry with them inherently competing organisational ideals. The government money seen as indispensible in meet the global ambitions is frequently at odds with the democratic, volunteer, bottom-up ethos of civil society.[115]

As volunteerism is replaced by government funding groups that statistically are struggling in many other venues - the low-income groups, pensioners, young men with low education and minority groups – are underrepresented in and by civil society.[116] This trend is exasperated by self-recruiting politico-administrative nomenclatures that divide the top jobs among themselves. Dependence leads easily to servility, because a critical mindset requires freedom from economic dependence. As the old Greek adage has it "first acquire an independent income, then practice virtue". An entire sector is corroded when it is funded so substantially and

uniformly by the government. It is difficult to deflect the claim that the Norwegian aid industry represents the interests of the Norwegian government, not those of their members nor those of the donor recipients. Questions need to be asked whether much of the Norwegian civil society has slipped too far into public policy. This is a problem, at least if the sector is expected to be a corrective, not a tool of public administration.

There is also reason to question the wisdom of civil society actors that have allowed themselves to become over-dependent on the state and also active participants in partisan politics. There appear to be little awareness on the dangers inherent in this strategy. When power changes hands - as it occasionally does in democracies -a new government might perceive some civil society organisations as political opposition, as recently seen in Denmark.[117] A case can be made for strengthening other power centres in society, away from politicians and key government offices. It is not necessarily easy to achieve this in a country where government is often confused with society, and where private generosity sometimes falls short of societal ambitions. It would therefore appear that a rethink is needed. The stereotypes of the NGOs as the voices of the poor, the marginalized or the people are clearly misleading. As is the notion of NGOs as “the voice of the people”. There is a too strong element of clientelism for that. It would seem that government funded NGOs is a contradiction in terms. Attempting to avoid the question by re-labelling them civil society is a difference without distinction. This is also a democratic problem for Norway. Civil society plays an important role. The stratification of civil society castrates it. As mentioned initially NGOs are a relatively new topic of research, there clearly is much research to be done.

This leads us to the question of why Norwegian aid NGOs have given themselves so freely and so completely to the government? One possible explanation can be found in Columbia professor Jack Snyder study’s on domestic politics and international ambition.[118] Snyder explains why some states throw themselves into breakneck expansionist policies. He finds the answer lies with the interest groups in public, private and academic sectors, which reap the benefits of escalation. These factions bind together in coalitions that grow so strong that they can put pressure on those in power. Through horse-trading, political support is exchanged for promises for foreign policy activism. He finds that the sum totals of the many discrete ambitions are often greater than any single actor had wished. No one had planned for depriving Norway of a civil society in a traditional sense, it happened as a sum total of a great many competing agendas.

A question that springs from this analysis is: Where is what Morton Grodzins called “the tipping point” located?[119] How much money can an NGO accept from the government without compromising its independence? In sociology the tipping point occurs when a once rare phenomenon quickly and dramatically become more common. In our context the tipping point would be the percentage of funding where independence is forfeited? The issue is perhaps not

so much whether the dependency ratio is 10 %, or 50 %, or 60 %. Their freedom to function implies that NGOs can do what governments ought not, or will not do, for example, or exposing aid corruption, the abuse of power among cooperation partners or asking questions about the impact of development projects on the local economy. There is a reasonable reason to ask whether a great many of the Norwegian NGOs are in fact guilty on this count. Whatever the tipping point, it is surely not 80 or 90 percent government funding as seen in this article.

The Norwegian case is especially interesting since it brings the added variable of government funding that conceivably could have an impact both in terms of modus operandi and on results. There is a general lack of research on the effects of government funding on civil society. A second relevant aspect that the Norwegian case offers is the experiences of the big five aid NGOs. There is of yet little research has been carried out on the topic of funding structure, economic performance and development. Similarly it would appear highly desirable to find out how much of the money that enters this segment, actually leaves it: how much is spent on overheads and how much is actually spent in poor countries? Further the stated motivations encountered among Norwegian civil society actors beg the question of whether the stated objectives and assumed excellence is reflected in actual behaviour and results. Such studies, especially if they were to be of a quantitative nature, would be a valuable supplement to the existing knowledge.

Further research would ideally identify patterns of inter-linkages between the categories of actors in Norway and their counter parts in the government. This could provide more detailed information on how the players within a segment functions, classify aspects that might be exceptional to an individual segment, and seek to identify lessons of effective engagement leading to increased development effectiveness. That could be achieved by examining trends and by seeking to propose possible new movements in state-civil society relations with a view to better understand the impact of government funding in donor states and how they can position themselves in order to form sustainable partnerships. This would help to establish whether the common goals so frequently mentioned in this study translate into the operational level. Considering the decidedly patchy record of those hoping to do good in the world, to back financial muscle with robust research and evaluation would be sound risk management.

	Total Aid 2000	Norad & MFA support 2000	Portion public funds 2000	Total aid 2005	Norad & MFAs support 2005	Portion public funds 2005	Total aid 2009	Norad & MFAs support 2009	Portion public funds 2009
Norwegian Church Aid	356,845	235,875	66%	677,16	369,769	54,6 %	680,38	426,428	62,67 %
Norwegian refugee Council	308,8	232,4	75%	567,5	368,7	65%	931	551	59%
Norwegian red Cross	400,84	300,846	75%	725,567	450,487	62%	717,175	485,443	67,68%
Norwegian Peoples Aid	525,7	334,182	63,56%	654,242	387,697	59,25%	608,329	423,147	69,55%
Save the Children	221	143,7	65%	359	182,8	51%	511,4	217,8	43%
CARE	67,108	62,492	93%	85,078	80,179	94%	136,301	88,701	65%[i]
Atlas-Alliance	57,9	46,6	80,48%	93,3	71,7	76,84%	87,5	77,5	88,57%
FORUT	36,19	27,236	75,20 %	68,14	36,5	52 %	47,47	43	90,58 %
Norwegian Missions in Development	152,5	123,347	81%	150,829	135,929	90%	163,674	143,069	87,40 %[ii]
Rainforest Foundation	24,5	15,3	62,4%	33,8	24,5	72,4%	114,5	101	88,2%[iii]
The Development Fund	42,9	39,2	91,4%	101,769	71,4	70%	88,737	73,7	83 %
Doctors without Borders	32,07	25,3	79%	116,157	61,38	53%	219,587	47	21%
Stromme-Foundation	67,2	33,2	49,4%	95,6[iv]	42,5	44,45%	92,3	42,2	45,7%
WWF	6,6	5,3	80,3%	14,2	13,5	95%	79	77,5	98%[v]

Appendix 1

Foreign Aid through Norwegian NGOs: Top ten over the last ten years (Source: Lervåg & Slenes 2010)

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