Evaluation Department

Norad

Evaluation of Norwegian Business-related Assistance South Africa Case Study

Report 4/2010 – Study

Norad
Norwegian Agency for
Development Cooperation
P.O.Box 8034 Dep, NO-0030 Oslo
Ruseløkkveien 26, Oslo, Norway

Phone: +47 22 24 20 30
Fax: +47 22 24 20 31

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Evaluation of Norwegian Business-related Assistance South Africa Case Study

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“Responsibility for the contents and presentation of findings and recommendations rest with the evaluation team.
The views and opinions expressed in the report do not necessarily correspond with those of Norad”.

Contents

List of Abbreviations

ABS	Application Based Support
ADB	Africa Development Bank
ANC	African National Congress
ASGISA	Accelerated and Shared Growth Initiative for South Africa
ATM	Automated Teller Machine
AU	Africa Union
BDOCA	Bio Dynamic Organic Certification Authority (South Africa)
BEE	National Black Economic Empowerment
BUSA	Business Unity South Africa
CAS	Country Assistance Strategy for South Africa
CDC	Commonwealth Development Corporation
CIFA	Swiss Development Fund
CPS	Country Partnership Strategy
DAC	Development Assistance Committee
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DFI	Development Foreign Investment
EIB	European Investment Bank
ESKOM	Electricity Supply Commission (South Africa)
EU	European Union
EuroGAP	European Good Agricultural Practices
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
FINNFUND	Finnish Fund for Industrial Cooperation Ltd
FK	Fredskorpset Norway
FMO	Finance for Development (Dutch DFI)
GEAR	Growth, Employment and Redistribution strategy
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
HSE	Health, Safety and Environmental (standards)
IDC	International Development Corporation
ICT	Information and Communication Technologies
IFC	International Finance Corporation
ILO	International Labour Organisation
IN	Innovation Norway
IOE	International Organisation of Employers
ISO	International Organization for Standardization
IT	Information technology

JV	Joint Venture
LDC	Least Developed Countries
LPG	Liquefied petroleum gas
MDG	Millennium Development Goals
MFA	(Norwegian) Ministry of Foreign Affairs
MFI	Microfinance Institution
MMP	Norad's Matchmaking Programme
MoU	Memorandum of Understanding
NAFCOC	National African Federated Chambers of Commerce & Industries (South Africa)
NDF	Nordic Development Fund
NEPAD	New Partnership for Africa's Development
NHO	Confederation of Norwegian Employers
NGO	Non-government Organisation
NHO	Norwegian Employers' Confederation
NIS	Strategi for støtte till Næringsutvikling i Sør
NOK	Norwegian Kroner
NSACCI	Norwegian South African Chamber of Commerce and Industry
NTC	National Trade Council
OAU	Organisation for African Unity
ODA	Overseas Development Aid
PSD	Private Sector Development
RDP	Reconstruction and Development Program
SA	South Africa
SADC	Southern African Development Community
SECO	Swiss Development Agency
SIFEM	Swiss Investment Fund for Emerging Markets
SME	Small and Medium Enterprise
SMME	Small, Micro and Medium Enterprise
ToR	Terms of Reference
UN	United Nations
UNIDO	United Nations Industrial Development Organisation
USD	United States dollar
VAV	Vann-og avløpsetaten Oslo
ZAR	South African Rand

Main Report

I. Introduction and Background

1. Introduction

1.1 Purpose of the report

An evaluation of Norwegian business-related assistance over the last 10-15 years has been undertaken by Devfin Advisers on behalf of the Evaluation Department in Norad. The evaluation is based on four case countries: Bangladesh, South Africa, Sri Lanka and Uganda, the fieldwork for which was all undertaken during the second half of 2009. This is the report of the South Africa study.[1] A main synthesis report for the evaluation has been prepared, based on the evidence of the four case countries, which should be consulted in parallel to this report.[2]

1.2 The objectives and methodology of the evaluation

The overall objectives of the evaluation are, according to the Terms of Reference (ToR):

- to document and assess past results and performance;
- to analyze the potential for improving Norwegian assistance in the future and preconditions for successful assistance in former and new partner countries; and
- to give recommendations on future policy and guidelines.

For the Terms of Reference (ToR), methodology and the terminology used for the evaluation, please see Annex 4. Annexes in this report include: a list of persons met in the context of the South Africa study (Annex 1), documents referred to during the evaluation (Annex 2), and summaries of the assessment results for various projects and programmes evaluated (Annex 3).

The evaluation assessed samples from the main Norwegian business related assistance programmes in South Africa during the period under review, namely: the Matchmaking Programme (a 23% random sample of active matches equalling 27 companies); the Application based support (a 20% random sample of companies supported equalling 8 companies); Norad's soft loans (100% sample of active loans in year 2000, equalling 2 loans); Norfund investments (100% of funds whose main focus is South Africa equalling 5 funds); FK Norway (50% of projects undertaken equalling 4 projects). No embassy assistance was assessed because the embassy has not been involved in business related assistance for the period under review.

For a description of Norwegian business-related assistance in terms of the organisations involved, the instruments used and the policy framework governing this

1 The Devfin Adviser team for the South Africa case study consisted of Barbara Vitoria, Ann Jennervik and Henric Thörnberg.
2 Report 3/2010 Evaluation: *Evaluation of Norwegian Business-related Assistance. Main Synthesis Report*

assistance, please see the Main report. The broad conclusions in respect of the last two questions of the ToR are mainly contained in the Main report, while the focus of this case country report is on the first question, assessing past results and performance in South Africa.

In the evaluation the term *business-related assistance* is used synonymously with *private sector development* (PSD)

1.3 Structure of the report

This report contains three parts:

- An introduction including a review of the context for business development in South Africa, identifying the binding constraints for the sector; a review of the Norwegian commercial and official relationship with South Africa; and a mapping of the diverse Norwegian assistance for private sector development in South Africa over the last 10-15 years.
- A 'findings' chapter, which assesses the various Norwegian PSD programmes and instruments in South Africa in terms of results, all set in a table format for easy access.
- A last chapter which sums up these programme evaluations and discusses how the programmes jointly perform against the Norwegian policies and strategies and the binding constrains for business in South Africa.

2. The South African Context

2.1 The key development issues

South Africa is a middle-income, emerging market with abundant natural resources, well-developed financial, legal, communications, energy, and transport sectors, a stock exchange that is the 17th largest in the world and modern infrastructure.[3] South Africa constitutes 38 percent of Sub-Saharan Africa's GDP and its large and diverse economy significantly contributes to growth in Africa.[4]

Before apartheid ended (1994), economic growth was slow due to South Africa's economic isolation, high interest and inflation rates and policies often based on political, rather than sound, economic objectives. Since 1994, economic growth has slowly strengthened. Despite these gains, unemployment remains high (24%), infrastructure is outdated and, since 2007, an electricity crisis has constrained growth.[5]

Some basic socio-economic facts on South Africa
GDP (purchasing power parity): USD467.6 billion (2007 est.) GNP/capita (PPP): USD 10,600 (2007 est) Economic growth last five years: 5% Exports: $71.52 billion f.o.b.(2007 est.) Imports: $76.59 billion f.o.b. (2007 est.) Population: 47 million Unemployment rate: 24.2% Economic aid – recipient: $700 million (2005) Population below poverty line: 50% (2000 est.) Household income or consumption: lowest 10% = 1.4%, highest 10% = 44.7% (2000) Life expectancy at birth: 50.5 years Infant mortality rate: 59.4 Adult literacy rate: 82% Human development index: 121 out of 177 (2005) 'Doing Business' rank: 34 (of 183)
http://www.allcountries.org/wfb2008/south_africa/south_africa_economy.html http://www.doingbusiness.org/Documents/CountryProfiles/ZAF.pdf Source: 2007/2008 Human Development Report, South Africa

The apartheid years (1948-1994) gave rise to one of the most unequal and racially segregated societies in the world. The political system resulted in the disenfranchisement of the black majority and also blocked black access to capital, ownership

3 https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html
4 World Bank, 2007, Country Partnership Strategy for RSA, 2008 – 2012, 12 December 2007, Report No. 38156-ZA
5 World Bank, 2007

of land and businesses, skills, education, health and employment. The legacy of apartheid still shapes South African society with poverty, illiteracy, unemployment and a sense of loss of human dignity among the majority of the black population coexisting alongside the economic wealth, access to employment, a sense of self worth and a "first world" lifestyle among the white population. About 95 percent of the poor are black, with women being particularly affected with female headed households having a 50 percent higher poverty rate than male-headed households.[6] South Africa is still one of the most unequal societies in the world; with sever income and asset inequality and 53% of the population accounting for less than 10% of total consumption, and the poorest 20% accounting for only 2.8%. Between 1995 and 2000, the percentage of the population living below the poverty line increased from 28 to 33 percent, with inequality also increasing.[7] Another key issue is HIV/AIDS. Adult mortality is three times as high in South Africa as in middle income countries with similar income per capita.[8]

2.2 The business and investment environment

Economic transformation In 1994, and for many years before this, South Africa's economy was characterised by instability, high inflation, high real interest rates, large fiscal deficits, ballooning public debt, rapidly falling public and private investment, and weak economic growth. Apartheid created an isolated, protected, regulated and distorted economy through a range of laws, policies, and regulations. The post-apartheid government's task was to stabilise the economy, prepare the foundations for sustained growth and address historical inequalities.[9]

For more than 10 years now, South Africa has practised sound macroeconomic policy and solid fiscal management which has built the country's reputation as a credible and competitive borrower and an attractive investment destination and it is one of only a few countries that can finance its entire borrowing requirement domestically. However, the legacy of apartheid is still evident. In 2002, eight years after apartheid ended, South African whites still largely dominated the business sector. To address the historical inequalities, in 1998 a private initiative established the Black Economic Empowerment Commission which resulted in an Integrated National Black Economic Empowerment (BEE) Strategy whose objective is to redress the imbalances of the past by substantially and fairly transferring ownership, management and control of financial and economic resources to black South Africans.[10] The program has not been very successful, however.

Foreign direct investments *(FDI)* Before the freedom from white minority rule in 1994, there were very little FDI flows into South Africa because of the international isolation from international capital markets (USD0.3 billion 1980-1993)[11]. FDI inflows stayed at relatively low levels (about 1.5 percent of GDP during 1994–2002). Investments were mainly in mining, manufacturing and finance and services. In 2002, the United Kingdom accounted for 76% of FDIs in stock. Since the mid

6 World Bank, 2007
7 World Bank, 2007,
8 See Barbara Henderson and Heston Philips, 2006, p. 15. "Adult mortality (age 15-64) based on death notification data in South Africa: 1997-2004. Statistics SA Report No. 03-09-05. Pretoria.
9 World Bank, 2007, Country Partnership Strategy for RSA, 2008 – 2012, 12 December 2007, Report No. 38156-ZA
10 Liv Tørres, Fafo, 2002, South Africa 2002: a business pillar for change, NHO
11 in Arvantitis, A, Foreign Direct Investment in South Africa; Why has it been so low?, at http://www.imf.org/external/pubs/nft/2006/soafrica/eng/pasoafr/sach5.pdf

2000's Asian countries: Malaysia, China and India have also begun to invest in South Africa.[12] The last five years have seen an enormous growth of FDI inflows, as shown in the table below.[13]

Table 1: South Africa: Foreign Direct Investments: inward & outward flows (USD millions)

	1990-2000 (annual Average)	2005	2006	2007	2008
Inward	854	6,644	- 527*	5,687	9,009
Outward+	606	930	6,067	2,962	- 3,533

http://www.unctad.org/sections/dite_dir/docs/wir03_fs.za.en.pdf
* Overall inflow investment declined in 2006 due to foreign equity sales to local firms; + Mainly to EU, USA and Australia[14]

Through its sound economic policies and entrepreneurial strength, South Africa has become one of the most attractive emerging markets and in 2007 was ranked 18th out of the 25 most attractive FDI destinations globally.[15]

Doing business. South Africa is an upper middle income country and ranked in the Doing Business Report 2010 as 34 out of 183 economies in terms of Ease of Doing Business.[16] South Africa ranks better than any other African country.

Table 2: Doing Business in South Africa

Ease of...	Doing Business 2010 report rank	Doing Business 2009 report rank	Doing Business 2008 report rank
Doing Business	**34**	**32**	**35**
Starting a Business	67	47	57
Dealing with Construction Permits	52	48	47
Employing Workers	102	102	96
Registering Property	90	87	78
Getting Credit	2	2	2
Protecting Investors	10	9	9
Paying Taxes	23	23	65
Trading Across Borders	148	147	137
Enforcing Contracts	85	82	83
Closing a Business	76	73	71

World Bank and IFC: *Doing Business 2009*, (www.doingbusiness.org)

12 UNCTAD/PRESS/PR/2007/005 27/03/07, http://www.unctad.org/Templates/Webflyer.asp?docID=8172&intItemID=4979&lang=1
13 http://www.sagoodnews.co.za/trade_investment/fdi_into_africa_doubles.html
14 http://www.odi.org.uk/iedg/Projects/fdi_african_countries_rpt.pdf
15 http://www.sagoodnews.co.za/trade_investment/sa_ranks_18th_as_fdi_destination.html
16 http://www.doingbusiness.org/Documents/CountryProfiles/ZAF.pdf

Competitiveness. In the World Economic Forum's 2009/10 Global Competitive Index[17], South Africa is ranked 45 out of 133 countries. It is the most competitively rated Sub-Saharan African country by a long way, with its nearest rival, Botswana, well below, ranked at 66, and Namibia ranked at 74. South Africa's competitiveness benefits from its large and stable economy, its well developed financial markets, the quality of its institutions, intellectual property protection, the accountability of its private institutions, innovation, research and market efficiency. On the other hand, South Africa's competitiveness is weakened by labour market inefficiencies, inflexible labour and wage laws, insufficient skills, dated infrastructure, crime, poor employer-employee relationships, and poor health services.[18]

2.3 Binding constraints for private sector development in South Africa

In 2006, Government launched the Accelerated and Shared Growth Initiative (ASGISA). Its 2007 Annual Report identified six main binding constraints for growth:

- Deficiencies in government's capacity
- The volatility of the currency
- Low levels of investment infrastructure and infrastructure services
- Shortages of suitably skilled graduates, technicians and artisans - brain drain, lack of educational opportunities for black South Africans during the apartheid years.
- Insufficiently competitive industrial and services sectors and weak sector strategies
- Inequality and marginalisation, resulting in many economically marginalised people being unable to contribute to and/or share in the benefits of growth and development (the Second Economy, i.e. the underdeveloped dual economy left from the legacy of the apartheid era).[19]

The Country Partnership Strategy for South Africa[20] of 2007 identified several binding constraints to economic growth and development:

- Barriers to entry for small and medium-scale enterprises, lack of finance, limited access to land in good business locations, lack of skills
- Exchange rate volatility
- Risk
- Labour regulations
- HIV/AIDS
- Reluctance by foreign firms to invest in 'Greenfields' projects because of crime, high labour costs and negative perceptions about the country

Unemployment, poverty and inequality underpin many of the above constraints.

2.4 The South African development agenda

The South African government's priorities, as expressed in the Reconstruction and Development Program (RDP) and ASGISA policy documents focus on meeting the basic needs of South Africans, building the economy, creating jobs, developing human resources, democratising the state, and extending the provision of educa-

17 www.weforum.org/.../Global%20Competitiveness%20Report/index.htm
18 http://www.weforum.org/pdf/GCR09/GCR20092010fullreport.pdf domestic demand, investments and savings.
19 http://www.search.gov.za/info/previewDocument.jsp?dk=80162%40CMS&q=%28+binding+%3CAND%
20 World Bank, 2007, Country Partnership Strategy for RSA, 2008 – 2012, 12 December 2007, Report No. 38156-ZA

tion, electricity, water, health care and housing. The priority is to bridge the divide between the so-called “first” and “second” economies-a metaphor for the ongoing economic dualism left by the apartheid era.

2.5 The donor development agenda

Two strategy documents articulate the donor development agenda: the 1999 Country Assistance Strategy and the more recent Country Partnership Strategy, 2007. The primary objective of the Country Assistance Strategy (CAS) for South Africa was to help reduce the apartheid legacy of poverty and inequality.[21] The Country Partnership Strategy of 2007[22] is a World Bank document, but it is used to focus and coordinate the development assistance of other donors in South Africa. The strategy has the dual objective of supporting both the national growth program and the national development program. The strategy defines outcomes for PSD:

- Improved targeting and impact of small and medium scale firm support programs and Black Economic Empowerment
- Infrastructure development and investment
- Improved investment climate for informal sector enterprises
- Improved investment climate for formal sector enterprises with emphasis on labour intensive and export orientated firms
- Increased investments by South African private and public companies in Africa
- Improved investment climate in SADC countries.

21 http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/01/25/000094946_00012205301929/Rendered/INDEX/multi_page.txt

22 World Bank, 2007, Country Partnership Strategy for RSA, 2008 – 2012, 12 December 2007, Report No. 38156-ZA

3. Norwegian Relations with South Africa

3.1 General

Although South Africa is geographically remote from Norway, it is a key strategic partner for Norwegian interests on the continent, e.g. South Africa is part of the G20 group and is an important country in the efforts to address global climate change and for trade. The earliest contact with South Africa was through missionaries sent by the Norwegian Missionary Society to KwaZulu Natal during the 1840's. Norwegian contact with South Africa also came from whaling activities in the Antarctic and Southern Atlantic oceans during the first part of the last century, and from commercial shipping. With the formation of the United Nations in the 1940's, Norway developed a foreign policy position towards Africa and became active in supporting regime change in apartheid South Africa and in white minority governed Southern Rhodesia.

In the 1950's Norway's position towards South Africa was one of 'constructive engagement' with the apartheid government and looking at ways to influence the South African Government. Norway's development assistance support to the liberation struggle in South Africa began in the early 1970's and focussed on humanitarian and legal assistance to refugees and victims of apartheid. The support has historically been based on the principles of Christian charity and on labour movement solidarity. Although these are not as prominent now since the establishment of full diplomatic ties after the freedom from white minority rule, traces remain. Private Sector Development has not until fairly recently found a comfortable home under this overall philosophical umbrella, and has been associated with the exploitative aspects of capitalism. This has resulted in sometimes polarised debates with 'developmentalists' on the one hand and 'commericalists' on the other. The lack of common view on the role of the private sector has held back or created a fuzzy focus around PSD support initiatives. This is, however, changing and there is greater acceptance of the ways in which profitable and successful business activities support development. After the 1973 conference of the United Nations (UN) and Organisation for African Unity (OAU) in Oslo, Norway began supporting the liberation movement in South Africa until 1994 when elections brought freedom to South Africa. Since 1994, the focus of development support has focussed on long-term reconstruction and institution-building, human rights observance and democratisation.[23]

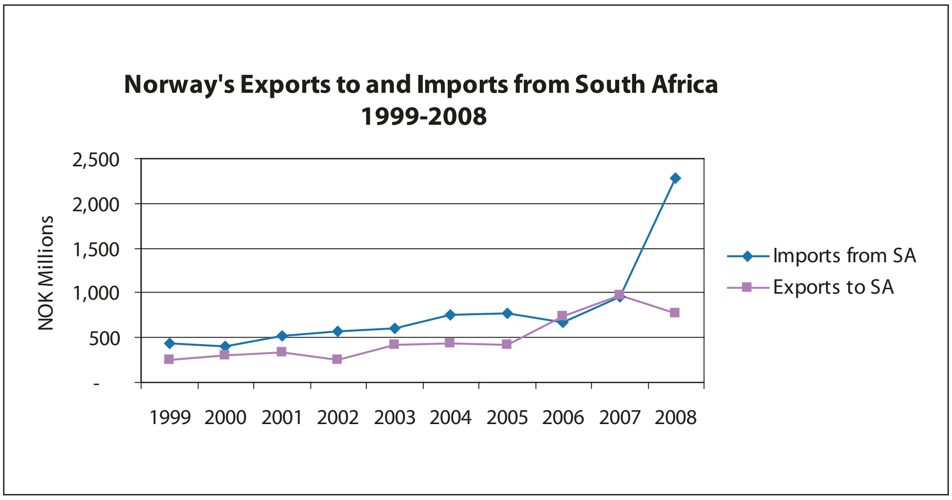
23 Arne Tostensen, Norway's Africa Policy, http://www.cmi.no/publications/publication/?2327=commentary-on-the-history-of-norwegian-development

3.2 Norwegian commercial ties with South Africa

Trade. Norway does very little trade with Africa in general (0.7% of exports in 2008[24]), although South Africa is Norway's leading African trading partner. Apart from the small volumes, South Africa's economic ties with Norway have also been limited as exports have been restricted by tariff and quota barriers until fairly recently. Whilst barriers were removed in 2002, access has been somewhat restricted through the application of environmental standards required for imports to Norway.[25]

Norwegian exports and imports to South Africa are a very small proportion of Norway's overall trade. For example, in 2008, Norway's imports from South Africa accounted for 0.5% (NOK 2,278.3 mill), of total Norwegian imports, and Norwegian exports to South Africa accounted for 0.1% (NOK 775 mill.) of Norway's total exports.[26] There has been a rise in Norwegian exports to South Africa during 2005-2007, mainly due to increased export of petroleum products, and a drop in 2007-2008 due to a decline in crude oil exports. During 2008, there was a sharp rise in imports from South Africa mainly due to an increase in ore and metal scrap importation.[27]

Figure 1: Norwegian imports from South Africa have risen sharply since 2007



Source: http://www.ssb.no/

Whilst the South African government has prioritised the development of international trade since 1994,[28] Norway is not a significant player in South Africa's trade, accounting for about 0.3% of total South African exports and for only 0.2 % of total South African imports in 2008.[29] South Africa's main exports to Norway have been base metals and articles of base metal and mineral products. These have grown from 60%-71% of South African exports to Norway between 2005-2008.[30] South

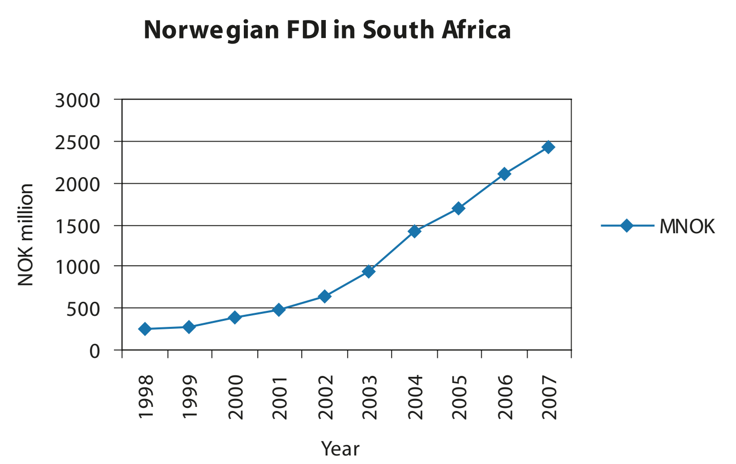
24 http://www.ssb.no/english/subjects/00/minifakta_en/en/main_16.html
25 Arne Tostensen, Norway's Africa Policy, http://www.cmi.no/publications/publication/?2327=commentary-on-the-history-of-norwegian-development
26 http://www.ssb.no/english/subjects/00/minifakta_en/en/main_16.html http://statbank.ssb.no/statistikkbanken/Default_FR.asp?PXSid=0&nvl=true&PLanguage=1&tilside=selecttable/hovedtabellHjem.asp&KortnavnWeb=muh
27 Innovation Norway, South Africa
28 http://www.fao.org/docrep/005/Y4325E/y4325e0d.htm
29 http://www.thedti.gov.za/econdb/raportt/rapcoun.html
30 http://www.thedti.gov.za/econdb/raportt/RAS202.html

Africa's main imports from Norway during the same period have been machinery and mechanical appliances and electrical appliances (average 34% of total imports from Norway), base metals and articles made of base metal (average 21%) and mineral products (average 16%).[31]

Foreign direct investments. Norwegian investment abroad is larger than foreign investment made into Norway, and at the end of 2007, the stock of Norwegian direct investment abroad amounted to NOK 774 billion, 91% of which was in equity capital, while foreign direct investment in Norway amounted to NOK 658 billion. Both inward and outward direct investment is concentrated on EU countries and the USA.[32] Total Norwegian outbound FDI in 2005-2007 ranged between NOK 75-135 billion per annum.[33]

In terms of FDI to Africa, Norway has not in the past found Africa or South Africa to be a priority given the small size and volatility of the continent's markets and its often unstable politics. However, over the last decade Norwegian interest in South Africa has grown and FDI has risen steadily since 1999 from about NOK 250 million to almost NOK 2.5 billion 2007.

Figure 2: Norwegian FDI in South Africa has increased steadily from 1998

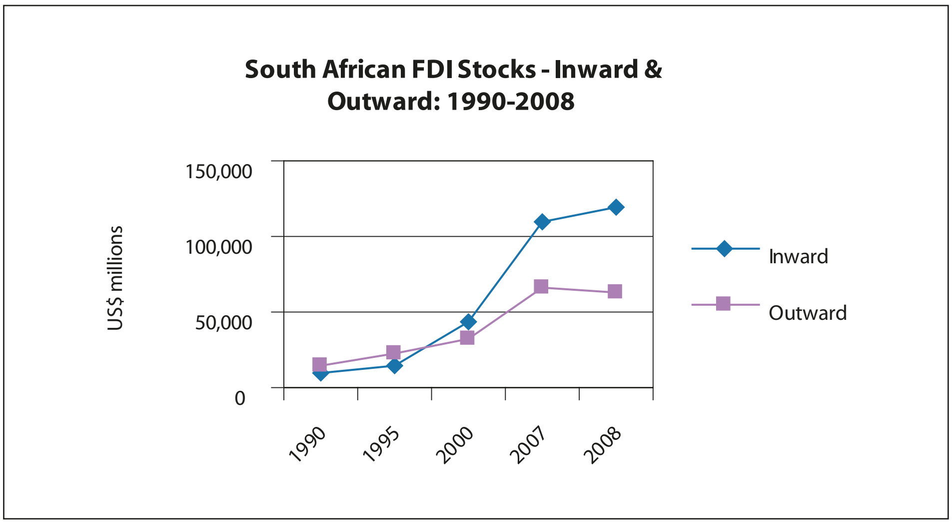


Source: Statistics Norway

Notwithstanding its small relative position, Norway sees South Africa as an important access point into the rest of Sub-Saharan Africa, and Norwegian companies have shown some interest in joint ventures, expansion of existing operations, buying into local companies, as well as the exploration of small, micro and medium enterprises (SMMEs)[34]. As of March 2009, there were 73 Norwegian companies registered in South Africa.[35] In 2008, South Africa had an estimated USD120 billion of foreign direct investment in stock at home, whilst during the same period, it had foreign direct investment in stock abroad amounting to an estimated USD64 billion.[36]

31 http://www.thedti.gov.za/econdb/raportt/RAS202.html
32 http://www.ssb.no/di_en/; http://www.ssb.no/finansutland_en/tab-2005-03-16-02-en.html
33 Statistics Norway.
34 http://www.saemboslo.no/
35 Innovation Norway, Johannesburg, October 2009
36 CIA World Fact Book, 2008

Figure 3: South Africa's inward FDI



Source: World Investment Report, 2009

3.3 Norwegian development co-operation with South Africa

Norway's development cooperation with South Africa was articulated in a Memorandum of Understanding in 1996 and a Declaration of Intent in 1999. A new Declaration of Intent, which consolidated the earlier agreements, was to guide cooperation between the two countries during the period 2005-2009 was signed in 2003. It focused on assisting South Africa in its transformation to democracy and in its poverty alleviation efforts, as well as on the regional integration role that South Africa plays. The development cooperation was intended to develop sustainable relationships between institutions and organisations in Norway and South Africa, support the democratic transition, strengthen South Africa's role in regional integration and assist South Africa to achieve its key development objective: reduce poverty, vulnerability and inequality. The main areas of cooperation included:

i) Democracy/Human Rights/Peace and Security
ii) Higher Education and Research
iii) Environment and Natural Resources
iv) Energy

With regard to Private Sector Development (PSD), the 2003 Declaration of Intent highlighted the need to increase collaboration, recognising that economic development is the key to increasing employment and reducing poverty.

Norway's has, in 2007, articulated an African policy document: A Platform for an Integrated Africa Policy.[37] It focuses on five key areas:

v) Equitable and sustainable development
vi) Climate change, energy and the environment
vii) Peace and security
viii) Democracy, human rights and gender equality
ix) Political dialogue and development cooperation – coordinating the efforts of multilateral and African institutions.

37 http://www- wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/01/25/000094946_00012205301929/Rendered/INDEX/multi_page.txt

Amongst other areas the Equitable and Sustainable Development component of the policy focuses on:

- Private sector development and trade recognising Africa's role in supplying raw materials to the global economy, with Norfund playing a key role in Norway's PSD initiatives
- Multilateral trade and improving Africa's contribution to world trade and supporting African countries' demands at the Doha Trade Round
- Trade-related development co-operation which focuses on reducing the administrative barriers within African institutions.

Norway does not have a specific Private Sector Development strategy for South Africa as it does, for example, with Sri Lanka in the NIS studies of 2002. The guiding policy documents are the above mentioned *Platform for an Integrated Africa Policy*[38], the *Climate* and the *Conflict and Capital* policy document with its emphasis on utilizing specific Norwegian competencies and capacity building in natural resources management, equal rights, inclusion and economic justice. The Country Partnership Strategy is also used to a limited extent to align Norwegian PSD efforts. This is a World Bank strategy document but it is used to guide and coordinate overall donor PSD efforts in South Africa and its main objective is to reduce the apartheid legacy of poverty and inequality through promoting economic growth and employment, safeguarding social and environmental sustainability through reducing poverty and inequality, and through capacity building. It also supports the development of South Africa's role in regional integration.[39]

In 2005, out of 28 multilateral and bilateral donors of Overseas Development Aid (ODA) to South Africa, Norway ranked 8th, behind USA, Netherlands, Germany, France, Denmark and UK. However, in 2007, this ranking fell to 18th due to the greatly reduced Norwegian ODA.[40]

Actual composition of the Norwegian aid. Over the last decade, the main focus of Norwegian aid has been on three broad subjects:

- Equitable and sustainable development
- Democracy/Human Rights/Peace and Security
- Environment and Natural Resources

Norway's ODA to South Africa is in the region of ZAR3-4 billion (NOK 4-5 billion) during 1999-2009. This is less that 1% of total donor assistance to South Africa.[41]

Channels for support. Private Sector Norwegian aid is mainly channelled through the Application based support and the MMP program.

38 http://www.regjeringen.no/en/dep/ud/Whats-new/Speeches-and-articles/utenriksministeren/2007/Platform-for-an-Integrated-Africa-Policy.html?id=479694
39 http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/01/25/000094946_00012205301929/Rendered/INDEX/multi_page.txt
40 http://stats.oecd.org/Index.aspx?DatasetCode=ODA_RECIPIENT
41 Innovation Norway, Johannesburg, October 2009

Atypical relationship. In summary, South Africa has a unique role in terms of its relationship with Norway. Its economy and markets are large, diversified and sophisticated. It is classified as a middle income country and is seen increasingly by Norway as more of an equal partner than a developing country in need of aid support. This has been a shift from the earlier years of cooperation when Norway supported the African National Congress's (ANC) efforts to end apartheid and after 1994 in support of the transformation. As from 2010, most development aid is expected to be phased out and will largely focus on collaboration on global issues such as climate change and cooperation. Norway will continue to see South Africa as a key player for promoting peace and democracy building in the region and in Africa.

4. The Norwegian Business Related Support in South Africa

4.1 Background

Norway started a Norwegian Trade Council in 1945 in Norway, and in 1992 an office was opened in South Africa. After freedom from white minority rule in 1994, the MMP, which started in 1997, was introduced with the intention of stimulating employment and SME growth. Initially Norway was very supportive of Government's Black Economic Empowerment. But since the late 1990's, South African politics has been perceived to have become elitist, focussing the interests of the political and economic powerful. As a result, there is more focus on directing program efforts on South African companies that are competently run and will provide a good partner to Norwegian companies. In addition, Norway's approach is moving away from a 'development' focus of a donor/recipient relationship, to a more of a strategic relationship recognising that South Africa is a upper middle income country and is therefore more of an equal partner with Norway. Hence, trade and investment, rather than aid, have become of greater importance in recent years. The more recent approach also focuses on using Norway's specialist expertise, e.g. in climate, energy, corporate social responsibility.

The Embassy in South Africa has been involved in very few PSD projects, e.g. SME conference; TV programme on starting and operating a business, a business information hotline; funded a Business Information System for a Centre for Small Businesses promotion; funded the Khula SME development fund, and development of 'Cocoon service' which offered relevant services to assist small businesses launch themselves successfully.

4.2 Norwegian Private Sector Development (PSD) support since 1994

In 1996/7 all PSD responsibility was moved from the Embassy in Pretoria to Innovation Norway. Since that time, the embassy has not been involved in any PSD projects.[42]

42 Innovation Norway, Johannesburg

Table 3: Norwegian PSD projects and programmes in South Africa since 1999

Programme	Year	NOK Mill	Description
Norad programmes			
Matchmaking programme	1997-2009	3 per annum	Implemented under contract with Norad by Innovation Norway, Johannesburg
Application-based support	Since 1970s	5 per annum	About 200 projects over 1999-2009
Institutional support	1999-2003	4.6	Probably five institutional support projects in SA, three of which through NHO 1999-2003
Norad's soft loan	1998-2000	40	Two loans
Norfund	1999-2009	237	Disbursements made through nine funds, loans or equity investments which focus mainly on South Africa[43]
FK Norway	2004-2009	8.1	Six South African exchanges

4.3 Projects and programmes included in the evaluation

The evaluation has attempted a broad assessment of the business related assistance in South Africa for the last 10 years, including all instruments in the portfolio.

43 Norfund, Oslo

II Findings

The findings below are based on interviews conducted in South Africa and Norway during October to December 2009, as well as documents relevant to the evaluation. Please see the annex section for lists of people interviewed and documents reviewed, as well as footnotes throughout this section.

5. Norad's Matchmaking Programme

5.1 The programme

Norad set up a Matchmaking Programme (MMP) in March 1997 in South Africa. The Programme is financed by Norad and operated on a contract basis by Innovation Norway, which has its Head Offices in Oslo and its main South African office in Johannesburg plus representative consultants in Johannesburg, Cape Town and Durban. Services include preparing profiles of Norwegian companies which are looking for South African partners, conducting market analysis, especially in strategic sectors such as oil and gas, ICT, marine and manufacturing, and finding suitable South African companies to match with the Norwegian companies' requirements. In 2008, a trade development component was added to its service portfolio.

Innovation Norway's contract with Norad outlines reporting requirements (six monthly status reports), remuneration rates, travel grant rates, invoicing, payment rates and schedules, etc. If the target of 20 profiles a year is achieved, Innovation Norway receives a payment of NOK 0.53 million (or NOK 0.0265 million per profile). This payment remains the same even if additional profiles are created. In addition, travel grants of NOK 0.023 million – NOK 0.072 million (max) are provided for, direct to participating companies.[44] The total cost of the programme to Norad, excluding travel grants, since Innovation Norway's operations began in 1997 is estimated to be NOK 30.1 million. The average annual cost to Norad is therefore about NOK 2.5 million.

5.2 Programme objectives

The purpose of the Matchmaking programme is to promote commercial activities between the two countries and contribute to the overall objective of Norwegian development assistance, i.e. elimination of poverty. The MMP is expected to contribute to this by *establishing sustainable and profitable partnerships between Norwegian companies and (local) companies which foster transfer of technology and the exchange of management and business-skills between the companies*.[45]

The partnerships might include licence agreements, out sourcing, trading, etc. The link between the overriding objective of poverty reduction and the MMP's specific objective is, for example, that the programme should lead to employment and income generation in target countries. Norad's contract with Innovation Norway establishes output targets for numbers of matches per year and agreements

44 Kontrakt mellom Innovasjon Norge, Oslo og Direktoratet for utviklingshjelp vedrørende funksjonen som Nasjonalt Kontakt Punkt (NKP) for Norad's MatchMaking Program (MMP) – Sør Afrika

45 Norad Information sheet.

signed. The annual target for the MMP is 20 profiles of Norwegian companies, leading to 10 visits, which, in turn, should result in 5 agreements between the matched companies. Payment to Innovation Norway is based on an hourly rate for an agreed number of hours per year. In addition, there is a payment for each profile produced, a proportion of which is paid to the consultants employed by Innovation Norway who prepare the profiles

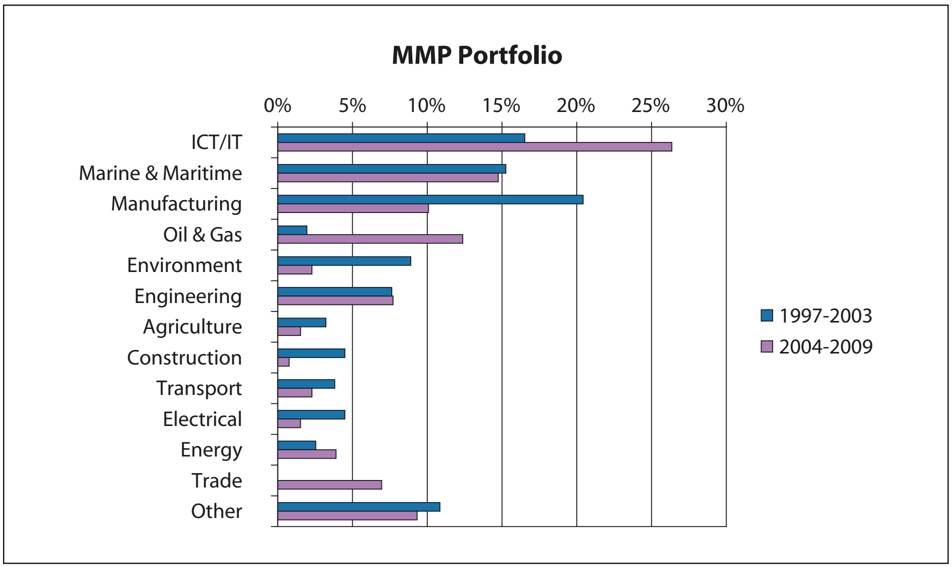
The evaluation of the MMP for this report is based on the targets outlined above. Reference has been made to several documents including Innovation Norway's Status Matrix, Innovation Norway's Summary of Active Matches in South Africa: 2006-2009, Norplan's 2003 Review of Norad's Matchmaking Programs in Sri Lanka and South Africa and the Nordic Consulting Group's 1999 Review of Norad's ongoing Matchmaking Program in South Africa and Sri Lanka. An 'active' match is defined as an ongoing and active relationship with a South African company at the time of this evaluation.

5.3 The South African portfolio

Innovation Norway's Johannesburg office keeps thorough records of its activities through its regularly updated Status Matrix. An analysis of this data shows that 287 mostly small and medium Norwegian companies have participated in the MMP since 1997.

The portfolio of the MMP in South Africa is dominated by the following sectors: ICT/IT, marine and maritime, manufacturing and, recently, oil and gas. During 2004-2009 ICT/IT, oil and gas and trade have shown strong growth in percentage terms.[46]

Figure 4: The South African MMP portfolio is led by the ICT/IT, marine and manufacturing sectors

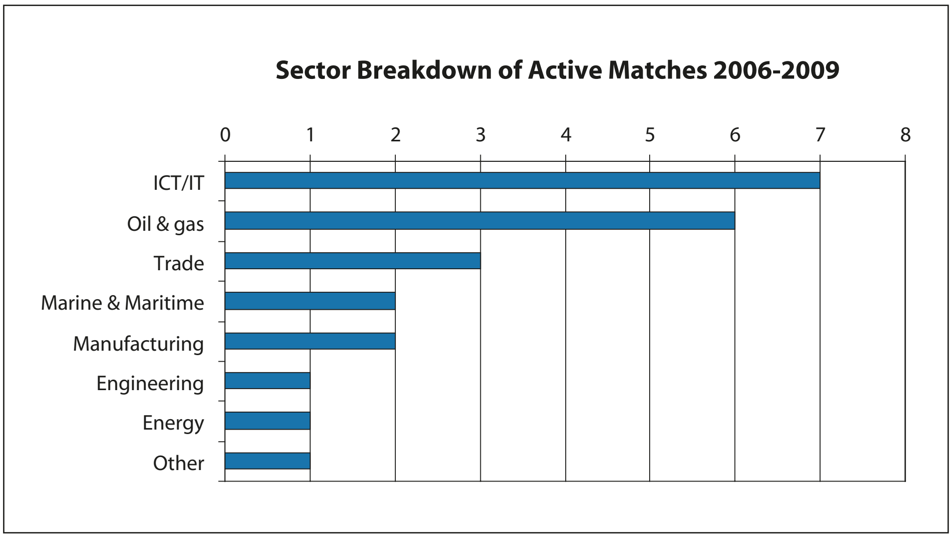


46 Data extracted from Innovation Norway's Status Matrix, updated December 2009

The distribution reflects a combination of Norwegian interests and the South African economy, e.g. both countries have strong competencies in the ICT/IT, marine and maritime, and oil and gas sectors.

Of the 287 Norwegian companies that have participated in the MMP, 109 (or 38%) resulted in a 'match' (as measured by the signing of an MoU or cooperation agreement). At the end of 2009, there were 23 active matches (or 21 % of matches made, or 8% of all participating companies).[47] The rate of 8% is consistent with the 7% of active matches recorded in the 2003 review of the MMP.[48]

Figure 5: Most current active MMP matches are in ICT/IT and the oil and gas sectors



The results from Innovation Norway's records[49] show that the actual number of Norwegian company profiles produced is on average 22 per year, exceeding the annual target of 20 over the 13 years the programme has been operating. The target for the number of visits was 10 per year. Actual visits made over the 13 years of operation were 197, or on average about 15 per year; well over the target. The target for achieving matches during the period was also exceeded, with the actual results being over 8 matches per year, exceeding the target of 5 per year for all years except in the first few years of operation.[50]

5.4 Key findings

Historical documents[51] state that the overall objective of the MMP is to *contribute to increased business activity and sustainable growth and employment in the recipient country by utilising Norwegian technology, production know how, products and services, or to utilise resources and know-how in the developing country to facilitate Norwegian companies in their production and marketing of products and services*. Current documents state that the overall objective of the MMP is to *contribute to reducing poverty*[52]. This impact is assumed to be achieved indirectly

47 Innovation Norway, Summary of Active Matches in South Africa: 2006-2009
48 Norplan (2003): *Review of Norad's Matchmaking Programs in Sri Lanka and South Africa*
49 Innovation Norway's Status Matrix, updated December 2009
50 Data extracted from Innovation Norway's Status Matrix, updated December 2009
51 Norplan (2003): *Review of Norad's Matchmaking Programs in Sri Lanka and South Africa*
52 Business Match Making Programme 2010-2012: The Business MMP Concept Outline.

through increased economic activity and employment. However, this is not corroborated with findings from interviews with staff at Norad, the Norwegian Ministry of Foreign Affairs (MFA) and Innovation Norway nor with performance indicators for the programme which do not keep any records on poverty or development impact. The objective used in practice, rather, is to develop ongoing commercial relationships. Any development impact is incidental.

The MMP focuses on the initial stages of supporting business relationships between Norwegian and South African companies. It provides this through a partner search for Norwegian companies and travel grants. Successful matches are often (but not always) formalised in a MoU which outlines how the companies intend to develop the relationship. The relationship after this point is the responsibility of the companies. Whilst it is clear the responsibility must lie with the direct parties involved, discussions with Innovation Norway indicted that greater success could be achieved if Innovation Norway followed up more and assisted to remove any easy to overcome obstacles that may hinder the development of active relationships, e.g. registration applications and other bureaucratic compliance matters.

Our assessment of the MMP in South Africa is based on a sample of 27 projects, (about 20% of all companies for which visits occurred, selected randomly). According to Innovation Norway's records, 67% of the companies in the random sample had entered into MoUs and were therefore considered a successful match. However, many of the relationships covered by MoUs had not resulted in either temporary or longer term active relationships. In addition, with two companies in the sample, although there was no formal MoU, the relationship had either directly or indirectly resulted in a form of successful cooperation or result. This suggests that the MoU both overestimates and underestimates broader kinds of 'successes' and, as a result, has its limitations as a measurement tool. See summary of matches and active matches from the companies in the evaluation sample.

The tables below summarise the companies in the sample for the evaluation and the numbers of profiles, visits and matches made for the period under review.

Table 4: Successful matches (MoU and active matches) in South Africa 1999-2009

Company	Date	Sector	MoU	Amount	Active
Akvaforsk	2004	Marine	No	NOK 0.02 million	No
Alurehab	2005	Manufacturing	No	NOK 0.05 million	Yes
Årdal Stålindustri (changed to IMPEC)	2004	Engineering	Yes	None/Not know	No
Axis	2005	Agriculture	No	NOK 0.04 million	No
Axor	2008	Oil & gas	Yes	None/Not know	Yes
Boost	2008	ICT	Yes	NOK 0.02 million	Yes
Botolfsen	2008	Trade	Yes	NOK 0.07 million	Yes
C-Map	1999	ICT	Yes	NOK 0.16 million	Yes
Din Baker	2003	Manufacturing	Yes	NOK 0.05 million	No
EMGS	2007	ICT	Yes	None/Not know	Yes
Finnoy	2003	Marine	Yes	None/Not know	Yes
Fugro Oceanor	2007	Oil & gas	Yes	NOK 0.02 million	Yes
Hifo Tech	2002	Environment	No	NOK 0.03 million	No
Intelligent Quality	2008	ICT	No	None/Not know	No
Jebo	2004	Manufacturing	Yes	NOK 0.05 million	Yes
Kaldnes	1999	Environment	No	NOK 0.05 million	No
Kongfoss	1999	Other	No	None/Not know	No
Nemek	2001	Engineering	No	NOK 0.06 million	No
Norske Informasjons-terminaler	2005	ICT	Yes	NOK 0.04 million	No
Norwegian Universal Technologies	2001	Manufacturing	Yes	NOK 0.63 million	Yes
Numerical Rocks	2007	ICT	Yes	NOK 0.02 million	Yes
Olex	2007	ICT	Yes	NOK 0.02 million	No
Oppland Stai	2004	Manufacturing	Yes	NOK 0.05 million	No
Plastec now called Scanwater	2000	Manufacturing	Yes	NOK 0.18 million	Yes
Rakon	2007	Engineering	No	NOK 0.07 million	Yes
Sintef Petroleum	2008	Oil & gas	Yes	None/Not know	Yes
Sol Energi	2000	Energy	Yes	NOK 1.30 million*	No
Total Yes			**18 (67%)**		**14 (52%)**
Total No			**9 (33%)**		**13 (48%)**

Table 5: The South African MMP developed 287 profiles, arranged almost 200 visits and facilitated the signing of 109 collaboration agreements during the period 1997-2009

Year	Profiles	Visits by Norwegian + SA firms	Matches/ Collaboration Agreements
1997	37	1+0	1
1998	24	14+1	1
1999	19	15+4	6
2000	15	8+5	4
2001	16	4+1	5
2002	23	10+3	5
2003	23	7+5	5
2004	26	12+2	7
2005	27	15+2	20
2006	19	14+2	10
2007	25	20+2	8
2008	19	15+20	22
2009	14	13+2	15
TOTALS	287	148+49	109

The MMP is closely linked with Norad's Application based support (and prior to year 2001, Norad's loan scheme), and in several projects reviewed in the evaluation, Norad provided support for feasibility studies and training.

High rate of mobilisation of Norwegian enterprises. A significant achievement of the MMP is that it has enabled 287 small and medium size enterprises to actively seek cooperation with South African enterprises or pursue investments or trade over a 13 year period. Given the distance between Norway and South Africa and the limited contact with South Africa prior to 1997 when the programme started as well as the often perceived risk of investing in a volatile continent such as Africa, this is additionally significant.

There are several reasons for this success in attracting Norwegian SME enterprises to explore South African commercial opportunities. The MMP is an attractive programme for Norwegian SMEs which are in an early stage of internationalisation. It provides them with not only a subsidy to cover the cost to explore potential markets, but also importantly, a well functioning system to analyse potential market segments, identify potential partners, screen them and arrange and supervise visits to them and advice on how to proceed with developing the relationship based on sound knowledge of the local market. This would be extremely difficult for a Norwegian company, located half way across the world, to do unaided.

In addition, the MMP's links to assistance with feasibility studies and training through the ABS programme provide access to important services for Norwegian SMEs to test and develop commercial opportunities in South Africa.

Mixed degree of relevance. The MMP in South Africa is relevant to Norwegian policy in that it promotes investment and trade with South Africa, and supports technical assistance to SMEs in South Africa. In addition, the MMP in South Africa draws on Norwegian competencies especially in the ICT/IT and the oil and gas sectors. It is also relevant to the South African government's priorities in that it has contributed to job creation, economic growth, investment, building international partnerships.

However, the South African government's policy of Black Economic Empowerment, which is also supported by the Norwegian government, does not appear to be a priority of the MMP in South Africa. The focus, rather, is finding South African companies that are well suited to Norwegian companies' needs and those which have a good, established track record and are ready and able to link with an international partner. In this regard, the companies sampled and contacted for the evaluation were almost all owned and operated by white South Africans. It is assumed that the sample is indicative of patterns for South African companies which have participated in the MMP. This finding may be because of factors such as white South Africans have, during the apartheid years, had a history of dominating the formal economy and therefore have more experience and better networks in doing business than black South Africans who historically were confined to the informal economy, or that white South Africans and Norwegians may share a greater common understanding about 'doing business' than with black South Africans. Innovation Norway is aware of the South African government's BEE policy and makes Norwegian companies aware of the need for them to be compliant. It is noted that BEE requirements over the years have varied and do not apply to companies under a certain size/turnover/number of employees. Companies in the oil and gas sector, which comprise 12% of the MMP's 2004-2009 portfolio, are all BEE compliant. Whatever the case, the MMP appears to be closely linked to white run businesses. This is not in keeping with the Black Economic Empowerment initiative, which is a key policy for the South African government in its efforts to address historical and current inequalities. Neither is it in keeping with Norway's NIS policy to increase employment and income amongst the under-privileged, nor cognisant of South Africa being one of the most unequal society's in the world.

High degree of additionality. There were several indications from those interviewed for the SA evaluation that the MMP has a high degree of additionality. Whilst a few companies which had successful matches reported that the link would probably have happened anyway, more than double that number reported that the MMP had played an essential role in creating the links and contributing to the success of the relationship. Companies mentioned that the assistance with travel expenses and being provided with market information made it attractive to explore partners in SA and having Innovation Norway in SA to provide relevant information and assistance in organising visits to partners helped to overcome barriers to venturing into a new market. SA partners reported high levels of additionality as well. For example, Norwegian partners were able to provide technology transfer, international market intelligence, assistance with ISO certification and assistance with the cost of product development. In addition, several of the matches resulted in access to ABS for feasibility studies and training. Access to this service would not have occurred without the initial link through MMP.

Reasons for aborted cooperation. As noted above, about half of the sample resulted in a match. There were two main reasons why the matches did not result in sustained co-operation:

- Market conditions were one of the main reasons. For example, the price of the Norwegian partners' products or services was not competitive, terms of sale were not attractive to the SA partner, market demand was lacking, competition from SA and Asian competitors undercut Norwegian partners offering, and the global economic crisis.
- The relationship, capabilities and commitment of the partners were lacking. For example, partners were not willing to commit resources to the venture, or did not follow up, or the company went bankrupt, or the 'fit' between the two partners was not conducive (e.g. culture, timing, priorities changed, etc).

Factors for success. The interviews conducted for the evaluation indicate that there are two main reasons for successful matches and sustained cooperation:

- A good 'fit' between the partners in terms of the timing of the initiative, expertise, compatible organisational culture, willingness to commit to the activities, a defined project and objective to work on together, etc.
- Products or services were competitive in terms of price, quality and other market related criteria.

Other factors mentioned included: the Norwegian partner had earlier experience of Africa; clear objectives were worked out during the early stages of the relationship. In addition, it is clear from the earlier analysis of the ongoing active matches that sector also plays an important role. ICT/IT and oil and gas lead the sectors for active matches, and this suggests that the national competencies of both countries contribute significantly to the success of matches made through the MMP.

Target objectives achieved, but success rates for ongoing commercial relationships and employment creation is low. The key criteria for the assessment of effectiveness of the MMP are, based on the programme objectives, i.e.:

(i) sustained commercial relations such as investments and trade;
(ii) transfer of know how and technology; and
(iii) employment generation and improved income.

As mentioned earlier, several MMP participating companies have benefited from Application based support assistance. It is, therefore, difficult to attribute outcomes directly to MMP linkages. Combined, however, they have enabled 8% of all participating MMP companies to maintain sustained commercial relations, including trade to and from Norway. This is a low rate of success in what is clearly one of the most important success factors for Innovation Norway's operations.

There are indications from the sample that there has been some transfer of technology and 'know how' from Norwegian partners to SA partners. This has mainly been in ICT/IT and to some extent in the oil and gas sector. However, there are also instances where there has been a transfer of technology and 'know how' from SA partners to Norwegian partners, reflecting the more equal status between the countries, e.g. Cape Diving, a deep sea specialist, provided training and know how development to subcontractors of Axor.

The Review of the Match Making Programme in 2003[53] estimated that approximately 70-75 jobs could be linked to the MMP for the period 1997-2003, which is a small number for a seven year period. Overall, 1997-2009, it is estimated by Norad and Innovation Norway that the MMP has created in about 500-600 jobs in SA.[54] A review of the data collected from the sample for the current evaluation suggests that this is likely to be a good indication of job creation, with companies within the sample probably having created about 135 jobs. Of these, one company accounted for about 100 jobs, whilst the other companies in the sample had created only 1-2 extra jobs. The sample of companies included in the evaluation suggest that the MMP has not had much effect on employment for women, e.g. one employed all men and many of the companies in the oil and gas sector are likely to employ mainly men. However, without more information it is difficult to be conclusive on this matter. With regard to poverty impact, apart from some job creation, the MMP cannot be said to have much impact on poverty.

The MMP resulted in other positive outcomes not directly targeted or measured. These included: better knowledge of the SA market, Norwegian partners opened offices in SA, access to regional markets as well as the SA market, greater willingness to explore emerging markets, increased turnover, an ICT/IT related award, and an improved marine breeding programme. There are also indications that the MMP has had some positive impact on Health, Safety and Environmental practices amongst SA partner companies.

High institutional efficiency. Since 1997 when the programme began, there have been 109 recorded matches. The average number of successful matches (i.e. those that resulted in a MoU) shows a significant increase from almost four matches per year in 1997-2003, to almost 12 matches per year in 2004-2009, with an overall average (1997-2009) of just over 8 matches per year. This is well above the target of 5 matches per year.[55]

During the early years of the programme there was a high rate of closure of potential match relationships that did not work out. However, as the graph below illustrates, this rate has come down significantly over recent years. Innovation Norway SA attributes this to greater organisational efficiencies.

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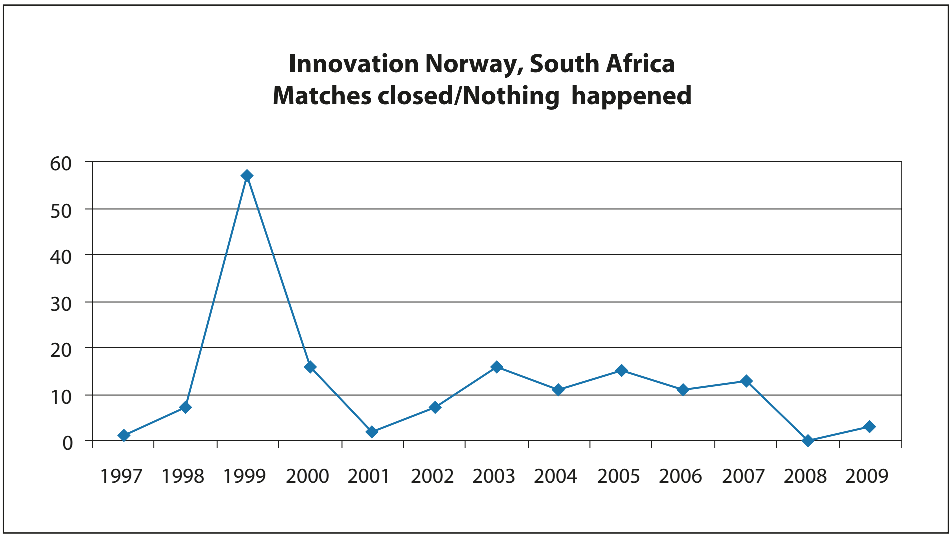
53 Norplan (2003): *Review of Norad's Matchmaking Programs in Sri Lanka and South Africa*
54 Norad, HH Thaulow, December 2009
55 Status matrix supplied by Innovation Norway in South Africa

Figure 6: The rate of closure on unsuccessful attempted matches in the South African MMP has decreased over the years



Up until 2009, the incentive scheme has rewarded the production of volumes of profiles, visits and MoUs rather than productive business relationships. Clearly, incentives need to cover the production of profiles and MoUs if any successful business venture is to arise from the MMP's activities, but these are only preliminary steps for an active business relationship to develop. However, once a MoU is signed, there has been little incentive to follow up and ensure that the nascent relationship is developing and that obstacles to taking it further are addressed. This has an impact on effectiveness when time and effort going into generating company profiles do not result in anything. The rate of active matches (8% of total participating companies) is a low result for effort expended. This issue has been reviewed recently and from 2010 there will be a budget and incentives for follow up to support developing relationships which it is hoped will result in a greater rate of sustained active matches. Information about MoUs that lead to active relationships will be captured in new reporting format to be introduced in 2010.

The South African Innovation Norway office (formerly the NTC) is viewed as a highly professional and efficiently run organisation. This is reported in the 2003 review and is confirmed by reports by those interviewed for the current evaluation (companies and Norad) and by the experience of the evaluators when interacting with staff and gathering information for the evaluation. The organisation is small (4 staff, plus 3 regional consultants) and the culture is service-orientated and entrepreneurial. This, together with the knowledge of the South African market, and the strong relationship building skills and analytical skills of its staff make Innovation Norway well suited to working with Norwegian and South African small businesses. The structural arrangement of the programme was reportedly working well in the 2003 review, and this appears to be still the case today.

The 2003 evaluation[56] highlighted the need for sector based approaches to Innovation Norway's approach. This does not appear to have been a priority until the last few years which has seen a clear focus on the oil and gas and ICT/IT sectors.

Improved cost-effectiveness, but the cost of successful ongoing active matches is high. During the period 1997-2003, the cost of running the MMP in South Africa was about NOK 12.3 million).[57] During the same period there were 157 profiles were generated and 27 matches made. This makes the average cost per profile NOK 0.78 million during the period and per match NOK 0.45 million. Of these 27 matches, at the time there were 10 active matches. Thus, the average cost of an active match was just over NOK 1.2 million which is high.

For the period 2004-2005, the cost of running the MMP was NOK 7 million (excluding travel grants). During this time, 53 profiles were developed and 27 matches made, making the average cost per profile NOK 0.13 million and the average cost per match NOK 0.26 million.

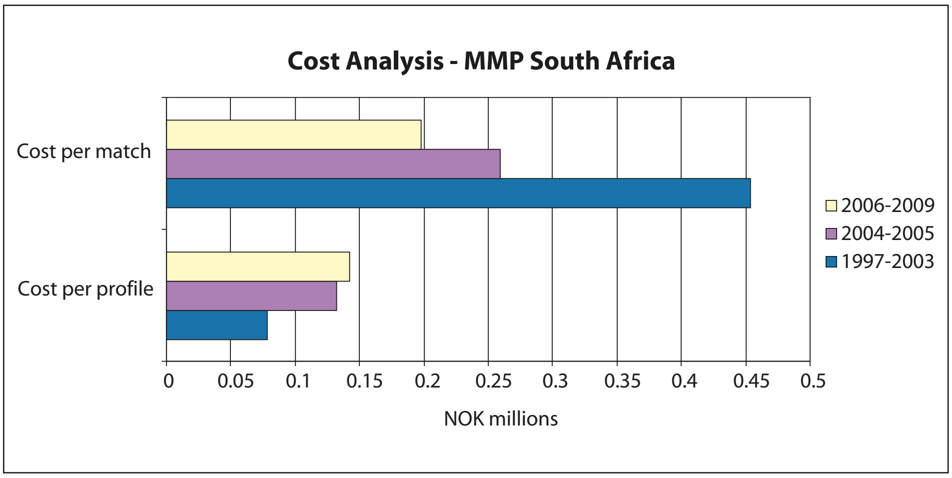
For the period 2006-2009, the cost of running the MMP was NOK 10.9 million (excluding travel grants).[58] During this period, there were 77 profiles were generated and 55 matches made, making the cost per profile NOK 0.14 million and the cost per match NOK 0.19 million.

With regard to active matches, at the end of 2009 there were 23 active matches. Given the overall cost of operating the MMP since 1997 of NOK 30.1 million this makes the average cost of an active match NOK 1.3 million. Thus, the cost of an active match has remained more or less the same compared to the average cost of NOK 1.2 million in the period 1997-2003.

As illustrated below, the cost per profile almost doubled between 1997-2003 and 2006-2009, whilst the costs per match decreased by over 50% during the same periods. The increased cost for profile preparation is due to more thorough screening, and has resulted in significantly decreased costs per match. This suggests that greater preparation at the profile development stage is significantly reducing costs further along the matchmaking process, and indicates increased cost effectiveness through enhanced organisational effectiveness and efficiency.

56 Norplan (2003): *Review of Norad's Matchmaking Programs in Sri Lanka and South Africa*
57 Norplan (2003): *Review of Norad's Matchmaking Programs in Sri Lanka and South Africa*
58 Norad, HH Thaulow, December 2009

Figure 7: Cost per match has declined significantly and cost per profile has increased significantly over the years.



Summary of assessment See Annex 3.

6. Application-based Support

6.1 The programme

Norad has spent in the region of NOK 51.3 million on ABS in South Africa between 1999-2008. Support has mainly focussed on feasibility studies and training, but has also included pilot production, marketing and trade. The programme supports Norwegian companies wishing to do business with South African companies and they apply for support based on established criteria. The applications are screened by Norad and support is given on a cost-sharing basis which varies depending on the type of assistance. Companies can make repeated requests for support.

6.2 Programme objectives

The stated overriding objective of the ABS programme is to contribute to the overall objective of Norwegian development assistance, i.e. elimination of poverty. The specific programme objectives and its assumed results-chain are similar to the MMP, i.e. it aims at building local competence and capacities through linking and utilisation of the Norwegian business sector and thereby enabling the transfer of technologies and know-how, and the creation of external markets, etc. The rationale for the support is to strengthen economic development, employment and income generation through productive use of local resources. Sustainable development and consideration of environmental standards is essential, as is promotion of female participation according to official statements.[59] The ABS is closely linked to the MMP. The MMP sets up the initial relationship with the Norwegian and South African firm, and the ABS provides resources for supporting and developing the relationship in a variety of ways.

6.3 The South African portfolio

Lists provided by Norad for the ABS for South Africa for the period 1999-2009 indicate that about 150 ‘projects’ have been approved and funds disbursed through Norwegian enterprises. Some of these funds are provided to the same company, but there are about 40 unique recipients.[60] The support ranges in size from NOK 0.016 million to NOK 2 million with the average being about NOK 0.25 million. The average annual financial allocation to the ABS in South Africa is estimated to be in the order of NOK 5 million for the period under review (1999-2009), but with substantial yearly variations, peaking at NOK 9 million in 2005 and remaining at

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59 Norad (2009): *Retningslinjer for tilskudd til nærings- og handelssamarbeid.* These directives have been largely unchanged over the last decade.

60 This figure is based on the data provided by Norad at the inception stage of the evaluation, and used in the sampling procedure shown in our Inception report of July 2009. Subsequently based on a request from Devfin for the South Africa case, Norad/NUMI provided in December 2009 different figures for ABS in South Africa. We have used the original data.

about NOK 7 million 2006-2008. This figure might be incorrect due to record problems.

6.4 Key findings

Our assessment of the ABS in South Africa is based on a sample of eight projects, (20% of all companies on Norad's data list for 1999-2009, selected randomly). Many of the sampled companies had records of receiving MMP grants prior to the Application based support, as well as Fredskorpset exchanges. This is a reflection of the integration of the Norad's instruments noticed elsewhere in this report. The eight companies are in very different types of activities: ICT, manufacturing, telecoms, marine surveillance, environment/organic certification, administrative services, craft trade, engineering.

Table 6: Summary of the South African ABS sample

Company	Date	Sector	Amounts received	Active relationship
Automasjon og processtyrning	2003	Engineering	NOK 0.05 million	No
Fugro Oceanor	2007	Marine	NOK 0.02 million	Yes, but little happening
Biowood	2008	Manufacturing	NOK 0.31 million	Limited as early days
Isandi	2003-08	Trade	NOK 3.50 million	Yes
Debio	2004-08	Environment	NOK 1.40 million	Yes
E-solutions	2005	ICT	NOK 0.15 million	No
Profitek	2008	Telecoms	NOK 0.19 million	No
Norway Registers Development	2002	Services	NOK 0.24 million	No

High degree of additionality. Although it is difficult to attribute outcomes and impacts directly to the ABS and what would have happened without the support, several companies in the sample demonstrated benefits from the program, e.g. assisted a Norwegian distributor to develop a network with 50 Southern African craft suppliers, assisted craft producers professionalise operations, explored joint ventures, supported the institutional development of an organic certification organisation which would otherwise have been closed down by international competitors, explored weather surveillance joint venture. It is very unlikely that these would have occurred without the ABS, or perhaps would have taken a much longer time. Although less than half of the projects resulted in an ongoing successful relationship, the program did enable Norwegian firms to gain a greater degree of understanding of the SA market, and thereby gain understanding of international markets.

Employment creation. Although it is again difficult to attribute increased employment to the ABS, three of the ABS 'projects' resulted in employment creation to an scale which is impressive given the scope of the 'projects'. The craft distributor has over 50 suppliers and two of these interviewed for the evaluation reported increased employment since the intervention from 6 to 21 people in one case, and from 3 to 22 in another. The organic certification organisation with its ABS trained staff have trained inspectors and created in the order of 10-12 jobs for inspectors. In addition, EU organic export suppliers have increased their labour force considerably as a result of increased farm productivity and created in the order of 4000-6000 jobs. Whilst not all of these jobs can be attributable to the ABS, there are indications that it has supported significant job growth in their operations.

Weak results-monitoring. Although documents show that Norad appraises each proposed project under the ABS before approval, it appears that there is very little follow up on outcomes achieved. As far as the evaluators are aware, there have been no evaluations of the ABS in South Africa.

Some weaknesses in program design There were two interesting comments made by those interviewed for the ABS component of the evaluation. One refers to the need for better screening and preparation of Norwegian companies:

> *… for what it is worth, I have come across many Norwegian companies visiting SA using Norwegian Government incentives, but without a meaningful proposition. If you are redesigning the system it would probably be wiser to raise the cost of participation of the Norwegian company so they are more motivated to make sure they have a better proposition for SA markets.*

The other comment, by a recipient of ABS, was on the need to have more practical guidance from Norad on how to use the results of the ABS to more effectively run the business. This points to the screening issue mentioned above, as one assumes that those allocated funds under ABS should have the required business skills prior to applying for ABS and that this should constitute part of the assessment by Norad. However, it also suggests a need for Norad to play a more active role in monitoring and supporting 'projects' with relevant business guidance to ensure that the planned results materialise. In this case, the respondent reported that the lack of guidance had resulted in the business becoming dependent on Norad funding.

The distribution of South African ABS resources was erratic in some cases. Whilst most ABS recipients received support for 1-3 'projects', one recipient in the sample received support for 14 'projects', totalling NOK 5.7 million. This is disproportionally high in terms of frequency and amount of support under the program and raises the issue of protocols regulating allocations.

Factors for success and aborted cooperation These centred on market issues, e.g. market conditions were either favourable or became unfavourable, and the 'fit' between the Norwegian company and the South African partner in terms of timing, shared goals, organisational culture, expertise, etc.

Summary of assessment See Annex 3.

7. Norad's Loan Scheme

7.1 The programme

Norad introduced its loan scheme in the early 1980s. These loans were given on soft terms with interest rates well below market rates. The loans were given in Norwegian currency, over a 5-10 year repayment period with 1-2 years grace period. Norad tried to secure the loans through various means, but these securities were, from a banking perspective, often insufficient and sometimes non-existent. At the end of 2000, the soft loan programme was stopped and Norad handed over the administration of the remaining outstanding loans to Norfund. At the time, there were two outstanding loans in South Africa. Both were included in the evaluation.

7.2 Programme objectives

The objectives of the Norad loans are the same as for MMP and ABS, i.e. to contribute to the overall objective of Norwegian development assistance, elimination of poverty. The support is expected to result in economic development, employment and income generation through productive use of local resources and mobilisation of Norwegian-related business for investments in the partner country.

7.3 The South African portfolio

At the time when the Norad loan scheme was ended in 2000, two of the then still outstanding loans concerned investments in South Africa as indicated in the table below.

Table 7: Norad's soft loans in South Africa as of 31 December 2000

Company	Loan (year of agreement) NOK	Purpose
LignoTech South Africa Umkomaas Lignin (Pty) Ltd	30 million (1998)	Pulp and paper plant near Durban. Joint venture with Borregaard Industries Ltd and Sappi Saiccor Pty Ltd which owns LignoTech South Africa, to produce lignosulfonate products for various end-use applications.
Radio P4	4.1 million (1998)	Support the development of the Cape Town based radio station

Below is a summary of the current status the two companies which are subject for a review in this evaluation.

Umkomaas Lignin (Pty) Ltd trading as LignoTech South Africa The Umkomaas Lignin factory is the largest FDI from Norway in South Africa. It was established in 1997 and owned by a 50/50 Joint Venture with the SA pulp mill (Sappi Saiccor) and Borregaard AS, a wood based chemical supplier, as equal partners. It is situated just south of Durban. Saiccor supplied the raw material, the land and local skills. Borregaard provided the international marketing and the technological support. The company recovers lignosulphonate from the Sappi Saiccor's pulp mill's effluent disposal, dries the product and after adding various chemicals like calcium and magnesium, turns the former polluting discharge into saleable binding materials products, e.g. dust control on roads, pesticides, feed pellets and cement.

The lignosulphonate was previously discharged to sea as part of the mill's effluent through a marine pipeline. Norad saw the loan as an opportunity to turn a negative environmental consequence into a positive through the reuse of former polluting discharge and making it into a useful commodity. The development goal was to reduce environmental degradation and increase economic activity. In 1998, Norad offered a NOK 30 million soft loan, with a 2 year grace period and 8 years repayment. The loan was fully repaid according to schedule. The loan assisted the borrower with a long term financing of approximately 20% of the lignosulphonate plant investment. A grant of NOK 1.7 million was also given for training of staff under the ABS program.

The investment reduced the solids content of the effluent and the incidence of water discoloration and foam stabilization on the beaches. The project together with the construction of an extended pipeline to 6.5 km for discharge of effluent to the sea have reduced beach foam by 80%, the marine effluent plume by 90% and reduced the potential negative impact on diver visibility at the top-ten Aliwal Shoal dive site by around 70%.

Following an investment of South African Rand (ZAR) 330 million (USD 43.9 million) for expansion in 2009, production capacity has been increased from 55 000 tons per annum to 155 000 tons per annum. The company has since become in 2003 the largest single producer of speciality lignin chemicals in the world. Sales have grown from ZAR 317 million (USD 42 million) in 2007 to ZAR 338 million (USD 45 million) currently, and are expected to reach ZAR 562 million (USD 74.6 million) by 2012. 90% of sales are exported. The expanded LignoTech South Africa will employ 97 people directly.

The venture has been successful, e.g. targets were met, an expansion has taken place, the company is profitable, there has been transfer of technology, there have been significant positive environmental improvements, job creation, export income, improved HSE, etc. On the whole, this loan has been a success with very little cost to Norwegian aid (NOK 1.7 million), for the training and an estimated opportunity cost for Norwegian Aid of 35% of the total loan, but zero actual cost with full loan repayment and interest paid. It also assisted in Borregaard´s internationalisation and made use of Norwegian technology and know-how. However, both Sappi Saiccor and Borregaard are very large companies and it could be reasonably expected that they would have been able to raise the capital for the project without the assistance of Norad. In addition, if an agreement with Borregaard had not happened, a partner would have been sought elsewhere, and probably easily obtained. Thus, Norad may have been assisting when it may not have been necessary to do so. In addition, the South African Government had made it clear to Sappi Saiccor that it was required to act on reducing pollution or face being closed. Where Norad may have played an additionality role is by making access to finance easy and thereby making it easier for the company to overcome any resistance to undertaking the environmental investment which it may not have otherwise prioritised.

P4 Radio Cape Town (Pty) Ltd Radio P4 was registered in Cape Town in 1995. Initially it was a jazz station based on the model of Radio P4 in Norway. P4 International AS, the Norwegian radio station, was a shareholder of P4 Radio Cape Town (Pty) Ltd. It made an unsecured, interest free shareholders' loan of NOK 57 million (USD 9.67 million) in 2002.

In 1998, Norad made a loan of NOK 4.1 million. The loan was repayable in equal instalments of NOK 1.33 million starting 24 months after the draw down followed by semi annual payments. The loan was secured by bank guarantee by the Norwegian shareholder and was on an interest free basis unless payments were delayed.

There was little resonance in the South African market for an exclusively jazz channel and the station has subsequently rebranded itself as Radio Heart to Heart Cape Town 104.9FM and changed its content to better attract interest from the market.

Since operations began its listenership has grown: 450,000 in 2006 and currently 600,000. It is currently growing more rapidly than other radio stations. It had a turnover of ZAR 23 million (USD 3 million) in 2006 and now turns over ZAR 55 million (USD 7.3 million), employing 47 staff compared to 20 in 2006. Norad's loan of NOK 4.1 million was to develop the station, and this objective was clearly achieved. The loan was paid back in full and on time.

7.4 Key findings

Excellent financial performance. As noted above, both loans have been serviced according to the loan agreement.

Moderate additionality. The additionality with respect of the loan to Borregaard A/S Umkomaas Lignin (Pty) Ltd has been the introduction of the South African company to a Norwegian partner who had access to the sales market for lignin. The technology was not unique to the Norwegian partner and it is almost certain that Sappi Saiccor would have found another partner had Borregaard A/S not come in. There appears to have been more additionality with respect to P4 Radio Cape Town (Pty) Ltd, which was much more unlikely to have found a loan source to expand its operations.

Weak result monitoring. No visits or follow up from Norad/Norfund took place except for the loan agreements. Considering that the Umkomaas Lignin (Pty) Ltd investment has been Norway's largest ever FDI in South Africa, this omission is significant. Although training reports have been delivered, it appears that they have not been submitted as part of the basis for evaluation by Norfund, and possibly still remain within Norad. Financial monitoring has been efficient, but has not focussed on any other issues i.e. labour and environment. No specific environmental targets were set for the project as part of the loan agreement. No reviews or evaluations were done before the start.

Considerable relative impact. Probably over 2000 jobs have been created directly or indirectly, as well as significant reduction in marine pollution. This is a case where simple technology has been used to significant effect in terms of environmental, export earning and job creation enhancement. In addition, one of the main achievements is that the environmental permit for the Sappi production was obtained, and with a positive environmental outcome.

Weaknesses in selection process. Norad assisted Sappi Saiccor when the company would almost certainly have been able to obtain a commercial loan, and funded a jazz station when there appears to have been a limited market for this type of content.

Good cost-effectiveness. The loans involved relatively small costs to Norwegian aid (opportunity cost amounting to 35% of the total loan, but no actual cost) plus the NOK 1.7 million through the ABS program for the training. In return, the impact, particularly in the case of LignoTech South Africa, was an excellent outcome consistent with the objectives of Norwegian development policy, e.g. speeding up the rate of reduction of marine pollution and thereby improved tourism in the area, and contributing to employment creation (97 jobs), foreign currency income from exports and the introduction of new technology and a new product to South Africa.

Summary of assessment See Annex 3.

8. Norad's Institutional Support

8.1 The overall support

Norad's institutional support has been delivered through a number of agencies in the four countries included in the evaluation: UNIDO, FAO, Fredskorpset, and the NHO. It is estimated that between 18-20 support projects have been carried out during 1999-2009. These figures are tentative as records are not conclusive. The evaluation requires that one institutional support project be evaluated in each country. Three institutional support projects have taken place in South Africa through NHO: Business South Africa, Steel and Engineering Industries Federation and Agri SA. Agri SA was selected for the evaluation. Agri SA was selected as information was readily available on the project and the amount of the support was fairly substantial and over several years.

8.2 NHO support to Agri South Africa

Agri South Africa (Agri SA) is a federal organisation, which promotes on behalf of its members, the sustainable profitability and stability of commercial agricultural producers and agribusinesses through its involvement and input on national and international levels. It has 70,000 members who are large and small scale commercial farmers. Its Annual Reports suggest that it mainly serves the white farming community. In 1986/7 Agri SA became aware that labour laws applicable in other sectors were not applicable in the agricultural sector in South Africa, e.g. conditions of labour, insurance, some aspects of the Labour Act. Three areas were of particular concern: child labour, forced labour and the 'dop' system (whereby farm labourers, especially those in wine growing areas, are paid partly in alcohol). After freedom from white minority rule, in 1994, labour laws were in need of being reviewed, and Agri SA participated in this process. The new laws had implications for farmers and farm workers and Agri SA decided to start an initiative to provide information and education to farmers and farm workers. Agri SA contacted the International Organisation of Employers in Geneva to look for funding assistance, and was referred to Norad which was funding such initiatives. Funding was approved in 1999, and Agri SA received NOK 5.5 million in institutional support from Norad through the NHO from 1999-2003.

8.3 Project objectives

The objective of the project was to train farmers and farm workers in labour laws and labour management through the dissemination of information about labour laws and practices with the goal of enhancing labour standards on farms to create a safer working environment, eradicate child labour where it still existed, and enhance awareness about HIV/AIDS.

The project involved the preparation of training materials and the delivery of training around labour laws, HES, child labour, as well as the preparation and distribution of printed and electronic media on topics around agricultural sector labour laws, and the development and broadcasting of radio programs on the subject.

8.4 Key findings

Excellent achievement of objectives The main objective of the project was to train 12,000 participants. The numbers actually trained were near 25,000, more than double the original target. In addition, child labour on farms decreased from 220,000 in 1995 to 19,000 in 2003, 250,000 radio listeners were reached through an agricultural program, 65,000 readers through printed and electronic media, and farmers began to take responsibility for labour relations on their farms. It is difficult to link some of these results to the NHO support, but it is very likely that the support played an important role in achieving them.

Improved labour conditions and HSE This was the whole focus of the project and, as mentioned above, child labour has significantly decreased, very likely as a result of the project, but also in conjunction with other change agents, e.g. EUROGAP which is a watch dog organisation that monitors child labour and other unacceptable labour practices associated with imports into the EU, which put pressure on SA exporters to conform to EU requirements. A spot check of farms in Kroonstad by the Department of Labour in the mid 2000s indicated that 88% were compliant with labour laws, compared to only 50% in industries in the nearby town of Sasolburg.

Strong additionality There is strong reason to believe that Norad and NHO played a pivotal role in making the project happen. Agri SA may have found funding through the International Labour Organisation and the International Employers Organisation, but there is little doubt that Norad and NHO support make a key difference.

Good sustainability There is good evidence to suggest that the work of the project has resulted in long-term benefits, e.g. ongoing mention of child labour and other labour issues in Agri SA's Annual Reports, and the improved conditions on farms noted above.

Lack of inclusion of key marginalised groups Whilst the target of those trained well exceeded the set targets, it is noted that black participants only comprise 15% of participants. In a country which is has one of the highest indexes of inequality this is a disappointing result.

Excellent cost effectiveness The project achieved excellent cost effectiveness through delivering training to over 24,000 participants at an average cost of ZAR 245 (USD 33) per participant. This was achieved through careful budget management and review of costs throughout the project and changes in training delivery strategies, e.g. training was not delivered unless groups of 30-40 participants could be assured, and by reducing the cost of training materials through bulk production.

Summary of assessment See Annex 3.

9. Norfund and its Affiliates

9.1 Norfund in South Africa

Norfund's main activities in South Africa so far have been through part-financing of one SME fund managed by Aureos Capital and two managed by Horizon Equity Partners: Horizon TechVentures and Horizon Fund III. In December 2009, Norfund decided to invest directly in the financial services company Real People Investment Holdings. Real People is an existing portfolio investment within Aureos Southern Africa Fund. In addition, Norfund has recently made investments in two funds focussing on clean technologies: E+ Co which invests in small-scale clean and modern energy sources and Evolution One Fund which invests in clean technology on a broader base.

9.2 Norfund's objectives

Norfund's mandate is *"to establish viable, profitable business activities which would not otherwise be initiated because of high risk".* Its role is to be additional to the market, in bridging the gap between commercial investments and state development aid. Thus, it should contribute or generate something in addition to that which would otherwise not have taken place through the market, through contributing risk capital to activities in poor countries which are not financed by traditional aid or attractive to commercial players.[61] A major focus of Norfund's strategy is the development of joint-ventures in order to leverage its own funds. Both Aureos Capital and Horizon Equity Partners are of such a nature. Norfund aims to make a difference through adding value by actively participating on Boards of funds invested for the purpose of building capacity. Thus, performance measurement is not just on the basis of profitability, but also on active participation and capacity building of boards and improving HSE capacity of investee companies.

9.3 Aureos Southern Africa fund

Aureos South Africa Advisers (Pty) Ltd are managing two funds in South Africa, Aureos Southern Africa Fund established in 2003 and Aureos Africa Fund which is to have final close in December 2009. We have studied the Aureos Southern Africa Fund for this evaluation and visited three of its investment companies in South Africa, as this is the fund which focuses mostly on South Africa as opposed to the wider region. Norfund has invested USD 9.5 million in the USD 50 million fund. Other investors were for example Nordic Development Fund (NDF), International Finance Corporation (IFC), European Investment Bank (EIB) and Commonwealth Development Corporation (CDC).

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61 The purpose and objectives derived from Norfund's official home page www.norfund.no

Norfund has several specific objectives for the South Africa funds, namely that Aureos should:

- Provide medium and long term capital;
- Be able to mobilise private capital to invest in the funds and thereby contribute to the regional capital market development; and
- Provide improved corporate governance, including HSE standards, to the companies invested in.

The fund is fully invested and has invested in 10 companies of which six are in South Africa. One company has been liquidated and written off. The companies are:

Table 8: Investments in South Africa by Aureos Southern Africa Fund 2003-2009

Company name	Profile
Tofo Cellular Payphones	Telecommunications. Closed operation January 2008, investment written off
SA Block (Pty) Ltd	Cement brick manufacturing from material waste from coal ash dumps
Real People	Financial services
Allied Catering Equipment	Manufacturing of industrial catering equipment.
Sandbox Holdings	Information technology, software application
Scientific Engineering (Pty) Ltd	Manufacturing laboratory equipment and counter-top catering equipment

Three companies were selected to be studied for the evaluation: SA Block, Real People and Sandbox Holdings.

SA Block SA Block reuses the coal ash and gravel from dumps around decommissioned coal fired power plants around Johannesburg. Ash and gravel are mixed with cement and produced into building bricks. It has a capacity production of 350 million bricks per annum. Both the current production site and a new site, also a former coal dump that will be opened in the beginning of 2010, were visited. The company employs approximately 45 people and up to 450 contract labourers. In 2006 Aureos invested USD 4.1 million in the company giving Aureos a 28% stake, and enabling it to increase production by 40%. It was a profitable going concern, and the investment involved the replacement of capital, the taking out non-active family members and the expansion capital. Aureos assisted in financial restructuring and with corporate finance advice in buying out Eskom's shares in the company. The company is expanding with a new dump and adjacent plant to be operational by January 2010. Expansion into Namibia is being investigated.

Real People Holdings Real People is an independent financial service company offering mortgage and consumer financing to "the unbankable" with 2,000 employees spread out over the country and branches in six other African countries. Real People is the largest unlisted company of its kind in Southern Africa, with approximately 250,000 borrowers. The company started off in the early 90's by buying distressed debt from various finance institutions. Today the group offers Retail Lending, Property Finance, Education (vocational training e.g. accountancy) and to a lesser extent Distressed Debt. Products offered are consumer credit averaging ZAR 6,000-8,000 (NOK 4,700 - NOK 6,200), cell phone post payment and micro insurance. The credits are also available for housing finance and SMEs (service and retail). The company has a turnover of ZAR 250 million (NOK 196 million), and assets over ZAR 1 billion (NOK 784 million). Aureos has invested USD 5 million in growth capital and facilitated the entry of a number of DFIs, *inter alia,* The Dutch FMO Proparco, BEE (Black Economic Empowerment) companies and a private equity fund as credit line providers and equity partners. In December 2009, Norfund committed ZAR 200 million (USD 26.6 million) as a direct investment in the company in the form of 50% equity and 50% senior debt. In addition Aureos has attracted ZAR 1.2 million (USD 0.16 million) in FDI for Real People.

Real People's success is based on a "hands on" approach. A statement from one of the senior managers illustrates how different Real People's approach is to its clients compared with commercial banks:

> *"We are active post-loan not just pre-loan like commercial banks, we visit our clients, we visit the property we have lent to, we give advice on how to manage property, we know that 40% of our clients will one day default on their payments. If we are told a good story [reason for default] we are willing to interact with the client and reschedule"*

Sandbox Holdings (Pty) Ltd Sandbox operates in two main segments: Sandbox Projects that focuses on the deployment and management of Microsoft ERP (Enterprise Resource Planning i.e. integrating all information systems: purchase, salaries, invoicing etc) and Sitronix which focuses on Green Building Management Systems integrating these systems on a Microsoft platform. Clients are large corporate customers, e.g. 300 of the 480 companies listed on the Johannesburg Stock Exchange. The company employs 240 people (cf. 60 employees in 2007) and has a turnover of close to ZAR 250 million (USD 33.2 million) compared with ZAR 65 million (USD 8.6 million) in 2007 at the time of entry of Aureos. Today the investee holds assets of ZAR 110 million (USD 14.6 million). Sandbox Holdings also has entered into "Protion", a large scale training company e.g. one client with 4,000 people in 47 branches; "Optipro", a company providing optimisation of production in manufacturing and processing industries; and "SVS", a company specialising in video systems. The company exports approximately ZAR 25 million (USD 3.4 million) per annum to countries like United Arab Emirates, the UK and, to some extent, to Africa. Aureos invested approximately USD 5 million, giving Aureos a 10% shareholding directly held by the fund and 21.4% share through a loan to a BEE partner. In addition, the Aureos Africa Fund has supported a management buy out. In total, various Aureos funds have a 60% stake in the company.

9.4 Key Findings Aureos Southern Africa fund

Investments have been largely profitable. Aureos has invested in six companies in South Africa and three more in the region. All of these are profitable except one, Tofo Cellular Payphones, which has been liquidated at a loss. The objective of the company was to offer cheap telephony in the rural areas. The reason for liquidation was, according to Aureos, that one of the large cellular service providers did not honour its contractual obligations and resulted in a situation that forced the company to close. As a whole, the fund had by June 2009 shown gross notional return of 22% which indicates that it should have a good return on exit. Investments have been made on sound business principles looking for potential profit making sustainable entities where an exit is feasible.

Monitoring is effective. Aureos has globally introduced the Aureos Sustainability Index, a method of monitoring investees on cross cutting issues. This index is being well reported and followed up by Aureos.

Some investments have addressed cross cutting issues. SA Block is making use of waste material to produce low cost cement bricks. Capital might have been available for replacement of existing shareholders. The issues of poverty reduction, gender and the environment are taken into consideration with its investment decisions.

Improved HSE and Corporate Governance. The main role of Aureos has been to be an active investor introducing or re-enforcing good corporate governance, ensuring appropriate reporting, promoting HSE as well as providing strategic and organisational advice. This is what we see being the key role for the fund. For SA Block, Aureos' role has mainly been providing good corporate governance (e.g. HSE, reporting) and an active partner in strategic decisions (streamlined management), corporate finance advice (financial restructuring), lobbying (increased use of cement brick in building specifications). In doing so, it has transformed a family business into a sustainable expanding corporate business. Prospects of a profitable exit look promising whether through a trade sale or a listing. In Real People, Aureos' role has been to successfully introduce the company to other DFIs and implement a regime of good corporate governance e.g. Aureos principles: Committees for the following Board areas of responsibility: Audit, Risk, Asset and Liability, Remuneration and Nomination. These were non-existent in the previously family-owned business. With regard to Sandbox Holdings, the company is highly profitable and the entrance of Aureos' investment facilitated the growth of the company through introducing a "hands on" and an active partnership with regard to strategic issues as well as improving good corporate governance. The opportunity for Aureos of a good investment opportunity in competition with others was that, according to management: *"Aureos reacted quickly and contributed on how to run a business".* The company has a strong CSR policy, HSE, and a very well defined staff policy that covers everything from money laundering to pension benefits.

Evidence of poverty impact. Real People has found a niche in the financial services market providing finance for "the unbankable" This is not the traditional micro-finance for the poorest strata of the population but rather for the low income earners e.g. low level civil servants. Its model of a good technology driven platform and a "hands on approach" has proven a success not only in SA but also in neighbouring countries. Services include consumer credit which is used for school fees, funerals. The investment in Real People, compared to the other investments, has the strongest focus on the DAC development criteria. Impact on poverty reduction is also shown in the investment in Real People and indirectly through SA Block offering low cost bricks for the construction of housing.

Some investments have been made which support BEE. Sandbox Holdings and Real People have involved BEE investors which is consistent with the human rights priorities of both Norwegian and South African governments.

Strong additionality. For Sandbox Holdings, Aureos has financed a management buy out that has undoubtedly had a very important role in providing capital. As for the issue of Aureos' additionally compared with other potential investors, Aureos has provided skilled staff and has been able to improve good corporate governance. The company is likely to do a listing giving Aureos a successful exit. Aureos is a capital provider. One of the objectives of Norfund when investing into the fund was to meet the need of capital for medium and long term financing. Some of the investees could have found funding elsewhere but there is no 'crowding out' situation. As an executive of Real People put it:

> *"SME financing is profitable in Africa. Private capital wouldn't have invested but the DFIs did which has paved the way and shown we were right"*

Aureos has played an important role in being instrumental in mobilising other DFI finance to Real People.

Successful in mobilising capital. The goal of mobilizing private capital has also been successful for the investee companies and for the Africa Aureos Fund which expects to have 25% private capital at close (end 2009) compared with Aureos Southern Africa Fund that had 100% DFI funding. The presence of Aureos as an investor, however, facilitates possibilities to raise private capital. Aureos has been active in developing the venture capital market in South Africa through being instrumental in forming the South African Vencap Association and through investing in pre-profit ventures.

Reward systems do not provide incentives to fund managers to perform on development and cross cutting issues. Although corporate governance, poverty reduction and cross cutting issues are the stated main drivers for Norfund, this is not reflected in the incentive system and consequently do not reward fund managers to achieve success in these areas.

Summary of assessment See Annex 3.

9.5 Horizon Equity Partners

Horizon Equity Partners is a Southern African equity fund started in 2007 with a focus on the technology sector. The fund has established two SME funds covering South Africa and Southern Africa:

(i) Horizon TechVentures established in 2001 with a subscribed capital of ZAR 143 million (USD 19 million) covering only South Africa. Norfund has invested ZAR 26 million (USD 3.4 million) in this fund giving Norfund an 18% stake.

The fund focuses on investment in technology based businesses. The fund is fully invested and is due to close in 2011.

(ii) Horizon Fund III focuses on South Africa but with an allowance for 10% to be invested in other African countries. It was established in 2007 with a capital of ZAR 584 million (USD 77.6 million). Norfund's contribution to this fund is ZAR 50 million (USD 6.6 million), giving Norfund an 8.6% stake. There are ten other investors; local DFIs and international ones e.g. CDC, Finnfund and IFC. ZAR 75 million (USD 10 million) is to date invested in four businesses.

Norfund had several specific objectives for the funds, namely that Horizon Equity Partners should:[62]

- Provide risk capital to SMEs
- Be able to mobilise private capital to invest in the funds and thereby contribute to the regional capital market development; and
- Provide improved corporate governance, including HSE standards, commercial and technical expertise to the companies invested in.

The two funds have invested in ten South Africa-based companies so far of which four have been fully disinvested to date and a fifth has been partially realised. The companies are:

Table 9: Investments in South Africa by Horizon Tech Ventures and Horizon Fund III 2001- 2009

Company name	Profile
Horizon TechVentures	
Medikredit	Electronic switching of medical transactions and Health Benefit Management services (exited in 2009, proceeds expected January 2010 – approximately 7% gross IRR realised in USD)
Lodox	Low-dose X-Ray Medical imaging systems (not exited, written down to ZAR1)
Peresys	Software products and services for capital market participants (partially exited, has so far made a return of 500%).
Prism	Smart card payment systems (exit with profit – 50% gross IRR realised in USD)
Viewnetic	Rapid application development software (exit with loss – 9% of cost recovered)
ATM Solutions / Kanderlane	ATM's in non-bank locations (exit with profit – 89% gross IRR realised in USD)
Horizon Fund III	
Lincoln Lubrication SA	Products and services for industrial fluid handling and lubrication
@Source	Processes and packages dried and rehydrated fruit for the retail market

62 Norfund investment decision 25 May 2001 and 29 August 2007

Company name	Profile
S.Bacher & Company	Distribution of mid-market luxury goods: watches, perfumes & jewellery
Galaxy &Company (held through S.Bacher & Co)	Retail jewellery chain

9.6 Key findings for Horizon Equity Partners

Horizon TechVentures Fund has invested in six companies of which four have been fully exited. The realised net asset value is three times the total invested in all six companies since initial investment and including the unrealised net asset value: 3.8 times. As a whole, the fund is expected to be very successful in financial terms when the fund ends in 2011.

The profile of the fund Horizon TechVentures has proven to work. Investee companies have been able to commercialise their technology and the companies´ activities have had impact beyond their own sphere, e.g. Kanderlane which reduced costs charged by banks through ATM machines and improved geographic access to cash withdrawals. Lodox's low radiation X-ray scanner is an interesting new technology, initially developed by DeBeers and then commercialised through a separate company. Over 30 of these machines have been deployed in hospitals throughout the first world and the developing world. Peresys "messenger service" for capital markets players has had a positive impact on capital market liquidity.

The investments have been made on sound business principles looking for potential profit making sustainable entities where an exit is feasible. The businesses have had significant impact on job creation. Most of the TechVentures companies (other than Viewnetic and Medikredit which increased headcount and then decreased it when they encountered financial difficulties) increased jobs during the fund's holding period. In the case of Kanderlane, the increase was significant – around 200 jobs were created, tripling total jobs. As for poverty reduction, Horizon Equity Partners was instrumental in introducing a BEE partner at Medikredit and was also involved in structuring BEE transactions at Prism and Lodox. However, the fund capital could not be seen as a BEE investment, unlike some other funds managed by black owned fund management companies. There are, however, benefits to the country's competitiveness and to lesser extent foreign currency earnings.

Horizon TechVenture´s investments have, however, in some cases invested in start ups (Viemetic and Lodox) at pre-profit level. These were not considered to be attractive investments to other local venture capital companies.

Aureos, through Horizon Equity Partners, has been active in developing the venture capital market in South Africa through being instrumental in forming the South African Venture Capital Association and through investing in pre-profit ventures. The South African Venture Capital Association is a lobby group enabling the government to have dialogue with the sector to promote venture capital investment. Issues of double-taxation and exchange control have been discussed. Impact on sector level is low but again this is not set out as an objective in the formation of the funds.

Peresys - Horizon TechVentures Peresys provides software products for capital market participants. It provides “messenger services” hard and soft ware for brokers, institutions and other capital market players. The company employs 83 people. The investment of Horizon Equity Partners in 2003 was part of a management buy out. The products are exported regionally and the company is profitable.

Peresys is a profitable company with very interesting products which have a direct influence on the development of capital markets. Information being the key concern to a functioning market the product as a “messenger service” is very important. The additionality of Horizon Equity Partner’s investment can mainly be attributed to corporate governance, staff incentivisation plans, and corporate finance services around potential acquisitions and joint ventures.

Horizon Fund III fund is still fairly new, with the final close in April 2008. ZAR 75 million (USD 10 million) of a total of ZAR 584 million (USD 77.6 million) is invested to date. Two of the three investments (S Bacher and Lincoln) were investments in profitable existing businesses. @Source (processing and packaging of dried fruit) was a newer business that had reached breakeven just before the fund’s investment and had large cash requirements.

All investments have been made solely on commercial basis. @Source was, however, not cash flow positive at the time of investment but with good potential. Some environmental and health and safety aspects have been taken into account when investing in this business. The investment in S Bacher (luxury goods distributor) has very little relevance to the fund’s investment rationale, apart from possibly corporate governance and commercial expertise e.g. organisational structuring and strategic planning.

Some of the investments could most likely have found financing elsewhere in the private equity market. It should be noted that there is very little venture capital in SA to fund companies with high demands for cash.

Additionally versus crowding out. The availability of capital for profitable ventures exists in South Africa. Horizon Equity Partners has the same approach as other private investors, its mandate and reward lies in the fact that the investee must be profitable. The availability of equity finance in SA depends not just on whether a company has reached profitability, but on the quality of its profit history; how long it has been profitable and how consistent the profit has been from year to year. The fund claims it is more willing to consider limited profit histories than 90% of its competitors. Funding for companies with limited profit histories (a category which includes @Source, Kanderlane, Medikredit, Prism and Peresys) is in short supply in SA, so the fund has helped to fill an important funding gap. Venture capital for companies with no profit history (Viewnetic, Lodox) is practically non-existent. The risk of crowding out private players is minimal as the market is too small. Horizon Equity Partners’ requirements on profitability are not less than other investors.

As in the case of Aureos, the main role of Horizon Equity Partners has been as an active investor enhancing good corporate governance. This is a key role for the fund. Through the Horizon Equity Partners funds, Norfund has reached one of its goals of investment i.e. improved corporate governance. The other goal of mobilizing private capital is not prevalent at initial investment. The presence of Horizon Equity Partners as an investor, however, facilitates possibilities to raise private capital.

Lincoln Lubrication SA* – *Horizon Fund III The company, established in 1982, specialises in lubrication systems and industrial fluid handling. It is the sole agent for the US company Lincoln Lubrication. All installation and some manufacturing are done by the South African company under license from the US company. Total sales amounted to ZAR 62 million (USD 8.3 million) last year of which around 70% were to the mining industry. 20 % of exports were to other sub-Saharan African countries. The company has recently introduced an additional product: the sale and service of fire suppression systems. In 2008 Horizon Equity Partners invested in a controlling stake as well as providing mezzanine and bridge loan financing.

The active engagement and 'hands on' approach from Horizon Equity Partners has resulted in the introduction of a corporate culture with improved IT system, strategic thinking, review of the incentive scheme which has, *inter alia,* resulted in improved sales, new product lines, new administrative procedures, and improved HSE, and thereby "corporatized" this former family business. Additionality with regard to capital from Horizon Equity Partners is questionable but without any doubt Horizon Equity Partners has introduced a significantly higher level of corporate governance.

Summary of assessment See Annex 3.

9.7 Other funds

The funds below have been evaluated as much as possible given the stages at which some of the funds are in their development cycle and within the constraints of the fieldwork which limited the collection of some data.

E+Co E+Co is a not-for-profit investment cooperation that was founded in 1993. It targets segments for end-use applications of energy in rural, urban and peri urban settings in developing countries. Typical examples are LPG for cooking, improved charcoal stoves, solar systems and solar drying technologies. The Norfund loan investment is up to USD 7.5 million and is limited to E+Co operations in Central America and East and Southern Africa. E+Co's expansion plan is to raise another USD 150 million for around 400 new investments. At the end of September 2008, E+Co had a total investment portfolio of just below USD 20 million and had made over 200 energy investments. African operations started in 2003. There is a portfolio of almost USD 5 million spread over about 50 investments. E+Co also received a grant from Norfund of NOK 2 million in 2009 for work on identification of projects with Carbon Emissions to be sold on the Clean Development Mechanism market.

Norfund's recent investment in E+CO is strategic from two perspectives: it diversifies Norfund's energy portfolio into small-scale energy services for the poor and away from hydropower projects, and it will provide Norfund with experience in carbon monetisation, in keeping with Norfund's strategy of investing in renewable projects and SMEs. It appears that there will be a grant of an estimated 50%, although it is not entirely clear in the assessment document. To offset the grant and the risk, it is expected that the organisation is likely to grow rapidly. Norfund does not appear to have gathered or assessed projects in the pipeline, but relied on the good track record of the partner. This appears to be a risky practice, as is the apparent incompleteness of the assessment document. In addition, detailed information about what barriers the fund seeks to address was not available. Currently, the organisation relies entirely on grant funds to cover operating costs and investment proceeds are used solely for servicing debt. It is difficult to assess if these issues constitute reasonable or questionable decisions by Norfund without additional information.

Evolution One Fund Evolution One Fund is a private equity fund that is being set up and will facilitate investments in clean technology in South Africa and the SADC region. 50% of the portfolio will be in clean energy, renewable energy and energy efficiency, while the other 50% will be for provision of environmental goods and services. The waste sector is also an important focus here, and is in keeping with Norfund's focus investing in the environment. The first closing in 2008 brought in USD 58 million and the ongoing second closing was aiming to secure ZAR 1 billion (USD 132 million), but will probably secure about ZAR 700 million (USD 93 million). Two projects are currently approved: one investment in a plant for thin film PV- solar cell production in Cape Town and one investment in an abalone farm, Abagold, also in Cape Town. Norfund aims at investing USD 8 million in the fund, a size that is in line with Sifem's and Finnfund's shares. The final agreement was signed in December 2009, and therefore at this stage there is little activity to evaluate.

Msele Investments Facts and findings are based solely on interviews with Norfund staff and Norfund internal documents. In spite of several efforts no contact has been established with previous fund managers (VCM Capital and Msele Fund Managers) or other investors e.g. Nedbank and Industrial Development Corporation. The evaluation can, thus, not be construed to be complete. There is, however, enough information to draw conclusions relevant to the evaluation.

In 1995 Msele Nedventures was established as a SME fund with focus on BEE by several institutions including Nedbank, DEG, Proparco, Swissco and Thebe investments, a local BEE investment vehicle. Total fund size in 1995 was ZAR 35 million (USD 4.6 million). Norfund, along with Africa Development Bank and South African Industrial Development Corporation (IDC), was invited in 1998 to increase the fund capital to ZAR 85 million (USD 11.3 million). Thebe investments exited. Proparco and DEG increased their shareholding and Norfund invested ZAR 12 million (USD 1.6 million) giving Norfund a 15% stake in Msele Investments. At Norfund's entrance the fund had invested in a varied portfolio: Technical companies (mainly information technology), packaging, tourism and agriculture. All investments had approximately 100 employees. Soon after Norfund's investment doubts were raised about the fund manager's development of the portfolio value. The valuation of the fund at time of entry was also questioned. The fund manager was replaced by

Msele Fund Managers in 2002. Norfund took an active role in the replacement of the fund manager as well as the supervision of the new fund manager. Efforts failed, investors and the fund manager disagreed on timing for recovery and exit of the fund. In 2005 Norfund and other investors exited at a loss with a 76% write down of initial investment. Norfund got ZAR 2.3 million (, USD 0.3 million) back in 2005 on its ZAR 12 million (USD 1.6 million) made in its 1998 investment. The shares were sold to the fund manager. The future of the investees is unknown as the evaluation team failed to reach the fund manager.

Key findings reasons for failure of Msele There is no doubt that the evaluation of the portfolio at the time of Norfund's investment was flawed and the fund manager, at least the first one, was incompetent. The value of the fund's portfolio was estimated at ZAR 213 million (USD 28 million) in 1998 when Norfund invested. Two years after the investment the portfolio was re-valued downwards at ZAR 18 million (USD 2.4 million). Had a proper valuation of the portfolio been done, it would have been clear that Norfund should not have invested in the fund. It appears that there was a lack of active engagement and monitoring of the fund manager from both the original investors (DEG, Proparco, Swissco and the commercial bank Nedbank) and the new investors (Norfund, IDC and African Development Bank). This, combined with a strong drive to show support for the Black Economic Empowerment initiative in the new South Africa, led to oversights that led to financial disaster. The industry (private equity fund management in emerging markets) was at is infancy and Norfund was new as a fund investor. It should be noted that the fact the fund was initially focused on BEE was not the reason for failure. The main reasons were the speed at which the investment was done and the resulting oversights as well as many investors "following the leader" and not taking sufficient responsibility for conducting thorough analysis. Although all the investors appear to have made the same kind of mistakes, Norfund's decision systems appear not to have been strong enough to identify what seem to have been significant risk factors. A positive outcome resulted from the experience in that since then Norfund has become a more professional fund investor with a much more active role in the early phase and closer monitoring of fund managers. Other funds assessed by the evaluation team in South Africa e.g. those managed by Aureos and Horizon Equity Partners, have proven this is the case.

10. Fredskorpset – FK Norway

10.1 The Programme

FK Norway is one of Norway's three official channels for development assistance since 2001.[63] FK Norway's main purpose is to stimulate exchange of personnel between Norway and the South and also to stimulate South–South exchange.[64] While most of such interactions concern NGOs and public organisations, Norwegian enterprises can also participate. The exchange programme is usually for one year involving a minimum of two persons, but an exchange can include several persons. The programme can be repeated for the same organisation(s) up to five times.

10.2 Programme objectives

The overall objective of FK Norway is to '*contribute to increased contact and collaboration between individuals and institutions in Norway and in Africa, Asia and Latin America and contribute to development*.' Another objective of the organisation is to increase the interest and commitment for the South in Norwegian society. Each exchange project has its own specific objective, generally linked to institutional development and capacity building. Such objectives are stated explicitly in the agreements signed with participating organisations.

10.3 The South African portfolio

FK Norway identified 6 business-related projects in South Africa carried out since 2001. These are:

North – South exchanges:

- Bio Dynamic Organic Certification Authority (BDOCA) in South Africa had an exchange with a Norwegian company, Debio, which is one of the leading organic certification companies in the world. The person from Debio assisted BDOCA to develop ISO 65 documentation to be submitted to the South African Bureau of Standards to gain certification for the organic certification work it does. A person from BDOCA went to work with Debio to learn about certification methods. The exchanges took place between 2006-2007 and were for 12 months each. The relationship between the companies is ongoing. The cost was NOK 1.2 million
- Fairview, a producer of goat cheese and wines in Cape Town, did an exchange in 2008 with Ekeby Gard in Norway in a joint marketing of wines/goat cheese products. The exchange enhanced expertise in tasting wine and cheese. The SA exchange person learned how to run a shop at Ekeby Gard's operation. The

63 Fredskorpset Norway has a history dating back to 1960s and was modelled after the US Peace Corps. This organisation ended in the 1990s, but a renewed organisation was established in 2000.

64 The division of participants in the various programmes by FK Norway since 2001 is 40% 'North-South', 20% South-South and 40% a Youth programme

exchange was for 14 months each. The company relationship is ongoing. The cost was NOK 0.8 million

- Icarus Marine (Pty) Ltd and EKRO in Norway exchanged one person each in 2009. Icarus Marine specialises in high speed boat design and EKRO in materials. Icarus sent a design engineer to work on a consul design with EKRO in Norway, and EKRO sent a thermoplastics and materials engineer to assist with the development of environmentally friendly materials for boat building. This is still ongoing. The exchanges were for 12 months and the cost was NOK 0.8 million
- National African Federated Chambers of Commerce and Industries in South Africa (NAFCOC) had an exchange with the Norwegian South African Chamber of Commerce (NSACCI). The exchanges were for 13 months each and focussed on developing member services. The exchanges took place during 2004-2006 and cost NOK 0.9 million. The relationship is not ongoing, most probably due to internal conflicts at NAFCOC.

FK Norway identified two more business-related exchanges, but in our view these are exchanges in between institutions (water authorities in Norway and sister organisations in Africa), hence not included here.

10.4 Key findings

High degree of efficiency, quality and results measuring. FK Norway has a highly structured and organised approach to its exchange program. It has a standardised system for how exchanges take place, including preparation before the visits, quarterly monitoring reports and follow-up activities. The projects are based on applications from participating organisations, appraised by FK Norway, leading to a contract between the parties with detailed objectives and conditions. This ensures that both parties, at organisational and personal levels, thoroughly understand what will take place and what is expected and positively influence the quality of the exchanges. FK Norway also has qualified and experienced staff that can provide advice and provide support to those involved in exchanges. The overall structure is transparent and efficient.

The exchange programmes are carried out efficiently and clearly contribute to institutional capacity building in line with the stated objectives for the projects. Bloemwater for instance has had an ongoing and successful exchange program with two regional water institutions that have clearly benefitted all concerned at a variety of organisational levels: engineering, human resources, finance, service delivery, HSE, etc. All those interviewed for the evaluation spoke very highly of the organisational and the personal development that the program facilitated.

Strong additionality. Most of the exchanges and contacts would most probably not have taken place without the assistance of FK Norway.

Commercial impact is low. None of the exchanges resulted directly in significant commercial benefits. However, this is not an objective of the program.

Summary of assessment See Annex 3.

III. Summary of Conclusions

11. The Context of Norwegian Private Sector Development (PSD) Support in South Africa

The apartheid era and the legacy it has left behind in today's South Africa is the context in which Norway's PSD initiatives take place. The economy and society is characterised by inequality and marginalisation, where those in the lowest 10% of household income consume only 1.4% of national consumption and the highest 10% consume 45%. This has resulted in many economically marginalised South Africans being unable to contribute to and share in the benefits of growth and development, and given rise to what is called the 'Second Economy', i.e. the underdeveloped dual economy' that operates within the developed 'First Economy', with its access to employment, services, wealth and opportunities. The other important contextual issue is that South Africa's economy is characterised by a large and diverse economy with well-developed financial, legal, communications, energy, and transport sectors, modern infrastructure and a stock exchange that is the 17th largest in the world. South Africa's economy contributes significantly to the economies in the region and to the continent as a whole, and as such is an important strategic partner for any country wanting to do business in Africa.

Norway has had a relationship with South Africa dating back to the struggle against apartheid in the 1960's-1980's. The relationship was then of solidarity and support to the liberation movement and democratic transition to independence. Since the freedom from white minority rule in 1994, Norway's cooperation shifted to strengthening institutions and South Africa's role in regional integration as well as assisting the Government of South Africa address the challenges of poverty and inequality. In recent years, with the recognition of South Africa as a significant economic player and that it is now classified as a Middle Income country, the relationship with Norway is much more one of a partnership rather than 'donor and recipient'. This has set the tone for developing economic relationships with South Africa through various PSD instruments.

12. Norway's Private Sector Development (PSD) Support

Norway's PSD instruments in South Africa are diverse and varied in their focus, scale, delivery methods and target groups. The overall focus is on Norwegian and South African SMEs and the MMP, ABS, FK Norway largely focus on this group. The institutional support through NHO, Norad's soft loans and Norfund mainly focus on larger companies, although not exclusively. The purpose and motivations of the initiatives of projects in South Africa vary from establishing links with SA companies; supporting the growth of business relationships and trade through feasibility studies and training; supporting expansion initiatives; sector development support; providing risk capital and equity; enhancing capacity in corporate governance, strategy, environmental compliance and HSE; exchanging expertise and developing cultural understanding and professional and personal growth. The amounts of support also vary considerably from NOK 0.01 million to NOK 32 million with some support being one off events and others extending over considerable periods of time. Some projects come at a high cost to Norwegian aid, and others at very little cost. Sometimes the various programs interact with each other, as in the case of the MMP, ABS and FK Norway exchanges, although this tends to be infrequent, but often they work independently of one another.

This diversity appears to be a result of Norad's policy to operate its PSD instruments in a decentralised and pluralistic way and independent of one another with little or no coordination between them. This trend is reinforced in the South African case where there is no articulated strategy for Norwegian PSD support (unlike the NIS strategy documents that guide Norwegian PSD in other countries). As a result it is difficult to see any strategic thread running through the various PSD initiatives.

13. Overall Performance of Norway's Private Sector Development (PSD) Support

The results of the various PSD support instruments have, on the whole, been good.

MMP

The MMP has enabled 287 Norwegian SMEs to seek cooperation with South African enterprises or pursue investments or trade during a 13 year period. This is a remarkable achievement and demonstrates the additionality that the programme offers. The evaluation found that without the MMP it is most likely that a large majority of the links would not have occurred because of the difficulty of any Norwegian company contemplating internationalising its business to make such business links independently.

Whilst the MMP is relevant in the sense that it promotes investment and trade, it draws on Norwegian competencies and it is aligned to the South African government's priorities of job creation, economic growth, investment and building international partnerships, the program appears to be closely linked to white run businesses and does not prioritise the South African government's Black Economic Empowerment program. In addition, the MMP does not directly focuses on poverty alleviation and increasing income and employment amongst under-privileged groups as articulated in the NIS strategy.

Less than one out of ten attempted business relationships have been sustained over time, resulting in questionable overall cost effectiveness. However, costs per match has been significantly reduced through spending more on better screening and more thorough preparation at the profile development stage. Development impact has been limited with only an estimated 500-600 jobs being created in South Africa since 1997. The links established through the MMP are well supported by the Application based support and the two programs complement each other well.

ABS

ABS is a useful tool for Norwegian companies in the initial stage of investments and cooperation in South Africa. However, there are some indications of weaknesses in the design and administration of the program in terms of the capability and preparedness of those selected for the program, inadequate support to the recipients of ABS and rules around how much and how often beneficiaries are allowed to receive support which have resulted in substantial variations in disbursements. In addition, there appears to be very little follow-up on the ABS program and no evaluations of the ABS in South Africa.

Norad soft loans
Financial performance was good, with both loans under this program being repaid in full and on time with cost to Norwegian aid limited to the grant element of the loan. Results were also positive, in that there were positive environmental and economic impacts and employment creation. However, the additionality is more questionable at least in one project, in the sense that Norad assisted Sappi Saiccor when the company most likely would have been able to obtain a commercial loan for its needed investment.

Institutional support
The target for the project evaluated was achieved by more than double and child labour on farms reduced considerably in the years subsequent to the support. Although this result cannot be directly attributed to the program, the program almost certainly supported its achievement. Norad played a pivotal additionality role in this program and there was good cost effectiveness. Only 15% of the participants were black, however.

Norfund
Norfund has been successful in financing profitable ventures through its Aureos Southern Africa fund with all but one of its six investee companies being profitable, and in fulfilling its other main objective: to build the capacity of investee companies especially in HSE and corporate governance. Overall, Aureos has played an additionality role both as a mobiliser of capital and as a capacity builder. Several of Aureos' investments have addressed cross cutting issues such as poverty reduction, gender and the environment, and some have supported BEE initiatives. Aureos has effective monitoring tools which measure both financial indicators and development indicators. However, incentives for management are only focussed on financial performance and do not provide sufficient incentives for meeting development impact criteria.

The second South African focussed fund, Horizon Equity partners, has also done well, with four of the six companies in which it invested successfully exited. The realised net value is three times the total invested and the fund is expected to be successful when the fund ends in 2011. Several investee companies have had an impact beyond their own sphere and several have had a impact on employment creation. The fund has also played an additionality role in that it has invested in companies that were not attractive to other investors. The fund has also had positive impacts on the corporate governance standards and practices of investee companies and has enhanced investee companies' ability to attract capital.

Norfund's other investment funds, E+Co and Evolution One, diversify Norfund's energy portfolio into small-scale energy services and clean and renewable energy for the poor and away from hydropower projects, and it will provide Norfund with experience in carbon monetisation, in keeping with Norfund's strategy of investing in renewable projects and SMEs. One fund, Msele, failed and it seems that the investment had not been properly analysed or evaluated and the risks not identified.

Fredskorpset – FK Norway

The exchange program is a well organised and well run program with good additionality. The exchanges have facilitated useful sharing of information and systems at institutional level and have contributed to personal and professional growth amongst those who participated in the program. There has been little direct commercial value in the exchanges, however.

14. Relevance, Impact, Effectiveness, Efficiency & Sustainability

This report has made assessments against the key standard DAC criteria for evaluations under the separate programmes. Below is a summary for the evaluated programmes for these criteria:[65] 0 = poor, 5= excellent.

Table 10: Summary assessment of the PSD programmes and projects in South Africa

	Match making	Application based support	Norad soft loans	NHO support Agri SA	Norfund	FK Norway
Relevance	3	3	3	3	3	2
Additionality	4	4	3	4	3	4
Effectiveness	4	2	4	4	4	3
Sustainability	2	2	5	4	5	3
Institutional efficiency	4	2	3	4	5	4
Cost-effectiveness	2	3	4	5	5	2

65 The figures are summaries of the different sub-criteria in the programme assessments..

15. Fulfilment of Broader Objectives

15.1 Private Sector Development strategy in South Africa

The 1998 NIS policy has been applied to a limited degree in South Africa. Norad's programs have contributed to promoting investment and encouraging Norwegian commerce and industry to invest in South Africa and, with limited success, establish long-term commercial relationships with South African companies. In addition, use has been made of the Norwegian knowledge base through the transfer of skills and technology, although this has been limited probably because South Africa has relatively well developed technology. Although South Africa is classified as a 'middle income' country, there is some evidence that Norad's programs have contributed to increased trade with Norway and within Africa. This is limited, however, and it is also difficult to attribute to Norad's programs only. There has been a generally strong focus on supporting SMEs and, with Norfund projects, support to the microfinance sector as well as enhancing corporate governance. Other criteria in the policy, however, have not been a focus, e.g. reducing export subsidies, improving national frameworks, reducing the marginalization of the poorest countries, etc.

15.2 Alignment with the 2009 Norwegian Development Policy.

Two main objectives have been identified by us in the new Policy of relevance for PSD. These are:

- *Natural resources management*, with an emphasis on good governance and sustainability. (Anti- corruption measures, a fair and transparent distribution of resources and income. Specific areas for assistance the petroleum sector, environment, hydropower and fisheries and how these are managed locally, nationally and internationally).
- *Equal rights, inclusion and economic justice.* (Focus is on the fair distribution of resources and equal rights for marginalised groups. Economic rights and access to resources and services within finance, technology, education, employment conditions and safety).

The current PSD portfolio of programs is not strongly aligned with above objectives. Although there is a strong focus on the oil and gas sector in the MMP, one ABS focussed on promoting organic agriculture and one Norad soft loan did have an impact on marine pollution, on the whole the South African portfolio is not focussed on natural resources management to any great degree.

With regard to the second objective, equal rights, inclusion and economic justice; this is a key development issue within the current South African context. However, Norad's PSD programs do not seek to address these issues, despite South Africa being one of the most unequal countries in the world and the reduction of inequalities is a key objective of the South African government. To accomplish this, there would need to be specific goals set, such as with Norfund's strategic requirement to build capacity of corporate governance, strategic and HSE in investee companies and then have a system that measures results and incentivises staff to achieve the objectives.

It would appear that the portfolio is more strongly driven by *ad hoc* market related opportunities rather than defined strategic objectives. However, this is not really surprising given the lack of a specific strategy for Norwegian PSD in South Africa and the decentralised and pluralistic approach to operating the PSD instruments and the resultant little or no coordination between programs.

15.3 Addressing binding constraints for PSD in South Africa

Below is our assessment of how well the Norwegian PSD portfolio has over the last 10 years addressed the identified binding constraints for business in South Africa.

Table 11: Assessing Norwegian PSD against 'binding constraints'

The Country Partnership Strategy for South Africa[66] of 2007 identified several binding constraints to economic growth and development:

Binding constraint	Portfolio assessment
Barriers to entry for small and medium-scale enterprises, lack of finance, limited access to land in good business locations, lack of skills	Not addressed on the whole
Exchange rate volatility	Not addressed
Labour regulations	Addressed in the NHO institutional support project
HIV/AIDS	Not specifically addressed. May have been addressed to some degree as part of other objectives
Reluctance by foreign firms to invest in 'Greenfields' projects because of crime, high labour costs and negative perceptions about the country	Not addressed

66 World Bank, 2007, Country Partnership Strategy for RSA, 2008 – 2012, 12 December 2007, Report No. 38156-ZA

16. Rethinking the Approach to Norwegian Private Sector Development (PSD)

Earlier in this report, reference was made the tension between two different philosophies about PSD: one that sees the purpose of PSD mainly in terms of its development impact and another that sees PSD in terms of more strictly commercial outcomes. This has clearly been a debate within Norad for some years and seems to reflect a range of ideas, sometimes at odds with one another, about how to place PSD within the framework of 'aid' to Africa. On the one hand, there are notions that aid should be associated with ideals of Christian charity and the tradition on 'solidarity' within Norwegian society. On the other hand, there are notions that PSD needs to operate on a profitable basis to be sustainable. Whilst the 'commercial/ sustainability' approach may be generally accepted amongst those who know and work in the aid industry and realise that charity can lead to dependency, this may not be the case in Norwegian society. Norwegians may not like the idea of using taxpayers' money for aid to Africa that is linked to profit, which may in turn have associations of 'exploitation' by a rich country like Norway of a continent that has some of the world's poorest countries.

One project in the South African portfolio raised an issue related to this. The Norwegian recipient of an ABS was disappointed with a perceived lack of expertise within Norad to provide practical and experienced guidance for operating and growing a business. The ABS recipient wanted guidance from Norad on how to transform the operations of the company and it was felt that this type of support should be an integral component of the ABS. Norad was apparently unable to provide such practical guidance, and the recipient felt that the Norad officer was more skilled in development issues than the business skills that the recipient needed. As a result, apparently much of the money was wasted because the intended effect could not be fully actualised. This is an interesting situation as it highlights the philosophical tension with regard to PSD highlighted earlier, and the extent to which private sector skilled staff are needed to run PSD Norad programs, as well as the type of philosophical approach needed to successfully carry out Norwegian PSD. This raises the question of what skills sets Norad staff require to carry out their responsibilities effectively, and also the philosophy on which Norad's organisational culture is based. This seems to be a useful issue to explore as it could lead to greater clarity about the principles of what economic development consists of and the role of PSD in development, and may help to redefine thinking around PSD and development and the kind of tools and skills needed to achieve objectives.

Annexes

Annex 1: Persons Met/Interviewed in South Africa

Norad
H. H. Thaulow, Senior Advisor, Norad

Royal Norwegian Embassy, Pretoria
Nesvåg Stein Inge, First Secretary,
Helge Stange, Counsellor

Mr. Tim I. B. Lund, Counsellor, Climate Change and Environment
Innovation Norway, South Africa
Bjørn Eriksen, Commercial Counsellor, Royal Norwegian Embassy
Beverley Lewis, Market Advisor
Ronelle Dinsmore, Former Regional Consultant and Market Advisor
Andre Kruger, Regional Consultant

World Bank
Mr. Bernard Drum, outgoing Lead Private Sector Development Specialist for South Africa

IFC, Pretoria
Pascaline Maseko, Partnership and Donor Relations, Private Enterprise Partnership for Africa

SIDA, Pretoria
Ulrika Hessling-Sjostrom, First Secretary, Economic Development, Embassy of Sweden,

DANIDA
Janne Laigaard Schneider, Chief Consultant, Business & Contracts Department, Danida,
Ministry of Foreign Affairs, Denmark

Johannesburg Chamber of Commerce and Industry
Keith Brebnor, CEO

Match Making Programme
Norwegian enterprises
Akvaforsk, Nick Robinson, Senior Research Scientist, Australia Office
Alurehab, Kjetil Gausel, Vice President

Årdal Stålindustri (changed to IMPEC), Knut Skaar, Marketing Director,
Boost, Øystein Skiri, MD
Botolfsen, Øystein Langerud, MD
Din Baker, Jørn Bertheussen, MD
Fugro Oceanor, Svein Hansen
Hifo Tech, Jens Christian Thysted (left the company)
Jebo, Kjell Oddvar Lervik, MD
Nemek, (now Qmatec Drilling AS), Oyestein Nestestog, MD
Norwegain Univerasl Tech, Severin Sivertsen, MD
Numerical Rocks, Ivar Erdal, MD
Olex, Ole Benjamin Hastvig, Project Leader
Oppland Stal, Kjetil Braaten, MD
Plastec (now called ScanWater), Trond Kostveit, CEO
Rakon, Ragnar Aarstein, MD
Sintef Petroleum, Kjell Arne Jacobsen, Technical Manager

South African enterprises
Aquacentre, Ronnie Trollip, MD
Avusa, Gregor Rohrig, Technical Manager
Cape Diving, Alan Thomas, CEO,
Chateau Gateaux, Ilan Lipschitz, MD
Chemapan, Victor Lopes, Owner
Duys Engineering, Mike Duys, MD
Glocell, Allesandro Mariola, CEO
Hydramarine, Mike Iles, Sales Director
Jeppison South Africa, Justin Hornby, Director
Macadams, Mike Hodgeson, MD
Novatek, Julian Wells, MD
Petro SA, Andrew Dipenaar, Technical Manager
Petro SA, Jody Frewin, Assistant to Technical Manager
Petro SA, David v der Spuy, Technical Manager
Scan Water South Africa, John French, CEO
Sitwell Technologies Pvt Ltd, Adam Bottomley, MD
Space Frames, Pepi Gaspari, MD

Application Based Support
Norwegian enterprises
Biowood, Runar Framnes
Debio AS, Harald Björn-Larson,
E-Solutions, Bjorn Ole Ellertsen, former Project Leader
Fugro Oceanor, Svein Hansen
Isandi, Kjersti Holter, Owner
Profitek, Wolfgang Mandler
TC Engineering Joint Venture AS, Olav Orre Terje Folgerö

South African enterprises
Bio Dynamics Organic Certification Authority, Tim Jackson, Project Co-ordinator
J&J Group, Jayendra Naidoo, Executive Chairman

Shwe Shwe Poppis, Sue Smirin, Project Co-ordinator
Ronel Jordaan Creations, Ronel Jordaan, Owner
Jay & Jayendra, Mr Jayendra, CEO

NHO Institutional Support
Agri SA, Mr Kobus Kleynhans, Former Director of General and Legal Affairs,
Agri SA, Elize van der Westhuizen, Human Resources Manager

Norad Soft Loans
Radio Heart to Heart 104.9 FM (formerly Radio P4), Gavin Meiring, Station Manager
Lignotech South Africa, Peter Morris, General Manager
Lignotech South Africa, Mark Antonie, Finance & Administration Manager
SAPPI SAICCOR (JV/ partner in Lignotech SA), Alan D Tubb, Managing Director

FK Norway (Fredeskorpset)
South African enterprises/organisations
Bio Dynamics Organic Certification Authority, Tim Jackson, Project Co-ordinator
Bloemwater, Thandi Ngantsi, Human Resources Manager
Fairview, Chris Davies, Operations Manager
Icarus Marine, Shawn de Villiers, Operations Manager
Midvaal Water, Mr Khan, CEO
National African Federated Chambers of Commerce and Industries in South Africa

Norfund
Deepak Malik, Investment Director, Head of Southern Africa Office
Vegard Halvorsen, Senior Investment Manager, Fund Specialist, Norfund
Aureos Capital, Ron den Besten, Managing Partner
Horizon Equity, Richard Flett, Managing Director
Horizon Equity, Greg Durst, Principal
Horizon Equity, Robert Horton, Principal

Norfund's Investee Companies
E+Co Africa, Gina Rodolico, Chief Operating Officer HQ New Jersey,
E+Co Africa, Afa'a Nkama, Investment officer, South Africa
Evolution One, Campbell W Barnes, Chief Investment Officer
Lincoln Lubrication SA, Graham Bates, Managing Director
Peresys, Derek Crous, Chief Technology Officer
Pulp United, David Lemmer, General Manager
Real People, Neil Grobbelaar, Joint Managing Director
SA Block, Carl Pfeffer, Managing Director
Sandbox Holdings, Paul Wooten, Managing Director

Annex 2: List of Documents Consulted

Arvantitis, A, Foreign Direct Investment in South Africa; Why has it been so low?

Barbara Henderson and Heston Philips, 2006, p. 15. "Adult mortality (age 15-64) based on death notification data in South Africa: 1997-2004. Statistics SA Report No. 03-09-05. Pretoria.

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Innovation Norway, Summary of Active Matches in South Africa: 2006-2009

Innovation Norway, Business Match Making Programme 2010-2012: The Business MMP Concept Outline

Kontrakt mellom Innovasjon Norge, Oslo og Direktoratet for utviklingshjelp vedrørende funksjonen som Nasjonalt Kontakt Punkt (NKP) for Norads MatchMaking Program (MMP) – Sør Afrika

Liv Tørres, Fafo, 2002, South Africa 2002: a business pillar for change, NHO

Norad (2009): *Retningslinjer for tilskudd til nærings- og handelssamarbeid.*

Norfund investment decision 25 May 2001 and 29 August 2007

Norplan (2003): *Review of Norad's Matchmaking Programs in Sri Lanka and South Africa*

Business Match Making Programme 2010-2012: The Business MMP Concept Outline.

Reserve Bank of South Africa, Quarterly Bulletin, September 2009

Tostensen, Arne, Norway's Africa Policy

World Bank, 2007, Country Partnership Strategy for RSA, 2008 – 2012, 12 December 2007, Report No. 38156-ZA

Annex 3: Detailed Summary Assessment of Projects and Programmes

Matchmaking Programme

Assessment criteria	Rating	Explanation
Inputs	X	Professional, effective service in screening profiles, conducting market analysis and finding suitable South African companies to match with the Norwegian companies. 80% grant to travel for visits to SA (and Norway)
Cost to Norwegian aid	X	About NOK 2.5 million annually (USD 0.4 million), and at NOK 30.1 million (USD 5 million) for the period 1997-2009.
Other inputs (leverage)	1	Company inputs (fee to participate; part-financing of travel); large subsidy element however.
Outputs	5	About 287 Norwegian SMEs participating in programme since 1997 (as of December 2009) for which profiles have been established.
Outcome	2	About 8% of the matchmakings result in sustained collaborations
Impacts		
Policy; regulations	0	No evidence of impact (and not attempted)
Sector Institutions	0	No evidence of impact
Enabling environment	0	No evidence of impact
FDI from Norway	1	It is likely that only a small share of Norwegian FDI in SA can be attributed to the MMP and ABS
FDI general	0	Not a target in the programme – no evidence of such effects
Trade Norway	1	Trade between the two countries has shown a generally upward trend over the last 10 years and the commercial links established by the MMP might to some extent have contributed to this.
Trade general and with other developing countries	1	Quite limited for Norwegian MMP companies, but a few SA partner companies have expanded into the region and the African continent.

Assessment criteria	Rating	Explanation
Financial systems and capital market	0	No evidence at systems level
Business organisations	0	No impact
Employment direct	2	The MMP might have created an estimated 500-600 new jobs altogether. This is a positive result, but very small for a 13 year period and marginal compared to the overall size of the South African labour market
Employment indirect	1	Limited and difficult to assess, but some indirect employment has almost certainly occurred as a result of the MMP.
Technology and know how transfer at company level	3	Evidence of this at enterprise level (e.g. engineering, web-based technologies, marine navigation tools and techniques, deep sea diving equipment, water procurement, corporate governance for oil and gas sector.) Effects must be assessed jointly with ABS.
Business sector development	1	Limited impact
South African competitiveness	0	Some evidence of increased ability to compete, e.g. ISO certification, but marginal at the macro level
Poverty impact		
Local/regional socio-economic conditions	1	Some Norwegian companies have opened offices in SA, but numbers are very small and all have been located in main urban centres.
Inclusion of marginalised groups	1	Limited. Some employment of rural based people.
Addressing regional imbalances	0	Very limited as most MMP and ABS activity is focussed on Johannesburg and Cape Town.
Macro effects	0	Programme too small to have any noticeable impact on poverty in South Africa.
Cross-cutting issues		
Environment	1	To some extent through ISO certification of some companies and through Innovation Norway's policy for Norwegian company engagement with SA companies. MMP does not have policy for screening on environmental issues in its application process.
Health and Safety, CSR	2	To some extent through ISO certification of some companies and through Innovation Norway's policy for Norwegian company engagement with SA companies, e.g. ISO training, requirements for imports into Norway, reduction of pollution
Labour conditions	2	No indication of child labour. Innovation Norway's policies cover this.

Assessment criteria	Rating	Explanation
Gender	1	Limited, especially as key sectors such as oil and gas and ICT/IT mostly employ men. Some trade activities employ women.
Sustainability	2	About 8% of matchmakings resulted in ongoing commercial cooperation. This is a low result; lower than the MMP in Sri Lanka (13%).
Additionality	4	Respondents in the sample said that many of the commercial links established would not have happened otherwise.
Institutional assessment		
Efficiency	5	The sub-contracting to Innovation Norway has created a professional and efficient operation to run the MMP. Costs per match and active match have decreased over recent years.
Results-measuring	4	Innovation Norway records visits, matches and MoUs in a Status Matrix which is updated regularly. Information requested was promptly delivered, indicating effective management information systems.
Quality assurance	4	Has been high in terms of contractual requirements, e.g. relationship with clients is strong, reports and records are done well, good management etc. However, limited follow up has impeded results of active matches.
Coordination with other Norwegian PSD programmes	3	Strong linkage with ABS and some with Fredskorpset Norway, but no coordination with Norfund
Exit strategy	3	MMP is a one-time input. 'Exit strategy' will be enhanced in the future through more follow up to support successful matches
Corruption risk	4	Main recipients are Norwegian companies; good financial control of funds by Innovation Norway and Norad. Some possible obstruction to MMP work by the South African Bureau of Standards, e.g. delays in ISO certification.
Programme effectiveness	5	The stated quantitative objectives (number. of profiles, matches and MoUs per annum) fully achieved, and mostly exceeded. The broad programme objectives in qualitative terms can only be assessed in combination with ABS.
Cost-effectiveness	2	Currently, cost of running the MMP since 1997 is NOK 30.1 million (USD 5 million). Cost per match is about NOK 0.19 million (USD 0.032 million), and per established sustained venture is about NOK 1.3 million (USD 0.22 million). This is high, given that on average there are fairly limited commercial values of cooperation and employment creation is limited.

Assessment criteria	Rating	Explanation
Relevance		
Coherence Norwegian policies	4	The MMP has mobilised a broad spectrum of Norwegian SME businesses in development in keeping with Norwegian PSD policy and in keeping with the equal partnership type of relationship the countries enjoy.
Coherence Government priorities	2	The MMP is relevant to the policies and priorities of the SA Government in that it promotes employment and investment. However, addressing inequalities and Black Economic Empowerment, key issues for the SA Government, are not addressed to any significant degree.
Addressing binding constrains	1	The MMP has addressed several binding constraints, although on a limited overall scale. However, in the overall context of South Africa this is very limited.
Importance for Norwegian business	2	Programme has contributed to Norwegian SME internationalisation in general and cooperation with South Africa specifically. However, commercial ties already well-established and MMP marginal in this context
Aid issues		
Untying of aid	0	Entirely Norwegian tied
Donor coordination	1	Minimal, although some contact with Danida, USAID, Finland.
Replicability and scaling up opportunities	4	Possible to replicate the MMP to other selected countries; possible for other donors to copy and with coordination between donors, economies of scale could be realised to the benefit of all.

Application Based Support

Assessment criteria	Rating	Explanation
Inputs	X	Re-active. No technical inputs except reviews of applications
Cost to Norwegian aid	X	Annually about NOK 5 million (USD 0.8 million). Figure is uncertain
Other inputs	2	All schemes are based on cost-sharing with firms, in most case 50%-50%
Outputs	3	About 40 unique projects ranging from NOK 0,16 million to NOK 2 million between 1999-2009. Most projects are for (pre-) feasibility studies and training.[67]
Outcome	2	Feasibility studies, training projects, joint ventures, marketing support. Dominance of the first two categories. Projects seemingly well carried out, and mostly achieved the stated objectives.
Impacts		See MMP
Poverty impact		See MMP

67 These figures are based on initial data provided by Norad/NUMI, but are uncertain due to later submissions. (See main text)

Assessment criteria	Rating	Explanation
Cross-cutting issues		See MMP
Sustainability	3	Three of the evaluated companies have ongoing relationships with SA partners, i.e. 40%.
Additionality	4	In the sample, ABS has had a high level of additionality, playing an important role in Norwegian company initiatives in SA.
Institutional assessment		
Efficiency	3	Overall reasonable administration (review of applications; decision making)
Results-measuring	1	No systematic, formalised follow up once grant paid out and report received. No assessment of results in terms of viability of cooperation, employment, or benefits.
Quality assurance	1	Strong focus on financial matters in appraisal. At least in one case in the sample, limited assessment of business skills. Program design and protocols for funding allocations appears to be weak in some areas.
Coordination with other Norwegian PSD programmes	3	Two ABS in the sample had had Fredskorpset exchanges and three were linked to the MMP.
Exit strategy	3	Support is designed to be given without any commitment to further support. However, support is often repeated.
Corruption risk	4	Probably low risk as recipients of funds are provided to Norwegian companies, and the audit procedures are well developed for grants given, including using standard costs (such as fees and per diems)
Programme effectiveness	2	Fair achievement of stated qualitative objectives. However, program design issues (see above) are having an impact on effectiveness.
Cost-effectiveness	3	Reasonable based on the fair rate of sustainability of supported companies and cost-sharing. Cost for administration not calculated by the Evaluation
Relevance		
Coherence Norwegian policies	4	Good – utilisation of Norwegian resource base
Coherence Government priorities	3	Good – FDI a government priority
Addressing binding constraints	2	To some extent. Limited
Importance for Norwegian business	4	Instrumental in encouraging SMEs to undertake business in South Africa in conjunction with the MMP

Assessment criteria	Rating	Explanation
Aid issues		
Untying of aid	0	None – entirely aimed at Norwegian enterprises
Donor coordination	0	No evidence of such coordination
Replicability and scaling up opportunities	3	Constraints to scale up probably lie in Norwegian SMEs' appetite for operations in developing countries. Possible to replicate by other donors

Norad Soft Loans which were Outstanding End of Year 2000

Assessment criteria	Rating	Explanation
Inputs	X	The opportunity cost for Norwegian Aid is 35% of the total loan. This equates to the grant element, as defined by OECD for concessionary credits. The actual cost for Norwegian Aid was zero as the loan was paid back in full with the applied interest.
Cost to Norwegian aid	X	Minimal cost. Loans paid back in full and on time.
Other inputs	5	Estimated leverage is very high 30/450. Equity investors at the start put in NOK 55.5 million (USD 9.4 million) of which NOK22.5 mill (USD 3.8 million) was from Norwegian partner, plus bank loans of NOK 99.5 million (USD 16.9 million). Total equity today approximately ZAR 250 million (USD 33.2 million) i.e. total investment by Norwegian partner ZAR 125 (, USD 16.6 million). Total investment up to 2009 amounts to ZAR 450 million (USD 59.3 million) of which ZAR 110 million (USD 14.6 million) in 1999, ZAR 320 million (USD 42.4 million) in 2002 and ZAR 50 million (USD 6.6 million) in 2009.
Outputs	4	Investments in 2 successful companies, one with good environmental and financial success impacts.
Outcome	4	Reduced marine pollution, enhanced job creation, tourism, export earnings. Also enabled LignoTech to leverage more loan support for expansion of operations. The environmental permit for the Sappi production was obtained.
Impacts		
Policy; regulations	0	No evidence; not attempted
Sector institutions	0	See above
Enabling environment	0	See above

Assessment criteria	Rating	Explanation
FDI from Norway	5	LignoTech is the largest Norwegian FDI in South Africa. Total investment by Norwegian partner in Lignotech is NOK 175 million taking into account an initial investment of NOK 22.5 million and increased equity through retained earnings and no dividends until 2009. Leverage ratio for the main loan is estimated at 30/450. Loans likely to have triggered access to additional capital. Radio P4 invested NOK 58 million in Radio P4 in SA
FDI general	0	None known
Trade Norway	0	Limited to training provision to LignoTech from Norad funding NOK 1.7 mill.
Trade general and with other developing countries	5	LignoTech exports are estimated to be NOK 265 million per annum, 90% of which is exported to Saudi Arabia, Malaysia, Dubai, Singapore and China.
Financial systems and capital market	0	No evidence of such impact (and not attempted)
Business organisations	0	No evidence
Employment direct	4	Over 400 jobs created (380 at LignoTech and 47 at Radio P4)
Employment indirect	3	About 1800 for LignoTech e.g. transport business domestically other freight services, plus an estimated 3-5 jobs from suppliers of Radio P4
Technology and know how transfer at company level	1	Low technology level. Knowledge not unique to Norwegian partner. Would have happened anyway.
Sector development	1	New technology introduced but not applicable to other pulp mills. Mainly because of chemical composition of raw materials (high grade of calcium v s high grade of magnesium in other mills). Some contribution to media sector through Radio P4.
South African competitiveness	3	New expanded production facility at LignoTech has seen the company become a world leader and major exporter
Poverty impact		
Local/regional socio-economic conditions	2	Through employment in KwaZulu Natal, and the provision of housing, schools and clinics as part of the Umkomaas operations.
Inclusion of marginalised groups	3	Black Economic Empowerment (BEE) program involves 30% of subcontractors and to previously disadvantaged groups. Employment generated in rural KwaZulu Natal (KZN) through LignoTech and subcontractors.

Assessment criteria	Rating	Explanation
Addressing regional imbalances	2	LignoTech's production facility is located outside of the two main hubs: Johannesburg and Cape Town and contributes to development of KZN
Macro effects	1	Limited in the overall context, but contribution through being a key exporter earner
Cross-cutting issues		
Environment	4	Reduced marine pollution significantly. Best practices at Lignotech
Health and Safety	4	Part of Lignotech training. Have a 'Zero Harm' program in place. HIV program in place
Labour conditions	4	LignoTech assessed and found to have good practices. Social responsibility shown. The labour union United Pulp and Papers Workers Union is well established at the factory and recognized by the management as a counter part. In the loan agreement with Norad it is stated that ILO conventions must be applied all permanent and contract staff.
Gender	0	No specific policies in place
Sustainability	4	Both loan recipients are thriving
Additionality	2	The choice of LignoTech's Norwegian partner was based on the marketing capability of the produce and good communication between the partners as well as the technology used by the Norwegian partner. The local partner had been in discussion with other international partners prior to deciding the J/V with Norwegian partner, so a link with an international partner would have happened anyway. More additionality in the case of Radio P4.
Institutional assessment[68]		
Efficiency	3	Selection process and financial monitoring of loans done well; both loans evaluated were successful. However, follow up was weak. Generally reasonable efficiency through the objectives being met with low input
Results-measuring	2	No visit or follow up from Norad/Norfund except for the loans agreement. Training reports delivered, but not submitted as part of the basis for evaluation by Norfund. Financial monitoring efficient by lenders but not on any other issues, e.g. labour, environment. No specific environmental targets were set for the project as part of the loan agreement. No reviews or evaluations were done before the start.
Quality assurance	3	As loans were serviced on time it is assumed that reasonable quality assurance in systems and processes was in place.

68 The assessment concerns Norad's administration of the programme

Coordination with other Norwegian PSD programmes	2	To some extent, re: training support financed by Norad NOK 1.7 mill
Exit strategy	5	Already exited. Operations continue and increase.
Corruption sensitivity	5	Well managed, open books, good corporate governance. High willingness to share information., financial external audit, mainly private clients
Programme effectiveness	3	Full achievement for the loans. Objectives fulfilled, plant producing 50,000 of lignin at outset, today capacity has trebled, increased foreign currency income for SA, environmental improvement. In the case of Radio P4, increased listenership base
Cost-effectiveness	4	Both loans were at minimal cost to Norwegian aid, and the value of the impact, particularly in the case of LignoTech South Africa, was good in terms of reducing pollution, jobs, export earnings, etc
Relevance		
Coherence Norwegian policies	4	Yes in terms of promoting investment in developing countries, south-south trade, trade with developing countries, support for SMEs (Radio P4), utilising the Norwegian knowledge base.
Coherence Government priorities	3	Yes, through increased export earnings, FDI, employment creation, focus on Natal region
Addressing binding constrains	0	Limited or none
Importance for Norwegian business	3	New large supply, additional markets and substantial development of the Norwegian partner's international trade. Important part of Borregaards international strategy
Aid issues		
Untying of aid	1	Norwegian company's participation requirement at outset, no requirements of purchase of Norwegian produced equipment
Donor coordination	0	No evidence of such coordination.
Replicability and scaling up opportunities	4	Can be replicated in the right market at the right time. Current downturn affecting immediate scaling up for LignoTech.

Norad Institutional Support

Assessment criteria	Rating	Explanation
Inputs	X	ZAR 7mill (USD 0.93 million) went into project over 5 yrs. Dept of Labour gave ZAR 100,000 (USD 0.01 million). Time and administrative costs

Assessment criteria	Rating	Explanation
Cost to Norwegian aid	X	ZAR 6,092,074 (approx USD 1.4 million)
Other inputs	4	SA Department of Labour gave ZAR 100,000 (USD 0.01 million) for training, ILO in SA gave ZAR 250,000 (USD 0.33 million) for training material development, beneficiaries themselves paid ZAR 50 (USD 7) per training session. Agri SA's provincial affiliates also contributed. Support from Business Unity South Africa (BUSA)
Outputs	5	The initial target to reach 12,000 participants was exceeded by 107% with 24,861 being trained. TV programme 'Agri Forum' focussed on labour management, a radio program was produced as well as print media materials.
Outcome	4	Child labour on farms decreased from 220,000 in 1995 to 19,000 in 2003. 250,000 radio listeners were reached through an agricultural program, 65,000 readers through printed and electronic media, better understanding of labour laws, better understanding by farm works of their rights, enhanced labour standards and practices. Farmers began to take responsibility for labour relations.
Impacts		
Policy; regulations	4	Agri SA has acted as a policy influencer in respect of labour laws and child labour prevention
Sector institutions	3	Has influenced the above policies in the sector
Enabling environment	1	To some extent through the improvement of labour conditions and greater understanding of labour laws
FDI from Norway	0	N/A
FDI general	0	N/A
Trade Norway	0	N/A
Trade general and with other developing countries	1	Possibly to some limited extent through increased productivity as a result of better farmer/farm worker relationships
Financial systems and capital market	0	N/A
Business organisations	3	The project has had a positive impact on Agri SA's institutional capacity regarding labour laws
Employment direct	1	To a limited degree through the employment of training designers, trainers, venue hire, etc
Employment indirect	0	None known

Assessment criteria	Rating	Explanation
Technology and know how transfer at company level	4	Greatly improved understanding of labour laws amongst the SA farming community
Sector development	1	To some extent as affected by labour law application
South African competitiveness	1	To some extent through improved productivity on farms
Poverty impact		
Local/regional socio-economic conditions	1	To a limited degree through any improved farm productivity
Inclusion of marginalised groups	2	Farmer workers and emerging black commercial farmers comprised only 15% of those trained. The bulk of those trained were white farmers (85%). The black dominated National African Farmers Union (NAFU) and the SA Agriculture, Plantation and Allied Workers Union (SAAPAWU) both declined to participate in the program. HIV awareness was part of the training
Addressing regional imbalances	4	The training was held across the country
Macro effects	1	Limited, except through perhaps increased farm productivity
Cross-cutting issues		
Environment	1	To some extent through HSE training
Health and Safety	4	Through the training's specific focus on occupational health and safety on farms
Labour conditions	5	This was the main focus of the project
Gender	N/A	Not known
Sustainability	4	Agri SA has a Labour Committee and its 2008 Annual Report has articles on child labour, HSE, and labour conditions, indicating that these remain active issues of focus
Additionality	4	Norad/NHO played a key role in making the project happen
Institutional assessment		
Efficiency	4	Agri SA reported a good working relationship with NHO.
Results-measuring	4	Results were measured by numbers of training sessions delivered and numbers of people trained, and through audits of accounts. Also through indicators such as reduction of numbers of disputes, decline in accidents and disease, decline in child labour, higher productivity. In addition, half yearly reports were submitted

Assessment criteria	Rating	Explanation
Quality assurance	3	Regular reports submitted. Training Needs Analysis was conducted and the results incorporated into the design of the training materials and delivery methods.
Coordination with other Norwegian PSD programmes	0	None evident
Exit strategy	1	No specific exit strategy articulated, but training and capacity building have become imbedded into the institution
Corruption sensitivity	5	Reporting and accounting appear to have been done according to plan and expectations.
Programme effectiveness	4	Results achieved and exceeded. The main gap is that few black people benefited from the training.
Cost-effectiveness	5	At ZAR 245 (USD 33) per participant, this represents excellent cost effectiveness
Relevance		
Coherence Norwegian policies	2	The program did contribute to a positive impact through improvement of national framework conditions for farm labour
Coherence Government priorities	2	To some extent through institutional development and improving productivity. However, the limited number of black people involved is inconsistent with SA Government priorities to involve the marginalized
Addressing binding constrains	0	Not specifically addressed
Importance for Norwegian business	0	No importance
Aid issues		
Untying of aid	5	Fully untied; no use of Norwegian resources
Donor coordination	3	There was good coordination between Norad, NHO, International Labour Organisation, International Organisation of Employers and the SA Department of Labour, Business Unity South Africa BUSA
Replicability and scaling up opportunities	5	Could be easily scaled up and replicated with the required resources.

Aureos Southern Africa fund in South Africa

Assessment criteria	Rating	Explanation
Inputs	X	Commitment of USD 15 million from Norfund of which USD 9.5 million is disbursed
Cost to Norwegian aid	X	If the fund(s) live up to expectations there will be minimal cost to the aid budget, but a net return. The fund is showing an annualized notional return of 22% which indicates it should give a good return
Other inputs	5	The funds are co-financing with CDC, Nordic Development Fund, CIFA EIB, IFC. The total size of the fund is USD 50 million.
Outputs	4	Six investments in South Africa; four in other Southern African countries. One South African investment has been liquidated at a loss. High levels of employment, increased ability to attract funds.
Outcome	4	All the companies are profitable; one has been liquidated. Some development outcomes achieved, e.g. financial services offered to the unbanked
Impacts		
Policy regulations	0	No evidence of any impact at this level
Sector Institutions	0	No evidence
Enabling environment	1	Possibly; improved venture capital market
FDI from Norway	2	Norfund's contribution, about USD 9.5 million, and additional USD 2 million committed
FDI general	4	The fund sourced additional funds amounting to about USD 37.5 million from other international DFIs. Norfund with CDC were considered instrumental in mobilising this capital. Aureos has been active. In addition Aureos has attracted FDI for Real People to the amount of ZAR 1.2 bill. (USD 0.16 bill)
Trade Norway	0	No evidence of any such trade
Trade general and with other developing countries	3	Considerable impact is likely; Some companies invested in are export-oriented SA-Block, Real People and Sandbox.
Financial systems and capital market	2	The advanced capital market in South Africa makes Aureos´ investment marginal, Real People has had an impact on the credit market
Business organisations	1	Aureos is an active member of the South African Venture Capital Association
Employment direct	4	Approx 3,500 in investee companies. Difficult to attribute to Norfund as it is a co-investor with others. In addition, other factors may contribute to results.

Assessment criteria	Rating	Explanation
Employment indirect	3	An estimate of 5,000-10,000. Difficult to attribute to Norfund as it is a co-investor with others. In addition, other factors may contribute to results.
Technology and know how transfer at company level	3	Improved corporate governance is a stated Norfund objective for Aureos and strategic organisational development. This has been achieved in all of the invested companies according to our interviews. Little Norwegian transfer of technology at SA Block; they have developed their own technology.
Sector development	1	Unknown – companies specialised and significant ripple effects could possibly take part in Real People Investment Holdings
South African competitiveness	1	Support to companies which play roles in export markets. Real People's concept of providing financial services regionally is noted. However, in macro terms marginal impact
Poverty impact		
Local/regional socio-economic conditions	2	Indirect through Real People
Inclusion of marginalised groups	3	Indirect through Real People (credits to the "unbankable") and SA Block (low cost housing)
Addressing regional imbalances	1	Although no consideration taken, Real People has, however, presence in all regions
Macro effects	0	Marginal due to scale
Cross-cutting issues		
Environment	3	Assessed in SA Block with a positive outcome, but other companies not assessed. Reward systems do not provide incentives for fund managers to perform on development and cross cutting issues.
Health and Safety, CSR	3	Aureos has explicit policy, Aureos Sustainability Index; positive on companies visited. Highly promoted. Some investees had no existing HSE policy prior to investment. There is an environmental management plan for SA Block and regular inspections and all employees at SA Block are given training. However, enforcement is lacking on environmental restrictions.
Labour conditions	NA	No assessment done at company level by evaluation team.
Gender	2	Mixed, based on company profiles, approximately 40% women employees
Sustainability	4	All current and assessed investments are profitable companies, except for Tofo which closed down

Assessment criteria	Rating	Explanation
Additionality	3	Some Aureos companies probably had alternatives for funding on the local market; additionally is proven in governance, strategy and organisational development and capital market development in South Africa as described above. Norfund has also mobilised DFIs for investees companies.
Institutional assessment (implementing agency)		
Efficiency	5	Aureos is a professionally operated fund management company. High degree of efficiency through the objectives being m et with low input.
Results-measuring	4	Aureos has close monitoring and in addition independent annual audit on investees. There does not appear to have been any evaluations done since 2003 of Norfund investments.
Quality assurance	3	Aureos has close monitoring system, but not from third party
Coordination with other Norwegian PSD programmes	0	No such coordination evident in Aureos, no links shown to MMP programme or other Norad programs
Exit strategy	5	Norfund/Aureos have explicit exit strategies for investments which looks favourable with most of investees
Corruption sensitivity	4	Official company auditing, limited exposure to government contracts of investees
Programme effectiveness	3	Fair for risk capital at company level; higher for fund capital, high for governance
Cost-effectiveness	5	Likely to be very good as development goals achieved at minimal cost and expect to exit profitably.
Relevance		
Coherence Norwegian policies	3	Aureos promotes investment in developing countries such as South Africa, and has a focus on SME development.
Coherence Government priorities	4	FDI and BEE
Addressing binding constrains	3	FDI
Importance Norwegian business	0	Negligible, no Norwegian business involved.

Assessment criteria	Rating	Explanation
Aid issues		
Untied aid	5	No tying of the Aureos funds to Norwegian investors
Donor coordination	3	Joint operations with other DFIs, but not with donors as not needed
Replicability and scaling up opportunities	4	Norfund strategy for building competence in its JV with Aureos, allowing strong replicability and scaling up in the Africa region. The question is where this can be done where it is not already covered by private or DFI funding?

Horizon Equity Partners in South Africa

Assessment criteria	Rating	Explanation
Inputs	X	Commitments of Norfund of ZAR 76 million (, USD 10 million) in two funds, covering mainly South Africa. To date approximately ZAR 35 million (USD 4.5 million) has been invested. Horizon Fund III recently started
Cost to Norwegian aid	X	If the fund(s) live up to the expectations there is minimal cost to the aid budget, but a net return. TechVentures has today NAV 3.8 times the original value indicating it should give a good return
Other inputs	5	The funds are co-financed with CDC, Finnfund, IFC and other international DFIs plus a number of African commercial investors, including insurers and fund-of-funds. Total ZAR 561 million (USD 75 million), of which ZAR 117 million (USD 15.6 million) is in Tech Ventures and ZAR 534 million (USD 71 million) in Horizon Equity Partners.
Outputs	4	Nine direct investments in South Africa (plus one indirect investment); of which three have been exited with profit, one exited with a loss, one partially exited with profit.
Outcome	4	Seven out of nine companies are profitable
Impacts		
Policy; regulations	0	No evidence of any impact at this level
Sector Institutions	0	See above
Enabling environment	1	Possibly; improved venture capital market
FDI from Norway	2	The Norfund part, about NOK 76 million

Assessment criteria	Rating	Explanation
FDI general	4	Horizon Equity Partners sourced additional funds amounting to about ZAR 117 million plus ZAR 561 million (USD 15.6 million plus NOK 440 million, USD 75 million) from the other DFIs and private South African capital. Norfund, with local a Industrial Development Corporation (a South African Government finance institution) and UK CDC, were considered instrumental in mobilising this capital, i.e. without their lead no funds would have been established for the TechVenture fund
Trade Norway	0	No evidence of any such
Trade general and with other developing countries	3	Considerable impact is likely; Several companies invested in are export-oriented.
Financial systems and capital market	2	The relatively advanced capital market in South Africa makes Horizon Equity Partners' investment marginal on a macro scale. It can be argued that going into pre-profit (or weak profit-history) companies and proving them a success can develop the venture capital market
Business organisations	1	Horizon Equity Partners was a founding member of South African Venture Capital Association
Employment direct	3	Total over 2,000 jobs in the companies over the period. In Sept 2009 the figures were 1267 in Horizon Equity Partners III and 105 jobs in TechVentures in Sep 2009, and at the peak of the fund there were 800 employees. However, the role of the fund difficult to assess
Employment indirect	N/A	Unknown
Technology and know how transfer at company level	3	Improved corporate governance is a stated Norfund objective for Horizon Equity Partners, as is contributing to strategy and organisational development and management incentivisation schemes. This has been achieved in all of the invested companies according to interviews.
Sector development	1	Unknown – companies specialised and significant ripple effects could possibly take part in the TechVenture fund investees e.g. Lodox, Kanderlane (ATM fees).
South African competitiveness	2	Support to companies which play roles on export markets. Prism introduced first mass market mobile e-commerce service in the world used in SA and Philippines
Poverty impact		
Local/regional socio-economic conditions	1	Limited no special regional focus save for @Source (Agri-business) some positive BEE effects
Inclusion of marginalised groups	2	Likely to be very limited due to company profiles save for @ Source, Kanderlane's cheap ATM systems has benefited low income earners

Assessment criteria	Rating	Explanation
Addressing regional imbalances	1	No consideration taken; most investments in Gauteng and Western Cape
Macro effects	0	Marginal due to scale
Cross-cutting issues:		
Environment	N/A	Not assessed; marginal impact due to nature of business. Reward systems do not provide incentives for fund manager s to perform on development and cross cutting issues.
Health and Safety, CSR	3	Horizon Equity Partners has explicit policy; assessment done by fund at investment stage
Labour conditions	NA	No assessment done by evaluation team at company level
Gender	3	Mixed, based on company profiles approximately 50% women employees in investee companies
Sustainability	4	Seven out of nine companies are profitable. One not yet exited. Investee mix is important. Fund as a whole is profitable.
Additionality	3	Some Horizon Equity Partners companies probably had alternative for funding on the local market; additionally is proven in governance, 'hands on' commercial expertise and capital market development in South Africa i.e. pre-profit investments
Institutional assessment (implementing agency)		
Efficiency	5	Horizon Equity Partners is a professional fund management company. High degree of efficiency through the objectives being met with low input.
Results-measuring	3	Horizon Equity Partners has close monitoring in addition to independent annual audit of investee company. There does not appear to have been any evaluations done since 2003 of Norfund investments.
Quality assurance	2	Horizon Equity Partners' close monitoring but not from third party
Coordination with other Norwegian PSD programmes	0	No such coordination evident in Horizon Equity Partners, no links shown to MMP programme
Exit strategy	5	Norfund/Horizon Equity Partners has explicit exit strategies for investments which has proven successful in four exits
Corruption sensitivity	4	Independent company auditing, limited exposure to government contracts of investees
Programme effectiveness	3	Low for risk capital at company level; higher for fund capital, high for improving governance in investee companies and funds

Assessment criteria	Rating	Explanation
Cost-effectiveness	5	Likely to be very good as development goals achieved at no cost and expect to exit profitably.
Relevance		
Coherence Norwegian policies	3	Norfund is an essential window for Norwegian aid and policy as it promotes investment in developing countries and has a focus on SME support
Coherence Government priorities	3	FDI, employment creation and power priorities
Addressing binding constrains	3	FDI and through filling the gap in poorly developed venture capital markets
Importance Norwegian business	0	Negligible, not focused on when investment decisions are made
Aid issues		
Untied aid	5	No tying of the Horizon Equity Partners funds to Norwegian investors
Donor coordination	2	Joint operations with other DFIs, but not with donors as not needed
Replicability and scaling up opportunities	4	Norfund strategy for building competence in its JV with Horizon Equity Partners, allowing strong replicability and scaling up in the Africa region. The question is where can this be done where it is not already covered by private or DFI funding?

FK Norway's Business Related Support

Assessment criteria	Rating	Explanation
Inputs	X	Travel, accommodation and administration of personnel exchanges between organisations
Cost to Norwegian aid	X	In the six South African exchanges, the cost is about NOK 8.1 million 2004-2009
Other inputs	1	100% cost coverage by FK Norway (except in some cases toping up of salaries)
Outputs	2	Visits by +15 persons for periods of over one year to partner organisations
Outcome	3	Enhanced institutional capacity and personal experience. Increased employee employability, promotions, staff confidence, increased motivation, increased interest by other employees in the program, staff leadership capacity enhanced.

Assessment criteria	Rating	Explanation
Impacts		
Policy; regulations	0	None
Sector Institutions	0	None
Enabling environment	0	No evidence
FDI from Norway	0	Not an objective, no impact
FDI general	0	No evidence
Trade Norway	0	No evidence
Trade general and with other developing countries	1	Some enhanced tourism capability was a component in one exchange
Financial systems and capital market	0	None
Business organisations	1	NAFCOC had the potential, but because of internal strife the benefits have probably not been reaped.
Employment direct	0	No such evidence
Employment indirect	NA	Not an objective
Technology and know how transfer at company level	3	Main objective and clearly achieved
Sector development	2	Yes to some extent on the water sector through Bloemwater exchanges, and in the organic certification sector through BDOCA.
South African competitiveness	1	To a limited degree through organic certification by BDOCA of export produce and to some extent through Fairview's enhance tourism capacity in cheese and wine
Poverty impact		
Local/regional socio-economic conditions	2	To some degree through the provision of better water resources by Bloemwater and enhanced employment creation and food production effects of BDOCA's work
Inclusion of marginalised groups	2	Rural dwellers would benefit from improved water services by Bloemwater, and food production capacity enhanced by BDOCA's training of rural farmers
Addressing regional imbalances	2	See previous two comments

Assessment criteria	**Rating**	**Explanation**
Macro effects	0	Unlikely
Cross-cutting issues		
Environment	2	Through BDOCA's work which specifically focuses on improving the environmental conditions for crop production.
Health and Safety, CSR	2	The exchange with Midvaal Water had a component of corporate governance enhancement, and the Bloemwater exchanges had a component of engineering safety
Labour conditions	NA	No evidence
Gender	2	It appears that about 50% of exchanges are women, although women sometimes find going on exchanges more difficult due to traditional family relationships
Sustainability	4	All except one exchange has maintained ongoing relationships with their partners
Additionality	4	High degree of additionality as most exchanges would not have taken place
Institutional assessment		
Efficiency	4	FK Norway is a smoothly operating organisation with streamlined procedures and a standardised 'product'
Results-measuring	4	Thorough systems in place through reporting at organisational level, e.g. quarterly reports and post-exchange reports
Quality assurance	4	Collaboration agreements detail what is to be done, objectives, and discussed in detail prior to exchanges. This ensures that the exchanges are well prepared.
Coordination with other Norwegian PSD programmes	1	One FK exchange had previous ABS
Exit strategy	3	Exit after maximum 5 rounds
Corruption risk	4	Good systems for auditing in place
Programme effectiveness	4	Projects achieved the qualitatively stated objectives
Cost-effectiveness	2	Reasonable
Relevance		
Coherence Norwegian policies	3	As FK Norway is made into a separate window for Norwegian development assistance with a stated objective, the organisation's work is relevant. It promotes the use of the Norwegian knowledge base
Coherence Government priorities	0	Not an explicit policy

Assessment criteria	Rating	Explanation
Addressing binding constrains	1	Only indirectly by supporting a foreign investment and micro credit issues
Relevance for Norwegian business	3	To some degree – four out of six projects supported Norwegian businesses in various ways
Aid issues		
Untying of aid	1	Limited - four of six projects linked to Norwegian interests
Donor coordination	0	Not evident
Replicability and scaling up opportunities	3	There is nothing to prevent a considerably larger exchange programme both in North-South and South-South

Annex 4: Terms of Reference for the Evaluation

1 Purpose

There have been a number of reviews, studies and also appraisals of different elements of the Norwegian assistance to business sector developments during the last 10-15 years, but no evaluation of the results, the performance and interplay of the main actors or the different policy instruments. This evaluation has therefore three purposes;

- to document and assess past results and performance,
- to analyze the potential for improving Norwegian assistance in the future and preconditions for successful assistance in former and new partner countries, and
- to give recommendations on future policy and guidelines.

The main purposes are to:
- Provide information about the results of Norwegian business sector assistance both at the *project/programme level* and at the *policy instrument level, and assess the performance of the main actors involved and their interactions as perceived also by the users.*
- Outline *lessons* that can be used in design and implementation of future result-oriented programmes and projects in partner countries.

The main users of the evaluation results will be the Norwegian policy makers in the Ministry of Foreign Affairs (MFA) and the eight other public institutions[69] that are involved in developing and implementing business related assistance. The reports will also be useful to partner countries and other stakeholders, including non-governmental organizations (NGOs), private companies and consultants in Norway and their counterparts in the South. The findings should also be of value for different beneficiaries including individuals, households, communities, and relevant local and national Business Sector actors that benefit directly or indirectly from the interventions.

The first results should be ready early autumn 2009 and the final report delivered in spring 2010.

69 The active public institutions include Ministry of Foreign Affairs (MFA), Ministry of Trade and Industry, the Norwegian embassies, the Norwegian Agency for Development Cooperation (Norad), the Norwegian Investment Fund for Developing Countries (Norfund) and its Information Office for Private Sector Development, Innovation Norway, GIEK (the Norwegian Export Credit Agency) and FK Norway (Fredskorpset.

2 Background

The first formal guidelines for implementation of Norwegian assistance to private businesses who wanted to invest i the South were formulated by Norad in 1978-79[70]. Later these guidelines were supplemented by a Private Sector Development (NIS) [71] strategy document published by Ministry of Foreign Affairs in 1999. The main focus of this strategy document is on bilateral assistance at national level. Since the publishing of the strategy more than 5.5 billion NOK has been used on direct and indirect business assistance worldwide. Nearly 50% of this assistance has been channeled through the Norwegian Investment Fund for Developing Countries (Norfund). In addition nearly 700 other institutions, companies and persons have been partners directly in disbursement of assistance. This is in addition to the nine main public institutions in Norway that have been involved in the administration of the assistance. Altogether, Norway has since 1978-79 assisted a number of projects in more than 80 countries.

Norwegian assistance and trade with partner countries in the south has been a subject of public debate at various occasions. A report delivered in 2008 by a public committee established by the Ministry of Foreign Affairs (MFA) examined Norwegian investments and trade as two of its main themes. The report documented differing view-points among the policy makers and stakeholders concerning the analysis of the current situation, as well as on the way forward[72]. A key recommendation of the report was the development of a Fund for investments in the South, with 10 billion NOK as the starting capital. The last budget Proposition to the Storting (No. 1 2008-2009) emphasizes an increase in level of Norwegian investments in partner countries in the South, and especially in the Low Income Countries south of Sahara. The new white paper presented in February 2009 argues also for the need for strategic public partnership with private business sector, to leverage private investments. The conditions for private investments will, however, vary substantially among partner countries, and Norwegian policy will be adapted accordingly.

3 The Evaluation Process, Involvement of Stakeholders and Confidentiality

The evaluation will be conducted in three phases:

- the preparation phase, including dialog on Terms of Reference (ToR), an international tender process and contracting of a team of independent consultants,
- the implementation phase when the evaluation team conducts the evaluation according to ToR, with the production of an inception report clarifying the work plan, a draft final report and the final report
- the follow-up phase, disseminating and discussing the findings with the stakeholders and giving advice to the Ministry for Foreign Affairs on policy change and how management should respond.

The planning and organizing is undertaken by Norad's evaluation department (EVAL). Consultations with relevant Norwegian institutions and other stakeholders will ensure relevance of the Terms of Reference (ToR), the tender process and

70 However, prior to this The Norwegian Parliament already in 1963 had approved a number of measures related assistance to business sector development in developing countries.
71 Næringsutvikling i sør (MFA 1999) or Business development in the south
72 NOU 2008:14. Samstemt for utvikling

criteria for selecting the evaluation team. Stakeholders will be invited to give their comments before the inception report is approved.

The draft final report will be sent by EVAL to partner countries representatives, the involved Norwegian embassies and other involved stakeholders, giving them the opportunity to comment on the findings, conclusions, recommendations and lessons learned which are presented in the draft report. DACs quality standard for evaluations require that the final evaluation report reflects and assess such comments, and acknowledge any substantive disagreements. The stakeholders will also be invited to participate during the follow-up phase in discussions about the conclusions and recommendations in the final report.

An evaluation team, independent of the stakeholders and EVAL, will be selected after an international tender process and is responsible for the findings, assessments, conclusions and recommendations in their reports. EVAL has the professional responsibility for the evaluation process and choice of consultants. EVAL is also responsible for its independent advice to the Norwegian Minister for international development on policy change and management response.

Confidential information about individual business enterprises will NOT be disclosed in draft and final reports or in other recognisable ways. To secure strict confidentiality sensitive information about enterprises will be published only on aggregate level combining statistical data or other forms of information for no less than 3 different enterprises. The design of this evaluation is therefore based on choosing at least 3 enterprises of the same type for analytical purposes which makes it possible to protect business-information.

4 Objective and Scope

The main objective of the analysis is to evaluate the results on output, outcome and impact level of the Norwegian assistance to the Business sector in the partner countries, both managed directly through Norwegian channels and by different partners abroad.

The focus will be on the on following two objectives;

1. Document and assess to what extent Norwegian and partners assistance to Business Sector at **project level** has produced:
   - The anticipated or planned results for the partner countries, institutions, businesses, local communities and/or households,
   - Identify unplanned positive or negative results for the involved stakeholders,
   - Identify reasons for why interventions have been successful or not.
2. Document and assess the main Norwegian policy instruments used after the Private Sector Development (NIS) of 1999 was established according to DACs usual criteria, with emphasis on assessments of:
   - the planning, designing, implementation and the follow-up phase of assistance used normally by Norwegian assistance agencies, but also requirements by the application based activities of Norad and investment initiatives managed by Norfund and partners.
   - the cost-effectiveness of selected key policy instruments

Business sector development is often a term which includes private sector enterprises and those public sector enterprises that operate under market conditions. This evaluation will cover private enterprises, Norwegian public enterprises or institutions who are involved in businesses in the South and public/private institutions in partner countries that assist or regulate activities in the private sector. The Norwegian assistance includes both donations and investments based on commercial terms after negotiations which have to be assessed accordingly. The evaluation will not cover mixed credit instruments.

The focus is on *direct assistance* in the form of investments in enterprises, improvements in frameworks and the building of public institutions that assist development and regulations of private sector. *Indirect assistance* will also be covered through a few selected examples from prioritized sector elements as infrastructure projects related to energy, telecommunication and finance, but also from management of renewable resources and travel/tourism[73].

The evaluation is limited to assistance at bilateral level and covers only interventions where Norway alone or in cooperation with other donors have planned or implemented interventions, pooled assistance included. Assistance through multilateral organizations is not included.

The projects assessed in this evaluation shall cover both the support provided directly by MFA, the embassies, Norad, Innovation Norway and Fredskorpset, but also the investments of the Norwegian Investment Fund for Developing Countries (NORFUND), including Norfunds investments through funds managed by Aureos Capital and their regional/local partners in the South. A few projects organised by NHO and a key NGO will also be included.

The scope of the evaluation shall cover the assistance following the adoption of the Norwegian action plan for private sector development in 1999. However, to capture the long term impacts of assistance, the evaluation shall also include a sample of projects started before or during 1990-1999. The reason for this broader time frame is that results of Norwegian input most often will manifest itself long after the assistance takes place, meaning there is a considerable time-lag between input and results. It is therefore important that the evaluation not only covers projects and programmes that have been implemented more recently.

This scoping is based on a preliminary statistical study of the main elements of Norwegian business related assistance which clarifies the evaluation object in general, and a “background paper” that refers to the main “programme theories” behind earlier policies and strategies, in addition to some of the knowledge base documented internationally. Appendix A-5 includes the background paper and some key statistical information.

73 These sector elements have priority in the very recent white paper to the Norwegian Parliament (Stortingsmelding nr. 13: 2008-2009)

5 The Evaluation Questions

Assessments of Results

i. What have been the results at local, national and regional levels of Norwegian project assistance for the partner country, its business sector, institutions, enterprises, and when applicable to local communities and households?

Results here refer to direct or indirect, positive or negative, intended or unintended **changes** in legal or regulatory frameworks for the business sector, institutional competence and capacity development, creation of employment and income (including tax revenues, export earnings, import savings and incomes among households), creation of local business opportunities and infrastructure, changes in enterprise profitability, corporate governance and labor working conditions, transfer of technology, know how and also standards (administrative, economical or social). Of particular relevance is a documentation of the distribution impacts of these changes across stakeholders and beneficiaries. The impacts on women, particular in terms of work and income, should be identified and assessed. Similarly effects on the environment should be taken in to account, when relevant and possible.

ii. Provide an assessment of the project level results, and outline the reasons for success or failures.

The assessments shall be based on well defined objective indicators that are common for the comparable interventions. The result indicators used for assessments and comparisons shall be common for different types of businesses, as between small and large businesses or institutions. If they differ, for example because of different guidelines for Norwegian donations and commercial investments, or different contexts and regulatory frameworks in partner countries, that should be explained in the final report. Assistance that has been influenced by internal conflicts or war should especially be identified and such contextual challenges clarified.

The assessments shall identify the result chains for long-term effects. When relevant the assessment of the assistance to individual companies should cover the full period from the grants for pre-studies to possible investments and business operations, and in particular identify the risk management strategies used in the different stages of the project[74].

Changes that take place over time is often be related to other external factors than conflicts/war. The evaluation team shall analyze how these external factors or processes have influenced the results. Included herein are the changes in partner countries' policies and institutional arrangements, privatization policies, interventions by other Donors, changes in the market conditions, and access to inputs such as energy and credit.

The evaluation shall identify how the performance and interactions of the different Norwegian public institutions and their partners in the value chain, including private

74 Assistance to enterprises may start after the planning process and be based on "un-normal" risk criteria as the enterprises have to assess the whole risks themselves.

commercial and not-for-profit organizations, have influenced the results. The perception among private sector users of the services delivered by different public actors should be a key indicator. In addition, the evaluation shall assess the quality and effectiveness of the monitoring and reporting routines of the involved public actors and, when relevant[75], how threats or risks have been handled by the responsible units. The response of Norwegian public actors to weaknesses and recommendations in mid-term project reviews, progress reports or other documents are of special interest in this context.

Assessments of instruments and the performance of actors

The evaluation shall focus on the following two instruments in Norwegian assistance to the Business sector development:

- Financial support provisions directly to enterprises and institutions, with focus on Norads provisions including the Match-Making Programmes (MMPs)[76]
- The Norwegian Investment Fund for Developing Countries (NORFUND), including investments in financial institutions and funds managed by others, in particular by Aureos Capital.

The evaluation shall provide a mapping of how these types of instruments have been used from 1999 onwards, how the actors have been involved and what their contributions to results in different contexts have been. The mapping will identify the main public and private, commercial and not-for-profit Norwegian actors and their partners involved in assistance or investments through these instruments. For Norfund it will also provide an overview of their investments in financial institutions and through Funds, including key fund managers in the South, and Norfund's assistance in capacity and competence building with focus on Africa.

Key evaluation questions are:

- What has been the performance of the financial support provisions, the match-making programmes and other forms of direct assistance as instruments to promote the efforts of the small and medium size Norwegian businesses who have been involved in trade (not including export from Norway) or have undertaken direct of indirect foreign investment in the Norwegian partner countries in the South?

The evaluation should give a clear description of the instruments and the interventions by the involved actors in selected four case countries and regions. This description should include the objectives and content, volume of resources, the time pattern, influence area, partners and cooperation with other donors and relationships to other relevant interventions taking place in the same geographical area.

- What has been the performance of the direct and indirect portfolio investments of Norfund, Aureos Capital and their partners, including the performance of investments made through regional or local funds and financial institutions?

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75 Risk assessments, mid-term reviews and normal reporting are not relevant for many short term financial support provisions managed by Norad. Investment assessments by Norfund and partners have also different requirements.
76 As support for feasibility studies, provisions for loans and guarantees, support for investment in basic infrastructure, training and marketing efforts

The emphasis shall be on Norfund's and Aureos funding of direct and indirect investments in Africa south of Sahara. The evaluation shall track the channeling of funds through the different involved partners to document the performance in terms of the different actors. A limited number of partner funds and investments will be selected for fact-finding regarding resource use and results. The evaluation shall also identify factors and forces which have influenced the design and implementation of the investments and capacity building efforts, and assess especially the quality of the Monitoring and Reporting routines for such actions.

6 Methodological Comments

The quality standard and evaluation criteria

The evaluation will be conducted in accordance with the mandate of the Evaluation Department and follow the norms and quality standards laid down in OECD/DACs evaluation guidelines[77]. The assessments will cover all of the internationally adopted DACs criteria of Relevance, Effectiveness, Efficiency, Impacts and Sustainability, as appropriated:

- Relevance then refers to the extent to which the selected projects, programmes or policy instruments were consistent with the Norwegian priorities and guidelines, and the needs and requirements of the beneficiary countries. These assessments should be based on the requirements that were relevant when projects/programmes was planned or implemented, not what has been required later on.
- Effectiveness refers to the extent to which the selected interventions have attained (or are likely to attain) their objectives, taking into account major factors influencing the achievement or non-achievement of the objectives
- Efficiency will measure the benefits/outputs or outcomes in relation to the resources/inputs. The expected benefits/costs in appraisals (ex ante) or project documents should be compared with the observed realities ex-post.
- Impacts refers here to long-term benefits or negative effects, intended or unintended
- Sustainability is the degree of or likelihood of continued long-term benefits of interventions and the resilience to risks after the intervention is undertaken.

The methodological design

Norwegian Business sector cooperation programmes have been a subject of reviews and evaluations in a number of earlier reports and studies. The evaluation will avoid duplication of work, and the discussion of the previous evaluations will be limited to a brief comparative overview of the main finding of the earlier studies. This evaluation shall draw on the previous work where relevant, and primary data collected in the evaluation shall be quality checked through use of appropriate triangulation strategies. The evaluation will focus on *results* of the assistance and be based on methods developed for measuring results of private sector development[78]. The consultant will reconstruct the *intervention logic* for the main policy instruments used in Norwegian Business assistance in consultations with the stakeholders involved in the policy development.

77 Including the guidelines in DAC Evaluation Quality Standards, March 2006
78 As for example the 2008 report from ITC of the ILO "Measuring and Reporting Results. The Reader on Private Sector Development.

One of the main methodological challenges will be that several interventions are not based on explicit or documented objectives, or a well formulated "programme theory" of how anticipated results will be achieved. Another methodological challenge is how to obtain information from a representative sample of Norwegian interventions which makes it possible to draw general conclusions. The Norwegian business related assistance has covered more than 80 different countries and a very complex mix of interventions in very different contexts. The main alternative strategies for designing the evaluation have therefore been to do a limited number of thorough case studies or a broad more "superficial" study.

The proposed design is a methodological compromise and based on a case study design which covers four of Norway's partner countries. It will be supplemented by a study at regional level in Africa south of Sahara which focuses on the assistance through Norfund and partners, as Norfund so far has not been broadly involved at country level. New primary data will be collected mainly through field studies in these four countries and on regional level in Africa south of Sahara.

The case country studies

The four partner countries proposed for in-depth case studies are Bangladesh, Sri Lanka, South Africa and Uganda. Norway has been involved for a long period in all of these countries with comprehensive assistance programmes for business sector development. The aid has covered both small and large enterprises in various sectors, direct investments and assistance on the development of policy frameworks and institutions. Sri Lanka and Uganda were identified as key nations early in the implementation phase of the NIS strategy. South Africa has the largest number of Norwegian businesses establishments supported through the Norwegian assistance. This is also a country where the business climate differs from the three other country cases.

6.0.1 Assistance to enterprises

The *Bangladesh case-study* should cover 3 Norwegian investments in the telecom, cement and energy sectors (Grameen Phone & Telenor, Scancem, Solør Treforedling and/or ABB), a microfinance project organised by Strømme Foundation, and 3 smaller projects in jute and other industries selected at the end of the inception phase. The study in Bangladesh should also include one enterprise related project involving Fredskorpset.

The case studies in *Sri Lanka, South Africa and Uganda are good candidates for assessments of different types of* ***direct assistance to enterprises.*** *Case studies in Sri Lanka and South Africa* are especially relevant for assessments of the financial support provisions and the Match Making Programmes, including the performance of the administration of the MMPs by Innovation Norway and a private company. The evaluation should cover in each of these two countries 3 projects through the Match-Making Programme and 20 projects where enterprises have got financial support for feasibility studies after 1999. 20-30% of the enterprises that got support for feasibility studies have normally follow up with investments. The analysis should follow up the later phases in business developments to clarify if – and why – investments and productions have become a reality or not. It is important to investigate why actions have taken place or not, and the short and long-term outcome and impacts of investments. The selected enterprise projects should cover the sector elements given priority in the recent White Paper, but also 3 randomly selected projects. Among the selected projects in Sri Lanka will be 3 of 4 projects by Trondheim Energiverk, Hydrogas, Green Farms and ABB. The number of projects to be included and the final selection of projects will be decided at the end of the inception phase when information will be available on how many of the supported feasibility studies have resulted in investments. It is, however, important that the evaluation covers at least 6 investments that have become a reality (3 in each of Sri Lanka and South Africa).

These two studies of enterprises in Sri Lanka and South Africa should be supplemented by studies of the support to 3 enterprises in ***Uganda*** with focus on agribusinesses (Jambo Roses Ltd, Gilde Norsk Kjøtt and Green Resources). The study of the assistance by Fredskorpset to enterprises should be limited to two projects in each of these three countries.

6.0.2 Institutional capacity building

Case studies in Sri Lanka, South Africa and Uganda makes it also possible to evaluate different types of assistance to business related institutions and commercial association. Norway has given long-term assistance to build capacity in local business and trade associations in Sri Lanka, and especially to a District Chamber of Commerce (in Hambantota). Long-term institutional assistance on national level has also been given in South Africa and Uganda. The later assistance has been channeled through The Norwegian Confederation of Norwegian Enterprises NHO to their partner organizations in these countries. The case study in *Uganda* can in this case draw on the ongoing review of NHO's programme in that country.

The intention is that each country study should include at least three *Norwegian investments and one major project related to institutional capacity building.* The sample of enterprise projects to be covered will emphasise the sectors that have high priority in the recent White Paper. The final selection of projects or programmes will be finally approved by EVAL in the inception phase.

The regional study of investments and capacity building through Norfund and partners

A key issue is the results of Norfund's investments and capacity building efforts, directly or through separate financial institutions and private equity funds managed by others. The evaluation of Norfund will especially include the activities of funds managed by Aureos Capital. It will follow the resources from Norfund through Aureos-managed funds and other financial institutions to the underlying enterprises, and assess the results of a sample of their investments with focus on funds, institutions and investments in Africa south of Sahara. The evaluation should assess the results of Norfund not only by the goals given in recent budget or programme documents, but by aggregated result data from a sample of individual investments during the last 5-10 years. The assessments will be according to DACs criteria, with emphasis on value creation, development impact and cost-efficiency. Potential catalytic effects of actions together with sister organizations should also be clarified, but with fact-finding limited to cooperation in Africa south of Sahara. The sample of financial institutions and regional/local private equity funds will cover investment activities and capacity building especially in Uganda, but also on regional level. The final sample will be decided at the end of the inception phase after an assessment of the evaluation team. When relevant the results from the evaluation of Norfund should be compared with the case country studies, looking for general patterns or dissimilarities in the results and the quality of Norwegian assistance.

7 Evaluation team and tender process

The tender process will be international and in accordance with EU rules. The main competition criteria will be the quality of team, the design and methods proposed, the quality assurance system, availability of team members and price as specified in the tender document.

All members of the evaluation team are expected to have relevant academic qualifications and evaluation experience. In addition, the evaluation team shall cover the following competencies.

Competence	Team Leader	At least one member
Academic	Higher relevant degree.	
Discipline	Relevant disciplines	Economics, investment analysis
Evaluation	Leading multi disciplinary evaluations	Impact assessment methods, institutional assessment
Sector	Private sector finance	Energy, private equity management, renewable resources/agrobusiness, infrastructure,
Development Cooperation	Yes	Yes
Country/region	Developing countries	Southern Africa, South Asia
Language fluency		
English	Written, Reading, Spoken	
Norwegian		Reading, Spoken

The evaluation team should as far as possible, include both international and experienced local consultants from the South.

8 Budget and deliverables

The project is **budgeted** with a maximum input of 60 **person-weeks (5 days & 42 hours).** The **Deliverables** in the consultancy consist of following outputs:

- Work-in-progress reporting **workshops** (maximum 2) in Oslo, arranged by the EVAL on need basis.

- **Inception Report** not exceeding 30 pages shall be prepared in accordance with EVAL's guidelines given in *Annex A-3 Guidelines for Reports.* It will be discussed with the team and the relevant stakeholders before approval by EVAL.
- **Draft Final Report** for feedback from the reference group, stakeholders and EVAL. The feedback will include comments on structure, facts, content, and conclusions.
- **Final Evaluation Report** prepared in accordance with EVAL's guidelines given in *Annex A-3 Guidelines for Report.*
- **Seminar for dissemination** of the final report in Oslo or in the case countries, to be arranged by EVAL. Direct travel-cost related to dissemination in the case countries will be covered separately by EVAL on need basis, and are not to be included in the budget.

All presentations and reports are to be submitted in electronic form in accordance with the deadlines set in the time-schedule specified in the *Tender specification*. EVAL retains the sole rights with respect to all **distribution, dissemination and publication** of the deliverables.

EVALUATION REPORTS

7.97 Aid as a Tool for Promotion of Human Rights and Democracy: What can Norway do?
8.97 Evaluation of the Nordic Africa Institute, Uppsala
9.97 Evaluation of Norwegian Assistance to Worldview International Foundation
10.97 Review of Norwegian Assistance to IPS
11.97 Evaluation of Norwegian Humanitarian Assistance to the Sudan
12.97 Cooperation for Health DevelopmentWHO's Support to Programmes at Country Level

1.98 "Twinning for Development". Institutional Cooperation between Public Institutions in Norway and the South
2.98 Institutional Cooperation between Sokoine and Norwegian Agricultural Universities
3.98 Development through Institutions? Institutional Development Promoted by Norwegian Private Companies and Consulting Firms
4.98 Development through Institutions? Institutional Development Promoted by Norwegian Non-Governmental Organisations
5.98 Development through Institutions? Institutional Developmentin Norwegian Bilateral Assistance. Synthesis Report
6.98 Managing Good Fortune – Macroeconomic Management and the Role of Aid in Botswana
7.98 The World Bank and Poverty in Africa
8.98 Evaluation of the Norwegian Program for Indigenous Peoples
9.98 Evaluering av Informasjons støtten til RORGene
10.98 Strategy for Assistance to Children in Norwegian Development Cooperation
11.98 Norwegian Assistance to Countries in Conflict
12.98 Evaluation of the Development Cooperation between Norway and Nicaragua
13.98 UNICEF-komiteen i Norge
14.98 Relief Work in Complex Emergencies

1.99 WID/Gender Units and the Experience of Gender Mainstreaming in Multilateral Organisations
2.99 International Planned Parenthood Federation – Policy and Effectiveness at Country and Regional Levels
3.99 Evaluation of Norwegian Support to Psycho-Social Projects in Bosnia-Herzegovina and the Caucasus
4.99 Evaluation of the Tanzania-Norway Development Cooperation1994–1997
5.99 Building African Consulting Capacity
6.99 Aid and Conditionality
7.99 Policies and Strategies for Poverty Reduction in Norwegian Development Aid
8.99 Aid Coordination and Aid Effectiveness
9.99 Evaluation of the United Nations Capital Development Fund (UNCDF)
10.99 Evaluation of AWEPA, The Association of European Parliamentarians for Africa, and AEI, The African European Institute
1.00 Review of Norwegian Health-related Development Cooperation1988–1997
2.00 Norwegian Support to the Education Sector. Overview of Policies and Trends 1988–1998
3.00 The Project "Training for Peace in Southern Africa"
4.00 En kartlegging av erfaringer med norsk bistand gjennomfrivillige organisasjoner 1987–1999
5.00 Evaluation of the NUFU programme
6.00 Making Government Smaller and More Efficient.The Botswana Case
7.00 Evaluation of the Norwegian Plan of Action for Nuclear Safety Priorities, Organisation, Implementation
8.00 Evaluation of the Norwegian Mixed Credits Programme
9.00 "Norwegians? Who needs Norwegians?" Explaining the Oslo Back Channel: Norway's Political Past in the Middle East
10.00 Taken for Granted? An Evaluation of Norway's Special Grant for the Environment

1.01 Evaluation of the Norwegian Human Rights Fund
2.01 Economic Impacts on the Least Developed Countries of the Elimination of Import Tariffs on their Products
3.01 Evaluation of the Public Support to the Norwegian NGOs Working in Nicaragua 1994–1999
3A.01 Evaluación del Apoyo Público a las ONGs Noruegas que Trabajan en Nicaragua 1994–1999
4.01 The International Monetary Fund and the World Bank Cooperation on Poverty Reduction
5.01 Evaluation of Development Co-operation between Bangladesh and Norway, 1995–2000
6.01 Can democratisation prevent conflicts? Lessons from sub-Saharan Africa
7.01 Reconciliation Among Young People in the Balkans An Evaluation of the Post Pessimist Network

1.02 Evaluation of the Norwegian Resource Bank for Democracyand Human Rights (NORDEM)
2.02 Evaluation of the International Humanitarian Assistance of theNorwegian Red Cross
3.02 Evaluation of ACOPAMAn ILO program for "Cooperative and Organizational Support to Grassroots Initiatives" in Western Africa 1978 – 1999
3A.02 Évaluation du programme ACOPAMUn programme du BIT sur l'« Appui associatif et coopératif auxInitiatives de Développement à la Base » en Afrique del'Ouest de 1978 à 1999
4.02 Legal Aid Against the Odds Evaluation of the Civil Rights Project (CRP) of the Norwegian Refugee Council in former Yugoslavia

1.03 Evaluation of the Norwegian Investment Fund for Developing Countries (Norfund)
2.03 Evaluation of the Norwegian Education Trust Fund for Africain the World Bank
3.03 Evaluering av Bistandstorgets Evalueringsnettverk

1.04 Towards Strategic Framework for Peace-building: Getting Their Act Togheter.Overview Report of the Joint Utstein Study of the Peace-building.
2.04 Norwegian Peace-building policies: Lessons Learnt and Challenges Ahead
3.04 Evaluation of CESAR´s activities in the Middle East Funded by Norway
4.04 Evaluering av ordningen med støtte gjennom paraplyorganiasajoner. Eksemplifisert ved støtte til Norsk Misjons Bistandsnemda og Atlas-alliansen
5.04 Study of the impact of the work of FORUT in Sri Lanka: Building CivilSociety
6.04 Study of the impact of the work of Save the Children Norway in Ethiopia: Building Civil Society

1.05 –Study: Study of the impact of the work of FORUT in Sri Lanka and Save the Children Norway in Ethiopia: Building Civil Society
1.05 –Evaluation: Evaluation of the Norad Fellowship Programme
2.05 –Evaluation: Women Can Do It – an evaluation of the WCDI programme in the Western Balkans
3.05 Gender and Development – a review of evaluation report 1997–2004
4.05 Evaluation of the Framework Agreement between the Government of Norway and the United Nations Environment Programme (UNEP)
5.05 Evaluation of the "Strategy for Women and Gender Equality in Development Cooperation (1997–2005)"

1.06 Inter-Ministerial Cooperation. An Effective Model for Capacity Development?
2.06 Evaluation of Fredskorpset
1.06 – Synthesis Report: Lessons from Evaluations of Women and Gender Equality in Development Cooperation

1.07 Evaluation of the Norwegian Petroleum-Related Assistance
1.07 – Synteserapport: Humanitær innsats ved naturkatastrofer:En syntese av evalueringsfunn
1.07 – Study: The Norwegian International Effort against Female Genital Mutilation
2.07 Evaluation of Norwegian Power-related Assistance
2.07 – Study Development Cooperation through Norwegian NGOs in South America
3.07 Evaluation of the Effects of the using M-621 Cargo Trucks in Humanitarian Transport Operations
4.07 Evaluation of Norwegian Development Support to Zambia (1991 - 2005)
5.07 Evaluation of the Development Cooperation to Norwegion NGOs in Guatemala

1.08 Evaluation: Evaluation of the Norwegian Emergency Preparedness System (NOREPS)
1.08 Study: The challenge of Assessing Aid Impact: A review of Norwegian Evaluation Practise
1.08 Synthesis Study: On Best Practise and Innovative Approaches to Capasity Development in Low Income African Countries
2.08 Evaluation: Joint Evaluation of the Trust Fund for Enviromentally and Socially Sustainable Development (TFESSD)
2.08 Synthesis Study: Cash Transfers Contributing to Social Protection: A Synthesis of Evaluation Findings
2.08 Study: Anti- Corruption Approaches. A Literature Review
3.08 Evaluation: Mid-term Evaluation the EEA Grants
4.08 Evaluation: Evaluation of Norwegian HIV/AIDS Responses
5.08 Evaluation: Evaluation of the Norwegian Reasearch and Development Activities in Conflict Prevention and Peace-building
6.08 Evaluation: Evaluation of Norwegian Development Cooperation in the Fisheries Sector

1.09 Evaluation: Joint Evaluation of Nepal´s Education for All 2004-2009 Sector Programme
1.09 Study Report: Global Aid Architecture and the Health Millenium Development Goals
2.09 Evaluation: Mid-Term Evaluation of the Joint Donor Team in Juba, Sudan
2.09 Study Report: A synthesis of Evaluations of Environment Assistance by Multilateral Organisations
3.09 Evaluation: Evaluation of Norwegian Development Coopertation through Norwegian Non-Governmental Organisations in Northern Uganda (2003-2007)
3.09 Study Report: Evaluation of Norwegian Business-related Assistance Sri Lanka Case Study
4.09 Evaluation: Evaluation of Norwegian Support to the Protection of Cultural Heritage
4.09 Study Report: Norwegian Environmental Action Plan
5.09 Evaluation: Evaluation of Norwegian Support to Peacebuilding in Haiti 1998–2008
6.09 Evaluation: Evaluation of the Humanitarian Mine Action Activities of Norwegian People's Aid
7.09 Evaluation: Evaluation of the Norwegian Programme for Development, Research and Education (NUFU) and of Norad's Programme for Master Studies (NOMA)

1.10 Evaluation: Evaluation of the Norwegian Centre for Democracy Support 2002–2009
2.10 Synthesis Study: Support to Legislatures
3.10 Synthesis Main Report: Evaluation of Norwegian Business-related Assistance

Norad
Norwegian Agency for
Development Cooperation

Postal address
P.O. Box 8034 Dep. NO-0030 OSLO
Visiting address
Ruseløkkveien 26, Oslo, Norway

Tel: +47 22 24 20 30
Fax: +47 22 24 20 31

No. of Copies: 300
postmottak@norad.no
www.norad.no