What to expect from Norway’s Development Finance Institution (Norfund)?
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Declaration

I, Jorunn Bakke Johannessen, declare that this thesis is a result of my research investigations and findings. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature...........................................

Date.....................................................
Acknowledgements

I would like to thank everyone included in making this thesis possible to write, including Norfund representatives, NGOs, academics and NMFA.

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I want to thank Norfund for being welcoming and giving me the opportunity to talk to several employees to get more knowledge of Norfund’s work and opinions. It has been greatly appreciated to hear reflections, opinions and detailed knowledge from you. I want to thank all NGOs and researchers for letting me know more about your work and opinions. You have given me not only information of your opinions of Norfund, but your interesting experience and knowledge of development issues.

After reading about Norfund in different newspapers and learning about Norfund during my studies at NMBU, I got interested in all the different opinions about Norfund. I focus on criticism because I wanted to learn more about the different opinions beyond what was written in media. Although this thesis is about critique, I want to emphasize that informants also expressed positive opinions of each other. This thesis is not meant to make conflict, but to get a better understanding of different opinions. I hope I have managed to reflect opinions in the right way.

I apologize for any possible errors in this thesis, or if there have been any misunderstandings.

It has been motivational and inspiring to talk to everyone interviewed for this thesis. I have been met with positivity, openness and patience, which have been greatly appreciated.
Abstract

The Norwegian Investment Fund for Developing Countries (Norfund), Norway’s Development Finance Institution (DFI), were established in 1997, to assist in developing sustainable business and industry in developing countries (Norfund, 2018f). Norfund have been critically discussed in media and reports regarding their contribution to development (Rorg-samarbeidet, 2018). The purpose of this study is to assess different Norwegian development actors’ critical perceptions and expectations of Norfund as a channel of development assistance, and Norfund’s response to these perceptions. The study aims to give more insight into different opinions, to discuss how Norfund are perceived and expected to act in a development context, according to these actors. The study is based on a purposive sampling approach, based on actors who have expressed opinions of Norfund publicly, and selected Norfund representatives. The findings in this study can therefore not be generalized to represent views of all Norwegian development actors. Additionally, findings are from 2018, and reflect opinions from the time of interviews. Findings are discussed with literature and theory including the role of private sector in development, DFIs and Norwegian development politics.

Critical points expressed include lack of transparency, human rights and civil society challenges, environmental concerns and documentation of development effects. Norfund is expected to see investments in context, to avoid negative consequences and contribute to poverty reduction. Additionally, Norfund is critically viewed in a larger perspective. Expressed by Norfund informants, Norfund is a responsible actor, contributing to development through for instance economic growth, jobs, tax and value creation. Norfund works with development effects and strive to be as transparent as possible.

The thesis discusses criticism related to Norfund’s role as a private sector actor and development actor. It is discussed that criticism can both be linked to expectations of private sector actors not contributing to negative effects, and the expectation of contributing to development effects and poverty reduction as a development actor. More cooperation may lead to understanding different views and meeting halfway. It has been expressed that a mechanism like Norfund is needed and have great potential to be a leader in their field. Criticism and debates can be used as a resource to improve, develop and finding common solutions.
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## 1. Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CICERO</td>
<td>Center for International Climate Research</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DFI</td>
<td>Development Finance Institution</td>
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<tr>
<td>DN</td>
<td>Dagens Næringsliv (newspaper)</td>
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<tr>
<td>EDFI</td>
<td>The Association of bilateral European Development Finance Institutions</td>
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<tr>
<td>ESG</td>
<td>Environmental, Social and Governance</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FfD</td>
<td>Financing for Development</td>
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<tr>
<td>FIVH</td>
<td>Future in our hands (Framtiden i våre hender)</td>
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<tr>
<td>GNI</td>
<td>Gross National Income</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IFC PS</td>
<td>International Finance Corporation’s Environmental and Social Performance Standards (or: IFC Performance Standards)</td>
</tr>
<tr>
<td>KPL</td>
<td>Kilombero Plantations Limited</td>
</tr>
<tr>
<td>LAG</td>
<td>The Norwegian Solidarity Committee for Latin America (Latin-Amerikagruppene i Norge)</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
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<tr>
<td>NMFA/MFA</td>
<td>The Norwegian Ministry of Foreign Affairs</td>
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<tr>
<td>NOK</td>
<td>Norwegian Crowns</td>
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<tr>
<td>NORAD</td>
<td>The Norwegian Agency for Development Cooperation</td>
</tr>
<tr>
<td>NORFUND</td>
<td>The Norwegian Investment Fund for Developing Countries</td>
</tr>
<tr>
<td>NOU</td>
<td>Official Norwegian Reports (Norges offentlige utredninger)</td>
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<tr>
<td>NPA</td>
<td>Norwegian People’s Aid (Norsk Folkehjelp)</td>
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<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
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<td>PSD</td>
<td>Private sector development</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>TWh</td>
<td>Terawatt Hours</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNGP</td>
<td>United Nations Guiding Principles on Business and Human Rights</td>
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<tr>
<td>WB</td>
<td>The World Bank</td>
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2. Introduction

“The private sector is a driver of development” (NMFA, 2017a:10). The private sector is highlighted in different ways as a contributor to development. In the United Nations 2030 Agenda for Sustainable Development, partnerships and cooperation between different actors are highlighted to play an important part in achieving the United Nations Sustainable Development Goals (SDGs), including governments, civil society, business and the private sector (UN, 2015). The Busan Partnership for Effective Development Cooperation highlighted in 2011 the role of the private sector, including promoting ‘aid for trade’, and to “Enable the participation of the private sector in the design and implementation of development policies and strategies to foster sustainable growth and poverty reduction” (Tomlinson, 2012:9; HLF-4, 2011:10). After the Finance for Development Conference in Addis Ababa in 2015, the slogan “From millions to trillions” were highlighted, to promote how financing for development have to include mobilizing beyond traditional development assistance (The African Development Bank et al., 2015; Gundersen, 2018b). Today, the importance of the private sector in development is frequently mentioned (Astrup, 2018a; Savoy et al., 2016; Gundersen, 2018b; Simonetti, 2016). The private sector have always played an important part in development, however, today there is an increased focus on how aid can be used to “leverage” private sector investments, for instance through Public-Private Partnerships and Development Finance Institutions (Simonetti, 2016:8; Kwakkenbos, 2012). The private sector is referred to as the new “donor darling” in development, and to a part in a “private turn of aid” (Tomlinson, 2012:9; Bjergene and Piene, 2013:5).

At the same time, businesses are expected to show increased responsibility to avoid affecting people and the environment in a negative way, under terms such as Corporate Social Responsibility (CSR), the triple-bottom-line, Impact Investments and Environmental Social and Governmental Criteria (ESG) (UNIDO, 2018; Bassen and Kovacs, 2008; Hebb, 2013; Slaper and Hall, 2011). The private sector can also be perceived as a sector which can contribute to development in a negative way, and different efforts to change this have increased over time, for instance through responsible guidelines such as the UN Guiding Principles for business and human rights and IFC Performance Standards (UN, 2011; IFC, 2018; Vogel, 2006; Blowfield and Dolan, 2014).

A challenges for the private sector in developing countries is lack of investments (UNCTAD, 2017). Foreign Direct Investments (FDIs) are low in developing countries compared to the rest of the world, and in 2016, FDI to developing economies declined by 14 per cent, to $646 billion (UNCTAD, 2017; Balsvik, 2016). Development Finance Institutions (DFIs) are an example of initiatives which can assist in turning this trend around, by investing in private sector in developing countries and act as catalyst for more investments by other actors (Massa et al., 2016; Simonetti, 2016).
However, these trends have also received critical attention (Simonetti, 2016; Kwakkenbos, 2012; Romero, 2014; Bjergene and Piene, 2013; LAG, 2017). The Norwegian Investment Fund for Developing Countries (Norfund), Norway’s DFI, have been critically discussed in media and reports, especially by other actors working with development (Rørg-samarbeidet, 2018). Critical voices argue that economic growth and investments do not automatically lead to development, and how there is a lack of documented development effects reported (Bjergene and Piene, 2013; Appelquist and Lembcke, 2016). Norfund’s use of tax haven have been discussed by different actors, including politicians and NGOs (Schjelderup, 2009; Sylte, 2016; Speed, 2016a). Additionally, a selection of Norfund’s investments have been highlighted for causing negative development effects or for ignoring important factors regarding responsibility (Institute, 2015; Bergløhn, 2017; Jorde et al., 2015; LAG, 2017; Wilson, 2016; Jørgensen, 2018).

2.1. Problem Statement

Norfund have been debated for several years, including criticism of specific investments, lack of transparency and documentation of development effects (Rørg-samarbeidet, 2018; Rafat, 2013). Simultaneously, the Norwegian government has gradually increased its attention and funding to Norfund (NMFA, 2017c; Norfund, 2018f). NGOs and academics have been criticizing Norfund for not taking enough social and environmental responsibility when investing in developing countries, and Norfund have debated in media emphasizing the important role of Norfund and the private sector in development, discussing how other development actors can frighten investors from investing in developing countries because of reputation risk, for talking about development in a Norwegian ‘bubble’, or for having too high demands (Roland, 2018; Gundersen, 2018b; Roland, 2015a). Several actors have participated in debates with different topics, including various critical points and recommendations to Norfund, however, with little signs of agreements or understanding between these actors and Norfund (Speed, 2018, Appendix 1; Løvås, 2014; Rørg-samarbeidet, 2018). The public debates and reports can be perceived as polarized or biased, with less room or priority of nuanced reflections and understandings between critics and Norfund.

2.2. Research questions

The purpose of this study is to assess different Norwegian development actors’ critical perceptions and expectations of Norfund as a channel of development assistance, and Norfund’s response to these perceptions. The study aims to give more insight into different opinions, to discuss how Norfund is perceived in a development context, according to these actors.

Objective:

To assess the critical perceptions of Norfund among Norwegian development actors, to discuss how these perceptions explain expectations of Norfund in a development context.
Research questions:

i) What is the basis for the critique that different development actors such as NGOs and academia voice towards Norfund?

ii) To what degree and how do actors critical of Norfund suggest that Norfund possibly could contribute to development?

iii) What is Norfund’s response to the development actors’ critical perceptions of Norfund as a contributor to development?
3. Theoretical framework

Norfund can be linked to different contexts, and this section aims to show a selection of this. Norfund is a DFI and a short introduction of DFIs role in development is included. Second, both Norfund and critics are part of development politics, and a short review of development theory and Norway’s development assistance and politics are included to understand this context better. Third, Norfund is an actor in the private sector, and concepts including CSR, ESG and impact investment are included to understand how responsibilities of investors and businesses are described today, and how it can contribute to development. Blowfield and Dolan (2014) terms “development agent” and “development tool” are included to show how the private sector’ contributions to development can be perceived in different ways.

3.1. Definitions

3.1.1. ‘Critics of Norfund’ and ‘development actor’

In this thesis a ‘development actor’ is a person, organization or institution working with fields relevant for development and development assistance. This includes Norfund, NGOs and academics working with development issues. NGOs have a history of being a channel for development assistance, with over 100 organizations working with development in Norway (Smukkestad, 2008). In 2017 Norwegian NGOs received 5,2 billion NOK - 15,3 percent from Norway’s ODA (Norad, 2018). NGOs include organizations working with advocacy as a way of contributing to development, by for instance providing information on development issues, or representing marginalized groups for increased equality in power relations (Jordan and Tuijl, 1998). The role of academics is additionally a part of development, for instance in Development Studies, including research on development assistance, environmental and social challenges, and analyses of “development” itself, both in Norway and internationally (Balsvik, 2016; Tvedt, 2009). In this thesis development actors mainly include Norfund, NGOs and academics. The Norwegian NGOs work with different issues, such as human rights, the environment, gender or transparency, both through work in developing countries and advocacy. Academics include first and foremost researchers and professors connected to Development Studies or researchers connected to development assistance in other ways. ‘Critics of Norfund’ are in this thesis the main source of informants and is defined as critics based on public information from these actors. This includes reports and statements from NGOs, research, public debates and discussions. This involves a personal interpretation of public information, and interviews have shown that some actors are more critical than others. After interviews, some informants have considered themselves as less critical than what the impression has been when they were contacted.
3.1.2. Private sector in development

Private sector can mean all actors “which operates with the aim to make profit”, from smallholders to large business enterprises (Bachke and Haug, 2014:4). In this thesis ‘private sector’ include all of this, and the type of private sector (e.g. cooperatives, SMEs, fund investments) will often be specified. Most investments debated are of larger scale and will therefore be covered the most. Private sector development (PSD), is defined by OECD as “Activities carried out by governments and development organisations with the objective of promoting an enabling environment for the private sector in partner countries” (OECD, 2016). DFIs are “specialised development banks or subsidiaries set up to support private sector development in developing countries” (OECD, 2017).

3.2. Development theory and Norwegian development politics

Norfund receives their funding from the Norwegian aid budget, linked to Norway’s politics in development (NMFA, 2018). Norwegian development assistance and Norwegian development politics can assist in the understanding of Norfund and other Norwegian development actors. Additionally, selected theories of development can play a role in understanding criticism.

3.2.1. What is development?

‘Development’ can be described differently and have different meanings (Peet and Hartwick, 2015). ‘Development’ can simply be described as “making a better life for everyone” (Peet and Hartwick, 2015:1). A theory which have been important in discussing development is Walt Whitman Rostow’s “The Stages of Economic Growth: A non-Communist Manifesto” from 1960, a period where development and modernization theories were dominated by economics (Smukkestad, 2008:42). The theory describes how societies will develop through five stages, from traditional societies to ‘High mass consumption’ (Peet and Hartwick, 2015; Smukkestad, 2008). Capital and technology are described as central incentives to modernization (Peet and Hartwick, 2015; Smukkestad, 2008). The theory has received criticism for being too simple and general, and about replicating Western development (Peet and Hartwick, 2015; Smukkestad, 2008). To comparison, other development theories have different focuses, for instance Amartya Sen’s ‘Capability Approach’. The Capability Approach focus on capabilities of people for development, “suggesting that development could be seen as a process of capability expansion” (Shanmugaratnam, 2001:266). Furthermore, to ‘measure’ development have developed from a single focus on economic factors, to include social factors such as health and education, for instance the Human Development Index (HDI) or Human Poverty Index (HPI) (Shanmugaratnam, 2001). In other words, ‘development’ can be perceived or explained differently. Today, the United Nations SDGs, adopted by all member states of the UN in 2015, are central in development work (UN, 2015; UN, 2019; NMFA, 2017b).
3.2.2. Norwegian development assistance

The overarching goal for Norwegian development politics is poverty reduction (NMFA, 2018). The Norwegian development policy and aid includes four “cross-cutting issues”: Human rights, women’s rights and gender equality, climate change and environment, and anti-corruption (NMFA, 2017a; Regjeringen, 2019). Norway’s goal is to give approx. 1 percent of Norway’s GNI to development assistance (NMFA, 2018:16), meaning that as long as Norway’s economy grows, the funding to development assistance will follow. Norway’s development politics and actors have gone through different changes since the 1950s, when Norway began giving aid (Balsvik, 2016). Business and private sector in development has a long history in Norwegian development assistance, with initiatives starting in the 1960s (Balsvik, 2016:71-73; Liland and Kjerland, 2003). From the 1970s until today, private sector initiatives and self-interest have been debated in different degrees, and has been one of few subjects with political disagreements in the field of development assistance (Balsvik, 2016:72). The allocations to private sector initiatives have earlier been small. In the middle of the 1990s, approx. 500 million NOK of around 8 billion NOK, were allocated to private sector initiatives from the development budget (Balsvik, 2016:74). In 1997, Norfund was established, and today Norfund is a part of an increased focus on private sector in development, receiving 1.5 billion NOK in 2017 (Norfund, 2018a:5; NMFA, 2015c). Private sector development and job creation are one of five thematic areas of priority in Norwegian development policy (NMFA, 2017a). In 2015 the White Paper ‘Working together. Private sector development in Norwegian development cooperation’ stressed how increased investments are a political goal for many developing countries, to become independent of aid (NMFA, 2015b:8). Support to private sector development is portrayed as effective and important for development: “The private sector is the main driver of development: nine out of ten jobs in developing countries are in the private sector” (NMFA, 2015b:6).

3.3. Business and development

Businesses and the private sector have increased its role as a contributor to development (Tomlinson, 2012; UN, 2015; NMFA, 2015b; HLF-4, 2011). However, the private sector can contribute to development in different ways, not only in connection to development assistance, but also with initiatives taken by the private sector itself, such as improving working standards, becoming more environmentally friendly, and implementing responsible guidelines to avoid negative effects as a consequence of business activities (Hamann, 2006; Newell, 2007; Blowfield and Dolan, 2014). This chapter shows some insight to how the private sector can contribute to development in general, without necessarily being connected to any development assistance.

3.3.1. Definitions and guidelines for a responsible private sector

There exist several definitions and terms to describe businesses, responsibilities and their impact on society (Kell, 2014; Hamann, 2006). The ‘Triple-bottom-line’ broadly describes social, environmental,
and economic criteria (or ‘people, planet, profit’) for evaluating responsibility (Slaper and Hall, 2011). ‘Corporate Social Responsibility (CSR)’ is a term often used to describe businesses’ impact on society and to show how businesses act responsible (Vogel, 2006; EuropeanCommission, 2011). CSR is defined by the European Commission as: “the responsibility of enterprises for their impacts on society” (EuropeanCommission, 2011). The United Nations Industrial Development Organization describes CSR as “a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders” (UNIDO, 2018).

Furthermore, ‘ESG’ criteria are used to measure Environmental, Social and Governmental issues in investments (Bassen and Kovacs, 2008). ‘Impact investments’ “invests to achieve positive social and/or environmental impact in addition to financial return” (Hebb, 2013:71). Impact investments, like similar terms, can be described in different ways, however it involves how investments can have a both a financial return and contribute to society in innovative ways (Hebb, 2013; Jackson, 2013).

“Impact investing occurs any time there is a deliberate decision to achieve both a financial return and an ancillary social and/or environmental benefit from the investment opportunity” (Hebb, 2013:71). Terms can be both different and overlapping, however, expressed by Georg Kell, executive director of UN Global Compact: “Regardless of whether you call it CSR, corporate responsibility, environmental, social and corporate governance (ESG) or sustainability, a common understanding is emerging around the world: a company's long-term financial success goes hand in hand with its record on social responsibility, environmental stewardship and corporate ethics” (Kell, 2014).

Likewise, different guidelines and principles have emerged to set systematic standards for these responsibilities. One is **IFC Performance Standards**. The International Finance Corporation (IFC), part of the World Bank Group, has developed *IFC's Environmental and Social Performance Standards*, last updated in 2012 (IFC, 2018). The standards, being a “benchmark” for all members of the Association of bilateral European Development Finance Institutions (EDFI), including Norfund, consists of eight standards, including standards about biodiversity, indigenous peoples, involuntary resettlement and labor and working conditions (IFC, 2018; EDFI, 2018). Another initiative is the **UN Guiding Principles on Business and Human Rights (UNGP)** (UN, 2011). The *Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework* was endorsed by the Human Rights Council in 2011, and consists of 31 principles to “set expectations of states and companies about how to prevent and address negative impacts on human rights by business” (Shift, 2018). Central for businesses in the UNGPs includes “Processes for providing remedy”, “a public commitment to respect human rights”, and “an ongoing process of human rights due diligence” (Shift, 2018). A reporting framework is available for companies to report how they work with human rights (Shift and Mazars LLP, 2018). Additionally, the role of the state is included in the UNGP (Shift, 2018). The Norwegian government has been a global leader and supporter of the UNGP, and in 2015 the NMFA released the *National Action Plan for the implementation of the UN Guiding Principles* (NMFA, 2015a).
3.3.2. Debating private sector, development and responsible initiatives

Private sector and businesses’ initiatives includes discussions related to development. For instance, regarding impact investments, Jackson (2013) stresses the importance of a “Theory of change” in impact investments, to go beyond measuring inputs and outputs and “telling stories”, to use a tool that can capture the complex factors having an effect on the impact of investments (Jackson, 2013). “Dollars invested, numbers of people reached or served and profiles of local entrepreneurs are all useful, of course. Indeed, they are necessary. But they are not sufficient” (Jackson, 2013:99). A method like ‘theory of change’, can be cost-effective, understandable, made to be used with other evaluation systems, and furthermore “An explicit theory of change can be used by governments, NGOs, employees and citizens at large to hold the investor accountable for their stated intentions” (Jackson, 2013:103).

Responsible initiatives and the private sector’s impact on development have also been discussed more critically, in terms of how and to what degree businesses and the private sector can contribute to development (Idemudia, 2011; Newell, 2007; Hamann, 2006; Frynas, 2008; Blowfield, 2005). Critical views of ‘mainstream CSR’ stresses how CSR not necessarily fits the context in developing countries, and the need for a South-centred CSR (Idemudia, 2011). Idemudia (2011) stresses the importance of diversity, regarding different challenges and contexts, and how this has been challenging in the mainstream CSR agenda. The challenge of universal principles are also highlighted by Hamann (2006:179): “Despite the importance of universal principles, for both company management and other stakeholder groups, there are recurring tensions between universal expectations and local challenges and opportunities” Idemudia (2011) highlights how debates and the mainstream CSR agenda have been dominated by Northern perceptions of CSR and what they believe is important, with a limited South-centred focus.

There exists not only critical views of CSR in a North/South perspective, but also critical research questioning businesses as actors in development. For instance, how development and poverty is perceived by businesses can shape their way of working with these issues (Blowfield, 2005). “Part of developing a critical approach to CSR requires us not only to ask how CSR affects company behaviour in developing countries; it requires us also to ask if, and how, business is affecting the meaning of development itself” (Blowfield, 2005:81). For instance, complex issues can be narrowed down to simple solutions, for instance different forms of market failure, a problem which is possible for businesses to contribute to (Blowfield and Dolan, 2014; Frynas, 2008). Newell (2007:669) ask: “Is there a danger that, by basing development policies around a business case, we fail to tackle, or worse, deepen, the multiple forms of inequality and social exclusion that characterise contemporary forms of poverty?”. One can question how businesses, when given a larger role in development and poverty reduction, either directly as development assistance or through other initiatives, can use its role to
shape how concepts should be perceived and how they should be solved. Some may see this as problematic (Frynas, 2008; Romero, 2014; Willoughby, 2014).

3.3.3. Business as a development tool and a development agent in developing countries

Business as contributors to development can be explained as businesses being a ‘development tool’ or a ‘development agent’. Blowfield and Dolan (2014) describes how businesses can work as a ‘development agent’ and ‘development tool’. The terms describe how businesses in developing countries for a long time mainly were viewed as a development tool, with minimal responsibility of the business’ impact on developing countries, to how it has become more common, or expected, for businesses to act as ‘development agents’, having a more proactive role in its impact on development (Blowfield and Dolan, 2014). Businesses here means “a conceptual category that embraces any organisation engaging in commerce and trade” (Blowfield and Dolan, 2014:24).

For a long time business was first and foremost viewed as a tool for value creation and economic growth, however, attention to its negative effects increased over time, especially during the 1980s (Blowfield and Dolan, 2014; Newell, 2007). The awareness of how businesses can have a negative effect, and businesses’ reaction of creating voluntary codes of practices, “marked the start of a shift from business as an unintentional actor in development”, to get a more proactive role in development, by creating new business models and initiatives for development and poverty reduction (Blowfield and Dolan, 2014:24; Frynas, 2008). This shift of partaking in development can show two ways of looking at businesses: as a development tool and as a development agent.

Businesses as a development tool: Business as a development tool describes businesses as “widely engaged in economic activity in developing countries but assuming little responsibility for the impact of that activity” (Blowfield and Dolan, 2014:22). Being present as a business in a developing country, making a profit and creating value, contributes to development and is the ‘development tool’ itself, without any proactive role to contribute to development in an additional way:

“In its narrowest form a commercial enterprise creates value for its owners, and in doing so contributes to the public good: creating jobs, obeying the law, supplying goods and services, and helping to fund necessary social institutions. Value creation, therefore, can be said to create growth-driven development: hence business as the primary creator of wealth has a central role to play in development” (Blowfield and Dolan, 2014:24).

Businesses as a development agent: Business as a development agent is “an organisation that conscientiously seek to deliver outcomes that contribute to international development goals” (Blowfield and Dolan, 2014:23). Compared to business as a development tool, business as a development agent proactively works to make a positive development effect beyond business’ traditional role of making profit and value creation. Businesses are connected to poverty in different ways and can also affect
poverty in a negative way. However, business as a development agent is not just about how businesses strive to avoid negative impact, but where their actions are meant to cause a positive effect, and “wherein business sees itself as a solution to poverty” (Blowfield and Dolan, 2014:27).

Blowfield and Dolan set out three criteria, for a business to be a development agent: First, regarding \textit{capital}, “It is the willingness to deploy one’s assets for activities with an expected, calculated development benefit that is one criterion for being a development agent, rather than whether or not there is a profit motive” (Blowfield and Dolan, 2014:25). The second criteria, relating to \textit{pro-poor primacy}, describe how investments and the company “should give primacy to the benefits of the poor and otherwise marginalised” (Blowfield and Dolan, 2014:26). For instance, the business strives to employ the poor and marginalised by setting up vocational trainings or place business activities in communities where the employment is needed. The third criteria, focusing on \textit{accountability}, means “that development agents not only give primacy to benefits for the poor but they consciously and accountably strive to address poverty and marginalisation” (Blowfield and Dolan, 2014:26). This includes businesses being accountable and to view development outcomes in the same way as financial and other core aspects of the business, and to not only provide opportunities for the poor, but “ensure as far as possible that the poor benefit from these opportunities” (Blowfield and Dolan, 2014:26). Blowfield and Dolan (2014) describe some critical aspects of a ‘development agent’, briefly suggesting a ‘Mark 2’ of this role, which can contribute to development in a better way.

\section*{3.4. Development Finance Institutions (DFIs)}

\subsection*{3.4.1. What is a DFI?}

Development Finance Institutions (DFIs) have become an increasingly popular way of doing development work by Western governments (Savoy et al., 2016). A DFI is: “specialised development banks or subsidiaries set up to support private sector development in developing countries. They are usually majority-owned by national governments and source their capital from national or international development funds or benefit from government guarantees”. (OECD, 2017). They can be bilateral, such as Norfund, Swefund, or German Investment and Development Company (DEG), or multinational, such as the African Development Bank (AFDB) and the Asian Development Bank (ADB) (OECD, 2017).

In 2000, Africa only received 1 percent of all FDIs in the world (Balsvik, 2016:142). After the economic crisis in 2008, the interest for DFIs increased, to increase private sector and economic growth in developing countries (Bjergene and Piene, 2013; Romero, 2014). DFIs contribution to development is to invest in the private sector in developing countries, to provide additional capital and act as a catalyst for investments from the market (Massa et al., 2016:8). “Extreme poverty will not be eradicated by 2030 without jobs, economic growth, and increased local tax revenue—all development
outcomes produced by DFI investments” (Savoy et al., 2016:V). On the other hand, there also exist studies questioning how DFIs actually achieve these issues, requesting better documentation on DFIs development impact (Romero, 2014; Savoy et al., 2016).

3.4.2. DFIs and its impact on poverty reduction and development

By studying the macroeconomic impact on DFIs, one has found an increase in labor productivity, economic growth and investments as positive effect from DFIs (Massa et al., 2016). DFIs have a positive effect on economic growth, productivity and employment, however based on limited studies (Lemma, 2015; Massa et al., 2016). However, DFIs are increasingly expected to do more, and to document these development impact (Massa et al., 2016). “Currently, there is no harmonised approach amongst the DFIs for measuring development impact” (Kwakkenbos and Romero, 2013:28). Development impacts include DFIs effect on poverty reduction, however, there exists little evidence on DFIs direct effects on poverty (Massa et al., 2016:8; Lemma, 2015). According to Massa et al. (2016:17) “Increased private investment is often associated with declining rates of poverty, but the effects are often indirect”. Additionally, studies have shown that a minority of investments by DFIs have had objectives with a focus to reach the poor directly in the investments (Massa et al., 2016:17).

Furthermore, actors question a selection of DFIs’ statements or operations, including transparency issues and DFIs statement of leveraging (Kwakkenbos, 2012). For instance, DFIs’ impact is usually based on research gathered by the DFIs themselves: “DFIs broadly speaking report positive impacts, however it is difficult to substantiate what these mean since these are subjective measures assessed by DFIs themselves and insufficient data are (publicly) provided in order to clearly assess the extent of the impacts” (Lemma, 2015:22). For example, it can be hard for others to get insight into support to Financial institutions, where there is little documentation of where the money goes, besides statements from DFIs, often saying it is intended to reach SMEs (Kwakkenbos, 2012:4). It is stressed that public finance, such as DFIs, should go to businesses which need the public funding the most, and to businesses that will lead to the best possible effects for the poor (Kwakkenbos, 2012).

4. Background: Norfund

In the Norwegian state budget for 2018, it says “the road to become a middle-income country goes via a strengthened private sector” (NMFA, 2017c:12). In April 2017, the Norwegian government launched the White Paper Common Responsibility for Common Future - The Sustainable Development Goals and Norway’s Development Policy (NMFA, 2017a). Norfund was highlighted for its role in renewable energy: “The private sector plays a key role in securing lasting development and poverty reduction. Norfund is our most important instrument for fostering private sector development and job creation. Allocations to Norfund will be increased by 50 %” (NMFA, 2017a:14).
4.1. About Norfund

Norfund is the Norwegian DFI, established by the Norwegian parliament (Storting) in 1997, fully owned by the Norwegian Ministry of Foreign Affairs (Norfund, 2019d). Norfund receives funding from the Norwegian aid budget and use this to invest in businesses in developing countries. Norfund describes themselves as “an active, strategic minority investor” (Norfund, 2016a:2). ‘The Norfund Act of 1997’, which defines Norfund’s mandate (Norfund, 2019c), says:

“The purpose of the Norwegian Investment Fund for Developing Countries (NORFUND) is to assist in developing sustainable business and industry in developing countries by providing equity capital and other risk capital, and/or by furnishing loans or guarantees. The object is to establish viable, profitable undertakings that would not otherwise be initiated because of the high risk involved” (Norfund, 1997:3).

Norfund’s mandate is simplified on Norfund’s website, where it is further elaborated: “Norfund’s investees contribute to economic and social development through the direct and indirect jobs they provide, the goods and services they offer, and the taxes they pay” (Norfund, 2019c). The Norfund Statutes was last updated in 2018 (Norfund, 2018h). Norfund shall be a minority investor of equity contribution, by not exceeding 35 % of the company's total equity, with possibilities of exceptions (Norfund, 2018h). Norfund shall prioritize investments in renewable energy, to include approximately 50 % of all investments (Norfund, 2018h).

From 2006 to October 2018, Kjell Roland was the CEO of Norfund, followed by current CEO Tellef Thorleifsson (Norfund, 2018c; Norfund, 2018g). Norfund publish annual reports every year with information about their investments and results. In 2017, Norfund’s portfolio companies created 28,000 new permanent jobs, paid 9.3 Billion NOK in taxes and created 14.7 TWh electricity (Norfund, 2018a). Least developed countries received 34 per cent of all new investments, Norfund invested for NOK 3.6 billion and received 1.5 million NOK of funding from its owner (Norfund, 2018a). In Norfund’s strategy for the period 2016-2020, clean energy, financial institutions, agriculture and food industry (agribusiness), plus small and medium-sized enterprises (SME) funds are set as focus areas (Norfund, 2016a). The strategy also mentions an increased focus on development effects: “We will strengthen our reporting on development effects and on the impact of our ESG efforts, for example through in-depth studies and more extensive reporting” (Norfund, 2016a:5).

Norfund have a selection of documents publicly available on their website, which give insight to their work, including Norfund’s use of offshore financial centres (OFCs), the IFC Performance Standards,

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1 Written on Norfund’s webpage, their mandate is “to contribute to economic and social development by providing equity capital and other risk capital to sustainable businesses in poor countries” This was explained as a simplifying of the mandate for the webpage (Norfund, 2019c).
Principles for environmental and social responsibility’ and Norfund’s gender strategy for 2016-2020 (Norfund, 2016b; Norfund, 2018c; Norfund, 2018d; Norfund, 2018b).

4.2. Norfund and critical debates – a short timeline

Norfund have been debated and have received critique for several years\(^2\). This timeline aims to show an overview of reports, criticism and debates regarding Norfund, from media and public documents. Focus are on debates after 2014, the same period used for sampling of informants, to keep the thesis relevant. However, some topics before this are included because they are considered relevant to understand following criticism. Compared to the large amount of text and links, this chapter can only give a limited summary. Debates after 2014 involve both specific investments and general views of Norfund.

4.2.1. 1997-2013: Public reports, whistleblower case

In 2007, *The Office of the Auditor General of Norway's investigation of Norfund's operations and management. Document nr. 3:13 (2006-2007)*\(^3\) was published (Riksrevisjonen, 2007). The investigation found several critical points in Norfund’s operations, including misinformation to the board and Norfund’s economic results (Riksrevisjonen, 2007). The document also received attention in Norwegian media (Mikalsen, 2007; Sølvberg, 2007; Henriksen and Samland, 2007).

Two years after *NOU 2009:19. Tax havens and development. Status, analyses and measures* was published (Schjelderup, 2009). The Report, from the Government Commission on Capital Flight from Poor Countries, included Norfund’s use of tax havens and stated: “The tax planning aspect which the use of tax havens involves runs counter to Norfund’s goal of paying full tax on its investments in Africa. The Commission also takes the view that the use of tax havens in general conflicts with the overall goals of Norway’s development and assistance policy, including opposition to corruption and economic crime and contribution to economic development” (Schjelderup, 2009:84). The report includes a list of suggested guidelines and recommendations for Norfund.

In 2013, the book *Ingen må få vite. En varsler forteller*\(^4\) by Mehraz Rafat, previous employee of Norfund, was published (Rafat, 2013; Flæte, 2013; Speed, 2013). The book tells the story of Norfund from Rafat’s perspective, of being a whistleblower who warned the Norfund board in 2005 about his concerns of Norfund’s operations and misguided information. His concerns are also reflected in

\(^2\) A selection compiled in Appendix 1, in addition to other references.


\(^4\) Can be translated to ‘*No one must know. A whistle-blower speaks*’ (No official translation found).

4.2.2. 2014: Specific investments and evaluation of renewable energy

During 2014, the debate regarding Norfund’s investment in Green Resources continued from earlier debates. The debate included both problems with the investments and how the debate had developed. Green Resources “work to develop the commercial tree-planting industry and related local industry in Uganda, Tanzania and Mozambique” (Norfund, 2019b). The company received critique concerning problematic use of land, wages and environmental concerns from NMBU professor Benjaminsson. Following public debates, Norfund sent a letter to NMBU’s ethical council, stating that the professor used his role as a professor to spread false accusations of Green Resources without scientific facts, however NMBU disagreed (Løvås, 2014).

In 2014, The Office of the Auditor General of Norway's investigation of development assistance to clean energy. Document 3:12 (2013-2014) was published, which included Norfund (Riksrevisjonen, 2014). Bistandsaktuelt published an article called ‘-Crushing criticism about the use of energy billions’, saying Norfund did not prioritize Norway’s focus countries for clean energy (Speed, 2015, my translation). In relation to the evaluation and statement from Norfund, WWF Norway criticized Norfund for considering investing in gas (Ness, 2014).

In relation to the Nobel Peace Prize, Pahle questioned Norway’s work on human rights in development assistance, including Norfund (Pahle, 2014). Norfund representatives responded and wrote: "Poor people do not live by rights, but by income from their own work, of elementary health care and education for their children. However, several non-governmental organizations, researchers and development workers live on the discussion of global rights” (Roland and Nafstad, 2014, my translation). Norfund stressed how the people in developing countries need jobs and income, not new documents and conferences about human rights. Too, regarding human rights, The Norwegian Solidarity Committee for Latin America (LAG) criticized Norfund for investing in Ficohsa, one of Central America’s most powerful and influential finance institutions, according to the NGO (Gulli, 2014). LAG wrote: “Norfund supports a financial institution with close relations to private Honduran businesses that are notorious for serious human rights violations” (Gulli, 2014, my translation), highlighting the company Dinant and Miguel Facussé, and referring to a report from The Office of the Compliance Advisor Ombudsman (CAO) for IFC.

4.2.3. 2015 – Norad-evaluation, energy in Nepal, agriculture in Tanzania

6 Link to reports: http://www.cao-ombudsman.org/cases/default.aspx?region_id=3
In 2015, LAG’s critical concerns continued, additionally including Norfund’s loan to **Hidro Santa Cruz** in Guatemala to build a hydropower plant (Gulli and Fjellheim, 2015). The NGO highlighted the large resistance from the local community, who voted against the hydro plant in a local referendum in 2007. LAG stressed that the company “broke the right of consultation, and is accused for threats, violence and criminalization of human rights defenders in connection with the development” (Gulli and Fjellheim, 2015, my translation). Norfund froze the loan at this time because of conflict, however received criticism for not having enough knowledge of local conflicts and power structures, considering how Norfund stated how the company had done everything right (Gulli and Fjellheim, 2015).

2015 was a year with several articles concerning Norfund. Central in 2015 was Norad’s **Evaluation of the Norwegian Investment Fund for Developing Countries (Norfund)**, about Norfund’s role in Norwegian development policy (Norad, 2015a). The evaluation included documentation of development effects in relation to poverty reduction and other non-financial goals, and Norfund’s role in achieving the effects. Norad wrote: “Norfund reports on employment and tax revenues, but provides limited information on the extent to which investments contribute to reducing poverty, or Norfund’s efficiency on gender equality and other development goals. With some exceptions, Norfund looks at the development effects associated with the individual company, not at the social level” (Norad, 2015b, my translation). The report mentioned how Norfund’s mandate is open for interpretations: “The formulation of Norfund’s mandate and objectives is relatively broad, which leaves ample space for interpretations, but also enables an agile way of operating” (Norad, 2015a:vi). Bistandsaktuelt wrote about the evaluation, emphasizing weak documentation of development effects (Rønning, 2015b). The article included a response from the Norfund CEO, using an example of a clean energy in Rwanda, explaining how Norfund could spend time on document development effects, but they prioritize to deliver power fast and effectively instead of wasting time documenting, for instance, in detail who will get the power. He emphasized that this was not up for question in Rwanda, it is the development industry in Norway who want this documentation (Rønning, 2015b).

In May 2015, FIVH published the report **Pure development or pure business? Why is Nepal so angry at SN Power's hydropower plant in Khimti?** (my translation). The power plant, which produced 15% of the power in Nepal when the report was written, was reported as expensive for Nepal, and profitable for the owners. The newspaper E24 wrote “Norwegian state owners built power plants in poor Nepal: Took out 882 million dividends” (Haugsbø, 2015, my translation). FIVH expressed that they fully support investing in renewable energy, but they expect Norfund to follow principles for Norwegian development politics (Hermstad, 2015). Norfund asked “Is it a problem that private

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7 Original title: “Ren utvikling eller ren business? Hvorfor er Nepal så sinte på SN Powers vannkraftanlegg i Khimti?”
investors make money on a project where aid funds are used?” (Roland, 2015c, my translation). The Norfund representative expressed how FIVH changed their critique during the debate, and that what FIVH asks may not be the task for the owners of Khimti (Roland, 2015b). Related to the report, Norfund representative expressed: “FIVH is irresponsible, sits on top of the world, financed by the aid budget and has media coverage in Norway as a goal” (Roland, 2015b).

The report was followed by another, focusing on Norfund’s investment in Agrica in Tanzania. In 2015, The Oakland Institute together with Greenpeace and Global Justice Now, released the report Irresponsible Investments. Agrica’s broken development model in Tanzania (The Oakland Institute, 2015). The report looks into the 5,818 hectare rice plantation Kilombero Plantations Limited (KPL), owned by Agrica. The report highlighted challenges including resettlements of a large number of people and the situation for small-scale farmers (The Oakland Institute, 2015). The report “critically questions the role of large-scale farms in agricultural development as they tend to create more problems than they solve, even when they attempt to include small-scale farmers in their strategy” (The Oakland Institute, 2015:3). In an article concerning the report, J. West, PhD Candidate and researcher at CICERO, explained how this type of critical report lead to increased polarization in debating agricultural investments in Africa, considering how the situation often is more complex in reality (Rønning, 2015a). The article included a statement from Norfund, saying the report would not affect Norfund’s engagement with Agrica and KPL (Rønning, 2015a). As a response to the report, Agrica presented a document responding to claims in the report8.

After the reports of Norfund’s investment in KPL and Khimti, Norfund’s CEO wrote a chronicle, highlighting that Norfund’s task is challenging and risky, but that private sector investments are needed, which the majority of development actors agree on (Roland, 2015a). However, the Norfund CEO discussed how “lobby-NGOs”, NGOs only working with advocacy in Norway, compared to NGOs working in developing countries, sometimes criticize without having realistic alternatives. If criticism include weak understanding of context and reality in developing countries, it can hinder work for development (Roland, 2015a). “In our work we unfortunately often see examples of destructive behavior, where lobby-NGOs make an effort to damage serious actors who work for the development of business in poor countries, without having good alternatives” (Roland, 2015a, my translation), referring to the reports about KPL and Khimti. Concerning Agrica, the report was referred to as being unscientific based on random conversations in the local community, but additionally that Norfund did not have the opportunity to comment properly on the report, receiving it four days before publishing (Roland, 2015a).

4.2.4. 2016 – Tax havens and corruption, development effects

In 2016 the debate concerning Agrica and African agriculture continued, after a second critical report, *Norfund’s Kilombero Plantation in Tanzania – Meagre Results from a Large Investment*, published by FIVAS (Wilson, 2016). Additionally, tax and tax havens that were debated to a large degree in 2016. In relation to Panama Papers, *Norfund’s use of tax havens* was brought up and debated by many actors in 2016, including members of the Government Commission on Capital Flight from Poor Countries - Morten Eriksen and Eva Joly, politicians, and NGOs (Sylte, 2016; Eriksen, 2016). Several actors expressed the need for Norfund to change and not use tax havens. According to Norfund, tax havens, or ‘third country jurisdictions’, are necessary for Norfund to do their kind of investments as a minority investor, and that these jurisdictions are tailored for an actor like Norfund (Speed, 2016b; Sylte, 2016; Aarsnes, 2016). Responding, Joly expressed “That’s just nonsense. Why can't one invest through the country you will help, from Norway or a financial center where one has good control?” (Sylte, 2016, my translation). Morten Eriksen wrote a detailed chronicle, requesting a more concrete debate regarding tax havens, referring to the NOU (Eriksen, 2016). Some of the debate was summed up in Bistandsaktuelt’s article “Hard debate about Norfund and tax havens” (Speed, 2016a, my translation).

In addition to tax, human rights and development effects were also debated when FIVAS, Save the Children Norway and ForUM published the report *Investments to support sustainable development. A Comparative Study of How the Nordic Development Finance Institutions Work with Development Impact In Context of Sustainable Development Goals* (Appelquist and Lembcke, 2016). The report included DFIs work with human rights, including a preface where organizations expressed a disappointment to see that Norfund do not meet the expectations of the UNGP. Development effects were also included in the report, where all DFIs were recommended to improve (Appelquist and Lembcke, 2016). Norfund commented that the report writers have not understood how the IFC PS works in relation to human rights. The organizations on the other hand, requested more public information about Norfund’s work related to the standard (Appelquist and Lembcke, 2016).

In 2016, focus on specific investments also continued. *Norfund’s investments in Honduras* was a part of an open letter sent from several NGOs to the Norwegian Minister of Foreign Affairs Børge Brende (Norwegian People's Aid, 2016). The letter was signed by the organizations El&IT, FOKUS, LAG, Norwegian People's Aid, Rain Forest Foundation, Raftostiftelsen and The Development Fund, where the focus was killings of activist and human rights concerns in Honduras (Norwegian People's Aid, 2016). The letter stated a concern of Norway’s partners in Honduras, especially Norfund’s investment in the financial institution Ficohsa. A reason mentioned was that Ficohsa is managed by the Atala family, an important contributor during the coup in Honduras in 2009. The NGOs asked the minister “to request Norfund to exercise great caution and suspend investments in companies or actors...”
in Honduras who are involved in human rights violations, or who have not proven to have safeguarded indigenous peoples' right to free prior consent” (Norwegian People's Aid, 2016, my translation).

4.2.5. 2017 – Norfund’s mandate, fish in Africa and “cheering” for investments in the South

The debate about Norfund in Honduras continued in 2017. NPA suggested a change of Norfund’s mandate to improve Norfund’s potential to contribute to good and inclusive development (Ranestad and Thoresen, 2017). The mandate which includes being a minority investor makes Norfund cooperate with the country’s economic elites, according to NPA (Huseby, 2017). Norfund responded that it is not Norfund’s role to mix politics in their operations and that Norfund’s mandate is good and clear as it is (Roland, 2017d). Norfund asked “What creates sustainable development in Central America – to invest or to withdraw?” (Roland, 2017b, my translation). LAG responded: “Who set the premises for what is sustainable development and which actors can create sustainable development?” (Mo and Torvik, 2017, my translation).

Norfund’s investments in Central America was additionally relevant concerning Hidro Santa Cruz. In 2017 Hidro Santa Cruz was shut down after resistance from indigenous peoples and locals in Guatemala. Norfund expressed how the investment was a mistake and that Norfund did not capture that the operation would be located in an area dominated by indigenous peoples (Bjåen, 2017). NGOs questioned how this could be possible to overlook. They emphasized that the main problem was the lack of consultation, also highlighted by LAG in 2015 (Bjåen, 2017; Gulli and Fjellheim, 2015). Written on FIVAS’ website, the NGO had meetings with Norfund in 2012, where they alerted Norfund of the risk of operating in the area, however with a response from Norfund stating they had done sufficient consultations according to the requirements they follow (Holmqvist, 2017). In 2017 LAG also published the report Ethics or business? Norwegian Investments in Latin-America⁹ (my translation), with a chapter dedicated to Norfund’s investments (LAG, 2017).

Critique of Norfund’s investments additionally included Africa. In the newspapers Bistandsaktuelt and DN, professor Kolding and researcher Næsje criticized Norfund for investing in African Century Foods Ltd., breeder of niltilapia, operating in Zambia and Zimbabwe (Berglihn, 2017). They expressed how Norfund, together with other Norwegian development initiatives, do not have the right knowledge regarding environmental consequences, and additionally, the fish will be too expensive for the poor (Berglihn, 2017). Norfund responded, emphasizing that niltilapia was introduced a long time before Norfund invested in the company, that the operation was approved by the government, and that

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⁹ Original title: Etikk eller butikk? Norske investeringer i Latin-Amerika
the investment first and foremost is meant to create jobs and development, not fish to the poorest (Berglihn, 2017).

Additionally concerning in Africa, Norfund’s investments in KPL and Green Resources were studied in a larger perspective, where researchers discussed how Scandinavian investments in Africa are not as good as they are presented, referring to resettlement issues and promises not met, and how this type of investments are justified with its ‘green’ focus or the need for economic development (Buseth and Bergius, 2017; Bergius et al., 2017a; Bergius et al., 2017b).

Furthermore, in 2017, Norfund and decent work were debated. **Inclusion of disabled** in Norfund’s investments was brought up by the Atlas-Alliance, stressing on how this is a focus in both the SDGs and Norfund’s IFC PS (Eriksen, 2017b; Eriksen, 2017a). The Atlas-Alliance expressed that especially development assistance to the private sector must contribute to inclusion in work and financial services, because to wait for results to trickle down to the most vulnerable groups, can take time (Eriksen, 2017b). Norfund showed an agreement, however, stressed that it is not Norfund’s task to facilitate for all types of groups with special needs in already challenging investments, and with higher demands than what is normal in Norway (Roland, 2017c).

2017 also included a more general focus about investments in developing countries from Norfund (Roland and Nafstad, 2017). Roland wrote in DN how Norwegian actors must encourage the private sector to invest in developing countries, not make them afraid of it: “Instead of bullying those who make mistakes, the Norwegian civil society, the media and politicians must cheer on the investors who are willing to take the risk in poor countries” (Roland, 2017a, my translation).

### 4.2.6. 2018 – Guidelines, letter to the minister, and new CEO

In 2018 the debate between Norfund and Norwegian NGOs continued, including an open letter was sent to the Minister of International Development from ten NGOs (Speed, 2018). Early in 2018, Roland stressed in DN that there are “unrealistic demands” to projects in the private sector in developing countries, which leads to important initiatives being stopped (Roland, 2018, my translation). Examples of guidelines for businesses were mentioned to exemplify the “jungle” of responsible initiatives that businesses are expected to follow. Roland stressed how the focus on following specific guidelines can hinder businesses to do their job in practice in developing countries, especially for smaller businesses in the poorest countries, considering unrealistic expectations of reporting and what to take responsibility for (Roland, 2018). Roland was additionally quoted in Morgenbladet’s article “Rough guide to Africa”, expressing how Norwegian politicians and organizations talk to each other about development and aid in a “Norwegian bubble”, where the public debate is characterized by little understanding of what development is and requires in poor countries (Gundersen, 2018b). The articles
lead to a debate and comments from NGOs such as FIVAS, Transparency International, Fokus and FIVH (Gundersen, 2018b; Riise, 2018; Gundersen, 2018a; Lindstad, 2018). FIVAS considered Roland’s statements as wrong and simplified, Fokus expressed how Norfund should focus more on human rights in Norfund’s investments compared to possible criticism from Norwegian NGOs, and FIVH suggested Norfund to look at criticism as opportunities to improve. The same month, ten Norwegian NGOs sent a letter to the Minister of International Development expressing their concern of Norfund in relation to human rights, including: “Now we ask for a clarification from political management if Norfund's statements are in line with the mandate and the role the fund is expected to safeguard. We also want clarification on whether the Government shares Roland's views on Norwegian civil society organizations and on the international framework agreements mentioned” (Speed, 2018, my translation). The minister responded that as an owner he expects Norfund to work systematically with its social responsibility and human rights, including in developing countries, with the impression that Norfund is taking social responsibility seriously. The minister additionally expressed that they “cheer” on the companies who dare to invest in developing countries to create jobs and development (Astrup, 2018b).

In March 2018, Norfund announced that Norfund’s CEO will leave Norfund, which was planned earlier in 2017 (Norfund, 2018e; Rønning, 2018b). In relation to this, Norfund’s CEO expressed that overall, he believes Norfund have a good relationship with NGOs, especially those who operate in developing countries (Rønning, 2018b). In June Tellef Thorleifsson was appointed the new CEO to take over in October 2018 (Norfund, 2018g). Bistandsaktuelt wrote an article called ‘The Critics will miss Roland’, reflecting on how Roland have contributed to a more fruitful debate between development actors, which is often missing in debates regarding development assistance (Rønning, 2018a, my translation).

In September 2018, Norad published the evaluation UNGP, Human Rights and Norwegian Development Cooperation Involving Business, which included Norfund (Sundet et al., 2018). The report highlighted positive remarks, but also weaknesses and recommendations of how Norfund can improve its work related to human rights (Sundet et al., 2018). KPL in Tanzania was a case study in the report, described as more positive compared to earlier critique: “The project has been publicly criticised for breach of human rights, particularly land loss. The evaluation finds, however, that Agrica has demonstrated reasonable due diligence of the issues identified” (Sundet et al., 2018:51). Recommendations included: “Norfund should strengthen its policies and procedures by adopting a better defined human rights commitment in line with UNGP and recognising them in its policy on human rights” (Sundet et al., 2018:10).
5. Research methods

5.1. Qualitative methods

In qualitative methods “the stress is on the understanding of the social world through an examination of the interpretation of what the world is by its participants” (Bryman, 2016:375). The data collection and analysis focus on describing and understanding perceptions through the eyes of the informants. A qualitative method were considered most suited for this thesis, because the selected group to interview was relatively small, and the emphasis have been on in-depth understanding and words, which is central in qualitative studies, rather than numbers and measurable results (Bryman, 2016). The aim of this research is not to find a ‘single truth’, and the group of informants are not meant to reflect general opinions of a whole group, but their perceptions (Sumner and Tribe, 2008). Background research of public media articles, hearings, reports and research from Norwegian development actors concerning Norfund and criticism were made before sampling and interviews. During the research process different events concerning Norfund and development was attended. This have assisted in shaping the interview guides and reflections of the different informants. Interviews are the main source of data collection and it is the data from the interviews which is included as findings.

5.2. Sampling Approach

The sampling was divided in two: The main part was ‘critics of Norfund’, the second was Norfund representatives. ‘Purposive sampling’ were used to sample informants, which incudes that findings cannot be generalized to represent a larger group. Purposive sampling includes that the researcher select subjects which can include “certain attributes” (Berg and Lune, 2011:52). In this case, the selection included academics or organizations which had publicly expressed critical thoughts regarding Norfund to a larger or smaller degree, plus different Norfund representatives. The sampling was based on public debates, critical reports, research, hearings or comments in media. Described by Bryman (2016:408) “The goal of purposive sampling is to sample cases/participants in a strategic way, so that those sampled are relevant to the research questions that are posed”. In other words, the selected informants cannot be generalized to represent all ‘development actors’ in Norway, or all Norfund representatives. The purposive sampling naturally consisted of NGOs and academics with a variety of focus areas. Recurring critique from the same person or NGO were considered important to interview. Other less active critics were interviewed because they represented issues not covered to a large degree by anyone else. Some were left out because of limited time. In January 2018, ten Norwegian organizations sent a letter to the Norwegian Minister of Development regarding concerns of Norfund (Speed, 2018). The senders became important in the sampling, as it was assumed that these organizations were among the most critical towards Norfund. To narrow down possible informants, and to make the thesis relevant, the sampling is primarily based on public information from 2014-2018.
The sampling included informants focusing on different themes which has been debated, including tax, resettlements, gender, development effects, environmental sustainability and human rights. Other actors were also considered, however the thesis focus on those who have criticized Norfund more directly. Regarding interviews with Norfund, a more varying group was wanted, including leaders and employees working more specifically with different investments. In addition to these two groups, to interview Norad and NMFA were planned, to get another perspective of the debates regarding Norfund. Both actors showed interest, but unfortunately there was not time to conduct more than a phone interview with the NMFA, because of my lack of time, which was unfortunate.

All interviews were conducted in Oslo, Ås, by phone or email. All face-to-face interviews, with a couple exceptions, were done at the informant’s workplace. 16 interviews labelled as ‘Critics of Norfund’ were conducted. One additional anonymous conversation was conducted, but not included as a ‘critic’, and was mainly to clarify the actor’s view of Norfund. Four other possible informants were asked but were not interviewed for different reasons, for example because they did not answer or did not have an employee fit for the interview at the time. Six interviews of Norfund employees were conducted. An interview with the newly appointed CEO was not asked for, because he was recently appointed during the research, had not been a part of many public debates so far, and because the thesis focus on the time before the current CEO became a part of Norfund, although some of the interviews were conducted after October 2018.

Before each interview an interview guide was made, showed in the Appendices. It was important to make the interviews open to let the informants speak freely about the subjects which concerned them the most and to not ask leading questions (Bryman, 2016). At the same time, it was central to understand the context of the critique and if the informants had any additional arguments to share. The interviews included some questions specifically for the selected informant depending on previous statements, and some general questions made for all. This was likewise done with Norfund representatives, including some interviews with more specific investment focus. Unplanned follow-up questions or change of order from the interview guide occurred. Interviews were semi-structured, meaning the interview process is flexible, but including set questions for each interview (Bryman, 2016:468). This open structure was additionally helpful to understand how much each informant had on their mind regarding Norfund. The interviews focused largely on critical views. This does not mean that informants do not have positive opinions regarding Norfund, but that it was not the focus in this thesis.

5.1. Ethics

Before conducting interviews, information about the purpose of the study was given, with an explanation of why they were considered important to talk to. It has been central to not take any side, to be as neutral as possible, but still being able to ask more challenging questions. However, to
conduct research in a “moral vacuum” is challenging, and my views can possibly have affected my wish for an objective and neutral research (Bryman 2016:141). This thesis is about criticism, and thoughts of how to proceed related to anonymity of informants have been challenging, because I have no intention of making conflict. Sampling is based on previous public statements, which have guided my decisions regarding transparency and wish to include informants in an appendix.

To not take opinions out of context, or present findings in a way which do not reflect opinions of informants is not intended. Internal documents are used as agreed with informants. Literature and reports referred to are public, and is therefore considered ethical to refer to, for instance newspaper articles and reports (Bryman 2016). Quotes from newspaper articles are used, and are likewise considered OK, because of its public availability on the internet, often written as chronicles. Quotes which have been translated are noted as this, except in the Findings chapter, where all quotes are translated from Norwegian.

The majority of interviews were recorded, and all recorded interviews were transcribed. In all recorded interviews the informants were asked if this was OK before starting. Recording exceptions included phone interviews, testing without recording and interviews where the informant appreciated to not be recorded. To compensate for this, detailed notes were taken. Recording, transcriptions and notes is important and helpful to collect what the informants said and how they said it (Bryman, 2016). Transcriptions have additionally been important to recall the context of the conversation, for instance regarding quotes, to avoid misunderstandings and incorrect information. Most interviews lasted around 45 minutes, but this varied. Transcription includes writing exactly what is being said (Bryman, 2016:482). It was expressed wishes to be contacted regarding quotes. This has been done and seemed natural concerning many of the informants’ positions as employees in organizations, in addition to being good for the thesis’ credibility and trustworthiness. It has additionally been important because it was translated from Norwegian to English. Quotes, including a short note were sent by email to the respondents. If informants asked to not be quoted or to not present certain information, this has been respected. All quotes have been accepted by informants. This respondent validation was important to let the informants know about the use of the quotes, however, it would not to let the informants guide the analysis of the thesis. The goal of respondent validation is described by Bryman as “to seek confirmation that the researcher’s findings and impressions are congruent with the views of those on whom the research was conducted and to seek out areas in which there is lack of correspondence and the reason for it” (Bryman, 2016:385). For many of the informants, communication and information sharing is a part in their work. Informants have voluntarily accepted to be listed as anonymous or with names and additional information in the Appendix, which has been agreed by mail or during interviews. Regarding informed consent, I wish I have been more formal and consistent for all interviews. I did not used an informed consent form, which also can have disadvantages (Bryman,
2016). However, agreements during interviews could have been more formal, and this is something I regret.

5.1. Trustworthiness

Informants are NGOs, academics, government and Norfund employees. The informants’ opinions of Norfund are in different ways linked to their work. Selected informants have expressed themselves in media as a representative of their workplace or own research. From Norfund employees, positive and professional statements about their own workplace was expected. Furthermore, academics may express themselves in a way which can promote their research. It is not expected that any informants come with misleading information, however, it can be a limitation that a selection of informants represents their workplace, as they may tell a more one-sided view of situations and may hold back personal opinions which does not reflect their workplace. All opinions are considered serious and trustworthy.

The research is not about analyzing opinions as “true” or “false”, but to get more information of the perceptions of the informants. As described by Guba and Lincoln (Bryman, 2016:384), trustworthiness is not related to finding an “absolute truth”, but to describe and understand the different “truths”. To describe different opinions in a fair way has been central.

5.2. Data collection, coding and analysis

The interviews were largely done in two blocks, the first mainly in February-March 2018. This was a period shortly after debates with Norfund, and shortly after the letter sent to the Minister of Development concerning Norfund. It was before the announcement that Norfund’s CEO would resign as CEO of Norfund. The second phase with interviews was done during autumn and winter 2018, including the majority of Norfund’s informants. This was around the transition period of Norfund’s CEOs and the Norad-evaluation concerning Norfund, human rights and UNGP. These settings may have had an effect on the interviews, for instance the current debates between critics and Norfund, or what was on the agenda for the different actors.

Data collection and analysis were done continuously during the research process, with no set step-by-step order. By analyzing during the process of data collection, it was easier to look for patterns and central elements along the way. Explained by Bryman (2016:573) “Coding in qualitative analysis tends to be in a constant state of potential revision and fluidity”. During the research process different categories emerged and changed along the way. Organizing the data into different categories was important to find structure in all the information. Many actors touched upon different topics, and all topics could be linked to several potential categories. To find a way of organizing the critique was therefore challenging, especially considering specific investments. Coding from transcriptions and notes was used to sort topics continuously, e.g. resettlements, women, disabled, civil society,
environmental concerns, agriculture, tax, debate culture, values. Notes and reflections after each interview were important to get an overview of what the informants emphasized or talked about the most. I looked for patterns to further divide the topics into different categories which emerged during the process. Similarly, with the Norfund informants, however sorted into slightly different categories because it fit better with Norfund’s responses. The initial plan was to leave more room to write about specific investments, however, it is instead included in different categories. Being a qualitative study, it has been fundamental to “emphasize words rather than quantifications” (Bryman, 2016:378). Although it was important to organize the data into categories to understand it in a better way, analyzing the data in a more holistic way were essential to get an overview of similarities between the data from informants.

5.3. Limitations

The interviews included different topics, and my knowledge of selected topics are limited. Lack of knowledge can possibly have affected my understanding of information given, plus, knowledge affects questions asked. If I had more knowledge of specific topics, I may have asked other questions. Background research have been done before each interview, to increase knowledge and understanding in a better way.

Change of deadlines have made writing of this thesis less structured than what was initially planned, and this can have affected the thesis in a negative way. The beginning of this thesis was in a rush, which affected my starting point and structure. The initial plan was to interview all informants during Spring 2018, however, this was changed to include interviews during Autumn 2018. This can be considered as unfortunate, as some informants may have changed their views during this period or could have answered differently depending on the timing. On the other hand, the long period of interviews may have led to more variation of opinions and perspectives. How debates and other relevant events happened during the writing of the thesis, was considered challenging, because it could possibly lead to changes relevant for the thesis. However, change is natural, and the dates of interviews are therefore worth noting. For example, one informant expressed improvements related to Norfund and tax after the interview. All findings in the thesis is based on the interviews and these dates.

Additionally, there have been other interesting and potential people and organization to talk to, but who have not fitted into the purposive sampling approach. For example, actors who have expressed critical views of relevant themes related to Norfund, but not specifically towards Norfund. This approach could have been changed because of this, however, this would include different changes to the thesis, and it was therefore decided not to interview these people.
5.4. Reflections of findings

Before the interviews, it was expected that the critics would have a more critical view of the private sector in development and the concept of DFIs in general. This was not highlighted but focused more specifically on issues concerning their focus area in work. A selection of critics specified that their work is not about Norfund. They have for instance commented on topics which has been relevant for their own work, where Norfund have affected this work, or about development in general. Concerning Norfund, it was uncertain what kind of answers to expect from the different informants, and some lack of transparency was expected, reflecting earlier public debates. Norfund turned out to be open and helpful, considering how the thesis is about criticism. The interviews reflected previous published information, however in a more in-depth and detailed way with additional reflections. All informants have given the impression of having good knowledge in their fields.

Regarding some topics there has been a contrast between what the critics say about Norfund, and what Norfund says about themselves about the same topic. Reflecting on interviews, I believe I could challenge the informants more by viewing the situations from a different angle than what they represented.

By looking back, I could have broadened my purposive sampling to include other actors to interview. This could possibly give a more variations of opinions, especially because it could include more academics and politicians.
6. Findings: Critics of Norfund

This chapter includes the findings from the informants sorted as ‘critics of Norfund’. The chapter focuses on the two first research questions:

i) What is the basis for the critique that different development actors such as NGOs and academia voice towards Norfund?

ii) To what degree and how do actors critical of Norfund suggest that Norfund possibly could contribute to development?

All statements in this chapter are based on the opinions and information from the group of critical informants. Quotes are translated from Norwegian. The chapter aims to reflect different perceptions and opinions of Norfund. Informants may disagree with opinions mentioned by others or agree to a smaller or larger degree. Some topics are connected and have been challenging to organize. As mentioned by one informant, the criticism is both centered around what Norfund does in the ‘field’, through their investments, and how Norfund acts in debates in Norway.

Public evaluations regarding Norfund (e.g. Norad, NOU), debates, information from local partners, research by academics, or reports published by NGOs are mentioned as the basis of critique by many of the informants. A selection of informants uses public evaluations as a basis for the critique and do not focus on Norfund beyond this. Others have done their own research, both NGOs and academics. In public debates one often only get the opportunity to be short and specific. The interviews have helped to understand the criticism in a larger context, and to what degree the opinions are important to the different actors. This section includes information from interviews with informants and includes referencing to previous debates, included earlier, and in Appendix 1.

Additionally, a selection of critics has mentioned the State as an important and responsible actor concerning Norfund, and how in some cases the problem is not Norfund, but the leadership and demands from its owner. The owner and founder of Norfund have the opportunity to debate and set clearer definitions and demands for Norfund, according to informants. Furthermore, it was expressed by a selection of informants that in general, an increased aid budget must focus on quality.

This section is sorted into four different themes, based on my interpretation, to make the information more understandable and organized. For example, information regarding guidelines, rights for women and disabled, or resettlements and land rights, have been put under the theme ‘Responsible investments, Human Rights and Guidelines’. Information with a focus on private sector alternatives to Norfund, Norfund in a global development perspective, and the existence of Norfund, are put under the theme ‘Norfund as a mechanism for development and PSD alternatives’, based on my organizing.
6.1. Communication, information and debate culture

All informants mentioned communication and debate culture as an important challenge regarding Norfund, including the importance of talking to different actors outside Norfund’s common network, both in Norway and abroad. Criticism includes lack of communication with local civil society and non-partners, lack of dialogue with experts in different fields, Norfund’s reaction to criticism, and Norfund’s role as a development actor.

In some cases, Norwegian NGOs and Norwegian researchers bring forth the opinions and knowledge from local informants, for instance through research, partner organizations or visits. A selection of informants mentioned that this does not mean that these opinions are the only right opinions, but that the voice from these affected people deserves to be heard. Expressed by one informant: “We cannot in any way invoke us to speak for all the people … We speak on behalf of some people in Latin America, who take part in a struggle we share a common belief in”.

6.1.1. Norfund’s public reaction to criticism

A concern regarding communication and dialogue is Norfund’s way of responding to criticism and other communication in Norway. Norfund’s reactions to criticism have made debates less constructive.

“And what is characteristic is their reaction: they seem to be completely allergic to criticism. It appears as if they have not been able to take criticism in a constructive manner. This has continued for a long period, also 10 years back, they were hostile towards those who come with critical point of views, always questioning the motivation for criticism. Instead of going into the issue and look for learning points: - Is it something about this criticism that may be right? Do we have something to learn from this criticism?”

Norfund does not appear to take the criticism into account, considering how they have questioned critics’ ability to have an opinion about Norfund. “I feel that there is a deliberate strategy in their communication. To delegitimize what we do. Publicly”. Norfund is mentioned as being a powerful organization in the Norwegian development industry, and informants expressed how this includes a responsibility, for instance concerning promoting development goals and universal declarations.

Debates have included statements which paint a wrong picture of what civil society is, for instance giving an impression of NGOs being opposed to investments in the South, which is not true, according to one informant. Additionally, Norfund’s responses were mentioned to have made debates different. One informant expressed how they initially were not very critical, “But when they responded quite dismissively, it became a bit different”. Both Norfund and the Minister of International Development have encouraged to ‘cheer’ on those who dare to invest in developing countries. A selection of NGOs expressed how their role is not to cheer on the sideline, they are watchdogs who should speak when something is wrong. “But it is in one way our job. It is not our job to compliment that they have done well. If we could meet halfway, we might could”. It was mentioned that Norwegian NGOs likewise
criticize the Norwegian Pension Fund or other private sector actors. In comparison, Norfund respond in a different way, and the Norwegian Pension Fund was mentioned as a more professional actor to discuss with. It was stressed that with another openness and attitude towards criticism, Norfund can become a much better and more important actor than what they are today. Norfund is recommended to “think of critique as a resource, not as a danger”.

6.1.2. Communication in with non-partners and civil society: Understanding of context

Communication and dialogue in relation to Norfund’s investment were highlighted as central for good investments. Norfund invest in different sectors, different countries, with different history, needs and challenges. Investments require good knowledge and background checks to make sure the investments create not only a positive effect, but to avoid negative effects, both directly and indirectly. It was mentioned that Norfund do not see, or do not prioritize, the context of their investment, for instance regarding local communities and power structures. Informants expressed how Norfund must look beyond their goal of profitable businesses to see how their investment is affecting other parts of the community or country. To understand the context informants stressed how Norfund must consult and get information from other people than those you collaborate with, outside their usual network. Many developing countries have several different groups of people, from indigenous peoples and small-scale farmers, to educated and financially rich people, groups who can have very different perceptions of their own country and the context Norfund will invest in. Informants questioned if Norfund understand the importance of talking to a variety of actors before and during an investment. “You must talk to more than those you collaborate with”. This can include experts with relevant knowledge for the investment (e.g. sector, location, culture, history), a variety of locals (e.g. from different social and economic groups), activists or NGOs. According to informants, this information must be taken into consideration when assessing the potential development effects for the investment.

Communication with different actors should reflect the people in the countries, because it is the countries’ population the investments should benefit, according to informants. One informant stressed how Norfund must see people as subjects, not objects. To talk to different actors does not mean that one has to cooperate with them, but to know of opinions and get comments. “Our experience with Norfund is that they do not want and do not talk with social organizations in the countries where Norfund operates. That is at least the case of Norfund in Honduras”. It was mentioned that Norfund, as a Norwegian actor occasionally referring to Norwegian history and development, can keep in mind the importance of for instance civil society, unions and the voices of the people. “So the problem, as we see it, is that it becomes a conflict of objectives, often. Between the good intentions of creating jobs or giving access to credit, versus other considerations. Which considerations comes first? Who should decide between the objectives? Should it be us Norwegians - Norfund or Norwegian NGOs? Or is that actually to consult with the ones affected by the projects?”.
Understanding of context additionally include politics and power structures in the countries Norfund invest in. Norfund’s investments are not detached from politics or political influence. Exemplified by informants, if Norfund invest in a fund with strong connections to political and economic elites, this may have an impact on who the investment will benefit. For example, what conditions are set for receiving support? For instance, a fund may choose to not give support to people who are members of organized groups, even if these are people who need it the most. As a possible effect, a fund can indirectly strengthen the elite and weaken other organized groups. In relation to this, one informant expressed that “Then you get an even bigger problem in relation to a perspective of building a democratic society”. These are factors to take into consideration when working with development. An investment can give positive results, perceiving it from a project perspective, but may in a larger context have negative effects, or not have any effect for the poor. “They don't want to see, they just see their own objective. The mandate of the Oil Fund is to make money, while the mandate of Norfund is to create so-called sustainable profitable companies. However, it seems that Norfund understand other considerations and negative effects as disturbing noise.”. Another informant expressed: “Believing that putting money into banks belonging to the economic and political elite, will lead to reaching someone marginalized and create a greater equality and development for someone other than those who already have political influence and economic power, is very naive”.

Furthermore, critics are concerned Norfund trust their partners too much, and therefore downplay the importance of other informants. Informants have emphasized that they do not know how Norfund work internally, however in public it appears like Norfund accept everything the companies tell them. This was for instance expressed in relation to Norfund’s investments in Green Resources and KPL. “I am pretty sure Norfund have not been out talking with farmers, for instance. They don’t have the interest of their story. They only get the story from the company, both from Green Resources and KPL”. Informants expressed understanding for how Norfund may not have time to visit and talk to several affected people and communities themselves, however, they have not showed interested in listening to those who actually do talk to these people. Expressed by informants, Norfund should show more willingness to listen to what others have to say. “They should have an open attitude to knowledge and information. And examine if there is anything behind the criticism for example”.

Additionally, informants believe Norfund have invested in different sectors without enough knowledge of the sector and how it can be environmentally sustainable, profitable and fit the location they invest in. Specific knowledge and expertise are important for all investments, especially for development effects. An example mentioned by informants is how Norfund do not have a clear understanding of environmental challenges in agriculture, and how their large-scale investments can have a negative environmental effect in the long run. Another example concerns Norfund’s investment in fish farming, how it does not fit the location, and the potential risk of negative effects it can lead to. “In my opinion, they lack the professional competence required to understand what fish farming
entails. They have been blinded by the Norwegian salmon success, without understanding that this model cannot be transferred to other species or poor countries”.

6.2. Responsible investments, human rights and guidelines

Human rights and its central role in Norway’s development politics were mentioned by informants. One informant expressed that much of the critique can be linked to human rights. “I think everyone have different angles to human rights, I really think that’s what it is about”. Land rights and resettlements, wages, rights and opportunities for women and disabled were some of the issues mentioned. For a selection of informants, the UN Guiding Principles for Business and Human Rights (UNGP) was considered important. Informants stressed how human rights should be essential and prioritized for all development actors, including Norfund.

6.2.1. Guidelines: UNGP, IFC Performance Standards, or none?

There are several guidelines and principles to help businesses and private sector actors to prevent negative consequences of their operations. A selection of the informants expressed that it is important for Norfund to follow the UNGP. Others believe guidelines can work as a “sleeping pillow” for Norfund, making guidelines legitimize companies’ negative actions.

There was a strong wish for Norfund to follow the UNGP among a selection of informants. Said by one of the informants, there is a ‘jungle’ of guidelines and principles, and there is a challenge with many different guidelines, however the UNGP is central, considering how the UNGP have been established in the global community by states and the private sector. It was mentioned positive if the IFC PS will be more harmonized with the UNGP. One informant stressed that Norfund could look into what the UNGP actually is and how it works, as Norfund could be more positive to UNGP if they got more knowledge of it. Norfund’s attitude towards UNGP may be affected by their knowledge of it: “I think it may be due to lack of knowledge about what the UNGP actually is”. Central in the UNGP is the due diligence process focusing on human rights, according to informants. The due diligence method is fundamental in UNGP, and processes of handling risk is different than the IFC Performance Standards, explained by one informant. One informant expressed “The central is not what is written in the principles, but how you implement your due diligence. That's what's important”, likewise another expressed “And that is what is very fundamental in the UNGP, it is due diligence”. One informant expressed how the UNGP could fit Norfund better, because it includes continuous work to improve and handle risk during investments. Additionally, the IFC PS is more project minded, and says little about context. Another informant expressed how the UNGP has a special approach to human rights and people: “But the difference, the big difference between the IFC Performance Standards and the UN Guiding Principles is that the IFC is concerned with the risk for the companies, it is the companies that is the subject, while the UN Guiding Principles, it is the human rights, and the risk is for people,
not for companies”. Related to Norad’s evaluation from 2018, it was mentioned that the main problem is leadership from the government.

However, not all critics see guidelines as an important positive element. A couple of the informants questioned these guidelines because they appear to not serve its purpose. Expressed by informants, instead of helping businesses become more responsible, it is used as an excuse or a response to criticism. Norfund frequently say that they follow the IFC PS. “It is just an automatic response they give”. It is easier to legitimize an operation when following a guideline or principles. Guidelines can be used to legitimize companies’ negative actions. “They only serve as a tool in land grabbing”\(^\text{10}\). On the other hand, informants expressed how it is hard to know if a guideline is working, or if it is not followed good enough. As an outsider they cannot know if Norfund have done everything right according to IFC PS, or if IFC PS is not a good enough tool.

### 6.2.2. Equality: Gender and disabled

Another aspect concerning human rights is decent work for women and disabled, including equal rights and opportunities. According to informants, non-discrimination and equal rights are fundamental for a development actor like Norfund. All development actors should have a positive attitude towards the SDGs, including ‘Decent work’.

In 2016 Norfund published their Gender Strategy for 2016-2020 (Norfund, 2016b). This gender strategy was mentioned as positive, however the strategy is not good enough and do not take the serious challenges into account for working women, according to one informant. “Because it's not about equality, it's about a tiny segment of those who are affected by their operation”. It was stressed that the gender strategy does not focus enough on the most vulnerable women, but priorities Norfund’s role for women in board and leadership positions. Norfund should additionally focus on the most vulnerable women and how they can possibly be treated as workers. “I'm not sure if they see the structural barriers that are in the way for women getting both a job that, in a way, take them out of poverty and actually make them in control of their lives. I'm not sure they take into account how miserable conditions some women in the world are working under, when women become part of the industry”.

Additionally, Norfund have a responsibility for disabled, referred to in the IFC PS, and as an indicator in the SDG Decent Work And Economic Growth\(^\text{11}\). The focus was on recommendations regarding opportunities for disabled. Norfund’s statements have made informants question to what degree Norfund see this as important and a priority, but additionally, questioned the link between what

\(^{10}\) The informant referred to the former UN special rapporteur of food security, Olivier De Shutter, who had expressed this concern regarding guidelines. 
\(^{11}\) [https://sustainabledevelopment.un.org/sdg8](https://sustainabledevelopment.un.org/sdg8)
Norfund does, and the way they communicate it: “Maybe they do better than they actually communicate. But what they say, that we react to. Because then it may seem that they are not concerned with promoting inclusive work”. Norfund should promote the importance of the SDGs, UN conventions and other international documents regarding workers’ rights. One informant expressed that Norfund is not expected to be the solution for all SDGs, however, as the most important Norwegian instrument for private sector development, Norfund should do more for disabled regarding employment. “If they are to do all sorts of things, while doing business, then making money is difficult. But what we have demanded is not very intrusive. It is not, in a way, to use a large part of the turnover without getting anything in return. There are relatively small adjustments. We understand what Norfund does and shall do, and we do not require anything that is impossible within their mandate, as we understand it”. Initiatives to improve working conditions and opportunities for all does not have to be expensive and can affect the businesses in a positive way.

6.2.3. Land rights and indigenous peoples

Human rights are also linked to the right to land and rights for indigenous peoples. Norfund have received critique regarding investments causing problematic resettlements of local communities or not respecting indigenous peoples. According to one informant, indigenous peoples have been portrayed more as a problem for Norfund, instead of a group to respect. Explained by another informant, land rights are problematic and challenging in many developing countries because in many cases farmers and communities do not have formal rights to the land they use or live on. Large scale agriculture or other investments, which require a large scale of land, often pushes away people from their land because of lack of formal right to it, which will lead them into poverty in the long run. This is one reason why selected informants consider Norfund’s strategy to have the wrong focus in agriculture. Alternative solutions may work better. One example mentioned is Norfund’s investment in KPL, Tanzania. The situation has not improved after the critical report from the Oakland Institute in 2015, according to one of the informants. “The critique we promoted then, have in my eyes more to embrace, it has been strengthened. So, by going deeper into the case, I feel that what we said has been confirmed even more”. A plantation, with a large takeover of fertile land used by locals creates conflicts, and to build houses to compensate for this does not help in the long run, according to one informant. Another example concerning land rights is Norfund’s investment in Green Resources. Explained by one of the informants, people gave away land for free in hope to get something in return, as promised. “The main criticism is that there are no written and transparent contracts, clear deals about what they give in return for the land they get access to for free”.

6.3. Development effects and transparency

Development effects and transparency were frequently mentioned by informants. How Norfund act as a development actor and how Norfund document their development effects, were mentioned as problematic. Expressed by one of the informants, Norfund act like they are a normal investment fund,
and not a development actor. Another informant expressed: “They are investing in private companies in the South. Whether it leads to development is a completely different matter”. Several informants stressed that development work requires transparency to show that one actually contributes to development and do not contribute to any negative effects. Informants expressed a wish to know more about Norfund’s development.

6.3.1. Transparency, Tax havens and Co-investors

One of Norfund’s stated contributions to development is tax revenue from the companies they invest in. Informants stressed how Norfund should not use tax havens, for example referring to the recommendations from the Government Commission on Capital Flight from Poor Countries in 2009. One informant expressed that Norfund is both a development actor and state-owned and should be a leader of good practices and set a good example for others. Norfund placing money in tax havens can legitimize tax havens for others, according to one informant. Norfund can avoid this by putting more work into finding co-investors who will benefit the poor and are willing to avoid tax havens, although it is understandable that this is challenging. “The challenges will be present no matter what kind of investment fund one talk about, but we think it is an additional responsibility when it comes to aid-financed investments, such as Norfund. And they have a responsibility to do at least as much, and preferably more, than the private for-profit investors do”.

Informants expressed that Norfund have shown little willingness to stop using these jurisdictions. To look into the different challenges is therefore necessary, expressed by one informant. Accepting challenges and being open to how this can be worked with in the best way can also help.

“Norfund has never publicly acknowledged that there are some limitations related to tax havens. Therefore, one has never been able to go into debate related to how they can handle the challenges that exist. Because they have never acknowledged the challenges. And that have made the political decision-making to then either saying ‘yes’ to that they can continue, or saying ‘no’ to that they can continue. I think this has made their model of investing politically exposed in a way it really did not need to be”12.

Explained by informants, one of the main problems with the use of tax havens is that they are not transparent. Although Norfund do not have a self-interest in this, others may have. Recent disclosures have shown that investors do not always have the routines or knowledge to find problematic issues or understand who they are connected to13. “Norfund says that they know who their co-investors are, that is the only safe-guard we have”. More transparency, for instance regarding co-investors, can make Norfund more trustworthy.

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12 In 2019, one informant expressed that Norfund have had a process to improve some of their work with tax.
13 Danske Bank were used as an example.
Concerning Norfund’s reasons for using tax havens, one informant additionally questioned Norfund’s role as additional. Explained by the informant, Norfund have expressed that one reason for using these locations are because of Norfund’s role as a minority investor. Norfund may not be included in the investment if they restrict from using tax havens, or co-investors may leave if a tax haven is not used. This can question Norfund’s role as being additional. Informants compared Norfund to the Norwegian Pension Fund regarding tax. The Pension Fund have received criticism and have improved over time, while Norfund in comparison have been standing still. “One of the most important things Norfund can do to create development is to make sure they pay the tax they should and that their co-investors pay the tax they should. Maybe they don’t look at it the same way”.

Transparency goes beyond tax havens and includes transparency in other investments, for instance Norfund’s investments in funds. There is little traceable information that can prove where the money goes after investments in funds, who receives it and what the results are, a concern stressed by a selection of informants. For instance, NGOs have had difficulties in getting trustable documentation and information from Norfund of who is benefiting from Norfund’s money in Ficohsa. This has for instance been specifically important for one NGO, who have worked to ensure that Norfund’s investment is not supporting the company who stood behind the killing of the activist Berta Cáceres. The answer received, a letter from the bank saying this is not happening, has not been perceived as good enough documentation.

### 6.3.2. Reporting of development effects and impact

According to informants, Norfund is an investor and a development actor. “We are looking at Norfund as an important actor. At the same time, we look at Norfund as a development actor. Norfund is funded by the Norwegian development budget and has the overarching mandate from the Storting and Government, as all those involved in development assistance have”. Poverty reduction and human rights were mentioned as fundamental in Norwegian development politics, and as a receiver of development budget funding, Norfund has a special responsibility regarding these overarching goals. Informants expressed that they believe Norfund wish to create positive effects. However, a selection of informants mentioned that they may lack the necessary knowledge, or do not have the same view of situations and contexts like other development actors do. Informants stresses that Norfund are dominated by economics and would gain much by letting more people with a ‘development’ background into Norfund, and vice versa.

There is a need for information about the wanted effects from Norfund’s investments and how it will contribute to the overall social development, especially in the perspective of poverty reduction, according to one informant. Norfund’s latest strategy (2016-2020) focus on important sectors for development, such as agriculture and renewable energy. Informants want Norfund to address how each investment contribute to development, poverty reduction and respect of human rights more
specifically. Economic growth in Norfund’s investments may not automatically lead to development. One informant requested a ‘Theory of Change’ from Norfund, an analysis of what Norfund wish to achieve with their investments. “They lack a political analysis, or a development thought of what they will create in the country they enter, besides saying that we are going to generate economic growth and we will do it in agriculture and electricity. This probably has a contribution to the fact that some of the projects have also had negative consequences”. Another informant gave an example related to Norfund’s investments in renewable energy. Development effects is not just about what one produce, but about who it will benefit: “How many poor have got power, where does the power go, where is it exported? There are such things you must expect to get in a report. Not just how much you have earned and how much you produce, but who is actually enjoying this power”.

Informants mentioned different issues which they see as important for development in Norfund’s investments. For example, what is the salary of employees, is the minimum wage in the country fair, are people desperate and take whatever they get? When Norfund invest in renewable energy, how can the energy produced reach the poor and give them opportunities? How is the type of agribusiness Norfund invest in environmentally sustainable in the long term? How will investments affect the local communities? Detailed knowledge and seeing investments in both a local and larger context were mentioned by several informants as essential for good development. As an example, Norfund’s focus on agribusiness were mentioned as much needed. However, mentioned more in detail by one of the informants, Norfund do not have a clear understanding of environmentally sustainable farming, the importance of biodiversity, fertility in the soil, or effects of small- and large-scale farming. This is detailed, however, necessary for sustainable development, especially to avoid negative effects in the long term.

Expressed by one informant, unfortunately, good intentions can possibly have negative effects. Reporting results and experiences can be helpful to get more knowledge and improve. Compared to other development actors receiving funding from the government, informants expressed how it is only fair that Norfund report more and document development effect. There exists little public information about the progress and result beyond the financial, or reports of how Norfund have contributed. “They are have not managed to show attribution, as it is called in the language of aid, to what extent the effect can be attributed to your efforts”. By reporting more and be more transparent, it can be easier to understand and discuss Norfund’s actions and how they contribute to development. The expectation of how much Norfund should report their development effects were expressed differently. One informant was specific: “I think there must be explicit demands. My opinion is that the state must enter and demand that to a minimum, an actor such as Norfund, who receives aid funding, or development funding, must report on development effects, including human rights. And in a way that is specific, divided into countries and by good indicators, and ... We must report to Norad with a result framework. And so far, it is difficult to see where Norfund's non-financial goals are, and sub-objectives and indicators. So I think so must be included”. Another expressed the importance of
documenting more development effects, however did not wish to impose “unreasonable demands”. Private sector in development assistance is increasing, both in Norway and internationally, and one informant expressed that if this will continue, it must be done properly, with the right competence, including knowledge of development beyond economics.

6.4. Norfund as a mechanism for development and PSD alternatives

Critical opinions about Norfund additionally includes questions about Norfund as a mechanism, its role, what kind of development Norfund promote, and alternatives to Norfund. Opinions do not necessarily mean direct criticism of Norfund, or that ‘traditional’ aid is preferred, but that there are other ways to invest and include the private sector. One informant expressed that the NGO “is one of the organizations that is most critical of Norfund in the sense that we believe the mechanism is wrong in. It does not necessarily mean that the idea behind it cannot be good, but the way it is structured is based on the wrong premises”.

A selection of informants stressed how Norfund should change its focus in different ways, for instance by looking into the mandate, or invest in smaller projects. Furthermore, a selection of informants believe Norfund have a different view of ‘development’, compared to themselves or their organization. This section includes opinions concerning how Norfund may not be the best mechanism, plus how other alternatives related to the private sector can have larger development effects.

6.4.1. Not the right mechanism or focus for development

By looking back at development history since the 1950s it is interesting to see how the global community have gone back to old modernization theories, despite its outdated approach, expressed by one informant. Norfund is just one example of this global trend. After years of concentrating on for instance human rights, empowerment and civil society, one is back to a focus on infrastructure, technology, modernization and the private sector. It was mentioned how it appears like the global community have forgotten its history in development. This was similarly mentioned in relation to Norfund’s agricultural investments: “They have an approach to development based on old colonial discourses. You are working much with contradictions. Underdeveloped, developed, unmodern, modern, which linger from the older days”. Informants compared Norfund’s approach with old development and modernization theories, like Rostow’s Stages of Growth, expressed as simple and outdated in development work today. “We believe that their view on development is based on theories that were refuted many years ago”. One informant stated that one should focus more on rights for people, not only the need for enormous sums of investments and capital in development work. Another reflected on how Norfund might think differently than many others working with development: “They have a different view of development than what has been traditional in the aid industry and the development industry. One has gone very much back to modernization thinking, that one has to pump in capital, pump in technology, and then it will happen by itself”. Norfund’s focus on
economic growth were additionally mentioned to have similarities to “trickle down” theory, associated with how economic growth in a society will “trickle down” and reach the poorest. Related to a general view of Norway’s development politics, one informant stressed a changing focus, from ‘sharing to create’, to ‘create to share’. Looking at Norfund in a bigger picture, a couple of informants mentioned debates related to the book *Western Aid at a Crossroads - The End of Paternalism*, from 2014 written by Eggen and Roland, showing how there exist different views of development assistance and what is important for development among development actors in Norway.

Furthermore, it was expressed how Norfund reflects a trend where the private sector to a larger degree have the responsibility of development, compared to of states themselves, a ‘privatization of development’, also including private foundations. These reflections were not directly towards Norfund, but about what kind of development approach Norfund represents and is a part of. Norfund have referred to the Addis Ababa FfD in 2015, and the slogan ‘From Billions to Trillions’, in relation to the importance of private sector in development. Although informants support this, they also stressed the importance to focus on states in development and government control, for instance considering Norway’s own history and regulations of the private sector. In a larger perspective there are different views of what is essential for development, and Norfund’s view compared to some of the development actors can reflect this. “There are two different world understandings”.

### 6.4.2. Alternatives and smaller solutions

A question several of the critics have raised is why Norfund have to invest a large amount of money in every investment, and therefore focus on large-scale initiatives and businesses. In their opinion, smaller investments, or a business model which give more democratic power to workers and farmers, would fit many developing countries better. Smaller, less costly, projects could additionally open up for more potential local partners. Norfund could be more open to alternative business models which can fit different contexts. “One must have a mechanism which is adapted the kind of economic activity that responds to the needs and realities of the people”. One informant expressed how more focus could be given to other development initiatives having this as a priority, if this does not fit Norfund. Investments in developing countries can have alternative solutions and Norfund’s priorities can additionally reflect different opinions of what is important in development and what kind of development one wish for. This was mentioned regarding agricultural investments:

“But then it is a question of values. What is development, in a way, and what kind of development shall we have. So in that way, my criticism is partly ideologically based and I am open about that. And it is criticism not just about what is happening in Tanzania, but general criticism of what food and farming systems we will have in Tanzania, and in Norway, and elsewhere. …. So there is not a general resistance to Norfund and to place capital in developing countries, really. But more about how to do it, in agriculture”.

Critical views are not only towards Norfund and development assistance, but the type of development promoted by leaders and people both in developing and developed countries.
What kind of development Norfund work for, and how Norfund invest, is related to their mandate. Informants expressed different views regarding Norfund’s mandate. One informant expressed: “The mandate sounds great, the problem is that I don't think it works in practice”. Regarding interpretations of the mandate, for instance to assist in developing sustainable businesses, one informant questioned: “What do you mean with sustainable?”. Is it sustainable financially, environmentally and social? “Is it written for them or the companies they invest in to make money? Or is it to actually develop a sustainable private sector that includes a bigger perspective than just the financial side of it?”.

A selection of the informants questioned what the mandate actually means and how it should be interpreted, after it was written over 20 years ago. “For us, the question is then linked to how Norfund understands its role, and what is it Norfund is concerned about and what controls Norfund. And then you can say that it is Norfund's mandate, and the Norfund Law is there. But all laws and all mandates must be interpreted and applied according to the intention of the law and lawgiver”.

### 6.4.3. Private sector and development beyond development assistance

Additionally, opinions included a larger focus on Norway’s priorities, compared to direct criticism of Norfund. If Norway wish to contribute to development through businesses and private sector, different ways to do this was mentioned. An initiative like Norfund funded by the aid budget is positive, however, other priorities can give large and efficient results. Explained one informant, there exists an artificial division between the Norwegian development politics and the private sector and business politics. Norway’s private sector and business politics can be seen in a larger context concerning effects on development. Expressed by one informant, Norway imports goods for 660 billion NOK annually. In comparison the aid budget for 2018 was 35 billion NOK. Increased focus on existing Norwegian businesses and imports, including sustainability and human rights, can positively affect workers and businesses’ in developing countries. Compared to Norfund, this focus may reach other developing countries, however, the effect can have a huge impact. “If one is concerned to really bring out the effects, look to those who are actually there already, and see now that we import for 660 billion, what huge impact it actually has on the value creation out there. We leave 660 billion in the world”.

### 7. Findings: Norfund’s response and reflections to criticism

This chapter includes the findings from Norfund, sorted as ‘Norfund informants’ in the Appendix. All statements in this chapter are based on interviews and conversations with six Norfund employees, plus one informant from NMFA. Questions varied from each informant based on their work and involvement in public debates. The chapter focus on the third sub-research question:

i) What is Norfund’s response to the development actors’ critical perceptions of Norfund as a contributor to development?
7.1. Communication, debate culture and transparency

There is much debate about Norfund, but overall not much criticism, according one of the informants. There is more debate than criticism. “I must say, really it is not very much criticism against Norfund”. It was expressed that there is always room for improvements. Norfund can be subject to criticism when different themes in development are brought up in different periods, for instance tax one year, to human rights recently. Norfund always try to respond in debates and all constructive criticism is taken seriously. Expressed by an informant, Norfund listen to the criticism, which can affect how Norfund work. Norfund has a mandate to follow and one informant expressed that they cannot be blinded by criticism. “We must never forget our mandate”.

7.1.1. Transparency and trustworthiness

Communicating better what Norfund do and how they work were stressed as something Norfund work on. It was expressed unnecessary to receive critique which can be avoided with more information. The Norad evaluation UNGP, Human Rights and Norwegian Development Cooperation Involving Business from 2018 were mentioned as an example of how Norfund is doing a good job. Being an organization with a strong project-minded focus, external communication has not been prioritized to the degree of what has been expected, according to one of the informants. It was emphasized that Norfund work to communicate better what they do, as a reaction to debates and as an understanding of the importance. However, there are factors that make Norfund not share everything publicly.

Debating publicly about Norfund’s investments can be challenging concerning transparency. Norfund’s work in development has a commercial angle, which was expressed as a hindrance to gain trust in some cases. Norfund has to follow commercial norms and rules, which include not sharing all information of an investment in public. Informants emphasized how Norfund publish information in their annual reports and on their website.

“One operates in private business, in the private sector. So you can't be, you can't publish all the information about what you are negotiating for example, then you put yourself in a very bad negotiating light. When we make investments, we would very much like to have, to achieve, as much influence as we can in the investment. And it requires a professional way to proceed. But once we have made the investment, we put out information about the investment. When we exit, leave the investments again, we publish financial information about profitability, how big it has been and how much we have earned on each individual investment. I believe we practice a great deal of openness, but also on that point it is someone who is never satisfied”.

Norfund has commercial business partners, which can include use of offshore financial centres, or tax havens, which is not used for secrecy or avoiding tax, but practical reasons. It was expressed that this can give additional work for Norfund. Norfund’s request to avoid it may not always be accepted by other partners. It was expressed understandable, but unfortunate that this practice makes it harder to gain trust from others working with development and in general. One informant expressed that Norfund have explained in detail why they use these jurisdictions, both in debates and on their
webpage, and strive to be transparent. “We practice a very high degree of transparency. As much as possible”.

Norfund informants emphasized how there is a difference between sharing information in meetings compared to in public debates. Norfund is able to share a selection of additional information in private between interested actors by request, such as NGOs and students, compared to public media debates. Criticism which have started in media, without any communication with Norfund first, could have been handled differently with private communication first, as Norfund possibly could be able to show more transparency. In interviews for this thesis, Norfund provided more information about investments, including how Norfund work with companies in relation to IFC PS. If development actors are really interested in making a change, and to make Norfund change, it can be easier to contact Norfund and communicate before starting a public debate in media. However, debates vary from each other, and Norfund informants highlighted their good experience of meetings and dialogue with NGOs and other actors, both in public and private. Norfund appreciate discussions and input from NGOs, especially NGOs with presence in developing countries and organizations working with clean energy.

‘Watchdogs’ are expressed as necessary, however criticism from some actors can sometimes be misinforming, according to one informant. Criticism and debates were additionally mentioned to be about a ‘competition’ for allocations from the Norwegian aid budget. “More money for Norfund means less money for someone else, and vice versa”. Private sector-aid was exemplified as an easy target for criticism. Additionally, the large amount of funding to Norfund was expressed as a natural reason for debate. “Norfund has received a substantial capital allocation from the Norwegian government, and then we must expect that there will be a discussion about our use of money, it is completely natural”.

7.1.2. Dialogue with non-partners and local context

Norfund has received criticism concerning specific projects and referred to previous public answers from debates in the interviews. Regarding communication with non-partners, local NGOs or other local informants, informants expressed Norfund doing a good job, however, there will always be more people to talk to, and there will always be groups who believe they should have been included. First and foremost, Norfund communicate with the companies they invest in, but they also talk to civil society, which is included in IFC PS. If Norfund do not talk to a specific group, it does not mean that Norfund do not talk to anyone. Central America is for instance challenging, because of the huge contradictions between groups, or groups being hard to have contact or dialogue with. “And in the countries of Central America, or Honduras perhaps in particular, there are very many strong contradictions, which means that there is always someone who is not satisfied”. It was stressed that they do thorough research before investments to avoid critical connections or problematic issues. If
critical issues arise in investments, Norfund stressed that resources are used to solve conflict. Concerning partners in countries like Honduras, one informant expressed how it is difficult to find relevant partners without any connection to rich or powerful families, considering how Norfund have to use the financial infrastructure that exist. Norfund does not engage in politics, they invest to create profitable businesses. “Each country has its own structures and if you want to contribute to development then you have to make use of the structures that exist. There are no alternative structures”. The critical opinions regarding Ficohsa have not had implication for Norfund’s investment, as the bank is well driven and does its job, according to the informant. Another investment in Honduras, in clean energy, was mentioned as an example of how criticism have led to more cooperation between the company and local NGOs.

Criticism related to local contexts have additionally included Norfund’s investment in Agrica/KPL, Tanzania. The project included resettlements which was done as responsible as possible, according to Norfund, who presented detailed information of how they had worked with this issue over time. Critical issues have been researched by both external consultants and by Agrica. According to informants, the critical issues brought up by the report from The Oakland Institute were looked properly into and affected Norfund’s work with the company. Norfund informants acknowledged that there have been challenges in the investment, including dialogue with the local community. However, Agrica was described as a company with high goals regarding social responsibility and support to communities. “This was a company that had a management and owners who really wanted to do everything right. Who really, of all our companies, perhaps that was the one that was most concerned with taking care of the small-scale farmers. And then they had poor results over time, which made it difficult to fulfill all those good intentions”. According to one informant, there have been critical issues to handle, however, not always something the company can control. Furthermore, it was expressed that people in Tanzania often have a negative attitude towards the private sector, which can make it easier to create a negative atmosphere around an investment like Agrica. There is additionally a limit to who and how many, the company can give compensations to, and someone will always feel left out. Statements presented to the media were mentioned as sometimes being overexaggerated, both compared to other research and the report referred to itself. The debate around the investment have not always been constructive, and not with a wish to communicate directly with Norfund, according to an informant.

7.2. Responsible investments, human rights and guidelines

Informants expressed that Norfund act responsible and work to avoid negative effects. This was explained by presenting a selection of Norfund’s work before and during investments which have been

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14 The Oakland-report. Norfund mentioned research done by Jennifer Joy West as more nuanced, plus the Norad-evaluation’s case study of the investment in 2018.
criticized, describing their reason for following the IFC PS, and describing views regarding context. Findings from the evaluation UNGP, Human Rights and Norwegian Development Cooperation Involving Business were additionally highlighted as positive.

7.2.1. Responsibilities and unrealistic expectations

Some debates can portray Norfund’s investments in a more negative way compared to how it is in reality. As an example, Norfund described their investment in African Century Foods Ltd., by presenting more detailed information of background research, visits, and action plans for improvements to avoid negative effects. Norfund cooperated with others during the investment process, including one expert with professional knowledge of fish farming. As publicly debated, Norfund’s investment happened several years after the introduction of tilapia in the area. This was expressed as a problematic event, but an event Norfund were not a part of. When Norfund invest, they look at the current situation. Expressed by one informant, fish farming in Africa does not have a simple answer, and there are different opinions of what is needed. Africa’s dependence on fish imports were highlighted, and Norfund invest with a belief that operations will contribute in a positive way.

Regarding responsible investments in general, it was emphasized that each investment has different contexts, and that implementations of standards and guidelines have varying challenges. Not all developing countries are the same. Exemplified by one of the informants, it is different to implement standards in Brazil’s energy sector compared to an investment fund in Somalia. It was also stressed that issues regarding ESG should be handled differently in fragile states, where there are numerous challenges to handle. Criticism of the private sector in developing countries, including Norfund’s investments, were stressed as more complex than what is usually written in media. Discussions and debates are helpful and welcomed, however, NGOs are sometimes asking for more than what should be expected in developing countries. Every investment may not have the highest standards in the beginning of each investment, however, it is a goal and Norfund can assist in making processes go faster. Furthermore, it was stressed that NGOs should not expect more from companies in developing countries compared to businesses operating in Norway. Highlighted by one of the informants, the businesses Norfund invest in can mean everything for people in developing countries, where there are no alternatives and where the private sector must develop. Investments are always good for these countries. Additionally, an informant highlighted that one must remember that countries Norfund

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15 *Escaping the fragility trap* was referred to, written by the LSE-Oxford Commission on State Fragility, Growth and Development from 2018. The report focuses on fragile states and emphasize that DFIs should focus on reducing fragility. This includes: “The current ESG standards, designed for emerging market economies, are inappropriate for the needs of fragile countries, discourage and delay investment, and should be discontinued” (The LSE-Oxford Commission on State Fragility, Growth and Development, 2018:36).
work in have good laws and regulations which play an important part in Norfund’s work, in addition to other initiatives such as the IFC PS.

### 7.2.2. UNGP

Debates about responsibility includes following different standards or guidelines, especially the UNGP. One of the informants highlighted that the debate regarding human rights have been a useful and interesting debate for Norfund. Norfund do not have any plans for implementing UNGP beyond what is included in the IFC PS, and if changes are done in IFC PS Norfund will follow this.

A reason to prefer IFC PS is because UNGP is vague and general, written in a typical UN language, according to one of the informants. Another informant gave an example of why IFC PS has an effect and works better for Norfund, comparing it to UNGP:

“It is an overarching set of principles, which have been approved by, signed by Saudi Arabia and China and others. And which is blurry in the wording. And includes everything and nothing, depending on how you read it. While the IFC standards are very specific. For example, there is a separate document on how to handle working with the textile industry in Bangladesh, how to deal with issues related to child labor in the textile industry in Bangladesh. It is a separate document in the IFC standards. There is no such thing in the UN Guiding Principles”.

Expressed by another informant, the IFC PS suits Norfund better for various reasons and are overlapping with the UNGP on some issues. UNGP and the OECD Guidelines for Multinational Enterprises, which are often mentioned at the same time, are first and foremost meant for multilateral companies, businesses with large value chains, and for those who do not follow any guidelines, according to one of the informants. Norfund is an investor and in a different position than typical large businesses with many operations in different countries (e.g. clothing brands). Norfund mostly invest in businesses with one known location and the IFC PS is developed for institutions like Norfund.

Furthermore, the IFC PS and the UNGP have similar goals, but use different terms which should not have to be a reason for changing a whole system, according to the informant. Mentioned by an informant, the debate is based on misunderstandings of what the guidelines really mean. IFC, like the UNGP, are meant for the people and the environment affected by the businesses, and Norfund disagrees with claims stating otherwise. Another informant expressed: “There are a lot of misunderstandings and errors in that criticism. Because the UNGP is a - it is guiding and there are some principles. And they are good, we have nothing against them, and we fully support them, but they are not operational in investment activities. They are on a completely different level”. Norad’s evaluation from 2018 were mentioned as a confirmation of Norfund’s work regarding human rights: “There were some criticism and storm around Norfund, but I believe that through this evaluation we have got credited that what we do, and the framework we use, and the systems we have, they safeguard human rights in our investments”.

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7.3. Development effects and Norfund as a mechanism for development

7.3.1. Development effects

Norfund continuously work on improving and documenting development effects and Norfund’s administration have improved significantly concerning their work with development effects, according to one of the informants. Norfund have regular meetings with NMFA where development effects are included in discussions. Furthermore, it was highlighted that Norfund have competent employees with experience from both development assistance and finance, who can work up to a year with one investment. Furthermore, it was expressed that Norfund contributes to development by creating jobs and income, productivity growth, and values. For example, jobs, training programs and to produce rice for the local market, mentioned by another informant as development effects. Norfund also have dialogue with other private sector actors, to encourage investments. “Norfund is an instrument in development, not in aid”. Norfund have nothing against traditional aid and its work, mentioning good cooperation and dialogue with NGOs. However, there is not much documentation of the results of traditional aid in a larger perspective, according to one informant. How development has become an ‘industry’ is critical itself. “Norfund is of course a part of the Norwegian development politics, but we cannot go too deep into the industry”.

Norfund has received suggestions of investing differently in developing countries, for instance to focus more on smaller-scale agriculture, cooperatives, or in sectors more directly aimed for the poorest and their needs, which can create better development effects. First, Norfund emphasized that they do focus on these areas, however primarily indirectly through funds and microfinance, which is not always as visible as Norfund’s other investments. This was highlighted regarding agriculture:

“We believe that small-scale farmers are very important in Africa, and Africa's agriculture mainly consists of small-scale farmers. We do not disagree at all with that. But for us as an investor, we work with them mostly in other ways, by working through microfinance banks, microfinance schemes, we invest a lot through these channels. But then it is less visible in our portfolio, because it is indirectly. … So we fully agree in the importance of smallholders, but we believe that Africa needs both. Africa also needs large-scale agriculture, which is effective and competitive”.

Furthermore, informants highlighted that in Norfund’s case the investment must be profitable, which is connected to development effects. For example, Norfund use their position as board members to work on both responsibilities, development effects and profitability. “For us, it is always important with ESG, that is, environmental, social and governance-related matters, and development effects are very important. But there will be no development effects if the company goes bankrupt, so one must always have focus on running properly and profitably. It must always be central”. To focus on profitability does not mean that it is put before other concerns but that it is central for Norfund to create positive development effects. “Our owner, the State, the Ministry of Foreign Affairs, is not sitting and waiting to get a refund, or get some dividends from Norfund. But what we do must be profitable, if not it is not sustainable”. Profitability was additionally mentioned as an advantage, as
Norfund continuously “reuse” the money after exiting businesses and invest again, to contribute to more development effects. Expressed by informants, the development industry in Norway consists of different actors focusing on different fields, promoting their cases and agendas. “In the aid world we all have our tasks. We have a mandate, which is given by our owner the Ministry of Foreign Affairs. It is to invest capital and contribute to the development of profitable businesses. In this way, to contribute to development”.

7.3.2. Norfund as a mechanism, Norfund and modernization

How useful the criticism is to Norfund can vary. For example, criticism concerning a general opposition to aid to private sector or ideological criticism, is not as useful to Norfund compared to for instance, criticism suggesting how Norfund can improve. Mentioned by one informant, it is more useful to discuss how Norfund can do their investments in the most responsible way, compared to criticism saying Norfund should not invest at all. For example, if critics do not believe economic growth and inclusion in the global world economy is good development, Norfund do not believe the debate will be very useful. One informant exemplified this with a meeting Norfund had with an NGO-representative:

“...he believed that economic growth per definition is negative. And that somehow influencing these farmers to produce more and become part of the modern economy is wrong. Then there is not so much point to talk more, when we have so fundamentally different views. I am very concerned that the poor shall get a better life, and I do not think there is much reason to romanticize the life for the rural poor population in Africa. We want them to get a better life, of course we do not want our investments to make life worse for them. One has to believe us on that”.

Parts of the criticism were mentioned as a more general skepticism to private sector in developing countries, not specifically but with an implied tone. One informant expressed that criticism describing the private sector as irresponsible, taking advantage of people and resources, does not fit Norfund’s investments, where proper studies and systems are used to make responsible investments.

Critical informants have compared Norfund’s approach to, for example, ‘trickle down’ and modernization theories. A comparison to a trickle-down theory was mentioned as having little relevance and similarities to Norfund, as the theory originally is about taxation policies in the United States. Explained by one of the informants, Norfund’s investments may make someone richer as a natural effect of profitable businesses, but not as a goal itself. For example, investments in banks are to support SMEs, not to make owners of the bank richer, mentioned by one informant. “For us the goal is to create jobs and economic growth. I don't think it's old-fashioned. You can ask people in the poor countries if they think it is an old-fashioned goal”. Expressed by one informant, if Norfund’s investments create jobs and economic growth, they are doing the right thing, regardless of comparisons to theories. In a larger perspective, it was stressed by the informant how NGOs, both in Norway and globally, for decades have increased their influence over time, which have reduced the focus on economic growth and infrastructure. The fact that private sector, jobs and economic growth
are getting increased attention is needed and essential for development, according to the informant. The development industry has focused too little on jobs and infrastructure, which is essential to make a country develop on its own.

Expressed by one informant, Norfund is a large Norwegian actor in development and they expect some criticism. “There should be some disagreements. It creates a dynamic that I have mentioned, which we all need”.
8. Discussion: Different expectations and perceptions of Norfund

The previous chapters have looked into the critical perceptions of Norfund among a selection of Norwegian development actors, and Norfund’s response to this. In this chapter, these findings are discussed in relation to the literature concerning business and development, DFIs, Norwegian development politics and Norfund as a ‘development tool’ and ‘development agent’. The findings have shown several opinions and topics, and not all actors have the same opinions.

Describing criticism in one group is challenging. However, critics have in different ways expressed different expectations from Norfund. Criticism can be linked to not contribute to negative effects, which some of the actors believe they have. This is for instance related to issues of responsibilities for businesses and CSR, such as workers’ rights, environmental responsibility, and respecting local affected groups. Furthermore, criticism can be linked to Norfund as a development actor. Norfund is a DFI and a receiver of Norwegian development assistance funding, with responsibilities that come along. Mentioned by critics, profit for a business does not necessarily lead to poverty reduction or development, and as a development actor, Norfund is expected to do more than a normal investor in developing countries. Additionally, Norfund is state-owned, giving higher expectations mentioned by critics. Lastly, is has been mentioned how Norfund’s role does not appear to work in practice as it is today. In this perspective one can discuss if Norfund is perceived and expected to be a **development tool** or a **development agent**, or something in between. This can be discussed not only related to Norfund’s investments, but additionally include Norfund’s statements and debating.

8.1. Communication and disagreements

Regarding criticism, Norfund informants have expressed both disagreements, understanding, challenges to improve, and clarifying of their mandate. Critics and Norfund mentioned both debates with minimal private dialogue, and debates including internal meetings and communication outside media and public debates, which can portray a selection of the debate as more nuanced that what it appears. However, as findings show, disagreements are still present.

For example, Norfund’s investments in agribusiness and fish farming have been expressed as being overexaggerated in media, with little communication outside public debates. Critics still believe Norfund’s investments are critique worthy, and one informant expressed a responsibility to alert of these problematic issues, to start a process. Expressed by Norfund, some issues have been challenging, however done according to responsible procedures. Norfund in Latin-America, or specifically Honduras, can show an example of how organizations and Norfund have had dialogue and meetings together internally, but have described disagreements regarding what to do and Norfund’s role in these challenges.
Norfund have specified that they act responsible, and that environmental and social issues are prioritized just as financial concerns. This is not always perceived in the same way by critics, who have given examples of investments where they see social and environmental concerns not being prioritized, directly or indirectly. Expressed by critics, Norfund may not see the situation like other development actors do, and therefore have another impression, where others see opportunities for improvements.

Criticism and debates have been met with little change from Norfund according to critics, concerning change in investments or other recommendations being taken into account. Furthermore, lack of documentation and defensive responses from Norfund have been mentioned as affecting critics’ opinions. This can have an effect on critics’ perception and expectations of Norfund. An informant asked - to what degree is Norfund a development actor and an investor. It has been expressed that Norfund act more as an investment fund than a development actor. It has additionally been expressed that Norfund are perceived as a development actor.

8.2. Norfund as an investor and ‘development tool’

A recurring part in the findings was Norfund’s role. Mentioned in this thesis, Norfund is both an actor in the private sector actor and development, which can be viewed as contradicting in different settings. Critics and Norfund’s response have shown different opinions of Norfund’s role and Norfund’s contribution to development.

Norfund have expressed that they are committed to respect human rights, the environment, and other responsibilities by following the IFC PS, and are investing with the goal and belief that the investment will be good for the people in the developing countries. Additionally, they have repeatedly referred to their mandate, “to assist in developing sustainable business and industry in developing countries”, with the object to “establish viable, profitable undertakings that would not otherwise be initiated because of the high risk involved” (Norfund, 1997:3). Profit in the investments have been stated as central to contribution to development, plus effects including value creation, jobs, trainings, tax revenue and production to local markets. Norfund works with development effects and social and environmental responsibilities, however, without profitable businesses there will be no business and no development effects, according to Norfund. Expressed by Norfund’s CEO “For Norfund, profitability is a precondition for development, not the end in itself. We invest in viable businesses in poor countries to create employment and thereby contribute to reduced poverty” (Norfund, 2018a:6).

Considering how business as a ‘development tool’ contributes to development first and foremost through growth and value creation, Norfund’s reflections show similarities to business as a development tool, as described by Blowfield and Dolan (2014). Norfund’s focus and documentation related to how they contribute to development are similar to what Blowfield lists as common for
business as a development tool – “creating jobs, obeying the law, supplying goods and services, and helping to fund necessary social institutions”, leading to growth-driven development (Blowfield 2014:24). Written by Blowfield and Dolan (2014), to invest in businesses in developing countries is not automatically a development-oriented activity, without a larger emphasis on poverty reduction or other development priorities. Business as a development tool “is the kind of role business could play anywhere in the world, at least wherever there is a functioning private sector. It is not by itself a development-oriented activity; it is no more responsible for development outcomes than a hammer is responsible for the carpenter’s thumb” (Blowfield and Dolan, 2014:24). Critics have expressed how economic growth does not necessarily lead to development. To be present in developing countries and invest in important sectors is good and needed, however development actors have expressed higher expectations from a DFI like Norfund, related to development effects.

Norfund’s responses in debates have left a negative impression among critics, for instance regarding specific investments, following responsible guidelines and human rights. Criticism and recommendations by NGOs have been met with defensive responses, which have made critics question how Norfund actually work with issues related to development. Critics’ description of some of Norfund’s public responses, can draw similarities to Newell’s writings saying “Some argue that deliberate interventions by governments and donors aimed at harnessing business towards the aims of poverty alleviation are misplaced, since business already contributes in the most direct way it can to poverty reduction efforts through ‘business-as-usual’ investments, employment and payment of taxation” (Newell, 2007:671). Furthermore, DFI reviews includes DFIs role in approaching poverty goals and development effects, including possible disadvantages. For instance, if more resources are put into measuring poverty, it may affect DFIs commercial value (Lemma, 2015). Additionally, Lemma (2015:21) states that “DFIs are a combination of commercial and developmental practices, this means that their main clients will be (first and foremost) private sector enterprises rather than communities at the local, regional or national level. Dealing with enterprises means measuring feasible impacts and results, and the impacts on poverty rates are indirect”. Development effects mentioned or documented by Norfund focus on producing for instance, goods to the local market, employment, tax. Although Norfund follows the IFC PS and have expressed and documented their responsibility, selected informants have expressed that there sometimes are set too high expectations of businesses in developing countries, and how some actors in Norway do not always understand different contexts and challenges. A similar view is stressed related to mainstream CSR, including how the focus in mainstream CSR does not look into the real challenges in a Southern perspective, questioning if it is Northern NGOs and consumers who knows best what is good for workers in developing countries (Idemudia, 2011).

On the other hand, Norfund have in interviews elaborated on their role as a responsible investor, expressing how this is central for Norfund. Critics have likewise expressed that they believe Norfund
is doing their best to contribute to development. Business as a development tool is also explained as “assuming little responsibility” for the activity of businesses, which fit less to Norfund considering their commitment to IFC PS and goal of contributing to development (Blowfield and Dolan, 2014:22). In addition to IFC PS Norfund have other initiatives for contribution to development (e.g. Grant Facility Scheme), and have a strategy focusing on sectors important for development, for instance explained in Norfund’s report ‘Investing for development” (Norfund, 2018a:9). Norfund have published selected case studies of their investments, showing more detailed how Norfund contribute to development as an investor beyond financial issues (Norfund, 2019a). However, Norfund’s positive contribution to development beyond the financial, has not been as central in debates, and additionall, Norfund have showed more focus on traditional roles for businesses, such as employment, tax and production. A combination of little public focus on non-financial results, irresponsible investments (according to critics), and Norfund’s style of responding to criticism, can question Norfund’s role as a development actor, and possibly create a perception of Norfund first and foremost as an investor.

Furthermore, one can ask, what is the difference between a responsible investor and a development actor, and is this perceived differently by Norfund and critics? If Norfund act according to all laws, do not cause negative effects in any way, respect human rights, act environmentally sustainable, and contribute to economic growth, tax revenues and value creation, does it make Norfund a development actor, or a development ‘agent’?

8.3. Norfund as a development actor and ‘development agent’

Findings show that, in addition to critical opinions of investments and examples of Norfund causing or possibly causing negative effects, criticism and expectations of Norfund can be linked to Norfund as a development actor, or ‘development agent’. Mentioned by different critics, Norfund is expected to have a bigger role in development beyond avoiding negative effects and contribution of profit and value creation. Norfund receives all funding from the Norwegian aid budget, is by critics perceived as a development actor and is expected to act according to this role. Norfund as a development actor is here discussed and divided into three points: First, how Norfund perceive and work with development and poverty issues in their investments, second, Norfund’s role as a Norwegian development actor according to Norwegian development politics, and third, how this is documented to actually show how Norfund work with these issues.

8.3.1. Focus on poverty reduction and development

Norfund’s role as a development actor can be compared to business as a ‘development agent’. To be a ‘development agent’ includes investing in businesses that proactively strive to reach the poor and make the poor benefit from the investment, beyond indirect effects from a normal business activity
(Blowfield and Dolan, 2014). This includes to prioritize the poor, being accountable of development impact in the same way as financial accountability, and having knowledge of “the nature of poverty” - to understand why there is poverty, how this can be solved, and actively strive to reach these people so they can benefit from operations (Blowfield and Dolan, 2014:25-26). A selection of critics have emphasized that Norfund should contribute to poverty reduction. This can be argued to go beyond responsibilities of CSR, responsible investing and business operations. Stated by Newell (2007:678) “CSR, after all, was never conceived as a tool to tackle poverty”. To reach the poor, and make the poor benefit include more than investing in a developing country and investing in a sector which is important for development, without documentation of effects, according to the critics. Critics have mentioned alternative ways to make investments more beneficial for the poor and development, compared to the investments by Norfund they are familiar with. Norfund’s operations do have initiatives to reach the poor, however, critics have emphasized the choice of business in the first place. To use an example from one of the informants as a basis, one can have a business in the agricultural sector with farmers’ cooperatives as the basis, to build a business with a democratic, sustainable and fair foundation. Perhaps such investments will not as profitable as a ‘normal’ business, however, with a larger contribution to sustainable development in the long run. This can be instead of investing in a business where poverty reduction, environmental concerns and sustainable development are built around how it is suited related to profit.

This is similarly emphasized in an improved suggestion of a development agent: Operations would still be commercial and development outcomes would still be related to business activities, however “its decisions would be based on what the poor would choose” (Blowfield and Dolan, 2014:36). Furthermore, emphasized in relation to challenges with CSR, the focus on poverty and the perspective on impact are central: “First, if we are to better understand CSR impact on society as opposed to CSR impact on business, then the beneficiaries’ perceptions and experiences of CSR needs to become central to analysis. Such a research focus would allow for the voices of the poor and the marginalized to be better reflected in CSR discourse as well as highlight the contradictions inherent in CSR” (Idemudia, 2011:13). Another example mentioned by critics is the importance of UNGP. A highlighted reason for implementing UNGP among critics is how the guidelines have a greater focus on people in center of business operations and human rights compared to IFC PS, although these views have been discussed and are not shared with Norfund. Furthermore, critics have expressed a need for increased focus on people as subjects, not as objects, in investments. Likewise, Jackson (2013) explanation of a “Theory of Change”, focus on how impact investments can make a change for the poor and marginalized in the best possible way, and how there is a need to understand complex, dynamic and uncertain factors in investments to make this happen. The different discussions related to private sector in development stress the need for more focus on the poor and marginalized compared to what has been normal in responsible business activities until now, which can show how private
sector actors such as Norfund, also can act as a development actor (Blowfield and Dolan, 2014; Idemudia, 2011; Newell, 2007; Jackson, 2013).

8.3.2. A Norwegian development actor

Expectations of Norfund as a development actor is additionally related to Norwegian politics. A factor mentioned by critics, is how Norfund is expected to follow fundamental principles of Norwegian development policy (Norfund, 2018h; Norfund, 2016c)16. As mentioned by critics, the overarching goal for Norwegian development politics is poverty reduction (NMFA, 2018), in addition to the “cross-cutting issues” human rights, women’s rights and gender equality, climate change and environment, and anti-corruption (NMFA, 2017a; Regjeringen, 2019). “All development efforts are to be assessed on the basis of how they affect or are affected by these cross-cutting issues” (NMFA, 2017a:11). Suggestions such as to follow the UNGP, to avoid tax havens, or looking at investments in context, can be linked to these issues, to improve development effects and to avoid negative effects. The cross-cutting issues are stated as fundamental in Norwegian development politics, and should to a minimum be included in risk management, to avoid a negative effects on these issues (NMFA, 2017b). Stated on the Government’s website, if these considerations are not taken care of, development efforts are undermined, and one must therefore always consider if a project can affect these issues in a negative way (Regjeringen, 2019). A selection of critics has stressed that they expect more demands from the owner of Norfund. NMFA expressed how they have regular meetings and continuously work with Norfund discussing and improving work on development effects and issues such as human rights.

8.3.3. Documentation of development effects

Norfund as a development actor includes transparency and documentation of development effects, according to informants. Lack of transparency makes trustworthiness and documentation more challenging. Reviews of DFIs have shown challenges regarding transparency, tax, openness about partners, receivers, and the concept of leverage, challenges also emphasized by critics (Massa et al., 2016; Kwakkenbos, 2012; Kalow et al., 2016). A study of development effectiveness of DFIs, measured Norfund on six different themes, receiving ‘poor performance’ on Participation government & social partners, monitoring, transparency and complaint mechanism (Simonetti, 2016).

Furthermore, opinions of how Norfund’s investments cause development effects and affect the poor were emphasized by critics. Norfund’s public documented development effects are to a larger degree about economic achievements and to a lesser degree about documentation of Norfund’s social or

16 From Norfund’s statutes: “Norfund shall conduct its activities in accordance with the fundamental principles for general Norwegian development policy".
environmental responsibilities and achievements, for example the quality of jobs or who benefits from the production. Norfund explain potential or expected development effects beyond the financial but do to a lesser degree document non-financial result in comparison to financial (Norfund, 2018a). This shows similarities to reviews of DFIs in general, showing that specific development and poverty impacts are reported to a limited degree by DFIs (Lemma, 2015; Massa et al., 2016). A reason for this is that these effects often can be harder to measure or are indirect, where indirect effects are reported less compared to DFIs direct effects (Lemma, 2015). Studies have additionally shown little evidence of DFIs actively trying to influence direct poverty impacts in investments (Spratt and Collins, 2012; Massa et al., 2016). However, reports discussing DFIs impact on development are not only negative and include examples of other positive effects, such as economic growth, impact on climate change, and food security (Massa et al., 2016; Lemma, 2015).

Critics’ recommendations include more cooperation for knowledge about these issues, and to employ more people with “development” backgrounds and other relevant fields. Reports stress how DFIs are increasingly asked to do more in terms of poverty reduction and achievements of development goals (Savoy et al., 2016:vi; Spratt and Collins, 2012). DFIs in general were fundamentally meant to contribute through investments and economic growth, and Spratt and Collins (2012) suggest that if DFIs are expected to do more, their mandates and operations must be shaped for this goal, along with employees working on these issues: “But DFIs were established to focus on growth, with poverty effects assumed to follow as a result. If they are now to be expected to deliver additional direct poverty and/or environmental impacts they need to be mandated, financed and staffed in a way that facilitates this” (Spratt and Collins, 2012:7). These reviews can show that discussions of Norfund as a contributor to development and being a development actor shows similarities to challenges for DFIs in general.

8.4. Norfund and business as development agents in a larger context

Although critics have shown a positive attitude to a mechanism like Norfund in development, a selection of informants have questioned Norfund in a larger perspective. Findings showed how some of the development actors are more critical of what Norfund represents, compared to Norfund itself. Critical opinions of Norfund have specifically referred to Rostow’s modernization theory, and how Norfund’s approach draws similarities to modernization (Smukkestad, 2008; Peet and Hartwick, 2015). The term Green Modernization can furthermore reflect how a selection of Norfund’s investments have similarities to modernization discourses with a ‘green’ narrative (Bergius and Buseth, 2019).

Furthermore, critics question Norfund in a larger perspective in relation to “private turn of aid” - a focus where private sector to a larger degree shall have the responsibility for development (Tomlinson, 2012:5; Bjergene and Piene, 2013). “How Aid Became Big Business”, and the private sectors’ larger
role for effective development can be viewed as something to be aware of, in terms of how it can affect development assistance, and how it has happened as a response to the global financial crisis in 2008 (Tomlinson, 2012:9; Kennard and Provost, 2016).

Furthermore, if the private sector in general to a larger degree will be a part of and responsible for development, they will also be able to affect and set the premises of development agendas (Blowfield and Dolan, 2014; Kennard and Provost, 2016). Although this can lead to positive changes for the poor and for development, the role of businesses as ‘development agents’ is also stressed as problematic:

“However, empirical studies show that we need to be cautious about the developmental efficacy of development agent approaches. Not only does their impact tend to be assessed in terms of the instrumental value to business rather than to the poor and marginalised, but the very notions of the poor, poverty, beneficiary, and development worthiness are being constructed around what is material, instrumental and comprehensible to business. In the process the nature of the poor’s relationship to development is changing in a powerful shift in kind-making wherein, for instance, people are no longer recipients but customers and agents.” (Blowfield and Dolan, 2014:35)

Businesses and the private sector are in different ways included in development work (UN, 2015; Tomlinson, 2012). Informants have stressed how Norfund and private sector initiatives can be good in development, however, negative examples can show the need to be aware of the private sector’s role, for instance related to priorities, perceptions of ‘development’ and what the solution for development is (Blowfield, 2005; Blowfield and Dolan, 2014; Kennard and Provost, 2016). Stressed by an informant, Norfund can be perceived as an element in a development trend which increasingly include the private sector and business. Whether this is positive or negative, may depend on who you ask.

9. Conclusion

The purpose of this study has been to assess different Norwegian development actors’ critical perceptions and expectations of Norfund as a channel of development assistance, and Norfund’s response to these perceptions. The study aims to give more insight into different opinions, to discuss how Norfund is perceived in a development context, according to these actors. The thesis is based on a selection of purposive sampled informants, which does not aim to generalize a whole group, but to give insight into opinions of these selected informants.

Findings from critics and Norfund can illustrate how Norfund’s role can be perceived in different ways. Norfund’s role as both an investor and development actor can create different perceptions and expectations of how Norfund should contribute to development. Norfund’s role as a development actor has been highlighted as important by critics. At the same time, it has been expressed that Norfund act as an investor, not as a development actor. From Norfund, the mandate is highlighted, and it has been expressed that Norfund is an instrument in development, not in aid. Furthermore, situations are described in different ways. A selection of Norfund’s investments include serious concerns and criticism from some actors, while Norfund have spoken of the same investments in a positive way, to
different degrees. This can show how different perceptions and expectations differ between actors, leading to disagreements. However, it can also reflect ‘two different world understandings’, and different opinions of what is important in development.

It has been mentioned how working to find solutions together with Norfund can help, although one may not achieve everything wished for. Norfund have additionally expressed how they have good relationships with other development actors. To open up for understanding different views and meeting halfway can be a solution for agreements, if cooperation and openness to change is wanted. It has for instance been stressed how Norfund could benefit to get more employees with ‘development’ backgrounds for different perspectives, and likewise that NGOs could benefit to work more with actors having other backgrounds. Meeting halfway can include finding the right balance between Norfund’s role as a development actor and investor.

If criticism has led to any changes for Norfund, it may not be reflected well in debates or in public. Little change and Norfund’s way of responding can make an impression of Norfund not taking criticism into consideration. When they do it is unfortunate if it does not appear like this in public. The response from Norfund regarding consequences of criticism for this thesis have varied. Furthermore, a selection of critics has emphasized that it is not their role to promote Norfund’s positive achievements, but to speak when something is not right. This may affect how Norfund is perceived in general, considering how a large amount of information about Norfund are portrayed in a negative way in media, and less about Norfund’s achievements. On the other hand, Norfund’s response to criticism can additionally play a part in shaping perceptions of Norfund.

If more information was available publicly, maybe outsiders and critics would get a different perception of Norfund in a development context. With limited public information it can be hard to know what Norfund do or achieve. More information can not only give a clearer image of Norfund’s work, but also give room for a more nuanced debate, as one does not have to question Norfund’s actions in the same way. Similar views were mentioned by a Norfund informant, who expressed that the DFI work with communicating better how they work and act responsible. More transparency may lead to less disagreements.

Stated by one of the informants, the problem with development assistance is that it is full of good intentions. Mentioned by another informant, development assistance is often more about buzzwords and political fluctuations, compared to empirical knowledge and research. Norwegian development politics is debated and criticized to a small degree seen from a larger perspective, with Norfund as one exception. However, exceptions like Norfund have to a small degree included politicians in comparison to other actors. Good intentions need to be debated, including Norfund. Development initiatives can benefit from debates, to critically discuss specific issues and improve. All types of
development initiatives can possibly have negative effects. Development initiatives, in this case Norfund, can be complex, may not always have a simple answer and need to be debated. If wanted, debates can lead to common solutions. Furthermore, debates and cooperation may show how situations are not as black and white as they can appear. It has been expressed that a mechanism like Norfund is needed and have great potential to be a leader in their field. For this to happen, criticism can be used as a resource.
10. References


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Lemma, Alberto F. 2015. Development Impact of DFIs. What are their impacts and how are they measured? : Overseas Development Institute (ODI).


Norfund. 2016c.
Norfund. 2016b.
Norfund. 2016a.
Norad. 2018.
Norad. 2015b.

Massa, Isabella , Max Mendez-Parra & Velde, Dirk Willem te 2016. The macroeconomic effects of development finance institutions in sub-Saharan Africa. Overseas Development Institute (ODI).


OECD 2016. Understanding Key Terms and Modalities for Private Sector Engagement in Development Co-operation. Development Assistance Committee (DAC).


Romero, María José 2014. A private affair. Shining a light on the shadowy institutions giving public support to private companies and taking over the development agenda. European Network on Debt and Development (Eurodad).


11. Appendices

Appendix 1: Overview of critique and debates

The list below has been a basis for the sampling for this thesis. The letter to Norfund from ten different organizations were central, found in the list, and here: Norfund-direktør skyteskive for kritikk fra organisasjoner.

The list includes articles and reports from the period 2014-2018. It is sorted chronologically by years, and into sections, including articles written by journalists, chronicles from Norfund, and critiques. The list is based on information from 2014 to 2018. The majority is written in Norwegian, from Norwegian newspapers.

I have attempted to include all relevant media and reports related to Norfund and critique from the period 2014-2018. However, I cannot guarantee that I have managed to include all existing links.

Criticism mentioned in media articles:

2014:

2015:

72
2016:


2017:


2018:

- **Bråk rundt Norfund.** Dagsnytt atten, NRK. (Audio) 30.1.18. [https://radio.nrk.no/serie/dagsnytt-atten/NMAG03002118/30-01-2018#t=37m26.72s](https://radio.nrk.no/serie/dagsnytt-atten/NMAG03002118/30-01-2018#t=37m26.72s)
- **Beste år i bistand for Norfund.** 7.5.2018. Dagens Næringsliv. [https://www.dn.no/hygheter/2018/05/07/2044/Finans/beste-ar-i-bistand-for-norfund](https://www.dn.no/hygheter/2018/05/07/2044/Finans/beste-ar-i-bistand-for-norfund)
- **Norfund kritiserer bistandsorganisasjoner.** Dagsnytt atten, NRK. (Video) 3.9.18. [https://tv.nrk.no/serie/dagsnytt-atten-tv/NNFAP56090318/03-09-2018#t=44m50s](https://tv.nrk.no/serie/dagsnytt-atten-tv/NNFAP56090318/03-09-2018#t=44m50s)

**From Norfund:**

**2014:**

**2015:**
- **Smått er ikke alltid best.** 26.5.2015. Dagens Næringsliv. [https://www.dn.no/meninger/debatt/2015/05/26/2139/Bistand/smtt-er-ikke-alltid-best](https://www.dn.no/meninger/debatt/2015/05/26/2139/Bistand/smtt-er-ikke-alltid-best)


- **Mer forskning – bedre bistand?** 29.9.2015. Dagsavisen. [https://www.dagsavisen.no/nyemeninger/mer-forskning-bedre-bistand-1.458931](https://www.dagsavisen.no/nyemeninger/mer-forskning-bedre-bistand-1.458931)


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**2016:**

- **Afrikansk landbruk trenger tålmodig kapital.** 8.3.2016. Dagsavisen. [https://www.dagsavisen.no/nyemeninger/afrikansk-landbruk-trenger-t%C3%A5lmodig-kapital-1.702303](https://www.dagsavisen.no/nyemeninger/afrikansk-landbruk-trenger-t%A5lmodig-kapital-1.702303)


- **Stein i glasshus.** 11.4.2016. Dagens Næringsliv. [https://www.dn.no/meninger/debatt/2016/04/11/2148/Panamaavslringene/stein-i-glasshus](https://www.dn.no/meninger/debatt/2016/04/11/2148/Panamaavslringene/stein-i-glasshus)

- **Vi trenger tålmodig kapital.** 13.4.16. Klassekampen. [https://www.klassekampen.no/article/20160413/PLUSS/160419895](https://www.klassekampen.no/article/20160413/PLUSS/160419895)


- **Forsvarene ikke skatteparadis.** 5.5.2016. Dagens Næringsliv. [https://www.dn.no/meninger/debatt/2016/05/05/2044/Skatt/forsvarene-ikke-skatteparadis](https://www.dn.no/meninger/debatt/2016/05/05/2044/Skatt/forsvarene-ikke-skatteparadis)


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**2017:**

- Ensidig om fiskeoppdrett i sør. 4.5.2017. Bistandsaktuelt (with Norad).

2018:

Written by critics:

2014:
For National Contact Point Norway. Tar for lett på korrupsjon. (Frode Elgesem, member of OECD National Contact Point Norway). https://www.dn.no/økonomi/2017/05/12/2027/Innlegg/tar-for-lett-pa-korrupsjon

2015:

- Vi er utviklingsforskere. 28.10.2015. Dagsavisen. (Hanne Haaland, Ingunn Bjørkhaug (Fafo), Erlend Eidsvik (HiB) og Arve Hansen (SUM)). https://www.dagsavisen.no/nyemeninger/vi-er-utviklingsforskere-1.674248

2016:


2017:

- Tar for lett på korrupsjon. 12.5.2017. Dagens Næringsliv. (Frode Elgesem, member of OECD National Contact Point Norway). https://www.dn.no/økonomi/2017/05/12/2027/Innlegg/tar-for-lett-pa-korrupsjon

77

2018:

Media chronicles and other material from the development actors included as informants:

Sammen om jobben, næringsutvikling innenfor utviklingssamarbeidet.

Atlasalliansen (The Atlas-Alliance):

NMBU - Tor-Arve Benjaminsen, Mikeal Bergius and/or Jill-Tove Buseth:

Tor-Arve Benjaminsen:
- Clemet utelater taperne i bistandsdebben. 17.12.2015. Aftenposten. https://www.ftenposmeningier.no/meninger/i/7/78/Clemet-utelater-tapene-i-bistandsdebben--Tor-ABenjaminsen
- Trist at Norfund avviser kritikk. 4.1.2016. Aftenposten. https://www.ftenposmeningier.no/meninger/i/7/78/Torsagt-4januar

Mika Bergius:
- Norge mot småbondene. 11.4.16. Klassekampen. [https://www.klassekampen.no/article/20160411/PLUSS/160419949](https://www.klassekampen.no/article/20160411/PLUSS/160419949)
- Stort eller nyt? 2.5.16. Klassekampen. [https://www.klassekampen.no/article/20160502/PLUSS/160509967](https://www.klassekampen.no/article/20160502/PLUSS/160509967)

Mikael Bergius and Jill-Tove Buseth
- Småbrukerne blir taperne. 30.10.2017. Dagsavisen. [https://www.dagsavisen.no/nyemeninger/sm%C3%A5brukerne-blir-taperne-1.1046048](https://www.dagsavisen.no/nyemeninger/sm%C3%A5brukerne-blir-taperne-1.1046048)

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Transparency International Norway:
  No chronicles 2014-2018, but signed the letter to the minister of international development, and commented in media articles regarding Norfund and criticism.

Appendix 2: Informants

Informants interviewed are sorted by type and date of interview
The description is based on the positions at the time of data collection. Change of leadership or other events may have changed after the interviews.

### 11.1.1. Organizations

1. FIVAS, Foreningen for internasjonale vannstudier (The Association for International Water Studies)
   - J. Holmqvist, leader (changed after interview)
   - 21.2.18

2. Framtiden i våre hender (The Future in Our Hands)
   - P. A. Gaarder, Advisor
   - 22.2.18

3. Tax Justice Network Norway
   - P. Ringstad, Political Advisor
   - 23.2.18

4. Latin-Amerikagruppene i Norge (LAG - The Norwegian Solidarity Committee for Latin America)
   - M. Gulli, leader (changed after interview)
   - 26.2.18

5. Atlasalliansen (The Atlas Alliance)
   - M. Eriksen, CEO, A. S. Hosar, Policy and Program Advisor
   - 1.3.18

6. Norsk Folkehjelp (Norwegian People’s Aid)
   - P. Ranestad, Senior Advisor
   - 9.3.18

7. FOKUS, Forum for kvinner og utviklingsspørsmål (Forum for Women and Development)
   - G. Ørstavik, Advisor
   - 2.10.18

8. Transparency International Norway
   - G. Slettemark, Secretary General
   - 4.10.18

9. A. Nærstad
   - Former Senior Advisor in The Development Fund, former leader More and Better Network
   - 11.10.18

10. Kirkens Nødhjelp (Norwegian Church Aid)
    - K. Abildsnes, Senior Advisor Economical Justice
    - 13.11.18

11. Anonymous

### 11.1.2. Academics and researchers

12. M. Bergius,
    - PhD Candidate, Faculty of Landscape and Society International Environment and Development Studies, Noragric, Norwegian University of Life Sciences (NMBU)
    - 22.2.18

13. J. T. Buseth,
    - PhD Candidate, Faculty of Landscape and Society International Environment and

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14. T.-A. Benjaminsen,
Professor, Faculty of Landscape and Society International Environment and Development Studies, Noragric, Norwegian University of Life Sciences (NMBU)
21.2.18

15. J. Kolding,
Professor, Department of Biological Sciences, University of Bergen
(E-mail interview)
14.11.18

16. T. F. Næsje,
Senior Research Scientist, Aquaculture and Coastal Ecosystems, The Norwegian Institute for Nature Research (NINA)
(Phone interview)
27.11.18

### 11.1.3. Norfund

17. K. Roland,
CEO of Norfund, announced leaving before October 2018
19.6.18

18. K. Clemet,
Chair of Norfund Board of Directors
(Phone interview)
10.10.18

19. O. Nafstad,
Executive Vice President Strategy and Analysis
17.10.18

20. E. Ersdal,
Investment Director Food and Agribusiness
28.11.18

21. P. Vilsted,
Senior Sustainability Advisor ESG Clean Energy
6.12.18

22. T. Lund,
Senior ESG Specialist Food and Agribusiness
6.12.18

### 11.1.4. NMFA

23. Case officer (Saksbehandler)
(phone conversation)
18.12.18

24. Others - Anonymous

### Appendix 3: Interview guides

### 11.1.5. Critics of Norfund
General
1. Can you tell about you/your organization and your relationship with Norfund?
2. What is your general view of Norfund?
3. How is your experience with debating with Norfund (referring to articles/debates in media)?
4. What is your impression of Norfund over time?

Criticisms voiced by person/organization
5. What is your criticism of Norfund and what is it based on?
6. Questions about specific critique voiced by the person/organization:
   - Do you have any additional arguments or reflections after the public debate?
   - Have you had dialogue with Norfund outside public debates? Can you tell more about this?
   - Have anything changed after the public debate?
   - What are your thoughts about debating with Norfund and the result of the debate?
   + possible additional questions regarding the critique from person/organization

Criticisms in general
7. Norfund often refers to IFC Performance Standards when receiving critique. What are your thoughts of this?
8. Can you say anything about the letter sent to the Minister of Development in January?
9. Why do you think people/organizations are criticizing Norfund?
10. What is your knowledge of critique voiced by others? What are your thoughts about this?

Development, private sector
11. Do you believe Norfund and you/your organization perceive “development” in the same way? 
    ⇒ How do you look at development differently/similar?
12. What are your views regarding private sector in development assistance?
13. What are your opinions of DFIs in general?
14. What is your opinion of the state as the owner of Norfund
    - concerning your criticism and criticism in general?
    - concerning the state’s role as an owner?

Recommendations, positive sides
15. How can Norfund contribute to development in the best possible way? What are your recommendations to Norfund?
16. What is positive with Norfund in your views?
17. How do you see Norfund’s role in development now and in the future?

11.1.6. Norfund employees

Questions from interviews with six different informants. Questions asked varied from interviews. Semi-structured interviews opened up for additional questions.

General/criticism:
1. How have you perceived and handled critique about Norfund?
2. What are your thoughts in general about criticism from other development actors in Norway?
3. Why do you think Norfund have received criticism from other development actors?
4. Have criticism led to any changes for Norfund?
5. Do you take some critique more serious than others?
6. Can you mentioned criticism which have been serious + less serious for Norfund?
7. Can you mentioned criticism which have been useful + not useful for Norfund?
8. What are your thoughts about the letter sent to the Minister of Development in January? Did it lead to any changes for Norfund?
9. To what degree does the board work with criticism of Norfund, does criticism affect the Norfund board in any way?
Development:
10. What is “development” for Norfund?
11. To what degree is Norfund a development actor and an investor?
12. Can you say more about Norfund and guidelines, and why Norfund is following the IFC PS and not the UNGP?
13. What are your thoughts regarding the Norad-evaluation, Norfund and human rights?
14. What kind of challenges do Norfund have today?
15. Some critics believe Norfund can be compared with old development theories such as modernization and trickle-down. What are your thoughts about this?
16. What are your thoughts about development assistance today and for the future? Both globally and in Norway. How do you see Norfund in this context?
17. More transparency is wanted, which is important in development assistance. Ex. about tax, partners, challenges. What are your thoughts?
18. More dialogue and sharing of knowledge are wanted, especially civil society in the countries Norfund invest in. What are your thoughts?
19. Better documentation of development effects is wanted. What are your thoughts?
20. Selected critics expressed Norfund should focus more on smaller-scale, especially smaller scale agriculture. What are your thoughts about this?
21. Critics have commented that Norfund often answer criticism by criticizing the senders, not the critique. What are your thoughts about this?

Criticism regarding Agrica, Ficohsa, African Century Foods:
22. What are your thoughts of XX critique, any additional reflections besides what said in media?
23. What kind of dialogue have you had with the critics outside the public debate?
24. Have this critique been useful? What are your thoughts and arguments regarding the criticism?
25. Have anything changed?
26. Do you have any challenges in this investment today?
27. Have the critique affected the investment in any way?
28. Have you done any research to investigate if there is something right in the critique?
29. How has Norfund’s investment in XX contributed to development?

Agrica, AFC:
30. Before and during the investment, how do you gather information about local context, expertise etc., in addition to the company?
31. What is the status of IFC PS today in XX?
32. How do you work with the IFC Performance Standards, before and during the investment?
33. What do you do to make the business prioritize and work more with the IFC Performance Standards/responsibilities?
34. How and how often do you monitor the investment and their responsibility? If it arises problematic challenges, how do Norfund work with this?

Agrica:
35. How do Norfund work as a board member of Agrica?
36. To what degree is IFC PS and responsibility brought up to the board, is this a priority as a Norfund board member?

AFC:
37. What kind of experts did you work with before this investment? Regarding local context, fish farming, development effects.
38. Critics asked to see background research, how did this work? How is your due diligence?

11.1.7. NMFA
1. How do you, as the owner of Norfund, perceive and work with critique regarding Norfund?
2. Have criticism of Norfund affected your work as the owner of Norund?
3. Some critics believe the state, should set higher demands for Norfund, including:
   - Tax havens and transparency
   - Follow UNGP
   - More reporting and documentation of development effects
   What are your thoughts of this?
4. Are there any planned changes with Norfund it is worth noting?