

Institutional Cooperation between Public Institutions in Norway and the South.

Study of Institutional Development

Institutions are increasingly seen as a key factor in the development process, and institutional development constitutes a major concern of Norwegian development cooperation. Also Norwegian organisations and institutions have been given a central role as partners in development with the introduction of the 'Norway Axis'.

The Norwegian Ministry of Foreign Affairs has initiated a comprehensive assessment of institutional development efforts in Norwegian bilateral assistance through four different channels. These are public institutions, universities, private companies and consulting firms, and non-government organizations. The concept of institutional development is defined, embracing five levels: individual, organisational, network, sectoral and national. The first two of these levels involve human resource development (HRD) and organisational development (OD) respectively, while the last three all entail some form of system development.

Public Institutions as Agents of Aid

Altogether 35 Norwegian public and semi-public institutions are involved in over 100 institutional development projects. 55 percent of these are larger public institutions (directorates and authorities), while 45 percent are semi-public institutions of research and higher learning.

The public institutions in the South are generally positive towards the cooperation with Norwegian organisations, but are only to a limited extent familiar with the implications of the policy shift for their own role and increasing responsibilities. They also have problems separating NORAD and the Norwegian institutions as agents of Norwegian development aid. The capacity of the Southern institutions to absorb and use the human and technical resources accessible through the twinning agreements vary considerably. Some are also sceptical towards including higher level concerns such as organisational change, management and relations with external stakeholders in projects involving foreign institutions.

The majority of the projects have been established in the last 1-4 years, and are primarily funded by NORAD, they have budgets of around 10 million NOK and are planned for periods of between two and five years. The project period is significantly lower than what is recommended for this type of project. The projects involve a relatively large number of people, and thus conform with the idea of institutional development projects being something more than individually based technical assistance.

Institutional Development in the Sectors Oil, Fish and Research

The case studies from Namibia, Mozambique and Tanzania largely confirm the general findings from the surveys of Norwegian and Southern institutions. The relation with NORAD is seen as problematic particularly by the Norwegian institutions, but the relations established between the partner institutions are seen as positive and constructive. The Southern institutions have a relatively strong influence on the identification of objectives and project activities, while the Norwegian institutions normally carry out the professional aspects of the twinning arrangements.

Context is not decisive

The cases also make it possible to assess the importance of the political and economic context. More developed and stable contexts (like Namibia) are most conducive for institutional development efforts. At the same time, however, the options for making substantial contributions to development are also evident in less developed and stable contexts like Mozambique even though the risk element is larger.

What makes a good project?

A number of issues are identified as important for a successful institutional development project. These include: i) clarification of policies and their implications; ii) initial assessment of the cooperating institutions and political and economic context; iii) a demand-driven process of planning and implementation with close communication between the partners; vi) establishment of personal relations between individuals with

strong institutional backing; vii) establishment of long-term development goals with reference to which all short-term interventions are made; viii) a division of responsibilities where NORAD takes on a guiding rather than an active role in project development.

Recommendations

- a. NORAD should clarify its policy and strategy of institutional development and produce a manual/guide as a common point of reference.
- b. NORAD should clarify the division of roles and responsibilities between NORAD and the cooperating institutions.
- c. NORAD should continue to emphasize the principle of recipient responsibility in institutional cooperation projects. However, NORAD must address the problem of backlogs of transfer of resources to the Norwegian partner institution.
- d. NORAD should develop sets of indicators for success or failure of institutional development projects.
- e. NORAD should review the Project Cycle Manual in order to give more room for the Norwegian and Southern institutions to plan and implement their own programs.
- f. NORAD should give a stronger emphasis to monitoring and evaluation of institutional development projects in order to secure fulfillment of Norwegian aid principles.
- g. NORAD should ensure that institutional cooperation projects are made long-term and more predictable for the institutions involved.
- h. NORAD must strengthen its own resource base on institutional development. NORAD should give particular emphasis to cross-sector advice, and make sure that institutional development issues is reflected in all relevant program and project documents.
- i. NORAD should actively support the Norwegian network of public institutions involved in development work.
- j. The Norwegian public institutions should give stronger emphasis to develop competence and capacity for development work. This should mainly be done by more actively involving external milieus and consultants specializing in these fields in twinning projects.
- k. The Norwegian public institutions should more actively involve their management structures in institutional development projects in order to give added weight to the development of an effective and accountable leadership and strategic thinking.
- l. NORAD should select two test-cases in order to test the applicability of the broad approach to institutional development advocated in this report. The cases should also involve a Process Research component in order to secure that the experiences gained are properly recorded and disseminated.

Evaluation Summary 2/98

Institutional Cooperation between Sokoine and Norwegian Agricultural Universities

Background

The Norwegian government has provided support for capacity building in education and research at Sokoine University of Agricultural (SUA) in Tanzania for nearly 25 years. Around NOK 250 million has been granted for this purpose, but the present study is the first systematic assessment of the cooperation, which has been seen as an institutional twinning arrangement between SUA and the Agricultural University of Norway (AUN).

Study of Institutional Development

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Affairs initiated a comprehensive assessment of institutional development efforts in Norwegian bilateral assistance through four different channels. These are public institutions, universities, private companies and consulting firms, and non-government organisations. The concept of institutional development is defined, embracing five levels: individual, organisational, network, sectoral and national. The first two of these levels involve human resource development (HRD) and organisational development (OD) respectively, while the last three all entail some form of system development.

Capacity Building

The long lasting collaboration between SUA and AUN, funded by NORAD, has been an expensive, but rather successful capacity building effort. The collaboration has provided significant inputs allowing for a comparatively high intake of students at various levels, and it has provided significant opportunities in teaching and research. The faculties/departments have now become self-contained University institutions, capable of carrying out education at various levels, managing and priority setting. In addition to the many undergraduate students, it is estimated that a total of 131 Master students and around 30 PhD students have received their degrees thanks to the Norwegian programme support.

Cost efficiency

The main objective of the collaboration has been to support education and staff development, while the main component budget wise has been infrastructure. It has not been possible to calculate exact unit costs of producing graduates at various levels. However, the costs of producing the candidates graduated via the programme can be estimated as being excessive. With other programme priorities, both the number of students educated and the amount of research carried out could have been substantially increased.

Donor dependency

For the year 1996/97, NORAD's support to SUA was 48.1% of the total University budget, nearly equalling the Government contribution to recurrent costs of the University, and no less than 83% of total external (donor) funding. The very high level of contributions from Norway over a very long period of time makes it unlikely that the capacity building efforts will ever become sustainable. The Government is withholding funds in expectation that donors might step in and compensate for shortcomings, which they actually seem to have done.

Unbalanced support

In general, donor contributions to SUA have targeted selected institutes/departments, rather than supporting capacity building at the University at large. This unbalanced support structure may have hampered institutional development, as certain institutes or departments have not been able to play their expected role in serving agricultural sector needs, nor has the managerial capability of the University as such been strengthened. For a long time this support was characterised by a focus on plantation forestry and the use of exotic species, rather than, for example, agro-forestry and the use of indigenous species, with limited immediate value for smallholders and their development needs.

For a very long period the activities have been following a supply-driven, rather than demand-driven, approach to capacity building in education and research. The collaboration has focused on single disciplinary issues, both with SUA and AUN, while links to broader socio-economic, policy and institutional issues have been downplayed.

Modes of Operation

In a first phase before 1986, the collaboration was characterised by person-to-person contacts, gradually being replaced by a combination of personal contacts and institution-to-institution working modalities, while NORAD was the third party in the triangle. In a second phase, from 1986 to 1996, the working modality was characterised by a more formal institute-to-institute collaboration programme, with the SUA partners taking on greater responsibilities and initiatives. With the framework agreement as of 1996, the mode of operation has shifted towards SUA being responsible for programming, planning and implementation, based on a NORAD-to-University agreement. The role of AUN researchers is becoming increasingly marginal. The primary reason is that AUN researchers are too costly, so that budget provisions, now handled directly by SUA, cannot sustain these high costs.

Recommendations

- a) The support to SUA should be continued under the existing framework agreement. The long lasting nature of the Norwegian supported capacity building programme with SUA, and its high level of funding, which has resulted in Norway having become the by far most important donor, makes it impossible within a foreseeable future to terminate the assistance.
- b) The support to SUA should be broadened to encompass the university as a whole, include public administration and management expertise and the capacity building process should be enlarged to include relevant parts of concerned ministries and national institutions in order to meet the broader institutional development objective.
- c) The support should be balanced and prioritised in order to make it of greater relevance to Tanzania's agricultural development. Current efforts at SUA to strengthen the relevance of education and research should be supported.
- d) A strategy should be developed for the programme, reaching beyond year 2000, and efforts should be made to improve the cost-effectiveness, i.a. by reducing its investment programme, to the benefit of education and research.
- e) Immediate steps should be taken to improve monitoring, evaluation practices and learning from experience.
- f) The existing programme management system should be strengthened, and the roles of the many players clarified.
- g) To rejuvenate the programme, it is recommended that efforts are made to attract younger Norwegian researchers and Ph.D. graduates.

Evaluation Summary 3/98

Institutional Development promoted by Norwegian Private Companies and Consulting Firms

Study of institutional development

Institutions are increasingly seen as a key factor in the development process, and institutional development constitutes a major concern of Norwegian development cooperation. The Norwegian Ministry of Foreign Affairs initiated a comprehensive assessment of institutional development efforts in Norwegian bilateral assistance through four different channels. These are public institutions, universities, private companies and consulting firms, and non-government organisations. The concept of institutional development is defined, embracing five levels: individual, organisational, network, sectoral and national. The first two of these levels involve human resource development (HRD) and organisational development (OD) respectively, while the last three all entail some form of system development.

Institutional development in private sector

In the two channels of private firms and private consulting companies, there are relatively few activities that can be called institutional development. Most organisations, including NORAD itself, use a definition which equates organisational development with institutional development. Using this definition, the total annual expenditure on institutional development in the industrial development department would amount to 55 million NOK, or around 15% of the department's total budget. There are some 26 firms engaged in institutional development, half of which are private firms and half consulting companies. But the most common feature is that the firms undertake feasibility studies, or deliver machinery and equipment, or undertake training programmes, with little or no relation to institutional development.

The study found some promising examples of institutional development, and was in particular looking for examples of institutional development that go beyond organisational development. The authorities in the recipient countries have initiated these components, and they often undertake them without much technical assistance from their Norwegian partners. The demand for cooperation is there, but NORAD and the Norwegian firms are often slow to pick up the challenge. Private firms and consulting companies can have positive roles to play in institutional development, but much remains to be done before these roles can be realised.

NORAD's roles

NORAD†has an important role to play, but needs clear and consistent strategies at all levels. There is also a need to develop capacity in institutional development analysis, so as to assess projects, to monitor and follow up, and maintain strategic control over activities. But NORAD's roles can shift considerably; there are cases where a very extensive set of roles is necessary, and yet at other times there is only need for a few strategic inputs.

International experience

A review of international experience indicates that the achievements in institutional development are generally low. It is a difficult intervention area, and many donor agencies have gradually come to realise that their success rates seldom are higher than some 25 - 30%. But the more hardware oriented, and the more practically oriented the projects are, the better do the institutional development results tend to be.

Private consulting companies

The three cases of private consulting firms, Geographical Information Systems (GIS) in Indonesia, Physical planning and institutional development in Palestine and Norconsult's joint venture in Tanzania, show that it is indeed possible, feasible and desirable to channel such assistance through private consulting firms.

Private firms

The three cases of private firms, Dyno's joint venture in Indonesia, TANELEC in Tanzania and Norplan's cooperation with TANESCO, show that institutional development is possible, feasible and desirable by means of the private firm channel, although it is often neglected. However, in comparison with the private consulting companies channel, there are significant problems in defining the appropriate level of locating the institutional development impact. Technology transfer was generally not thoroughly planned for by the actors in this channel. It occurred ad hoc, and often the firm in the developing country had to pay a large share of the costs. Organisational development also took place ad hoc, and with a high degree of control from the Norwegian firms

Need for reconsideration

In conclusion, many of the common-sense assumptions about the nature and process of institutional development have to be reconsidered. The origin, process and outcomes are far more dependent on specific circumstances than we tend to assume.

Recommendations

- a) *Ministry for Foreign Affairs.* There is a need to define the concepts and terms of institutional development and to ascertain that the policy-making instances in government use these terms consistently and clearly. Furthermore, there is a need to establish priorities in times of conflicting interests.
- b) The Ministry has an important role to play in coordinating Norwegian efforts in institutional development with efforts of international organisations. c) The Ministry must provide for competence development and backstopping support to embassies where there are no NORAD representation, but which play a major role in development cooperation nevertheless.
- d) *NORAD's Management.* It is necessary to focus on the setting of sector frameworks to operationalise institutional development objectives and establish budget lines that make it possible to follow progress in sheer financial, allocative terms. NORAD must define the competence needs to play a more constructive role in institutional development, and consequently to devise methods of how to acquire the necessary competences.
- e) *Desk Officers.* It is necessary to find ways of handling the complexity of institutional development projects. This will include more extensive use of pilot projects, closer collaboration with recipient country stakeholders, priority to projects areas where some achievements have already been completed, and careful timing of interventions.
- f) *Private Firms and Consulting Companies* must invest in competence development, building on local management, and creating transparency in institutional development activities.

Evaluation Summary 4/98

Institutional Development promoted by Norwegian Non-Governmental Organisations.

Study of Institutional Development

Institutions are increasingly seen as a key factor in the development process, and institutional development (ID) constitutes a major concern of Norwegian development cooperation. The Norwegian Ministry of Foreign Affairs has initiated a comprehensive assessment of institutional development efforts in Norwegian bilateral assistance through four different channels. These are public institutions, universities, private companies and consulting firms, and non-government organisations. The concept of institutional development is defined, embracing five levels: individual, organisational, network, sectoral and national. The first two of these levels involve human resource development (HRD) and organisational development (OD) respectively, while the last three all entail some form of system development.

NGOs as development agents

More than 50 Norwegian NGOs are actively involved in development cooperation within a total budget of almost NOK 500 million. Many of these organisations are engaged in institutional cooperation as part of the concept of the "Norway Axis". NGOs are increasingly important in the international aid system, and particularly so in some Southern countries

Methodology

The report is based on information and data from a review of Norwegian aid policies plus the literature on institutional development as these relate to NGOs, meetings with a number of NGOs in Norway, Sweden, Denmark, and Britain to discover what approaches these took to the development of counterparts and institutions in the South. A questionnaire was sent out to 80 Norwegian organisations and 49 organisations returned completed forms. Case studies were undertaken of institutional development projects in Mozambique, Zimbabwe, and Sri Lanka supported by Redd Barna, Norwegian Red Cross, Norwegian People's Aid, FORUT and The Development Fund.

It must be emphasised that the NGO team undertook a study rather than a full evaluation. Given a tight schedule, the NGO team used a "self-selection" approach by inviting Norwegian NGOs to suggest cases which they believed to be interesting and successful examples of institutional co-operation: the selection was then finalised after the relevant Southern organisations agreed to participate.

Norwegian aid policy

The NGO team found Norwegian aid policy very conducive to NGOs that wish to promote ID in the South. This supportive policy environment is based in part on the priorities given to institutional development, recipient responsibility, linkages between various Norwegian NGOs and their natural partners in the South, and a generous funding policy. Many Norwegian NGOs espoused a North-South partnership approach to development well before such policies assumed prominence in the country's aid programme.

Survey findings

The majority of NGOs reported that they had introduced new policies on capacity building and organisational strengthening of counterparts, and that their support for institutional development has been increasing. Over 90 percent of the respondents reported that efforts to build capacities in their Southern counterparts have resulted in positive changes, such as increased participation, better dialogue, and enhanced awareness of environmental, gender, and human rights issues.

Survey responses suggest that many Norwegian NGOs still focus their capacity building efforts principally on the provision of funding, equipment, and training to their Southern counterparts, rather than taking a broader organisational development approach. Still, the survey data suggest Norwegian NGOs are increasing their support for organisational consultancies, the development of local sources of funding, and the use of local NGOs (service organisations) that specialise in providing support services to the country's NGO community. As well, Norwegian NGOs often provide support for networking among Southern NGOs on a sectoral, national, or regional basis, thereby attempting to institutionalise Southern NGO communities. In one case, the Norwegian NGO and its local counterparts are seeking to change the national institutional framework with respect to children's rights.

Case Studies

The case studies strongly suggest that the local context dictates to a significant degree the ID goals, strategies, and activities pursued by Norwegian NGOs operating in a country. Specific contextual factors of clear importance are (1) whether the country is in or emerging from a state of emergency, (2) the vibrancy of the local NGO community, and (3) the degree of political polarisation.

While it is difficult to make firm pronouncements on the basis of a limited number of cases examined over brief duration, some of the cases seem extremely successful and most have successful elements. A common but not necessarily causal factor in the most successful cases is that an adaptive approach had been used, which allowed the Norwegian NGO and its local partner(s) to learn-by-doing.

Recommendations

- a) If the Norwegian government wishes the country's NGOs to expand their institutional development efforts, its current policy should be maintained.
- b) NORAD should promote conferences and workshops to encourage NGO personnel, plus representatives from their Southern partners, to share experiences.
- c) Norwegian NGOs involved in emergency programmes should develop plans for the transition to development at an early stage.
- d) Norwegian NGOs that seek to develop partnerships with Southern organisations need to acquire additional skills in organisational assessment, organisational development, and consulting, and also make them available to their partners.
- e) Norwegian NGOs should be wary of standardised approaches to institutional development. At the same time, NORAD should avoid giving the impression that promoting partnerships with local NGOs is appropriate in every country or for every Norwegian NGO active in a particular country.
- f) Northern NGOs and their counterparts must give greater attention to the need for southern NGOs to offer adequate incentives to attract and retain capable staff.
- g) NORAD and Norwegian NGOs should re-examine whether financial sustainability is a feasible target in cases where southern NGOs are delivering services to poor communities in poor countries. Organisational sustainability may be a more feasible target, yet one which is still worthwhile.
- h) Greater attention must be given to strategies for phasing-out funding subsidies.
- i) Norwegian NGOs need to continue experimenting with partnership approaches and how to structure agreements so there are (1) incentives for the partner to improve performance, (2) means to monitor whether performance is improving, and (3) regular opportunities to change the scope and scale of joint endeavours to capitalise on success.

Evaluation Summary 5/98

Institutional Development in Norwegian Bilateral Assistance.

Study of Institutional Development

Institutions are increasingly seen as a key factor in the development process, and institutional development constitutes a major concern of Norwegian development cooperation. Norwegian organisations, institutions and private companies have been given a central role as partners in development with the introduction of the "Norway Axis".

The Norwegian Ministry of Foreign Affairs in 1997 initiated a comprehensive study of institutional development effort in Norwegian bilateral assistance through four different channels. Two of the sub-studies deal with the public sector channel and in particular "twinning arrangements" between Norwegian institutions and their counterparts in Mozambique and Namibia, and between two Norwegian academic institutions and their partners in Tanzania. One sub-study examines the private sector channel, i.e. private firms and consulting companies with case studies from Indonesia, Palestine and Tanzania. Another sub-study examines non-government organisations (NGOs) with case studies from Mozambique, Sri Lanka and Zimbabwe.

What the Synthesis Report contains

The report describes the rediscovery of institutions in development, how this is reflected in Norwegian aid policies and the transition from using individual advisers (experts) towards institutional cooperation. Then the concept of institutional development is defined, embracing five levels: individual, organisational, network, sectoral and national. The first two of these levels involve human resource development (HRD) and organisational development (OD) respectively, while the last three all entail some form of broader system development. This framework is used as a basis for all the studies.

In addition, a list of questions and hypothesis is presented, which each study addresses as a basis for drawing comparisons across the channels. The five basic elements is:

- concepts and intentions - how policies and strategies are perceived
- strategies and actions - how objectives are operationalised
- relevance and outcomes - what results can be traced
- explanations - what factors promote or impede institutional development
- comparisons - how experiences compare across countries and channels

The Report includes five annexes covering brief profiles of all sub-studies, an overview of Norwegian policies on institutional development, basic OECD statistics and a bibliography of relevant books and reports from the various channels

Key Findings

Increased funding and commitment, but unclear objectives: NORAD has continuously increased its support to institutional cooperation and development. The quality and content on the other hand are much weaker, and the understanding of key concepts and objectives is still unclear.

The shift in NORAD-strategy provides overall direction, but fewer insights into how institutional development should be carried out. It is a priority which is left to each channel and organisation to define. Institutional development efforts do not contradict policies and interests among Southern partners. To the extent that Southern partners were aware of the shift, changes were well received and seen as an opportunity to enhance national capacity.

Missing overall development perspectives: Institutional development tends to be equated with provision of infrastructure and equipment, and human resources development (education and training), and does not address organisational linkages, policy environments and macro-development. A strong focus on poverty alleviation requires an approach where human and organisational development is placed within an overall development perspective - as a mean to more long term ends, and where institutional development is also linked to political processes.

Lower level results - weak empirical basis: Systems for monitoring and evaluating institutional development were not in place in any of the channels. Most programmes are not prepared with reference to organisational and institutional concerns which Southern institutions view as keys to sustainable development.

Institutional cooperation is costly, and there is no evidence that twinning provides "more value for money" than other means of technical cooperation. Twinning is not the only effective strategy for technical cooperation. It should be used in cases and countries where Norwegian institutions have comparative advantages, and where there is a demand for particular Norwegian partners. Other approaches to technical cooperation should also be considered and not avoided as a matter of principle. Institutional cooperation ends when donor support discontinues. Sustained collaboration depends in most cases on external funding

More institutional development - not better? Few bilateral agencies have emphasised the principles of recipient responsibility and institutional development as forcibly as NORAD has, but no evidence shows they are so far doing it better than other agencies. The current involvement of Norwegian public institutions has several positive aspects, but there is a need to improve the implementation of the policy and to "hold back" in order to avoid that Norwegian institutions lead the development cooperation away from its basic goals.

Evidence suggests that Norwegian organisations are doing more institutional development, and are probably doing it better than they did before. Are they doing it well? It is too early to pronounce in general terms, and while some of the cases studies are encouraging, institutional development is not a game that players can expect always to win.

Recommendations

Norwegian aid policies should continue to place high priority on capacity building, recipient responsibility, and partnership, and secure a high-level and predictable funding with a strong emphasis on quality-improvements.

All development programmes should be prepared with reference to broad institutional concerns at all levels of society. The existing conceptual confusion should be addressed and a common point of reference established. The three levels of human resources, organisational and system development should be considered necessary in improving institutional performance. All programmes should not necessarily include all levels, but the process of selecting levels of intervention and programme components should start from a system perspective.

With few blueprints available, experimentation with alternative institutional development approaches should be encouraged, and a continuous dialogue with Southern governments and organisations maintained.

Evaluation Summary 6/98

“Managing good fortune”

Macroeconomic management and the role of aid in Botswana.

From Less Developed to Middle Income Country

Three decades after independence, Botswana has developed from one of the poorest countries in the world to a middle-income country. Donors, which have been present in the country during most of this period, are on their way out with a sense of completed task. This does not mean that the donors take the credit for the achievements. It simply means that Botswana has grown out of the group of countries eligible for development assistance. This study provides an analysis of Botswana's development, focusing on the contribution from development aid. Possibly some lessons can be drawn which may be useful for other developing countries as well as donors.

Focus: Aid in interaction with other factors.

Previous studies of aid to Botswana have mainly analysed the impact of aid from one particular donor or aid to one particular sector, or project. Such a partial approach has proven difficult in Botswana because aid has been integrated into the planning system. Distinguishing one donor from the other or one sector from another is therefore prone with methodological as well as conceptual problems. The key to understanding the impact of aid is to understand how aid has facilitated and complemented the local structures, and perhaps worked as a catalyst for the evolution of such structures. The study is multidisciplinary and aims at analysing how development aid has interacted with other development factors in Botswana.

Macroeconomic management in Botswana concentrates on *public expenditure* and project management without too much interference with the private sector. However, it is suggested that the huge resources accruing to government combined with a relatively restrictive control on international capital flows, the latter to some extent motivated by the urge to attract donor funds, have left the government as the major player in the economy as an owner of productive assets, employer and source of credit.

Competent planning system

The planning system is found to be highly competent. It is emphasised that pragmatic politicians have left the day to day running of the planning system to professional planners while politicians have concentrated on setting the policy objectives and development strategies. The division of labour and good communication between politicians and the bureaucracy, whether the latter was manned by local or expatriate staff, is emphasised. Furthermore, merit and skills have taken precedence over localisation as employment and promotion criteria in the planning system. This notwithstanding, the planning system is found to be highly centralised, the implementation capacity is lagging somewhat behind, and the system is better geared towards channeling funds to large investment projects than to implement development programmes.

Botswana followed its own strategy

It is argued that Botswana chose very much the same development strategy as the rest of sub-Saharan Africa, but survived the commodity market collapse in the 1970s due to its vast diamond resources. Furthermore, it is argued that the advice Botswana received from donors was not very different from what other aid recipients received, in spite of a very different economic and political setting. Botswana did, however, not listen very much to external advice, but followed its own development strategy

assisted by donor-funded expatriates who appear to have identified themselves more with Botswana than with the funding agencies. The development strategy have been linear with very little changes and adjustments. In the past this is found to have been a strength, but in the present situation it may well be a liability as mineral-and government led growth is about to run out of steam.

From growth to slow down?

Growth performance in the Botswana economy in a comparative perspective is assessed. It is found that the mineral sector and government expenditure have been the engines of growth in the economy. Botswana has, however, performed about average, or even below average compared to its SACU partners and another comparable, natural resource-led economy, Oman, on other sources of growth. Thus, human capital accumulation has been below average, local investment about average, foreign investment below average, the quality of government about average and the crowding out effect of government has been larger than average. As the growth in mineral revenue levels off, growth will be determined by these other sources. If performance is not improved significantly on these accounts, growth is likely to slow down even more than what has been the case during the mid 1990s.

Little focus on the emerging market.

Finally, it is argued that development aid addresses almost per definition economic and social *problems*. Donors have therefore focused on the typical sub-Saharan African problems in Botswana rather than the emerging market *opportunities* related to fast growing middle income countries. Furthermore, donor orientation on the part of the Botswana Government to some extent requires that the country does not present itself as too successful. In pursuing this attitude, some opportunities may have been overlooked.

Evaluation Summary 7/98

The World Bank and poverty in Africa

A critical assessment of the Bank's operational strategies for poverty reduction

The 1990s has seen a renewed emphasis on poverty reduction in official development assistance. Most major development aid agencies now formally define poverty reduction as an overriding goal or as a priority alongside other priority objectives. The World Bank has positioned itself as a main actor in the development of poverty reduction policies, especially related to Sub-Saharan Africa. The 1990 World Development Report was the Bank's first major attempt to outline a coherent Bank approach to poverty reduction. Since then it has also become the main source of data on poverty in Africa. And it has done more than any other donor agency in developing operational strategies for poverty reduction.

The Norwegian Ministry of Foreign Affairs has initiated a major review and assessment of the World Bank's policies for poverty reduction in Sub-Saharan Africa. The purpose is to review the Bank's experiences in operationalising policies for poverty reduction. The study also briefly reviews Norwegian policy towards the Bank in this area.

The focus in the study is on the World Bank's analytical work on poverty; the Bank's country assistance strategies and policy dialogue with borrowers; lending programmes and output; and the relations and linkages between these three exercises. Three country cases have been selected from Southern Africa - Malawi, Zambia and Zimbabwe.

The World Bank's policies

The Bank's approach to poverty reduction has become known as a three pronged strategy based on three pillars of broad-based growth, human resources development and safety nets. It represents continuities as well as breaks with the Bank's past policies. The Bank's assumption has always been to view development and poverty reduction as fundamentally an issue of economic growth. Traditionally, poverty reduction was

seen as a consequence of economic growth. The current concerns with poverty emerged in the latter half of the 1980s.

The report notes important changes in Bank policies, especially the lending profile where we have seen a much stronger emphasis on social sectors as well as changes in traditional "growth investments". There are also some changes in Bank instruments. Structural adjustment operations still dominates, but there are also trends evident which more strongly emphasises flexible approaches and experimentation with microlevel projects. This has often involved closer co-operation with private institutions and non-governmental organisations. However, the economic liberalisation approach continues to underpin policy prescriptions.

The report poses several critical questions. It asks whether a reliance on economic growth with human development- the essence of the Bank strategy - is sufficient to bring poverty reduction in Africa. The report points out that the Bank pays scant attention to inequalities and distribution of assets as constraints on growth and poverty reduction. Growth, even when combined with increased social spending, may therefore simply not be enough to make any real dent in reducing poverty in highly unequal African societies. The report also makes several critical comments on the Bank's approach to cost recovery in the social sectors and the design of the social safety net operations.

The report reviews the internal organisation and current reorganisation within the Bank. It notes that overall, there is a growing mainstreaming within the Bank of the three-pronged approach to poverty reduction. There has also been a steady improvement and development of the approach itself. The current institutional reforms have reaffirmed this although there are many uncertainties which may lead to the poverty focus disappearing in the multiplicity of objectives pursued by the Bank. The report notes that the move towards a greater poverty focus has been gradual and characterised by delays resulting from internal resistance, false starts and instability and infighting. The controversies revolves around competing claims of social and economic objectives and this is mirrored in institutional rivalries between different departments and operational sectors within the Bank

Country cases - Malawi, Zambia and Zimbabwe

The country case studies largely confirm these general findings. There are visible changes in the profile of Bank lending to Malawi, Zambia and Zimbabwe reflecting the new poverty focus and changing operational guidelines. The Bank's analytical work on poverty has clearly had some impact on the composition of lending and country policies. It has also helped raise awareness of poverty issues in the three countries. The report also observes that adjustment operations dominate the lending portfolio but the design and implementation of the economic liberalisation package has at best had a limited impact on current poverty - and at worst contributed to an increase in poverty.

It is also noted that the Bank is placing more emphasis on policy dialogue with borrowers and other stakeholders in the borrowing countries. This process is however, still fraught with difficulties: it is largely a "one-way" dialogue; the Bank has been less successful in linking consultations to existing channels for political dialogue; and there is a widespread perception that whatever is said locally disappears once the World Bank team has returned to Headquarters.

Limitations

The report emphasises that there are several external as well as internal weaknesses and limitations which impinge on the Bank's ability to pursue its poverty reduction policies. They are clearly evident in poverty reduction policies in the country cases. The Bank's operations are constrained by policies adopted by its owners, and by agencies such as the IMF. The Bank is also constrained by its funding requirements. Furthermore, the relations with the African borrowers are also a powerful constraining factor. The Bank policies will have to be adopted and implemented by the borrower to be of any effect. The borrower may not agree or be willing to follow the policies prescribed by the Bank, or they may lack the institutional capacity required to implement poverty reduction policies.

The Bank's problems of legitimisation and image in Africa are also powerful constraints. Trust is essential for a successful relationship between the Bank and the borrower, especially when this relationship focuses on policy issues and policy advice. The Bank has been an unpopular foreign donor agency in Africa because of its adjustment operations, the distinct ideological edge to its intellectual pronouncements, and the perceived arrogance in its dealings with African borrowers.

There are also major constraints internal to the Bank. One is staff capacity which is inadequate to deal with many of the new issues. A second is lending pressure. A third is the centralised decision-making which in some respects also hampers the ability to pursue poverty reduction policies. Finally, it is noted that the

strong emphasis on programme lending through adjustment operations may not be the best vehicle for promoting poverty reduction.

Norway and the Bank

Norway has played an active role in the development of the World Bank's approach to poverty reduction. This has largely been achieved through a combination of earmarked funding to priority areas and an active role in the Bank's governing bodies. The Norwegian efforts seems to have been both timely and relevant inputs into the evolving Bank approach to poverty.

Generally, the impact of the Norwegian input seems confined to help place poverty on the agenda, rather than actual involvement in shaping the content and evolution of the three-pronged strategy itself - beyond the important emphasis on increased funding for social development.

The report recommends a continuation of the Norwegian efforts to strengthen the Bank's role in poverty reduction in Africa. The recommendations range from helping to maintain pressure through governing bodies via support to strengthen borrower capacities and input to the country assistance strategy, to a more active role in supporting donor co-ordination.