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**A Successful Approach to Participation:  
The World Bank's Relationship with  
South Africa**

Roberto Gonzales Cofino

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**A Successful Approach to Participation:  
The World Bank's Relationship with South Africa**

by  
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## **Abstract**

When the Bank began to re-establish formal relations with South Africa around 1990, its image in the country was very negative. Politicians, academics and even some business groups perceived the Bank as an inflexible, authoritarian sponsor of failed economic policies. By contrast, when the government headed by Nelson Mandela was inaugurated in 1994, the Bank was perceived as a flexible institution capable of effectively addressing the country's specific economic and social problems. The change had been so dramatic that Prof. Francis Wilson, a leading South African academic and authority on poverty, stated at a NGO conference in Washington, D.C. in 1994 that "The World Bank's experience in South Africa during the past three years should be considered a landmark in that institution's evolution."

This paper documents the approach that the Bank adopted in South Africa to change its image and lay the basis for a fruitful working relationship in a sensitive political context. Some of the characteristics of the approach were the inclusiveness of the Bank's approach, which sought to touch base with a wide circle of constituencies; the transparency of its objectives; the strong participation of South Africans in its work; and an adjustment of its internal procedures with a view to streamlining them and accentuating their client orientation.



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## **Summary: An Overview**

In February 1990, when the South African Government started to negotiate with the African National Congress (ANC) and other political parties—what eventually became the basis for a far reaching constitutional reform and for a freely elected Government—there were virtually no relations between South Africa and the World Bank. The Bank then had a very negative image in the country, being perceived by members of the liberation movements, many academics, and other sectors of the country's society as a sponsor of very orthodox and conservative economic policies which, in that perception, had already failed to achieve positive results elsewhere in Africa. For different reasons, some South African government officials and private sector groups were also suspicious of the Bank. It was clear, moreover, that it was not politically feasible or advisable for the Bank to establish a meaningful policy and operational dialogue with a Government whose legitimacy was not accepted by most of the world. This situation notwithstanding, progress on the constitutional front increased the need for the Bank to prepare itself to provide the assistance that would be required to support a future legitimate Government in South Africa.

By contrast, when the Government headed by President Nelson Mandela was inaugurated in May 1994, the World Bank had been able to establish a good working relationship with South Africa, and it seemed that it would be feasible for it to make important contributions in support of that country's development. The Bank's image had changed significantly and it was more widely perceived as a flexible development institution, capable of addressing effectively the country's specific economic and social problems. One good example of this new perception of the Bank is the following statement,

made on February 24, 1994 at a NGO conference in Washington D. C. by Professor Francis Wilson, a leading South African academic and authority on poverty: "The World Bank's experience in South Africa during the past three years should be considered a landmark in that institution's evolution." This new positive perception was shared by influential senior members of the new Government, as well as by other important sectors of the country's public opinion, although the old negative views were still held in some quarters, particularly in some academic and research institutions, as well as by some officials of the new Government. The Bank, in short, had gained the confidence of important sectors of the new Government, a number of NGOs, business leaders, senior academics and trade unionists with whom it had worked. At the same time, the Bank had been able to accumulate an extensive and deep knowledge of South Africa's economic and social situation, and had built the basis for responding effectively to any request for financial and technical support in the immediate future.

This change was achieved in only four years owing mainly to the pragmatic approach adopted by the Bank in its overall activities related to South Africa. Carefully calibrated to improvements in the political environment, the Bank gradually expanded its work program, eventually allocating to it a substantial amount of staff resources. Some key characteristics of this program were the inclusiveness of the Bank/country relationship, which comprised most important political and economic circles in the country; the transparency of its objectives; and the strong participation of South Africans in the work undertaken by Bank staff. This local participation made it possible for the Bank staff to take explicitly into account South African priorities and concerns. In addition, the Bank also implemented internship programs and other activities designed to improve South Africans' understanding of its institutional

objectives and procedures. To implement this approach, the Bank formed a carefully selected country team, and adjusted its work procedures with a view to making them more streamlined and client-oriented. The following sections of this paper describe in more detail the transition from the situation prevailing in 1990 to that of 1994.

### **The Situation Until Early 1990**

The World Bank's relationship with South Africa, a founding member, became inactive in 1966. Throughout the 1970s and 1980s, the Bank did not have any working relations with this country, Bank operations for South Africa were transferred to the Europe, Middle East, and North Africa region during this period. By February 1990, when the South African Government indicated its willingness to end the apartheid system, and to undertake negotiations to that effect with the African National Congress (ANC) and other opposition groups (the so-called "U turn"), the Bank was still lacking a sound foundation upon which to build a workable relationship. This was mainly due to two factors: (i) South Africans knew little about the Bank or the development community, while in many quarters there was a deep mistrust of western international institutions, including, in particular, the IMF and the Bank. This perception was shared by the ANC, other political groups, and large parts of the South African press and of the country's leading academic institutions; and (ii) no internationally-acceptable official interlocutor was available in South Africa to establish a meaningful formal dialogue with the Bank.

An important reason for the negative perception of the Bank by the South Africans in the late 1980s, and for the generalized mistrust referred to above, was the influence of the misunderstanding that had emerged in many countries of the region about the objectives and implications of the structural adjustment policies supported by the Bank, the IMF and by bilateral donors. In academic circles throughout the continent, as well as among a substantial number of Government officials, the Bank was viewed as an advocate of "trickle down" economic policies, as well as being blind to cultural differences, to the prevailing wealth and income inequalities, and to the social costs of the adjustment process. Exiled South African intellectuals, many of whom worked in academic institutions of other African countries, participated in the development of those views and in their dissemination inside South Africa. The Institute for African Alternatives (IFAA) was a leading critic of the western international financial institutions and, also, a leading proponent of alternative policy approaches (i.e., different to those sponsored by the Fund and the Bank) for the future new South Africa. At the same time, some Government officials held negative opinions about the Bank because of its lack of financial and technical support for the apartheid Government in South Africa. In business and financial circles, a commonly-held view was that the country had the financial and human resources to manage without the assistance of multilateral agencies. Overall, there was a fear of a "foreign debt trap."

Since the existing Government could not be considered a valid interlocutor, there was an obvious need for the Bank to adopt a heterodox approach for its relations with South Africa. Mr. de Klerk's "U turn" increased the likelihood of a legitimate Government taking over the administration of the country in the not too distant future. This made it clear for the Bank that it would have to be

prepared to respond effectively to any request for financial and other assistance shortly after that new Government came to power. For this to be possible, the Bank had to promote a better understanding throughout the society of its objectives, policies and procedures, and to provide South Africans with the analytical and technical tools required to plan long-term economic reconstruction and development.

### **The Bank's Overall Strategy And Procedures**

To deal with the two issues referred to above—the lack of a clearly valid interlocutor and the generalized mistrust of international institutions—the Bank developed during the February 1990 - April 1994 period a strategy aimed at establishing a working relationship with South Africa's society, including the relevant population groups. In this framework, while the frequency and importance of the contacts with Government gradually increased during this period, the Bank/Government relationship did not become the main focus of Bank work on the country, as is the case with most other Bank member countries. The key elements of this strategy *vis-à-vis* South Africa were: (i) the inclusiveness of the relationship, involving most sectors of society; (ii) the promotion of South African participation in the Bank's technical work, with a view to developing a sense of ownership which could facilitate the consistency of technical conclusions with eventual policy decisions; (iii) the transparency of Bank objectives, procedures and actual technical work; and (iv) the promotion of a better understanding by South Africans of the Bank's objectives and procedures. In other words, the Bank had to establish an informal but effective framework for a policy dialogue which could not be formally started until the inauguration of a legitimately-elected Government. This approach was accepted by the

Government and the ANC, both of which were already committed to a peaceful constitutional transition process. To implement this approach, the Bank formed a carefully selected country team and undertook important modifications of its internal procedures, simplifying them substantially, and making the Bank's technical work more directly responsive to the client's needs.

### *Inclusiveness*

In all aspects of its technical work, the Bank staff sought to establish a working relationship with all relevant sectors of South Africa's society, including Government, the Central Bank, opposition parties, universities, research institutions, labor unions, producers' associations, NGOs and community organizations. (The degree of involvement of the various participants depended in each case on their direct interest in the specific issues or activities being considered). For each specific task, the Bank staff adjusted its approach, taking into account the participants' interest and the nature of the subject being studied. In all cases, contacts were established with all the potential participants mentioned above, and in most instances those participants became members of informal "reference" or "discussion" groups. Within this overall framework, Bank staff's contacts with Government and Central Bank officials were most frequent and systematic at the macroeconomic level, although always involving other interested groups, such as the universities and economic think-tanks.

In all cases, Bank staff insisted in dealing with broadly representative groups, through procedures that had to be adjusted to the characteristics of each subject. The three most typical

approaches for the selection of interlocutors were as follows: (i) the use of existing institutions or development trusts that had maintained political neutrality and professional integrity; (ii) the joint use of several institutions that together provided political and ethnic balance; and (iii) the use of counterpart groups specifically created by the South Africans to deal with policy matters in selected sectors during the transition period. The host institutions were responsible for organizing the workshops in which Bank staff met in each case, with representatives of relevant sectors of South Africa's society. These arrangements helped to release the Bank from the politically sensitive task of selecting the individual participants for workshops and other group activities. Some examples of these approaches are described later in this paper.

### *South African Participation and Ownership*

Throughout this process, the Bank encouraged strong South African participation in all its technical work. This was achieved, in the framework of the inclusive relationship referred to in the previous paragraphs, not only by forming the reference groups mentioned above, but also by including South African professionals in the actual work of the missions undertaken by Bank staff, as full members of such missions. This was further complemented by a systematic discussion with all interested South African participants of all drafts of the reports produced during this period. Since the contributions made by the South Africans were quite substantial, the end result of the local participation in the technical work was a strong sense of ownership. To a large extent, the South Africans considered these studies their own, with the Bank being recognized as contributing important

technical support for their preparation. In one exercise, the Bank team was identified by the South Africans as the “counterpart group.”

### *Transparency*

Throughout this period, the Bank staff made clear that its work during the political transition would be aimed at identifying the main economic and social issues; the possible policy options for dealing with such issues, and the ways in which the Bank could better support development in a post-apartheid South Africa. This main thrust of the Bank staff's work achieved quickly a high degree of credibility owing *inter alia* to the wide participation of South Africans in such work and to the *ad hoc* work procedures adopted by the Bank. The transparency of its objectives and work procedures, therefore, enabled the Bank to establish the basis for a good working relationship with the country and with its future Government, and to change the negative perception of the Bank held by many influential South Africans.

### *South Africans' Understanding of Bank's Policies and Procedures*

To promote a better understanding of Bank objectives and policies, and to strengthen further the mutual trust upon which the new relationship had to be based, the Bank has also implemented a program in which groups of six South African interns come to the Bank for six-month assignments to various divisions and country teams. The first group of interns arrived at the Bank in October 1992,

having been nominated by the ANC in consultation with the trade unions, NGOs and the Development Bank of Southern Africa. Subsequently, two other groups of six interns each have also worked in the Bank under this ongoing program. They are not involved in Bank activities in South Africa, but are actively engaged in country work in several Bank departments. Since many of these interns have influential positions in South Africa, the program has made an important contribution towards clarifying the South African perception of Bank objectives, policies and procedures.

For the same purpose, the Bank promoted working visits to the Bank, for up to a week, of influential South Africans, including senior officials from the ANC, trade unions, business organizations, NGOs and women groups. The Bank also organized visits by South Africans to countries dealing with economic and social policy issues similar to those faced by South Africa. Likewise, at the Bank request, senior officials and managers of other developing countries have visited South Africa to share their country experiences and their perception of the international economic situation, thus contributing to a better understanding by the South Africans of the world economic environment, and of the policies required for dealing with it.

### *Bank Procedures and Staffing*

The Bank changed its usual procedures in two important aspects. Externally, the usual Bank/Government systematic contacts were replaced—as already indicated above—by a Bank/Society relationship. Internally, the processing of technical work was streamlined substantially, leaving aside

protracted review procedures, in order to enable the staff to maintain a fully open and continuous dialogue with the South Africans. The main elements of these adhoc procedures can be summarized as follows:

a) The authors of each report were solely responsible for its contents. While the Bank organized, supported and financed the technical work, it did not accept institutional responsibility for the conclusions or opinions included in the studies.

b) The reports were not subject to the usual formal Bank internal reviews; these were largely replaced by informal reviews by peers and some managers, and by the overall coordination of staff work undertaken within the framework of the country team (see section (e) below). Peer reviewers were included in the task teams in at least two sectors.

c) All drafts of each report were discussed in detail with all interested South African participants, in some cases before they had been commented upon inside the Bank.

d) The Bank staff participating in these studies reached a total of more than 40 staff members, full-time or part-time, including personnel of the Southern Africa Department as well as senior staff members of the Development Economics Vice Presidency and of other Bank departments.

e) The Country Team was mainly responsible for internal coordination in the Bank of the overall work, and played a key role in adjusting Bank procedures to the country's circumstances. This was done at two levels. The full team—formed by all the staff members working on South Africa—considered and approved the overall strategy to be followed and served as a forum for interchanging work experiences and for commenting on each other's work. Once the strategy and priorities were approved by the full team and endorsed by the Department Director and his management team, the core country team—formed by the country officer, the country economist, and one representative of each sector division—decided on issues such as the prioritizing of work assignments and the distribution of available resources. The overall work of the Country Team thus made it possible for the informal procedures utilized by the Bank staff to succeed in maintaining an approach which, in spite of reduced formal quality controls, was nevertheless basically consistent with Bank policies and with its overall objectives *vis-à-vis* South Africa.

An important contributing factor to the success of the Country Team approach and of the overall Bank work program on South Africa, was the quality and mix of staff. In view of the obvious difficulties and risks faced by Bank activities in this country, the Bank made a conscious effort to assign for this purpose staff with broad experience and with sensitivity to the political, cultural and racial issues affecting the country. The multinational and multicultural background of the Country Team not only facilitated the understanding by the Bank of the South African situation, but also strengthened the credibility of the Bank staff *vis-à-vis* the South Africans.

The strategy summarized in the former paragraphs enabled the Bank staff to complete its work assignments faster than it would have been possible following usual Bank procedures; to promote local participation and to make the South Africans true partners in the Bank work; and to build up the mutual trust which should provide the basis for a fruitful relationship in the future. This strategy, however, was implemented during a period in which the Bank was not providing financial assistance to this country. The challenge now for the Bank will be to preserve the essential benefits which have emerged from this unique informal environment, while, simultaneously, adopting the more formal procedures required by a lender/borrower relationship and by the existence of a fully recognized and legitimate Government.

### **The Technical Work Program**

#### *Initial Activities*

The activities undertaken by the Bank *vis-à-vis* South Africa in the 1980s had been limited to some contacts made necessary because of Bank work on two neighboring countries. Starting in 1987, Bank staff had informal meetings with South African officials on a large project for the development of Lesotho's water resources. The economic justification of this project was largely dependent on the purchase of water by South Africa, which was represented in these discussions by the Department of Water Affairs and the Development Bank of Southern Africa.

A second series of contacts was related to the international agreement reached in the late 1980s which enabled Namibia to become an independent country. In view of that agreement, the Bank decided to start preparing itself to provide assistance to the new country. The process began with a series of UNDP missions (under terms of reference previously agreed with the Bank) which visited Namibia in the summer of 1989, preparing a report on fiscal and financial policies and several others on key economic and social sectors. Later that year, acting as executing agency of an UNDP-financed technical assistance project, the Bank sent a small economic mission to Namibia, which prepared a "Preliminary Economic Review," followed in 1990-91 by a formal and larger Bank mission, which prepared a comprehensive economic report. Since many of the most important economic policy decisions affecting Namibia were still taken by the South African Government, this economic work made it necessary to undertake consultations at various levels with officials of that Government.

#### *The Development of the World Bank Work Program*

In the framework of the overall strategy described above, the Bank started a limited number of activities shortly after the 1990 "U turn." The work program for fiscal year 1992 initially limited to 3.5 staff years, with the basic goals of: (i) creating a network of institutional and community contacts, (ii) becoming broadly familiar with the past performance of the economy and the scale of social inequality in the country, and (iii) carrying out a reconnaissance of the urban and education sectors and of some homelands. The scope and direction of Bank activities changed substantially by late 1991. In November, significant progress was achieved in relations between the Government and the ANC, and

an agreement was reached to hold multi-party talks to accelerate constitutional reform. Shortly afterwards, in December, Mr. Nelson Mandela met with the Bank President and other officials, and requested the international financial community, including the Bank, to gear up for lending to a new Government as soon as it was established. This request was reinforced by President De Klerk. The Bank then decided to increase its work program to an annual level of 14 staff years, and to concentrate a large share of the additional resources in the identification of Basic Services Projects, while also continuing its economic and sector work.

The institutional and political problems associated with the transition period made that period somewhat longer than expected in 1991, and posed some important political and institutional obstacles to the identification and preparation of Bank projects. The Bank, therefore, shifted back some resources to economic and sector work, with an emphasis on helping the South Africans quantify development backlogs, prepare public investment programs, and prepare funding strategies. Such pre-investment work covered education, urban development, industrial reform, small enterprise development, and rural restructuring. The Economic and Sector Work (ESW) program included comprehensive macroeconomic studies and reports on virtually all economic and social sectors and on a variety of priority policy issues. The substantial capacity-building activities included workshops on various sectors as well as a long-term (3 years) EDI training program started in 1992. The program also included special activities--such as those related to poverty-alleviation issues.

*Examples of Macroeconomic and Sectoral Work*

As already indicated above, macroeconomic consultations with South Africa started in 1989 in connection with UNDP/Bank economic work on Namibia. Starting in 1990, those contacts were widened to include a variety of South African policy issues. As a result of this work, Bank staff produced a series of "Informal Discussion Papers," including: "How Can South Africa Manufacturing Efficiently Create Employment? An Analysis of the Impact of Trade and Industrial Policy" (January 1992); "South Africa: Macroeconomic Issues for the Transition" (May 1992); "An Analysis of Employment and Wage Behavior in South Africa" (October 1992); "South Africa: A Review of Trade Policies" (August 1993); "South Africa - Characteristics of and Constraints Facing Black Businesses in South Africa: Survey Results" (November 1993); "South African Agriculture: Structure, Performance and Options for the Future" (February 1994); "South Africa: Economic Performance and Policies" (April 1994); and "Financing South Africa's Metropolitan Areas" (April 1994). A number of technical papers—on education and on a funding strategy for development, as well as a user-friendly digest of the Bank's macroeconomic work—were also produced. The Bank ESW was condensed and synthesized in June 1994 in a publication entitled "Reducing Poverty in South Africa - Options for Equitable and Sustainable Growth." This publication was designed and written with a broad, non-technical audience in mind, such as new parliamentarians at the national and provincial levels.

Although the specific procedures utilized by Bank staff varied from case to case, a basic overall pattern emerged throughout the macroeconomic work: (i) reference groups or technical committees

were formed in most cases for discussing the work being done; (ii) within those groups or committees, and/or outside them, Bank staff always undertook to involve all interested parties (Government, ANC, other political groups, labor unions, entrepreneurs' associations, universities, etc.) in the discussions, from the planning to the completion stages; (iii) in most cases the discussion sessions took the form of informal workshops which considered all drafts of each report; (iv) in several occasions the staff teams included South African consultants; and (v) the conclusions reached in the discussions and in the "informal papers" became important inputs for the formulation of current and future policy. During the formulation of ANC economic policy in 1992 and 1993, the ANC's exposure to the Bank's policy work was evident in the party's policy documentation that emerged.

The work done during this period by Bank staff on trade policy can be used as an example of the overall approach followed at the macroeconomic level. This work started with the analysis of the Southern Africa Custom Union which was undertaken in the framework of the studies on Namibia referred to above, and continued as part of the preparation of the 1992 "Informal Discussion Papers," and of the 1993 "Review of Trade Policies." The preliminary conclusions reached in this work were discussed by Bank staff with Government officials at various levels, and with representatives of the ANC and of labor unions, entrepreneurs' associations, and universities. The next-to-last draft of the "Review of Trade Policies" paper was discussed internally in the Bank, and then became the subject of a large seminar organized by the Government and of further informal consultations with all interested parties. Taking into account, *inter alia*, the results of this analysis, the Government changed substantially its posture *vis-à-vis* GATT, by reducing import protection more than previously decided,

and by changing the structure of such protection, in order to reduce drastically, and eventually eliminate, the anti-export bias that had prevailed until then in the country's trade policy.

As indicated above, the sector work program undertaken in 1990-1994 covers most economic and social sectors, including the analysis of the most important policy issues. The first sectoral exercise was on education, as described below. A similar approach was subsequently followed in the other sectors, in all cases with the objectives of inclusiveness, transparency and South African ownership.

Agricultural and land reform policies constitute a good example of the impact of the joint Bank/South Africa informal work during the transition period. According to the announcement made by the new South African Government shortly after its inauguration, its approach to agricultural and land tenure issues will be largely based upon the conclusions of the joint technical work undertaken in 1992-94.

Bank staff started to work on the education sector in 1991, involving all interested sectors of South Africa's society in informal discussions and technical work. To make such involvement systematic, it was decided to select a "neutral partner"—the Kagiso Trust, which had served as a channel for substantial external assistance provided by the EEC and Japan. While the Bank financed all external consultants and its own staff, the Kagiso Trust agreed to finance all local costs of the technical work performed in this sector. The focus of the work was formed by a series of workshops attended by foreign specialists, Government officials and representatives of opposition parties, NGOs, and other

interested participants. Each workshop dealt with a topical theme--for instance, the first one with Vocational Education and Training, and the second one with Financing and Management of the Education System. Studies were prepared on each priority issue, with substantial South African participation. As of April 1994, action plans were being prepared to serve, *inter alia*, as a basis for future Bank lending for the sector.

### **Overall Results And Implications For The Future**

The "South African experiment" undertaken by the Bank over the last four years has been quite successful, with the informal and client-driven approach followed by the staff having yielded clearly positive results. It enabled the Bank to establish a meaningful Bank/country relationship in the absence of a recognized Government and in the framework of a difficult process of political and social transition. It has improved substantially the Bank image in South Africa. It has provided the country with the technical tools required for sound economic policies. It has allowed for strong national participation in the Bank staff work, thus also promoting a strong sense of South African ownership of the resulting policy conclusions. It has shown the usefulness of using the country team in a systematic and comprehensive manner to ensure the effective implementation and coordination of a country work program. It has also demonstrated that it is possible to simplify the Bank internal procedures, including those related to quality control, without lowering standards or otherwise reducing the usefulness of the Bank technical work.

The ESW program undertaken by the Bank staff in 1990-1994, moreover, has enabled the institution to acquire substantial knowledge of a country with which it had virtually no relations for almost 25 years. That knowledge should enable the Bank to provide quick and meaningful assistance to the new Government inaugurated in May 1994. As indicated in prior paragraphs, the ESW program has dealt with most important issues at both the macroeconomic and the sectoral levels. In light of the likely needs of South Africa in the immediate future, the only important policy area in which little work has been done is that related, in particular, to public sector management, and, more generally, to institutional development and governance issues. It is likely that some issues in this policy area--particularly those related to the integration of the new civil service and to the distribution of responsibilities among the national, regional and local levels of Government--will require important decisions in the immediate future. Subject to a request from the new Government, there may be a need, therefore, for substantial technical work in this area, as well as in following up on the macroeconomic and sectoral tasks undertaken during the last four years.

With the inauguration of a recognized elected Government, the Bank relations with South Africa are changing in two important aspects. First, there will be a legitimate interlocutor with which it should be possible to establish a normal policy and operational dialogue. Second, Bank activities will no longer be limited to informal ESW, but are likely to include lending for the first time in nearly 30 years. These changes will require further adjustments, not only in the ways in which staff relations with South Africa are conducted, but also in the Bank's internal procedures concerning staff work on this country.

As indicated above, the Bank now faces in South Africa the challenge of establishing a normal relationship with a new borrowing Government while, simultaneously, preserving the benefits yielded by the informal approach followed up to now. The new Government has indicated its support for Bank staff maintaining contacts at all stages of technical work with interested sectors of South African society, and to continue using the system of reference groups and workshops including representatives of all those sectors. This may be particularly useful in building up a national consensus on the policy decisions which will be needed for, *inter alia*, enabling the Bank to provide financial assistance in support of economic and social reforms. There will be a need, therefore, to conduct Bank activities at two levels; the informal one, comprising a wide variety of technical and policy issues; and the more formal lender/borrower relationship, to be established with the Government at various levels. An early example of this new relationship is the formation in June 1994 by the new South African Government of a "task team" for dealing with the Bank in issues related to fiscal relations between the central, provincial and local administrations. The team includes key officials from the previous Government as well as newcomers to the civil service, and will also have the participation of experts from universities and other non-Government entities. This example seems to indicate that, while the Government is now clearly the focal point, the counterpart-group approach followed in the pre-election period is still being utilized.

Similarly, there will also be a need to reconcile the required Bank quality control of any future lending with the advisability of maintaining the advantages of the more informal system utilized in the

last four years. The Bank system of review and approval of its lending operations will have to be applied to loans for South Africa, particularly during the final stage of loan processing. A case can be made, however, for maintaining the informal peer review system, centered in the country team, for some Bank activities, including, in particular, all ESW work.

The basic approach followed by the Bank in South Africa could also be useful in other countries, particularly those undergoing a systemic transition. An essential pre-requisite for this approach to succeed will be the full cooperation of the Government in each case. The Government, for instance, will have to allow Bank staff to share technical and policy conclusions with interested population groups. In order to be able to handle the sensitive and difficult issues that are likely to emerge within this approach, the Bank staff will need to have, in each case, a comprehensive knowledge of the country's political and institutional framework. The wide application within the Bank of the informal procedures followed in South Africa during 1990-1994 would require more delegation of authority to operational levels, and a drastic simplification of the review system. It would be equivalent, in short, to reinventing the Bank procedures. The utilization of the South Africa model entails some important risks, and its introduction would need to be, in any case, country specific, in order to take properly into account the circumstances prevailing in each case. The results obtained up to now in the South African case, however, indicate that it would be worthwhile to consider accepting such risks.



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HROWP41	<b>Labor Market Insurance and Social Safety Nets</b>	<b>Deepak Lal</b>	<b>October 1994</b>	<b>M. Espinosa 37599</b>
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HROWP44	<b>Integrated Approaches to Human Resource Development</b>	<b>T. Paul Schultz</b>	<b>November 1994</b>	<b>M. Espinosa 37599</b>
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