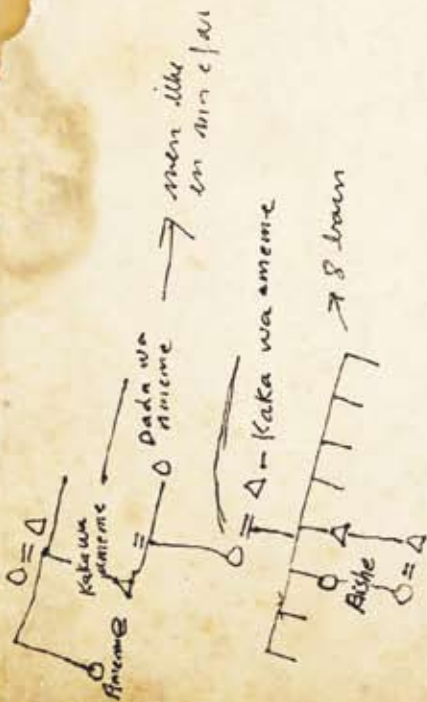


CMI ANNUAL REPORT 2007



restains ?? / opportunity
the law
political context - security
lack of institutional context



When these lines are written, we are midway between a positive external evaluation of the institute and moving to new premises near the University of Bergen (UoB). We are scheduled to move in March 2009.

Some colleagues have expressed concern that CMI may lose both its identity and autonomy on the university campus. I will therefore use this opportunity to put the decision to move in a larger context.

For several years, we have had a successful co-operation with the Institute for Comparative Politics and the Centre for International Health at the UoB, which we wish to continue and extend to new areas and departments. For even longer, we have had several Master and PhD students affiliated to the institute. One of the main reasons for this is that an applied, policy-oriented institute like CMI must have close links with institutions that have a prime responsibility for basic research and higher education. This contributes to new intellectual impulses and provides interaction between research and education that stimulates both researchers and students. It also helps secure the quality of our own work.

CMI will continue to depend on funds allocated to commissioned studies of various kinds, perhaps increasingly so in the years to come. In this situation, it becomes all the more important to safeguard our research. If we fail to do so, we might not be able to face the competition of other similar research institutes. In its activities, therefore, the Institute will have to be increasingly research-led, meaning that we have live intellectual agendas, pursued and renewed through research of sufficient quality and scale that it invigorates other activities, including commissioned studies, dissemination and student supervision.

Our research programmes have played a crucial role for the progress we have made over the last decade. They provide focus and continuity to our work, they have helped put CMI on the international research map and as an active participant in policy discourse in several areas, and they have been important instruments for promoting research cooperation within the institute as well as with colleagues in Norway and abroad. Several programmes have also been instrumental in attracting large commissioned research contracts. Thus, e.g. our current U4 Anti-Corruption centre was preceded by a programme on “Corruption and Reform”. It was one of four programs that were graded “excellent” (defined as “very highly regarded in international comparison”) by the evaluation committee. Two others (“Political Institutions in Africa” and “Courts in Transition”) were established in close cooperation with colleagues at the UoB.

There is currently a clear trend towards the funding of larger research programmes including through Centres of Excellence, “Storforsk” and EU-funded programmes where Norway is likely to increase its contributions. In this situation, it makes a lot of sense to make our own research efforts increasingly collaborative and network-based. Since we are located in Bergen, the UoB and the Norwegian School of Economics and Business Administration are our natural partners. With the UoB we have recently allocated fresh funds for collaborative research efforts and agreed to establish a joint national resource centre in our new premises at Dragefjellet. The CMI library will be the backbone, and the centre will be run by CMI but with considerable input and participation from the UoB and its research community. The building will also house Unifob Global which serves as an incubator for interdisciplinary research initiatives and consolidates development-related and globally oriented research at the UoB.

However, we must recognize that a move to the campus will change CMI in many ways. Like most of my colleagues, therefore, I believe it will be important to retain not only our autonomy but key aspects of our identity as well. Besides being a policy-oriented institute, which includes the functions of a think tank promoting and stimulating public debate on development issues, important markers of CMI’s identity are (1) our multidisciplinary character, which gives us a comparative advantage in relation to most university departments, at a time when many key challenges to research cut across disciplines; (2) our long-time involvement in capacity building and research cooperation with partners in the South; (3) our emphasis on thorough regional and country knowledge, strengthened by long-term stays abroad for most of our research staff; and (4) our focus on research and commissioned studies related to international development issues - where we have a national role, mandated by a core grant which ultimately derives from the budget of the Ministry of Foreign Affairs.

To meet the multiple challenges ahead, CMI must be an open intellectual community, research-led in selected areas, increasingly network-based, collaborating with strong partners and sensitive to Southern perspectives. Bearing this in mind, a move to the campus is likely to confirm and strengthen our role as a leading European centre for development research. It will also strengthen the efforts of the University of Bergen to be the leading Norwegian university in the same field.

When preparing for this year’s annual report, we reflected upon what we consider the essence of CMI’s research. What is it we couldn’t exist without? What is the core of our work? What sets us apart? The answer is simple: quality fieldwork. With a geographical and thematic focus in the South, CMI’s research is grounded in conversations in-country that challenge our assumptions, our methodology, our analyses and even our findings. In this year’s report we invite you to reflect with images, voices, stories and questions from the field.



One of the well-known dangers of fighting an insurgency – as NATO is now doing in Afghanistan – is that you may kill the wrong people

THE SCHOLAR, THE SOLDIER AND THE STATE



Social scientists working in applied research risk wandering into a moral minefield.



ASTRI SUHRKE is a political scientist with broad experience in academic and applied research. She has worked on the social, political and humanitarian consequences of violent conflict, and strategies of response. More recently, she has focused on the politics of humanitarian policies in the UN-system, concepts of human security and peacebuilding. She is currently working on strategies of post-war reconstruction and statebuilding, with particular reference to Afghanistan. astri.suhrke@cmi.no



EYOLF JUL-LARSEN is a social anthropologist with experience in development related research, consultancy and operational work with focus on fishing communities and migration in West and Southern Africa. Jul-Larsen's research profile includes issues related to trends in the utilisation of natural resources with emphasis on fisheries and land tenure. It also includes studies of mobility and the economic and political effects of labour and trade migration. eyolf.jul-larsen@cmi.no



Providing information that is directly related to the pursuit of the war makes the social scientist a participant in the war. Is this appropriate?

In a local feud, for instance, one party will tell NATO forces that his rival is really a Taliban. The foreign troops – who know neither the language nor the complicated history of local feuds – move in. Afterwards there is an outcry and much handwringing when it appears that ordinary villagers have been killed.

To improve military as well as political intelligence in the broader sense, NATO forces in Afghanistan have increasingly mobilised social scientists. The Americans have gone furthest by assigning anthropologists to combat teams in the field. Called “Human Terrain Teams”, their role is to promote more intelligent warfare, including prevention of manipulative episodes as recounted above. The British and the Dutch are commissioning reports from local and international experts to provide detailed information about political alignments and political histories in districts where their forces operate.

Providing information that is directly related to the pursuit of the war, and that may influence its course, makes the social scientist a participant in the war. Is this appropriate? This

role entails ethical dilemmas that long have divided the ranks of anthropologists and political scientists. In modern history it goes back to the censure of American anthropologist Franz Boas from the American Anthropological Association for revealing that four of his colleagues had worked as spies in Latin America for the U.S. government in World War I.

The Norwegian government seems less interested in mobilising expertise of this kind and the question has not come to a head – at least not yet. But recent years show how social development efforts increasingly are being connected to military intervention or armed struggle. Afghanistan, Sudan, Palestine and the Balkans are cases in point. Social scientists working in applied research thereby risk wandering into a moral minefield. This is also true for CMI researchers. How well are we prepared for that?

The American Anthropological Association has prescribed the principles of transparency, accountability and “do no harm” for its members who have chosen to work for the U.S. military. Yet this is of limited help.

“Do no harm”, for a start, does not take us very far. Some good almost always entails some harm, as all surgeons know when they wield the knife. Even if rules of proportionality are observed (the most good for the least harm), the difficult question is how the good and the harmful effects will be distributed. Transparency and accountability similarly hide deeper dilemmas.

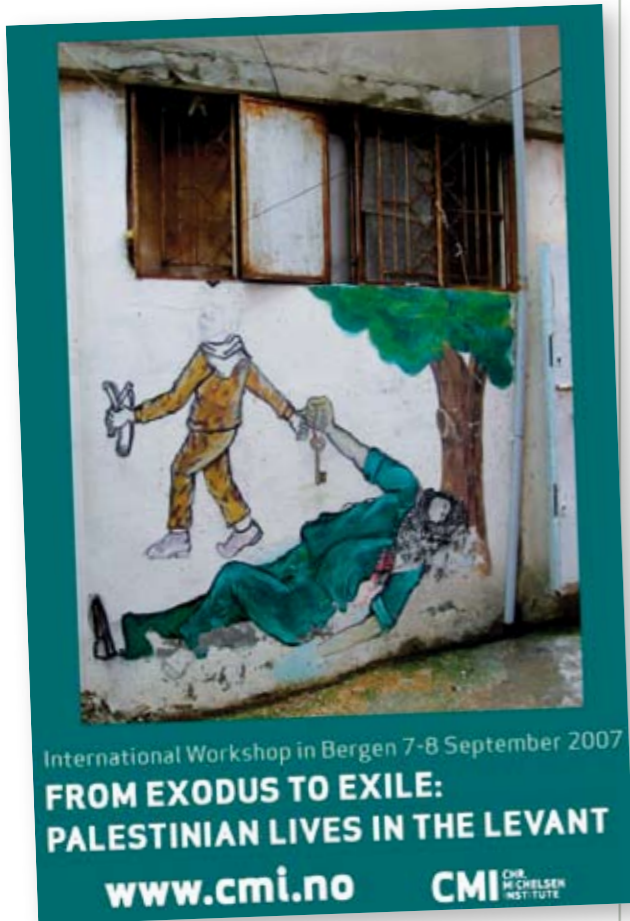
Some suggest that scholars should not produce knowledge that can be directly useful in a war, calling for the equivalent of an “end use” certificate that arms exporters must complete to ensure that the weapons do not end up in the wrong hands. Such a restriction, however, collides head on with the basic principles of freedom of scientific inquiry and the fact that all texts live their own lives once they have been produced.

Others argue that social scientists have the right to apply their knowledge in what they consider to be a “right cause” or a “just war.” That view dominated when Boas was censured.

Arguably, this is also the bottom line for the present debate. Some scholars will put their research in service of what they consider the good cause or the just war, or to stop or modify what they consider ill-conceived, immoral or counterproductive wars. Some try to avoid such situations altogether.

The public debate in Norway on this issue has been limited even though it has significance far beyond the immediate circle of scholars involved. Researchers in applied fields of peace, conflict and social development have a special responsibility here. Encouraging awareness among their own ranks is one thing; promoting public recognition of the dangers as well as benefits of the scholar working in close proximity with the soldier and the state is equally important.

Key Event



Key Publication
Where Now for Palestine?



Where Now for Palestine? marks a turning point for the Middle East. Since 2000, the attacks of 9/11, the death of Arafat and the elections of Hamas and Kadima have meant that the Israel/Palestine 'two-state solution' now seems illusory. It critically revisits the concept of the 'two-state solution', discusses the changing face of Fateh, Israeli perceptions of Palestine, and the influence of the Palestinian diaspora. The book also analyzes the environmental destruction of Gaza and the West Bank, the economic viability of a Palestinian state and the impact of US foreign policy in the region. This authoritative and up-to-date guide is required reading for anyone wishing to understand a conflict entrenched at the heart of global politics.

Public debate

Terroristjakt og fredsbygging

LES MER PÅ db.no/meninger
Terroristjakt og fredsbygging
Kronikk
LES MER PÅ db.no/meninger

Libanons indre fiende

De er Libanons fattigste, svakest og mest uglestete minoritet. Hvorfor bor de i Libanon? Hvorfor drar de ikke hjem?
LIBANON
De er Libanons fattigste, svakest og mest uglestete minoritet. Hvorfor bor de i Libanon? Hvorfor drar de ikke hjem?

Blindt fokus på islam



Det er julketide på tross av krise og enkle utsett minner.
Blindt fokus på islam
Det er julketide på tross av krise og enkle utsett minner.

Minoriteter i «muslmske land»



Minoriteter i «muslmske land»
Påstanden til Sigm Magne Heitmann (BT-kronikk 20. juni) om at kristne forfølges og diskrimineres i muslimske land, er unnskyttet og til dels uferdig med fakta.
Minoriteter i «muslmske land»



ARE KNUDSEN is research director of the Peace, Conflict and the State research group. He is a social anthropologist with more than ten years of research experience in South Asia and the Middle East. Knudsen has worked with regional security issues (Kashmir conflict), illicit trade in small arms, and political Islam in South Asia and the Middle East. Knudsen is currently involved in research on violence in post-war Lebanon, the legal situation of Palestinian refugees in Lebanon, and the democratic turn within Hamas. are.knudsen@cmi.no



The Taif peace agreement ended the war in 1989, but the country did not escape new outbreaks of violence.

POLITICAL VIOLENCE in Post-Civil War Lebanon

POLITICAL VIOLENCE - "the use or threat of violence for political ends" - did not stop but continued in different forms throughout the post-war period.

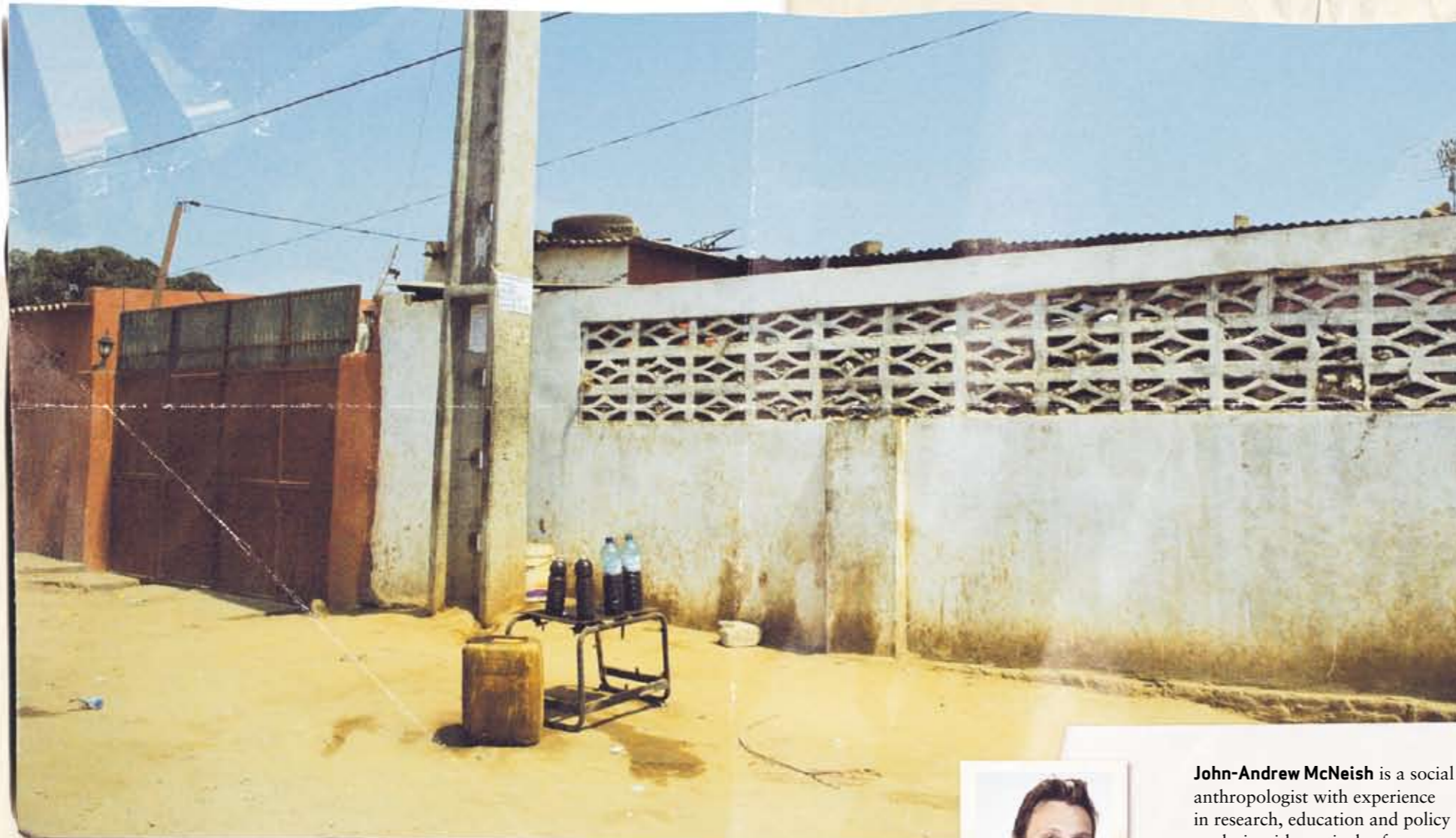
Political violence was both more frequent and more widespread than is often assumed. The level of overt violence against civilians was low, but political leaders and journalists were killed

with impunity. Targeted assassinations intensified during the transitional period from war to peace from 1989 to 1991, and peaked after the death of Hariri in February 2005. From 1989 to the present, about 30 attacks have killed and maimed politicians and journalists, not counting fatalities among innocent bystanders. No Western (or Middle Eastern) country has such a grim record of unsolved political

assassinations. The carefully planned assassination of former Prime Minister Rafik Hariri was a watershed in the country's violent history and was followed by a string of high-level assassinations.

Killing a former premier, and the key architect of the post-war era, shattered the post-war consensus and reopened the wounds of civil war. Killing a former premier, and the key architect of the post-war era, shattered the post-war consensus and reopened the wounds of civil war.

New Projects:



Oil and gas exporting countries are more likely to suffer from a paradox of plenty. The discovery and exportation of oil and gas does not guarantee the transformation of poor countries into flourishing economies.

FLAMMABLE SOCIETIES

A new CMI project funded by the Research Council of Norway, seeks to explore the sustainable use of natural resource wealth to reduce poverty and support the conditions necessary for stable and substantive democracy. Key focus will be a qualitative study of linkages between oil and gas industry development and the generation of conflict and poverty on the one hand, and the possibility for generating peaceful economic, political and social opportunities on the other.

Flammable societies is a comparative ethnographic study of institutional

policy formation and its impact on local development opportunities. There will be detailed social histories of oil and gas industry development.

Norway is heralded internationally as the leading success story of a country that has successfully utilised its hydrocarbon resources to eradicate earlier conditions of poverty and economic dependence. The project will explore and contrast the historical lessons of the North Sea extraction with contemporary Norwegian international investment and direct insertion in oil and gas industries in the South.

The Norwegian government has defined a position for itself as a source of sustainable experience, solutions and technology through involvement in a series of globally recognised policies and programmes, the Oil for Development programme and the Extractive Industries Transparency initiative (EITI).

By stressing that it aims to export expertise and not a model for development, the Norwegian government clearly seeks to adopt a different ethical position to earlier top-down models for development. Norway's aid efforts stresses the importance of good



John-Andrew McNeish is a social anthropologist with experience in research, education and policy analysis with particular focus on Latin America. McNeish has research experience in a range of thematic areas including processes of national and local development policy and reform, poverty reduction, indigenous and human rights and natural resource management.
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Anne-Sofie Roald is an historian of religion, specialised in Islam, with extensive experience from fieldwork and research. Roald's professional profile and research interests include Islamic movements, gender issues in Islam, Muslim immigrants in Europe, particularly in Scandinavia, multiculturalism and religious minorities. Roald is the director of the programme Politics of Faith at CMI.
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THE MODERATION OF ISLAMIST MOVEMENTS

The project investigates the impact of political inclusion on Islamist movements in Jordan, Lebanon, Palestine and Sudan. Academic research tends to give precedence to the violent and militant Islamist movements, and argue that Islamist rebellion and violence are products of political exclusion accompanied by repression from the state. However, there have not been systematic attempts at analysing whether the opposite scenario, political inclusion into state institutions, moderates the political strategies and ideology of Islamist movements. This multi-disciplinary project assumes that political institutions impact on whether an Islamist movement takes a violent form or not. The state is central in that the difference between conflict and peace in a given country may be related to the establishment of certain institutions such as democratic decision-making institutions.



REVIEW OF THE VOLUNTARY RETURN PROGRAMME TO AFGHANISTAN

CMI assesses the assistance programme for voluntary return to Afghanistan. The return programme was established in 2006 by the Norwegian government in co-operation with the International Organisation for Migration (IOM) and Norwegian NGOs. The return programme is open to Afghan nationals whose asylum applications in Norway are pending or have been rejected, or Afghans who have been granted the right to stay in Norway but wish to return to Afghanistan. The programme includes information and counselling in Norway, as well as cash payments and reintegration assistance upon return to Afghanistan. The review will cover only the period immediately after return. The report was submitted in April 2008.

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Rwanda:
**PRETENDING
PEACE**

“To pretend peace is to be patient. It is a way of controlling your emotions. It is a good way of avoiding conflicts and an effort to bring peace in the heart. It is a way of doing that makes me feel better, to greet someone or pretend to do so. I feel it is better like this than to have conflicts.”

Anna-Belle



TRINE EIDE completed her Masters Degree in Social Anthropology at the University of Bergen in December 2007 with submission of her thesis "Pretending Peace: Discourses of Unity and Reconciliation in Rwanda".
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Nthe aftermath of the 1994 genocide, the Rwandan government adopted what may be described as a "three step reconciliation model" in which notions like "truth, justice and reconciliation" are grouped together in a progressive linear fashion. The main mechanism intended to 'produce' reconciliation is the Gacaca court. Through these courts the truth about the genocide will be told. Perpetrators will confess and be punished. This will render justice for the victims. Ideally, the victims will forgive the perpetrators and thus establish the foundation for reconciliation.

Politics of everyday life challenges the Gacaca process. Truth, justice and reconciliation are challenged by local understandings of personhood, social morality and conceptualisations of 'heartfelt forgiveness and confession'. Gacaca courts focus on individual justice and spoken truths. The politics of everyday life enacts the practise which many Rwandans call "pretending peace" seen as an alternative and usually a better way of promoting peaceful coexistence. Pretending peace focuses on belonging and civil conduct within a community.

"It is all a matter of pretending peace. We have different ideas in our hearts but we pretend that our relationships are good. If you know there is something wrong between you and another you must be careful and not raise the evil spirit within him. We are all humans and tensions may rise, but since we are different from animals we must control our instincts. We must control our emotions."

Karikezi

The concept of individual justice is contested because the smallest social unit in Rwanda is the relational: the individual and his or her significant others, particularly the family and other community members with whom one is tied together in a reciprocal relationship of giving and receiving. To engage in reciprocal relationships is regarded as the uttermost sign of social morality. It is these relationships that confirm that one is a moral Rwandan and not an animal.

"In the beginning I was afraid that they had not forgiven me [...]but now as I have started to help them, as we have started to do ceremonies between us, we share and we are together and we have got a better relationship. Because of this I know that I am somewhat forgiven."

Charles

Notions of spoken truth, confessions and forgiveness are contested based upon the conviction that words alone do not reveal the truth found in people's hearts. Rather it is a person's behaviour and social morality in relation to others which is evaluated in terms of heartfelt forgiveness and confession.

Pretending peace as a local practise is thus not only seen as a sign of social morality. It is also seen as a practise with the potential to transform and change poisoned and sick hearts to good and healed hearts. Thus, through the practice of social morality and heartfelt confessions and forgiveness, the two conflicting parts may, as the local saying goes, be together. The path to togetherness implies that peace is pretended in the beginning.

"If a person comes to your house three times, if he offers to help you and to share with you, if he greets you in a warm way [then] he shows you that his heart is no longer poisoned and you can forgive him. To not forgive a person who shows you that he is sorry in this way it is not a good thing to do if you are a good person, in fact it is an inhumane thing to do."

Anna-Belle

The Garap ceremony in Lombok promotes reconciliation through a strong preference for de-personalising conflicts and for communal resolution. The purpose is not merely to resolve a particular offence, but also to express and reaffirm key moral values.

SWEARING INNOCENCE PERFORMING JUSTICE



Garap pivots around the declaration of innocence rather than admission of guilt.



KARI TELLE is a social anthropologist and co-ordinator of the Politics of Faith research programme. She has more than ten years of research experience in Indonesia. Telle's post.doc project, "Searching for Security: Religious Mobilisation and the Politics of 'Insecurity' in Indonesia" aims to provide a new understanding of the links between popular religious movements, security management, and the deployment of violence in the context of a weakened state. kari.telle@cmi.no

The globalisation and apparent success of certain transitional justice initiatives, like the South African Truth and Reconciliation Commission, carries the danger that one model is uncritically transplanted to other contexts.

The globalisation of peacemaking initiatives centred on uncovering 'truth', makes it timely to ask to what extent this reflects the preoccupation with confession in modern Western culture. Does the constant call to admit guilt harbour dangers of becoming a 'tyranny of confession'?

In Lombok in Indonesia, Sasak Muslims turn to an oath-taking ceremony called Garap for resolving localised conflicts. Cast as a rite of purification, Garap entails the pledging of an oath of innocence and of drinking water mixed with soil taken from the tomb of a Muslim saint. Since Garap promotes transcendental justice, suspects need not be named during the rite itself. Garap pivots around the declaration of innocence rather than admission of guilt.

Garap is an example of how local forms of justice balance the need for continued coexistence with the moral demand for

condemnation. The twin objective is to restore social agency to victims and to heal fractured communal relations. Garap grants the culprit a chance to retrace his steps without being stigmatised or shamed in public. The focus is less on uncovering the intentionality and the facts of a particular offence than to use it as an occasion to express and enact moral narratives.

Once Garap has been carried out, the offence that prompted the performance

should be 'forgotten'. People avoid referring to the matter partly because continued reference is considered unseemly and disruptive. Repeated references would be 'like scratching a wound' and preventing the healing process. This willingness to 'forget' hinges on the conviction that justice has been served. Yet, this conviction does not necessarily hinge on 'belief' in the putative effects of the oath, but rather of an embodied 'sense of justice'.



ELIN SKAAR is research director of the Rights, Democracy and Development group, a political scientist with more than fifteen years of working experience in research, teaching and development aid. She works with democratisation, human rights, reconciliation, judicial reform, and development issues. Regions of interest: South America (Chile, Argentina, Uruguay) and Southern Africa (Namibia, Angola, Mozambique). elin.skaar@cmi.no

Does dealing with past human rights violations in a formal, institutionalised way give societies a better chance of creating viable democracies?



SIRI GLOPPEN is a political scientist with experience from research, policy analysis and teaching. Research areas include democratisation and human rights; constitutional reform and constitutionalism, electoral processes, citizenship and participation, judicial reform, reconciliation processes and institutional change. Empirical focus is on Southern and East Africa (South Africa; Malawi; Uganda; Tanzania; Zambia). Heads the 'Courts in Transition' strategic institute programme which explores the role of courts in political democratization and social transformation. siri.gloppen@cmi.no

New project:

RIGHT TO HEALTH THROUGH LITIGATION?

Can court enforced health rights improve health policy and priority-setting in poor countries?

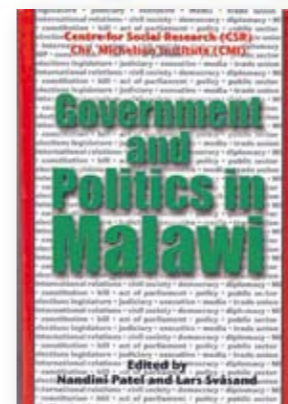
This multidisciplinary project will investigate whether litigation can make health policies and -systems in poor countries more equitable by forcing policy-makers and administrators to take their human rights obligations seriously.

A majority of the world's governments are obliged through international treaties or national constitutions, or both, to respect, protect, promote and fulfil the human right to health. In most cases, this has not been an enforceable legal right. However, cases regarding the right to health care are increasingly brought before the courts. In a number of low- and middle-income countries, first in Latin America, later in Africa and Asia, court decisions have granted access to certain forms of medical treatment. These are decisions with potentially great implications for how health sector resources are prioritized and allocated, but so far there is little systematic knowledge of the actual

effect of such cases on health policy formation, implementation and spending. Do they have a significant effect in practice? And, if so, do they contribute to more or less justice in health service delivery?

To know more about consequences of health rights litigation under different circumstances is important from the perspective of health sector reform. Both because of its constructive potential – the possibility of developing and facilitating health litigation as an instrument for health policy reform – but also for 'defensive purposes'. Health litigation already takes place, and increasingly so, in poor countries. It has implications for policy and spending. This may be positive from the perspective of justice in health care, but it could also represent a threat to systematic priority setting and equity, and raises difficult ethical issues.

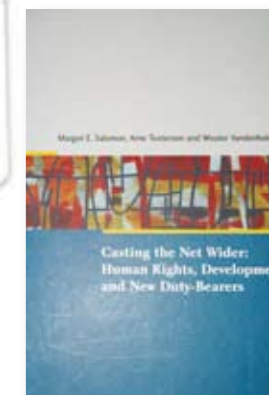
"Everyone has the right to a standard of living adequate for the health of himself and of his family, including food, clothing, housing and medical care and necessary social services". (Article 25.1 of the Universal Declaration of Human Rights, 1948)



First Book on Politics in Malawi

The book provides a comprehensive coverage of Malawian politics, from the 1995 constitution to public sector reform and international relations. It deals more generally with the relations between the different political institutions, trade unions, civil society and the media. The textbook covers a broad range of political institutions and their functions, and will be used by political science students at the University of Malawi.

Key publication



CASTING THE NET WIDER: Human Rights, Development and New Duty-Bearers

This edited volume brings together scholars and practitioners to address the question as to whether, in our globalised world, the protection of economic, social and cultural rights in the South has or should become the duty of actors beyond the state. It explores the role of actors such as transnational business, international financial institutions, supranational organisations and influential states who are involved in or impact on human rights in developing countries. In adopting a "responsibilities approach", it seeks to clarify the nature, content and scope of their contemporary duties. Its multidisciplinary perspective represents a pioneering effort to set in motion a more concerted international effort to "cast the net wider" both in theory and practice.

Key Event

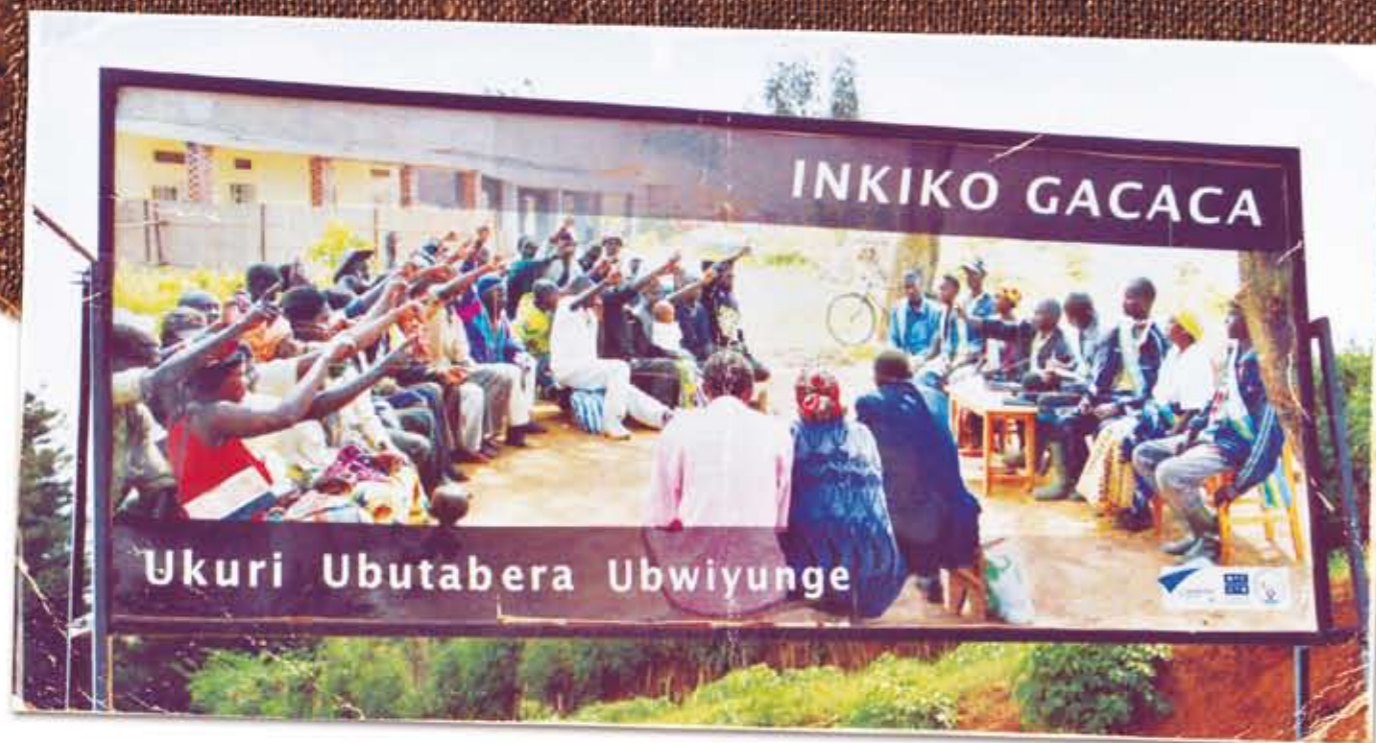


MAKING INSTITUTIONS WORK FOR THE POOR?

Annual Conference of the Norwegian Association for Development Research
CMI - Bergen, Norway - 5-7 November 2007
www.cmi.no/aktu/2007

Human Rights Programme: New Project

TRANSITIONAL JUSTICE, VIOLENCE AND RECONCILIATION

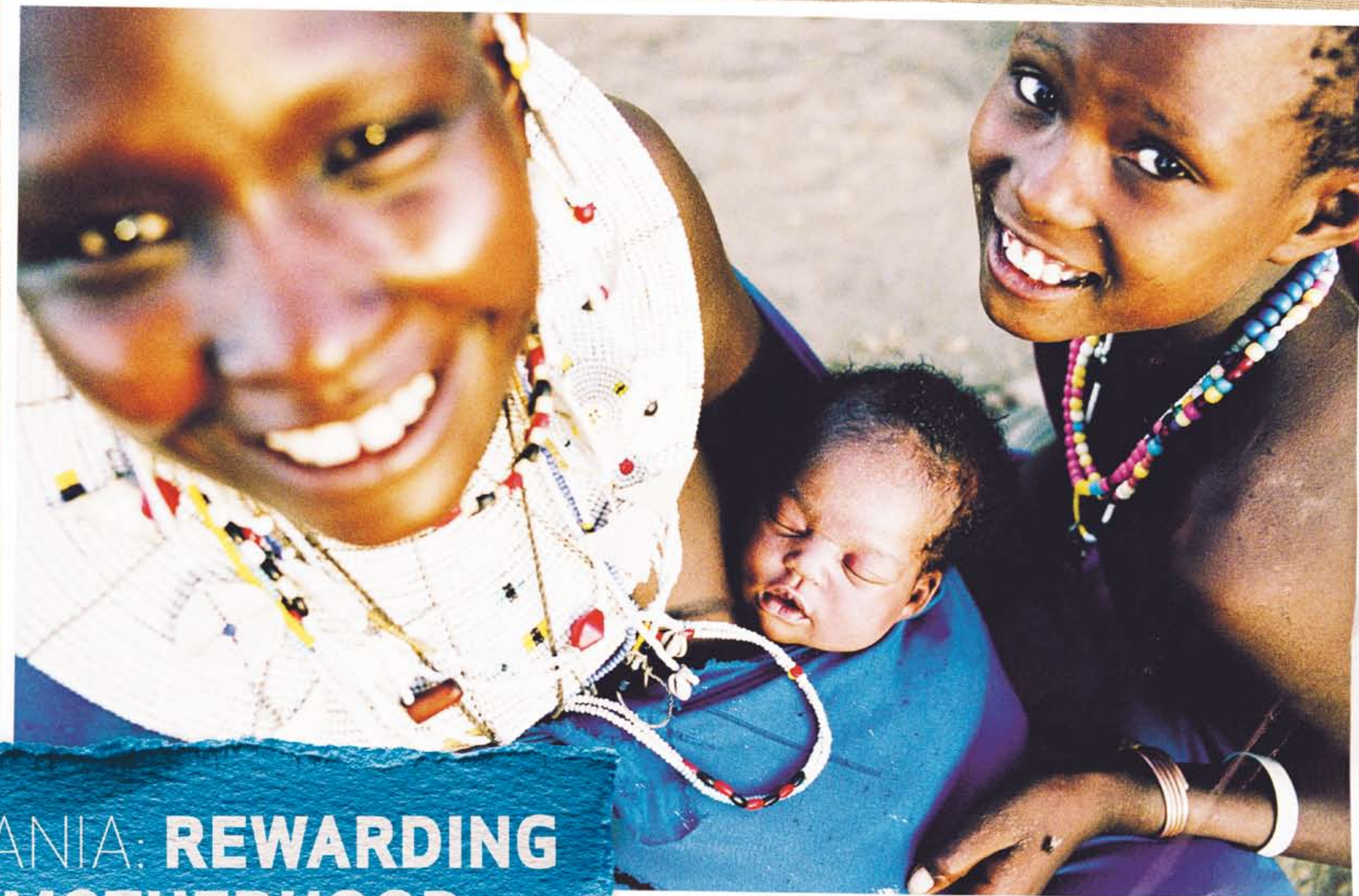


Countries emerging from major conflict face vast human rights challenges. Truth commissions and trials are but two of many so-called transitional justice mechanisms implemented to deal with gross human rights violations, to foster reconciliation and to halt violence. Mechanisms vary from formal measures such as trials and truth commissions, to more informal processes of conflict resolution.

There is an assumption that the establishment of transitional justice mechanisms is necessary in order to bring about reconciliation and violence reduction. Transitional justice mechanisms are supposed to lead to reconciliation, a strengthening of the rule of law, a more stable peace, more accountability, social reconstruction, an assurance of the impossibility of future gross human rights violations etc. There is scarce knowledge on whether these assumptions have come through.

There have been few if any systematic attempts to analyse and assess the role and impact of traditional mechanisms in post-conflict settings.

CMI has worked with transitional justice issues for a several years. The book *Roads to Reconciliation (2005)* provides a systematic and comparative analysis of reconciliation processes in various societies. This new project: Transitional Justice, Violence and Reconciliation is a new focus in the CMI Human Rights Programme.



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TANZANIA: REWARDING SAFE MOTHERHOOD

A way to reduce maternal and newborn mortality?

Simple, low cost interventions can substantially reduce maternal and newborn mortality. 500,000 women die of causes related to pregnancy and childbirth every year. Almost all of them live in developing countries. 10 million children under the age of five die every year. 4 million of these children are less than one month old. This tragedy and gross injustice is avoidable.



OTTAR MÆSTAD is an economist and head of the research programme Global Health and Development. Current research interests include health systems and health policy, governance in the health sector, health and economic development, and economics and ethics of priority setting in health.
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Ensuring that women deliver under the supervision of a skilled health worker and that mother and child are attended to during the first days, will dramatically reduce both mother and child mortality rates.



Ensuring that women deliver under the supervision of a skilled health worker and that mother and child are attended to during the first days after birth to detect infections and promote proper baby care, will dramatically reduce both mother and child mortality rates. The challenge is to implement these interventions on the ground.

Performance-based funding (P4P) has been proposed as one mechanism to speed up the implementation of such interventions. India rewards mothers in cash when delivering at a health facility. In Rwanda, health workers' salaries are determined by the number of deliveries in their health facilities.

Norway is actively promoting P4P for improved maternal and child health, both through the World Bank and through a bilateral partnership with Tanzania.

CMI has investigated how P4P potentially can contribute to reduce maternal and newborn mortality in Tanzania. Less than 50% of the deliveries in Tanzania take place at a health facility. Difficult transport, costs (e.g. having to pay for delivery kits), as well as poor service quality at the health facilities explain in part the low number. P4P can potentially address some of these challenges, but not all.

High costs can be dealt with by conditional cash transfers to women who deliver at health facilities. Some of the quality issues at the health facilities may be addressed by

rewarding health workers according to the number of deliveries, thus making it in their interest to improve the quality of the service.

P4P cannot, however, address challenges related to poor transport infrastructure, delayed supplies of drugs and equipment from the central level, and the shortage of skilled health workers. In addition, there are challenges related to reliable reporting of performance and timely payment of performance rewards that may undermine the effectiveness of a P4P system.

Our knowledge of the effect of P4P in the health sector is limited. Thorough impact research therefore needs to be part of the new P4P initiatives.



A TRADITIONAL AUTHORITY IN TUMULTUOUS ANGOLA

Agostinho Ngumbe is an 88-year-old soba (chief) living in Ebanga, in the mountainous highlands of the Angolan province of Benguela.

Ngumbe is *head chief* of the people of Ebanga, and has some 130 villages under his responsibility. He answers both to the Angolan state administration (whoever that happens to be), the ancestors and the living people of his chieftaincy. His ancestors' skulls are guarded in a shrine in a nearby mountain, as his will be one day.

Ngumbe's life history illustrates the complicated dance of a traditional leader in the politically tumultuous circumstances in an African country. But as so many traditional authorities, he always accommodates his rule to the interests of the political forces which appeared most likely to govern in the near future in order to ensure stability within his jurisdiction. As such, traditional authorities are not natural friends of democracy, but nor are they its enemies.

Ngumbe has lived through all the dramatic changes that have come upon the Angolan lands. He saw the early days

of the Portuguese colonialists establishing their commercial agriculture plantations in the highlands conquering the last of the endogenous kingdoms with military force. During World War II, he saw the tremendous development of the Benguela railway, the highland towns and the cities. As junior chief, and grandson of a supreme chief, he served in the colonial *cipaio* police as the colonial wars began in the 1960s. After 27 years of civil war and internal displacement, he has served as chief both under the one-party "communist" period and under the current "democratic" state.

The changes brought about by the democratisation in recent years must appear as just another capricious regime in passing – unlike the eternally enduring chieftaincy. The *soba* chiefs of Angola, as most traditional authorities in Africa, mediate between the central state authorities and the local population. They are faced with managing the complex game of acting as representatives of both: the state's

Traditional authorities are not natural friends of democracy, nor are they its enemies.

representative in the rural areas where the state has a weak presence, and the local population's representative before the changing state authorities. Hence, they function as a sort of middlemen or negotiators, drawing legitimacy and authority from both sources.

As a traditional authority (*esoma*), Ngumbe has an important role in regulating the villagers' life through his court of sub-chiefs, in areas ranging from marriages, seasonal rites, land allocation and the combating of malicious witchcraft. As in most of sub-Saharan Africa, the jurisdiction of national law clashes with that of the chieftaincies where traditional

law is practiced. The result is sometimes a seemingly ordered legal pluralism, sometimes a mishmash of practices, and occasionally overt sovereignty struggles – truly a challenging environment for state building.

During colonial days, Ngumbe's responsibility was to aid the state administrator in recruiting cheap labour for the colonial families' plantations. Today, he still serves the administration and gets paid for it, by "controlling the population", as he phrases it, by informal censuses, aiding the police, and upholding respect for the government and the governing party.



ASLAK JANGÅRD ORRE is a political scientist with local government reform and the politics of decentralisation as well as corruption and anti-corruption as key competence areas. His geographical focus is Mozambique and Angola, having participated in long- and short-term studies, including consultancies, evaluations and extensive field work. Currently, he works on a PhD on traditional authorities, political parties and the local state in Angola and Mozambique. aslak.orre@cmi.no

U42007

The U4 Anti-Corruption Resource Centre assists donor practitioners in more effectively addressing corruption challenges through their development support. U4 serves seven development agencies: Norad (Norway), DFID (UK), CIDA (Canada), GTZ (Germany), MinBuZa (the Netherlands), and Sida (Sweden) by providing resources and services.

An extensive online resource centre guides users to relevant anti-corruption resources, conducts and communicates applied research (Themes) and presents the work of the U4 partner agencies through a searchable database of projects and

initiatives. U4 also offers a Help Desk service and provides online as well as in-country training on anti-corruption measures and strategies for partner agencies and their counterparts. Below are some of the new theme pages and publications.

Private Sector and Corruption

Database of Donor Initiatives

Private sector development has become a central feature of development strategies for both bilateral development agencies and the multilateral system. U4 has made the first ever project database on donor agencies' private sector anti-corruption interventions.

Despite the great variation in the political, economic, and social features of the countries where programmes are taking place, interventions by donors are remarkably similar, suggesting that there is room for innovation. Available online is also a mapping study of these initiatives with suggestions for future direction on knowledge management, consolidation of current efforts, and alternative partners.

U4 Briefs

Measuring Private Sector Corruption

New kinds of corruption have arisen, and donors should deal with them in developing and home countries. Susan Rose-Ackerman discusses why it is important to act.

Rethinking Governance to Fight Corruption

Think differently about governance: Sue Unsworth suggests that effective anti-corruption strategies start with fewer assumptions and more questions.

Understanding the Private Side of Corruption: New Kinds of Transparency, New Roles for Donors

Do we know enough about corruption in the private sector? Michael Johnston discusses gaps in our knowledge and how donors can help tackle the problem.

Competition and Corruption, what can the Donor Community do?

Tina Søreide argues that aid agencies can exert influence on achieving better market regulations.

Country Studies

In 2008, U4 will conduct country studies to find out more about the factors which may determine successful and sustainable implementation of private sector related development projects. Bangladesh, Serbia, and Mozambique are included in U4's country study plans.

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www.U4.no

The UN Convention against Corruption

A comprehensive U4 report of six country case studies (Georgia, Indonesia, Nicaragua, Pakistan, Tanzania and Zambia) draws some important lessons. Explicit anti-corruption policies and strategies are not necessarily the most suitable. The report discusses other options for coordinated anti-corruption policies, and emphasises the need to pursue anti-corruption work with effective and modest targets instead of ambitious but unfeasible promises.

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Political Corruption

Democratic processes are often unduly influenced by obscure financial flows. Can donors help to counteract this problem?

Money in Politics

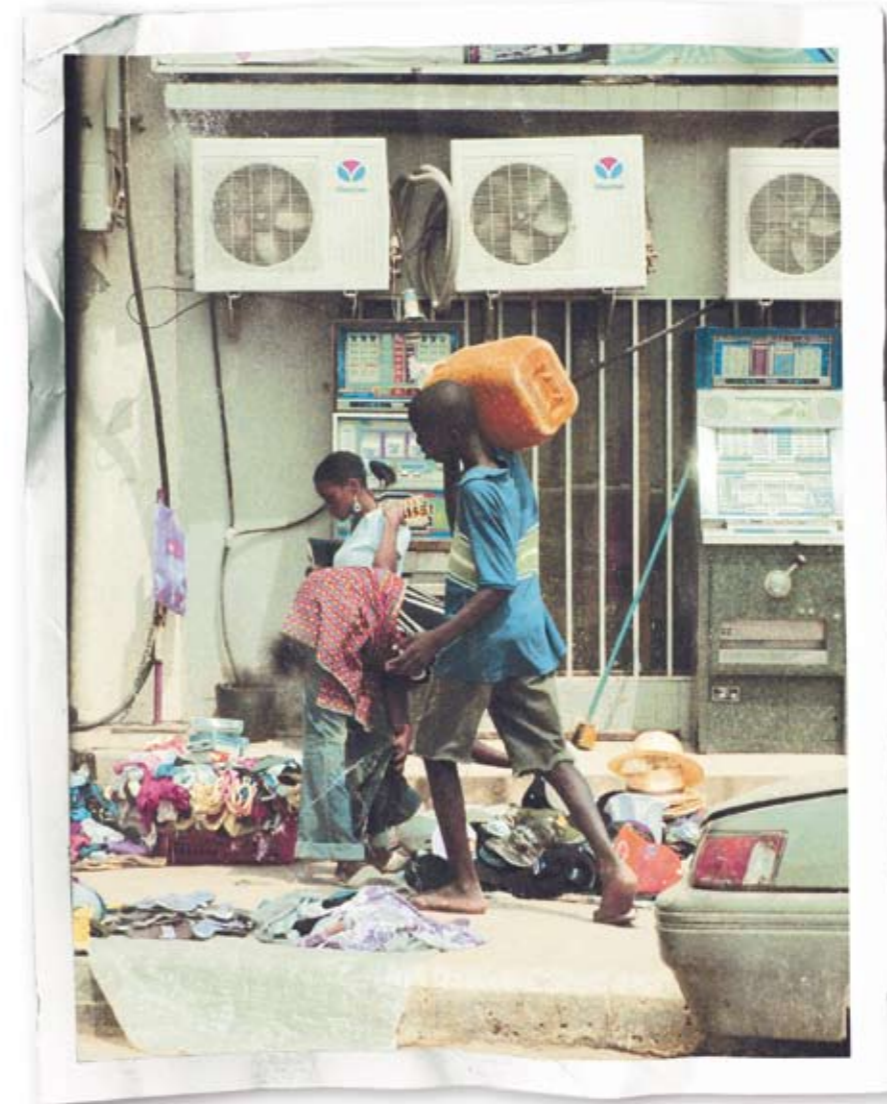
Where does political corruption start? Though difficult to ascertain, it is usually worth looking at the electoral process. A lack of transparency and access to information regarding public and private funding to political parties, contributes to a continued culture of secrecy in political matters and policy making in many countries.

On U4's Political Corruption theme pages, this issue, among others, is in focus. The U4 Brief *Money in Politics: Transparency in Action* explores the experience of Transparency International's *Crisis* project in Latin America.

Forthcoming Publications

2008 will see further publications on e.g. political party assistance and anti-corruption measures as political criteria for EU accession. A new specialised U4 online course on the role of money in politics will be held in 2008.

U4 CONTACT: alessandra.fontana@cmi.no



Corruption in Natural Resource Management

Donor efforts in partner countries richly endowed with natural resources, are often affected by specific corruption challenges.

Oil and Transparency

Corruption is a serious problem in many developing countries that are rich in oil and other natural resources. This is central in explaining why resource rich countries perform badly in terms of socio-economic development. Transparency has recently been viewed as a key factor in reducing corruption and other dysfunctions in natural resource rich countries. The U4 Issue Paper *Transparency in Oil Rich Economies* addresses the relationship between transparency and corruption. In particular, using the case of Angola, it focuses on some of the main corruption related problems caused by limited access to information. It also looks at the approach of current transparency initiatives, such as the Extractive Industries Transparency Initiative (EITI).

Forest Concessions

The forest industry has the potential to contribute to the economy and increase state revenues in many developing countries. The realisation of these opportunities depends on the governance of the forest industry and the ways in which forests are managed. Donors can play an important role in this process by providing funding and other support to developing country governments. The U4 Issue Paper *Forest Concessions and Corruption* discusses how corruption influences the logging industry and deprives developing country governments of important revenues. It explains the concession system in forestry and the risks of corruption in forest sector contracts. Some policy implications are drawn, suggesting a ranking of strategies, with a particular focus on aid-related implications.

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Corruption in the Health Sector

With inputs from health-sector experts, U4 has produced a series of U4 Briefs presenting cases and best practice on various of topics.

Fraud in Hospitals is a brief discussing common types of fraud which occur in hospitals in low-income countries, and includes suggestions for prevention and control. Another U4 Brief, *Transparency in Health Programs*, discusses the role of transparency in preventing corruption in the health sector.

Sector-Specific Challenges

Available online is also a U4 Issue paper which provides a general overview of the specific nature of corruption problems in the health sector. Topics covered:

- Causes and consequences
- Financial resources management
- Management of medical supplies
- Health worker / patient interaction
- Examples of good practice by donors
- Budget transparency
- Salaries
- Literature reviews and links

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Other Themes and Resources

U4 also covers several other themes and anti-corruption resources.

- The Education Sector
- Fragile States
- Public Financial Management
- Anti-Corruption Knowledge Management for Donor Agencies
- Corruption in Emergencies

Selected literature guide

U4 guides the reader to the best and most relevant research material and literature from other sources, presented with annotations and listed by category.

A recent study links tax administration to the broader political context for business development and poverty reduction.

EFFECTS OF THE TAX SYSTEMS IN AFRICA



The project assessed the impacts of the tax system on the growth of firms within five key sectors (agriculture, tourism, mining, financial sector, and manufacturing) and small businesses, in eight African countries (Lesotho, Madagascar, Mauritius, Mozambique, Rwanda, South Africa, Tanzania, and Zambia). CMI's part of the project examined the links between tax policy and its administration, and the broader political economy context for business development and poverty reduction. The study concludes that taxation is not just an administrative task for citizens and governments, it is also about the way that politics and power are exercised through a nation's formal and informal institutions. By analysing the way that various types of businesses and the informal sector are taxed, governments may be able to improve the process of tax administration and thereby to improve long-term development objectives.

The study offers recommendations for how revenue and other tax authorities can encourage a climate for investment and business that will promote growth and reduce poverty. It links tax administration to the broader political economy context for business development and poverty reduction. Further, it provides empirical evidence for assessing the impact that tax policy and tax administrative practices have on business in sub-Saharan Africa.

The project was co-managed by Foreign Investment Advisory Service (FIAS), a unit within the International Finance Corporation (IFC), and the UK's Department for International Development (DFID). The country reports are available on the FIAS website: www.fias.net. The final synthesis report, extracting lessons from the country studies, was presented at an international conference on 'Tax and the Investment Climate in Africa', which took place in Livingstone, Zambia, in 2007.



ODD-HELGE FJELDSTAD is research director of the Public Sector Reform research group. He is an economist with more than 20 years of experience from research and policy analysis in Eastern and Southern Africa, particularly Namibia, South Africa, Tanzania, Uganda and Zambia, and the Middle East. Thematically his work focuses on public sector reforms, mainly related to public financial management, tax reforms and revenue administration, intergovernmental fiscal relations, local government reform, and corruption. He is Director of the U4 Anti-Corruption Resource Centre. odd.fjeldstad@cmi.no

Taxation is also about the way that politics and power are exercised through a nation's formal and informal institutions.

Key Publication



TAXATION AND STATE-BUILDING IN DEVELOPING COUNTRIES: Capacity and Consent

This book explores the vital links between taxation and state-building in a range of low and middle income countries, including China, Russia, Poland, Chile, Tanzania, Uganda and Ghana. It analyses whether taxation can provide the focus for constructive state-society bargaining and suggests how current tax reforms can be modified to take more account of state-building objectives.

This book published by Cambridge University Press, is both for scholars and policymakers. It combines rigorous scrutiny of the evidence with practical suggestions for policy change.

New project:

Explaining Differential Immunisation Coverage



Why have some poor countries been much more successful than others in vaccinating their children? While some of the poorest countries in Africa have achieved vaccination rates of 90%, there are a number of countries where less than 50% of the children are immunised. The reasons for these differences are poorly understood.

This new project, which brings together a multi-disciplinary team of researchers from several Norwegian and international institutions, will investigate a broad range of explanations for the observed differences, including political factors, health system issues, and demand side factors.

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NEW INSTITUTIONAL CO-OPERATION AGREEMENT

WITH CENTRO DE ESTUDOS E INVESTIGAÇÃO CIENTÍFICA (CEIC) IN ANGOLA

CMI started an institutional co-operation programme with CEIC in Angola funded by the Norwegian Embassy in Angola. The programme held a conference on applied poverty research with CEIC/CMI and Mozambican researchers focusing on quantitative and qualitative approaches to poverty research, and how these can be combined.

Another component in the co-operation programme: Developing guidelines for combining quantitative and qualitative research on poverty, aims at supporting the newly established Poverty Research Programme at CEIC.

The annual CEIC/CMI report for 2007 focuses on the role of the churches in social justice and poverty alleviation, by analysing their role as part of civil society, their role for poor people and their social role through development projects and other interventions.

CMI and CEIC collaborated on developing new teaching courses on natural resources, governance, and ethics.

There is also an institutional capacity building component in the co-operation programme focusing on improvements of the IT systems at CEIC.

JAN ISAKSEN is an economist with 35 years of experience in research, research management, policy advice and public sector technical assistance. His geographical concentration is on Southern and Eastern Africa, but also includes Eastern Europe and Asia. He has played a key role in setting up two important research institutes in the Southern African region (BIDPA in Botswana and NEPRU in Namibia) and served as their first co-ordinator/director. Isaksen is currently coordinator for CMI's Angola-forum. jan.isaksen@cmi.no



ALF MORTEN JERVE is a social anthropologist with more than 25 years of experience in development related research, consultancy and operational work. His main research areas are: development aid, rural development, poverty, local governance, social and economic rights, social impact assessment, resettlement and land-use management. alf.m.jerve@cmi.no



Etterlyser bistand uten politisk agenda

Erik Solheim styrer bistanden til Etiopia, han mener bør gøres i vesiden og hva som gjelder norske interesser, mener bistandsrådgiver Alf Morten Jerve.

Tidligere denne uken ble Norge tross en rekke betingelser og motstand fra USA og andre land, som et resultat av en avtale om å gi milliarder i bistand til Etiopia. Dette er den største bistand Norge har gitt til et land i Afrika. Men det er ikke alle som er glade for dette. Alf Morten Jerve, som er rådgiver for Norge i Etiopia, mener at bistanden bør gøres i vesiden og hva som gjelder norske interesser. Han mener at bistanden bør gøres i vesiden og hva som gjelder norske interesser. Han mener at bistanden bør gøres i vesiden og hva som gjelder norske interesser.

Making Aid Effective: TIME, TRUST AND PATIENCE

The notion that aid is effective only if managed through central level actors is a fallacy.

Aid is more than money. It is first and foremost a relationship. It involves exchange of ideas, transfer of knowledge, and expansion of opportunities and networks.

Evidence based policy making has become a recent mantra in the development discourse. World Bank, followed by numerous other aid agencies, has promulgated itself as knowledge institution. Central to this stands the paradigm that social science research can take us to the holy grail of “right” policy, or “good” or “good enough” as more modest ambitions have been formulated. Linked to this is a perceived instrumental relationship between research findings and aid policy and aid conditionality – as prescriptions for aid effectiveness.

This is typical of much of the most influential aid effectiveness literature in recent years, almost personified in

the contributions of Paul Collier. It has served as justification for making policy influence a key objective of aid. This has further underpinned what has been hailed the “new aid architecture”. The basic tenet is the idea of a partnership between a recipient country and a coordinated – i.e. harmonized – group of donors conditioned by a jointly agreed national development policy – a so-called PRSP.

After the turn of the millennium, euphoria ran high in aid circles. Many were confident that the appropriate policy prescriptions were known, the proper architecture was drawn up and the right targets had been prescribed – namely the Millennium Development Goals. Thus,

the Norwegian government in the last White Paper on development aid (2003-4) in no uncertain terms stated that “this process has contributed to a near international consensus on basic aims and means in development policy”. The Paris Declaration on Aid Effectiveness of 2005 is seen as the peak moment in this move towards a new architecture.

There is evidence, however, that the locomotive is slowly running out of steam. There have been critics and skeptics all along, not least reflected in the writings of William Easterly. His statement that “the best development planning is no planning”, fundamentally shuns the notion that cross-country

statistical analyses can tell us what works in terms of aid. Donors’ perceptions of partnership tend not to tangle with recipients’ strive towards sovereignty – for better or worse. The emergence of China as a major donor in Africa has made this abundantly clear. While African leaders do not embrace everything that China tries to achieve, they have clearly welcomed a new player on the field and an aid architecture that looks more like a market place than a central planning mechanism – as remarked by Easterly.

If aid effectiveness cannot be ensured through grand policy and planning schemes, then what is the alternative perspective? The notion that aid is effective only if managed through central level actors is a fallacy. Unfortunately, neither Collier nor Easterly, tell us much

about how aid actually works. How does aid in practice influence what Francois Bourignon, the former World Bank Chief Economist, labels the institutional “black-box” through which policy ambitions are transformed into outcomes? While Western donors have emphasised influencing policy ambitions, in the form of poverty strategies and sector reform programmes, attention on institutional effects of aid has withered.

Aid is more than money. It is first and foremost a relationship between institutional actors. It involves exchange of ideas, transfer of knowledge, and expansion of opportunities and networks. There are mutual interests and various incentives at play on both sides. Under what circumstances do such relationships contribute to more effective and accountable public and private institutions?

This is, arguably, the main challenge of future research on aid effectiveness. Half a century of development aid provides numerous examples of successes as well as failures. There is no clear discernible pattern and associated recipe for success.

Most success stories reported in annual reports and best practice tool kits share three features: time, trust and patience. The aid relationship can produce added value when there is long-term commitment, building of trust and scope for learning by doing. But the aid relationship can also corrupt and make institutions less accountable for results. It is time for researchers on aid effectiveness to shift focus from development outcomes to the institutional black boxes.

Arab Foreign Aid:



PARTNERSHIP AND POLICY DIALOGUE

Recipient countries should be allowed to choose their own development path and not be obstructed by "imperialist" ideas from donor countries.



ESPEN VILLANGER is research director for the Poverty Reduction research group. He is an economist and his research focus on poverty and income mobility analysis, the rural economy, gender equality, bonded labour, foreign aid and multilateral organisations. He is particularly interested in the documentation of results of development efforts and has participated in a range of studies on monitoring and evaluation of foreign aid. espen.villanger@cmi.no

Arab donors have not participated in the aid policy debate that has been so important to Western donors. The Arab donors have a long history of policy dialogue with recipient countries from which Western countries can learn.

Arab countries have been major donors of foreign aid. Their targeted strategic aid is a powerful weapon of influence, especially for pursuing Arab donors' own foreign policies, commercial interests and religious motives. Arab aid is different from Western aid in that it is used to

is given to Arab countries. This is not to say that the Arab multilaterals are not major financiers of development projects. On the contrary, Arab multilaterals have been built up over the years in such a manner that they are more important than the bilateral national aid agencies of the Arab countries. However, most of the Arab bilateral aid is channeled through their Ministries of Finance and is not open to public scrutiny; hence, the Ministry of Finance in each of the Arab donor countries seems to be the most important aid institution in the Arab region.

Another feature is that while Arab aid has been very generous, it has also been very volatile, due both to the volatility of Arab countries' revenue from their oil and gas exports, and because of their strategic use of aid to support their foreign policies. On the latter issue, much aid has been invested in building and maintaining allies in the Arab world and to reward supporters during military conflicts (Iran-Iraq war, the 1991 Iraqi invasion of Kuwait).

Arab aid is different from Western aid in that it is used to promote Islam and build Arab solidarity.

promote Islam and build Arab solidarity. The three major Arab donors, Saudi Arabia, Kuwait and the U.A.E., give most of their aid (around 85 %) bilaterally, mostly in the form of loans. About 50% of the national and multilateral Arab aid

Aid used as reward is a motive Arab aid shares with much of the Western aid.

Other motives important to Arab donors seem to be support to their own commercial interests. Similarly, Western donors have a long history of pursuing tied aid and of giving more aid to countries that are major importers of that donor country's goods.

Capacity-building in Ethiopia:

VALUABLE CO-OPERATION TERMINATED

CMi has been engaged in academic co-operation with Addis Ababa University, supporting post-graduate training and research in social anthropology since 1989. In 2007, Norad decided to discontinue the funding of such programmes.

Academic co-operation programmes and the contributions they make to capacity building in developing countries, receive increasing attention in Norway, both as a field of inquiry in development studies and as a field of practical co-operation between research institutions.

Addis Ababa University had since the early 1980-ies been looking for external support for a programme in social anthropology. CMi was able to obtain support for research co-operation within a broadly defined field of food security and rural development. The 'Co-operative project in social anthropology' was jointly prepared in 1988. The centre-piece of this programme was a Master-level programme in social anthropology, which required both academic and practical support. The most challenging issue concerned the upgrading of the teaching staff. In 1988 there was only one social anthropologist with Ph.D.-level qualifications at Addis Ababa University. Today, the Department of Sociology and Social Anthropology has one of the best ratios of fully qualified instructors of all teaching departments at the university.

The co-operative project started during the final year of the Mengistu regime. The local market was shattered and all materials required for the MA course had to be imported from abroad. The project turned the Department of Sociology into one of the best equipped departments at the university in terms of office equipment such as photo copiers, IT and AV equipment. A system for the regular procurement and supply of text books, library reference materials, periodicals and ethnographic films was set up. This had the unexpected side effect of attracting staff from the French, Italian, German and US academic exchange programmes to the MA programme, partly to do their own field work, partly to teach.

CMi and Addis Ababa University co-operated on the MA programme until 2001. It had become difficult to obtain funding for this nature. None the less an external review of the programme (commissioned by Norad) stated that 'almost from scratch a firm foundation has been laid for a continued successful programme that produces well-qualified graduates, has a good library and yields publications of great interest'.

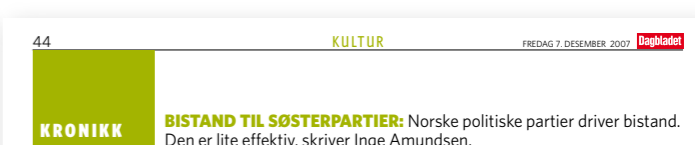


JOHAN HELLAND is a social anthropologist with extensive experience from research, consultancy and administrative work in Eastern and North-Eastern Africa. Helland's professional profile and research interest include work with pastoral societies and dryland development, rural development, poverty, institutional analysis; research policy, research co-operation and development assistance.

A new opportunity presented itself in 2002, when Norad announced a programme for institutional co-operation between research institutes. CMi and the Department of Sociology were successful with a joint application for a research programme on emerging social issues in Ethiopia. This programme has given staff members from the Department an opportunity to pursue researcher-initiated, academic research rather than development-related consultancies. The programme meets important demands in the university community. It is unfortunate that Norad has discontinued the funding of such programmes.

"We believe we have made an important contribution so far but will continue to look for opportunities to strengthen the ability of developing country scholars to reflect on events in their own society, to track the rapid changes taking place and contribute to the body of experience and knowledge that the nation needs."

Public debate



Ethnic based conflict in the plains (terai) is a struggle for political influence. The main political forces of terai have mainly channeled their activities into mainstream politics.



MAGNUS HATLEBAKK is an economist whose research focuses on rural development. In particular he studies household level poverty traps that may result from inferior positions in the rural labour and credit markets. He has conducted much fieldwork in rural Nepal. Currently, his research focus on economic and social exclusion, in particular bonded labour, and caste-based discrimination, as well as analysis of the civil conflicts in Nepal. magnus.hatlebak@cmi.no

Nepal has traditionally been a feudal society dominated by caste-based and ethnic discrimination, which in turn fuelled the decade long Maoist insurgency. The civil war, and the consecutive peace agreement, has led to political changes, including a possible restructuring of the state into a federal republic. As part of the political transition, and motivated by the relative success of the Maoists, a new political and military conflict has emerged in the plains (terai) of Nepal, where the traditional rural

CMI has, in collaboration with a group of researchers at Tribhuvan University (TU), done extensive research on the background for the conflicts and the political transition in Nepal. Based on representative data from districts of Nepal we find that income poverty and land inequality explain the strength of the Maoists in certain parts of the hills of Nepal. The ethnic based conflict in terai is not fuelled by economic factors, but is a struggle for political influence by the middle castes, and middle classes, of rural eastern terai. Furthermore, Professor Chaitanya Mishra, TU, has contributed with a historical analysis of the political transition in Nepal. He argues that the transition is likely to be successful in the sense that the country will become more democratic, inclusive and plural than in the past, and specific features of pre-capitalist and feudal forms of landownership, for example, absentee ownership and attached labour, will be weakened.

The CMI-TU research group is also contributing empirical knowledge and conceptual analyses to the ongoing debate within Nepal on the role of economic versus social exclusion. The economic hierarchy is far stronger among the castes and ethnic groups of terai than in the hills of Nepal. A unilateral focus on social exclusion and ethnic/regional-based discrimination, will not benefit the most excluded groups of landless lower castes of the eastern terai region. The concept of social exclusion is adopted from a European discourse, and is not immediately applicable to the Nepali reality.

The traditional rural social and economic elite is now struggling for political influence at the local and national level.

social and economic elite is now struggling for political influence at the local and national level. This ethnic based struggle may potentially escalate into a fully-fledged ethnic conflict between groups of hill and terai origin. However, the main political forces of terai have this far, with some important exceptions, channelled their activities into mainstream politics. This contrasts with a number of militant groups that are responsible for killings, kidnappings and extortion in particular in eastern terai.

New project:

SOCIAL NETWORKS AND LABOUR MIGRATION IN SOUTH-ASIA

One explanation favoured among economists is that networks are vehicles for effective information transmission about vacancies. Alternatively, the high incidence of network use may reflect problems of asymmetric information and incomplete contracts. By engaging in labour transactions, employers and workers expose themselves to behavioural risk, and in connection with internal or international migration, these risks intensify.

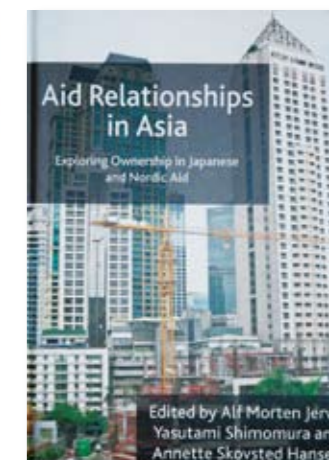
If operating on his own, a migrant may worry that he will not be paid as agreed, or that he may lose his job once an economic downturn sets in. An employer may worry that the migrant is less diligent than he appears, or that he may soon leave. In contexts where labour laws are rarely enforced and worker opportunism is common, finding jobs or recruiting through networks becomes more attractive. The

What are the motives and explanations for network use in labour transactions in low income countries and the implications for employers, in particular for the poor unskilled workers?

downside is that entry into lower end labour markets becomes highly selective. Those lacking networks may face powerful mechanisms of exclusion.

This project will develop theoretical models to study the incentive problems confronting workers and employers, and their variation across the skill-level of jobs, production technologies, industries etc. In a factory with piece rate pay for collective efforts, workers may put pressure on their employer to recruit

through their own networks. In a fixed wage system, it is the employer that has an incentive to use employee referral to control moral hazard. Using primary data from detailed village and destination studies in India and Nepal, we will test alternative theoretical explanations for network use. The ultimate aim is to provide knowledge on mechanisms that may exclude the poor from these networks in order to be able to give advice on policy interventions that may improve the access of the poor to external labour markets.



Key Publication

AID RELATIONSHIPS IN ASIA Exploring Ownership in Japanese and Nordic Aid

This book offers fresh perspectives on current aid effectiveness and the aid relationship debate by providing a number of case studies of Japanese and Nordic aid relationships in various Asian countries, focusing on aid ownership and partnership at the implementation level. In particular, the book explores aid relationships from the perspective of the recipient, and provides a variety of cases, ranging from rapidly developing countries where aid plays a smaller role, such as China, Vietnam and Thailand, to more aid-dependent countries, such as Nepal, Sri Lanka and Mongolia.

PEOPLE NEWS



13 June Ingvild Gilhus stepped down after 6 years as Chair of the CMI Board of Directors. Professor Jan Frithjof Bernt, Faculty of Law, University of Bergen and preces of the Norwegian Science Association is the new Chair of the CMI board.



Radina Trengereid is the new Assistant Director at CMI.

Vigdis Anita Gåskjenn is the new Head of Finance at CMI.

Professor Ruth Haug, Head of the Department of International Environment and Development Studies, Norwegian University of Life Sciences, became a new Board member after Professor Stein Kuhnle stepped down after 6 years in the Board.



Hannes Hechler, Alessandra Fontana, Markus Weimer and Aled Williams are new U4 project coordinators.

CM2 STUDENTS WHO GRADUATED FROM THE UNIVERSITY OF BERGEN IN 2007



Inga Brautaset, Comparative Politics: *Fargerevolusjoner i den Postsovjetiske Gråsonen. En Analyse av Innenlandske og Utenlandske Aktørers Effekt på Transisjon i Ukraina (2004) og Hviterussland (2006).*

Kristin Finne, History: *An Islamist Notion of Development? A History of Lebanese Shi'i Development Policies between 1969 and 1992.*

Trine Eide, Social Anthropology: *Pretending Peace: Discourses of Unity and Reconciliation in Rwanda.*

Madhab Prasad Bhusal, Geography: *Spatial Variation in Agricultural Wages: A Case of Kailali District in Nepal.*

Unn Jenny Utne Kvam, Comparative Politics: *Decentralization of Wildlife Management: A Comparative Analysis of Norway and Namibia.*

Anette Staaland, Comparative Politics: *Postconflict Elections: the Divergent Outcomes of Angola and Mozambique.*

Hilde Granås Kjøstvedt, Social Anthropology: *"Her Voice, Palestinian": A Study of Women's Rights Conceptions among Ordinary Palestinian Women on the Occupied West Bank.*

Stina Sæther Petersen, Comparative Politics: *Peacebuilding and Democratic Consolidation in Post-War Guatemala: A Comparative Assessment of the Impact of Civil-Military Reforms in the Guatemalan Peace Accords.*

Leah Wanjiku Junge, Social Anthropology: *A Religious NGO with Microfinance Programmes in Embu and Mbeere, Kenya: An Anthropological Study.*



THE CHR. MICHELSEN LECTURE 2007

Jan Egeland, Special UN Envoy for Conflict Resolution: "How can we make the UN an effective arena for peace and human rights?"

OPEN ACCESS



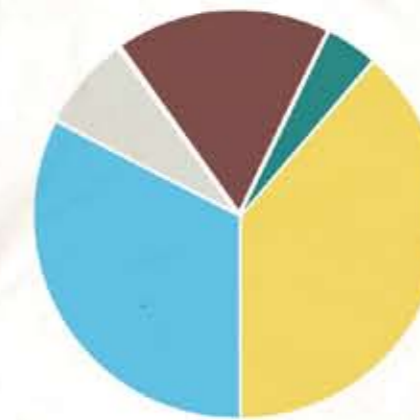
CMI has officially joined the open access family. Bergen Open Research Archive (BORA) ensures secure, long-term, digital archiving and free access to CMI's publications. All CMI Reports and CMI Working Papers dating back to 1990, have been published in BORA

BORA is a co-operation project between the University of Bergen, the Norwegian School of Economics and Business Administration, Bergen University College and CMI.

BORA is part of the Norwegian Open Research Archive (NORA) which collects and promotes all research produced in Norway.

Full-text digital publishing is not new to CMI. CMI has published full-text versions of all publications on its website since 2003. Yet, in our efforts to provide access to CMI research free of charge, we believe that open access archiving which allows for searching and harvesting through structured metadata, will improve the dissemination of our research.

CLIENTS



- Research Council of Norway
- Norwegian Ministry of Foreign Affairs
- NORAD
- International
- Other

	2007	
Research Council of Norway	8 160	17,83%
Norwegian Ministry of Foreign Affairs	1 971	4,31%
NORAD	16 864	36,85%
International	16 518	36,10%
Other	2 248	4,91%
Project revenues	45 761	
Core grant	12 250	
CMF	1 500	
Operating income	59 511	

CM2 IN THE WORLD

The map shows the geographical distribution of CMI activities. For more detailed maps see www.cmi.no



CM2 TRIPLED ITS MEDIA VISIBILITY

From a record high of 314 articles in 2006, CMI peaked at 958 articles in 2007. In November alone, there were 319 features in newspapers, radio and TV mainly because CMI initiated public debate in two of our core thematic areas: foreign aid and the Norwegian presence in Afghanistan. Influence and impact is the stated goal of CMI's communication strategy. 2007 showed that CMI pursues an active public profile and high media visibility, and that we inform public processes and political decision-making processes.

REPORT FROM THE BOARD OF DIRECTORS

Activities and developments in 2007

Chr. Michelsen Institute (CMI) is a social science research institute that focuses on international development and human rights. Located in Bergen, CMI is one of the Nordic region's leading scientific communities in applied development research. As of 31 December 2007, 37 researchers and numerous research fellows and students were affiliated with the institute.

CMI has a multidisciplinary research profile anchored in four thematic research groups:

Rights, Democracy and Development
Peace, Conflict and the State
Poverty Reduction
Public Sector Reform

During the strategic period 2006-2010, CMI will continue to conduct research and provide knowledge-based advice that informs public policy and measures to reduce poverty, strengthen human rights and promote peace. In so doing, CMI will maintain its position and role as a leading research community in Norway in the field of development policy. CMI's research projects generate knowledge that promotes development and social justice, human rights and the peaceful resolution of conflict. Through its research activity, CMI seeks to inform and influence policy decisions and contribute to the public debate on international development issues. The institute's geographic focus is Africa, Asia, the Middle East and Latin America with an emphasis on countries important to Norway's development policy efforts. Through close cooperation with researchers in the South, CMI's researchers are able to advance the perspective of developing countries. In 2007, the institute established an exchange programme for young researchers in cooperation with FK Norway (Fredskorpset). Four participants from the North and four from the South took part in the programme, which is expected to run for five years. In autumn 2007, the institute also laid the foundation for a three-year collaboration agreement with Centro de Estudos e

Investigação Científica in Angola with a budget framework of roughly NOK 21 million.

CMI receives basic funding allocations from the Research Council of Norway which is used to fund basic research and the institute's research programmes. In 2007, CMI administered two Strategic Institute Programmes (SIP) entitled "Global Health and Development" and "Peacebuilding" in addition to six other institute programmes. CMI also receives separate funding from the Ministry of Education and Research for its Human Rights Programme.

Research collaboration with the University of Bergen (UiB) and other institutions such as the Norwegian School of Economics and Business Administration (NHH) has been strengthened in recent years. New initiatives for collaborative projects with UiB in early 2008 are in many ways a precursor to the implementation of the institute's decision to move closer to the UiB campus, which will take place in spring 2009. The number of master's and PhD students at the institute is roughly the same as in previous years. This is also the case for the number of CMI staff teaching at the university and the number of university professors affiliated with CMI in adjunct positions. Several new and ongoing research programmes, which also include research groups at UiB, have been strengthened during autumn 2007 as a result of new allocations from the Research Council. The establishment of a coordinating committee with UiB and a five-year collaboration fund will enhance the relationship between these two research communities.

High priority is given to communication and dissemination targeted at CMI's main recipient groups. Overall, 2007 was an outstanding year for publications and presentations. CMI produced a total of 19 articles in level 1 and level 2 journals, as well as 14 chapters in books published by recognised, highly regarded publishing houses. The number of relevant references to CMI research in Norwegian media rose from 300 in 2006 to 958 in 2007. CMI's

commissioned research activity generated 38 reports. It is especially noteworthy that CMI's researchers were responsible for five edited books published by international publishing houses and 28 chapters in various textbooks.

The institute's performance

Following a decline from 2005 to 2006, income from commissioned assignments increased from NOK 45.75 million in 2006 to NOK 53 million in 2007. It appears that this trend will continue in 2008 as the portfolio of commissioned assignments was 35 % higher on 1 January 2008 than at the same time the previous year.

In 2007, CMI carried out 140 externally funded research projects and consultancy assignments for a total of NOK 39 million.

Norwegian government administration (the Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation (Norad)) remained the institute's most important client, accounting for 40 % of project income in 2007 or a total of NOK 18.8 million. Most funding from Norad entails large-scale institutional agreements with partners in the South and the purchase of services through a framework agreement between CMI and Norad. Turnover from the framework agreement declined from NOK 8.4 million in 2006 to NOK 7.4 million in 2007. The framework agreement originally scheduled to expire at year-end has been extended to August 2008. Norad is currently drawing up new application procedures for a new agreement period.

Projects carried out with funding from the Research Council of Norway comprised 17 % of the total project portfolio. CMI is continually renewing its project portfolio funded under the Research Council, and the size of the portfolio showed an increase at year-end 2007.

Income from international sources has varied between 20-30 % of the institute's total turnover in the past decade. In 2007, this proportion increased to 35 % of the total turnover, a substantial amount when compared with other social science institutes in Norway.

Result and continued operation

The institute had an operating loss of NOK 1,153,014 and an annual loss of NOK 2,517,343 in 2007. Operating loss was about NOK 1 million less than in 2006, and was at the level expected following the second four months of 2007. Income from commissioned

assignments was almost NOK 2.2 million less than budgeted as some research projects scheduled for completion in 2007 were extended into 2008. This was partly compensated for by NOK 1 million in reduced labour costs in relation to the revised budget. Other reasons for the annual loss are primarily financial in nature. Capital costs were significantly higher than budgeted due to the rise in interest rates, resulting in increased costs of NOK 900,000 over 2006. Rate of return on financial instruments was considerably lower than budgeted with a decline of more than NOK 1 million compared with 2006. The institute also had to carry a foreign exchange loss of more than NOK 0.5 million, primarily in USD.

The expanding project portfolio, highly skilled employees and better routines for financial management, provide a solid basis for an improved financial situation for the institute in 2008. In accordance with the Accounting Act § 3-3a, the board confirms that the requirements for continued operation are fulfilled.

Cash flow, investments, financing and liquidity

The total cash flow from operational activities at the institute was NOK 2.5 million compared with -NOK 374,000 in 2006. The institute's liquidity reserves were NOK 4.5 million as of 31 December 2007.

The institute's short-term debt increased by NOK 8.1 million from 2006 to 2007 and now constitutes 40 % of the total debt. Of this amount, NOK 3.8 million was associated with costs incurred from the construction of the new building at Dragefjellet. As of 11 March 2008, this amount has been rolled into a new construction loan. The remaining increase was largely the result of a continual rise in pre-payments to projects. Liquidity is satisfactory, and short-term debt as of 31 December 2007 may be repaid in its entirety through liquidity reserves and

investments. Special consideration will be given to liquidity when the property at Fantoft is sold and the new building is constructed. This will be addressed primarily through the repayment of short-term debt.

Accounts receivable from customers increased by NOK 2.8 million, mainly due to one large invoice that fell due on 4 January 2008. The risk of loss is minimal as income comes mostly from Norwegian and international development cooperation authorities and from the multilateral development cooperation system.

At year-end 2007, total capital was NOK 72.9 million compared with NOK 69.06 million in 2006. The equity ratio as of 31 December 2007 was 10.7 % compared with 14.97 % as of 31 December 2006. The sale of the property at Fantoft in 2008, however, will improve the equity ratio as the added value associated with this property will be realised.

In the view of the board, the annual accounts provide an accurate picture of the institute's assets and debt, financial position, and result.

Market and financial risks

The institute is somewhat exposed to fluctuations in exchange rates, and had to carry an exchange loss in 2007 of about NOK 0.6 million. Roughly 30 % of the institute's income is paid in foreign currency. So far the institute has not entered into futures contracts or other contracts to reduce the institute's currency risk and thus the operations-related market risk. Interest costs have increased due to the institute's use of floating interest rates.

90 percent of the institute's current assets are placed in DnB Kapitalforvaltning ASA. Investments have been made in equities funds, bond funds, money market funds and combination funds. The institute's board takes decisions regarding the investment structure and any changes to it.

A midrange risk profile has been chosen in order to balance the ratio between rate of return and risk. An unstable market at year-end resulted in a rate of return in 2007 that was unanticipated. It is also difficult to predict the rate of return for 2008.

Working environment and personnel

The sickness absence rate was 2.73 % in 2007, down from 4.34 % in 2006. A minor occupational injury occurred in the cafeteria at the end of the year. The injury was moderate and did not result in long-term disability. No other occupational injuries or accidents were reported in 2007.

The institute conducts regular surveys on the working environment in cooperation with the occupational health service. Feedback from the institute's employees indicates that the working environment is good.

Gender equality

Of the institute's 61 employees, 31 are women. One-third of the board members are women, and 3 of 8 persons on the management team are women. The institute has established a wage system and welfare schemes designed to provide equal opportunity for wage and career development. Traditionally the institute has recruited from arenas with an equal representation of men and women, and therefore has not introduced quotas to achieve gender equality.

Environmental report

The institute's activities are not regulated by licenses or directives, and do not have a direct impact on the external environment. It should be noted, however, that extensive travel by the staff contributes to greenhouse gas emissions.

Annual profit/loss and allocation

The annual loss of NOK 2,517,343 was deducted from other equity. The institute had no unrestricted equity as of 31 December 2007.

Fantoft, 11 March 2008

Jan Fridthjof Bernt
Chair of the Board

Ruth Haug
Board Member

Einar Hope
Board Member

Inge Tvedten
Board Member

Gunnar M. Sørbo
Director

Jan Isaksen
Board Member

Inger Johanne Sundby
Board Member

INCOME STATEMENT

(All figures in NOK 1000)

	Note	2007	2006
Operating revenues			
Project revenues	1	53 085	45 753
Other revenues		2 315	1 869
Total operating revenues		55 400	47 622
Operating expenses			
Project expenses		13 840	11 099
Payroll expenses	2,3	33 796	30 320
Depreciation	4	567	542
Other operating expenses		8 350	7 813
Total operating expenses		56 553	49 774
Operating result		-1 153	-2 151
Financial income/Expenses			
Financial income	7	887	1 929
Financial expenses		-2 251	-2 745
		-1 364	-815
Net result		-2 517	-2 967

STATEMENT OF CASH FLOW

(All figures in NOK 1000)

	2007	2006
Cash flow from operating activities		
Annual result	-2 517	-2 967
Depreciations	567	542
Effect of pension fund	-710	-775
Change project advances from funders	318	15
Change debtors	-2 772	-8 841
Change other receivables	-504	
Change accounts payable and other liabilities	8 124	11 652
Net cash flow from operating activities	2 506	-374
Cash flow from investment activities		
Payment for purchase of fixed assets	-4 020	-313
Change of long term investments (CMR)	0	2 000
Net cash flow from investment activities	-4 020	1 687
Cash flow from financing activities		
Change of long-term debt	-1 018	-735
Change of shares, stocks and bonds	1 758	-1 573
Net cash flow from financing activities	740	-2 308
Net change in cash and cash equivalents	-774	-995
Cash and cash equivalents at 1 January	5 299	
Cash and cash equivalents at 31 December	4 525	5 299
Net change in cash and cash equivalents	-774	-995

BALANCE SHEET AS OF 31 DEC. 2007

(All figures in NOK 1000)

	Note	2007	2006
ASSETS			
<i>Fixed assets</i>			
Tangible fixed assets	4		
Building Fantoft	6	20 897	21 152
Construction of new building Dragefjellet	5	3 793	
Equipment, investments in building		393	478
		25 083	21 630
Financial fixed assets	8		
Long term receivables		544	862
Total fixed assets		25 627	22 492
<i>Current assets</i>			
Debtors	9		
Accounts receivable		9 993	8 339
Other debtors		2 251	629
		12 244	8 967
Investments	7		
Shares in other companies		195	222
Bonds		510	2 829
Unit trusts		29 839	29 252
		30 544	32 302
Cash and bank deposits		4 525	5 299
Total current assets		47 313	46 569
TOTAL ASSETS		72 940	69 061

EQUITY AND LIABILITIES

<i>Equity</i>			
Paid-in capital			
Original fund	10	15 300	15 300
Retained earnings			
Other equity	10	-7 481	-4 964
Total equity		7 819	10 336
<i>Liabilities</i>			
Provisions			
Pension funds	3	3 966	4 676
Long term liabilities	11		
Long term loans		28 013	28 013
Other long term liabilities		7 137	8 156
		35 150	36 169
Current liabilities			
Accounts payable		6 125	1 336
Public duties payable		2 522	2 185
Other short term liabilities		17 358	14 359
		26 005	17 880
Total liabilities		65 121	58 725
TOTAL EQUITY AND LIABILITIES		72 940	69 061

Fantoft, 11 March 2008

Jan Fridthjof Bernt
Chairman of the BoardEinar Hope
Board MemberJan Isaksen
Board MemberRuth Haug
Board MemberInge Tvedten
Board MemberInger Johanne Sundby
Board MemberGunnar M. Sørbo
Director

NOTES TO THE ACCOUNTS AT 31 DECEMBER 2007

Accounting Principles

The annual accounts are produced in accordance with the Accounting Act and sound accounting practice.

Project Revenues

Grants are accounted for as earned income. Project revenues are accounted for according to progress and reflect earned income. Project expenses are accounted for according to the accrual principle of accounting. Earned non-invoiced revenues are included in the sum for debtors in the balance. Account payments and project advances from funders are presented as current liabilities on the balance sheet.

Valuation and Classification of Assets and Liabilities

Items falling due within one year are classified as current assets and liabilities. Other assets are classified as fixed assets. Outstanding account Chr. Michelsen Fund is classified as long-term debt.

Receivables

Accounts receivable and other receivables are listed in the balance sheet at nominal value.

Currency

Fund on finished projects held in foreign currency is equivalent to the exchange rate at the end of the year.

Short-term investments

Short-term investments (shares, stocks and bonds) are estimated at market value on the balance sheet date. Dividends are recorded as financial income.

Fixed Assets

Investments in fixed assets are recognised in the balance sheet and are depreciated during the asset's useful life when this exceeds 3 years.

NOTE 1 PROJECT REVENUE

	2007	2006
Project revenues	39 335 190	32 633 404
Grants	12 250 000	12 220 000
Chr. Michelsen Fund	1 500 000	900 000
	53 085 190	45 753 404

Project revenues are stated without contributions from cooperating partners, NOK 7 675 000

<i>Geographic distribution</i>	2007	2006
Norway	36 566 678	36 956 801
Overseas	16 518 512	8 796 603
	53 085 190	45 753 404

NOTE 2 SALARIES AND SOCIAL COSTS

	2007	2006
Salaries	25 632 246	23 327 935
Social security taxes	186 389	3 658 524
Pension costs	887 544	2 335 572
Other benefits	719 989	650 524
	33 426 168	29 972 556
Other social costs	370 434	347 130
	33 796 602	30 319 686
Employees full-time equivalent	52	48

Leadership Remuneration etc.

	2007	2006
Director's salary	786 292	731 381
Other benefits	15 957	21 497
Pension costs	215 909	190 837
	1 018 159	943 715

CMI and CMF share the same board. Fees are paid by CMF.

Credits to employees amount to NOK 544 094. The interest rate equals the standard rate offered in employment relationships.

Auditor's fees

Audit of the accounts	195 000
Other audit related services	117 310
	312 310

Consultant fees, tax	87 990
Other services	19 000

These amounts are ex VAT

NOTE 3 PROVISION FOR PENSION LIABILITIES, PENSION COSTS**Contribution pension**

The company has a group pension scheme for 46 regular employees. The scheme guarantees preset future benefits. These benefits are calculated according to years in service, salary at retirement, and the benefits from the national insurance scheme. The pension obligations are covered by insurance. The obligations also include provisions for a contractual early retirement scheme. Calculation of pension contributions and pension liabilities are based on actuarial principles. The regular presuppositions in the insurance industry are used as actuarial assumptions for demographic actors and retirement.

	2007	2006
Pension rights earned during the year	2 658 448	2 301 122
Interest	1 558 954	1 460 275
Yield on pension funds	-1 544 898	-1 277 495
Amortization	14 275	9 093
Administration costs	117 189	107 749
Social security taxes	393 347	0
Net pension costs	3 197 315	2 600 744
Minimum obligation	26 053 882	24 108 451
Future estimated wage growth	11 797 280	7 238 047
Earned pension liabilities	37 851 162	31 346 498
Pension plan assets	-28 907 802	-24 298 784
Estimate deviations not recognized	-6 238 844	-2 949 956
Social security taxes	1 261 013	577 784
Net pension funds	3 965 529	4 675 542
Economic assumptions		
Discount interest	4,50%	5,00%
Expected return on funds	5,75%	6,00%
Expected salaries regulations	4,50%	3,30%
G-regulations	3,75%	2,50%
Expected pension increase	2,00%	2,50%
Social security	14,10%	0,00%
Voluntary resignation for employees under 40	2,00%	2,00%
Voluntary resignation for employees over 40	0,00%	0,00%
Uttakstilbøyelighet (AFP)	10,00%	10,00%

Deposit pension

1 April CMI introduced deposit pension for all new employees. Others might shift from contribution to deposit pensions. 16 persons at CMI have per 31 Dec deposit pension.

Deposit pension	157 909
Administrative costs	9 263
	167 172

NOTE 4 TANGIBLE FIXED ASSETS

	Building Fantoft	Construction Dragefjellet	Machinery etc	Investments building	Sum
Cost at 1 Jan	25 494 175	0	2 745 639	241 605	28 481 419
Purchased assets	0	3 792 500	228 069		4 020 569
Cost at 31 Dec	25 494 175	3 792 500	2 973 708	241 605	32 501 988
Accumulated dep	-4 596 502	0	-2 717 501	-104 702	-7 418 705
Balance value 31 Dec	20 897 673	3 792 500	256 207	136 903	25 083 283
Depreciations	254 000	0	264 800	48 324	567 124

The annual depreciation of the value of the building at Fantoft is calculated in the linear method with 1 % per year based on the value at the time of dividing the property between CMI and CMR in 1992. Depreciation of machines and furniture using the linear method over 3 years.

NOTE 5 SELLING THE BUILDING AT FANTOFT

In March 2007 a sales-agreement was signed between Fanteria AS on one side, and CMI, Dec 2008 CMF and Chr. Michelsen Research AS on the other side. Formally the selling of Fantoft is due 1 Dec 2008. The agreed amount of 96 mill will be shared equally between CMI/CMF and CMR. NOK 48 mill to each party. CMI owns the building, CMF owns the ground. The valuation of the ground from Dec 2007 from the appraiser P. Eide estimate the value NOK 17,45 mill. CMI's share of the amount is therefore estimated to be NOK 30,55 mill.

NOTE 6 CONSTRUCTION OF A NEW BUILDING AT DRAGEFJELLET

16 Nov 2007 signed an agreement on constuction of building at Dragefjellet in Bergen together with the University of Bergen/Magør Eiendom AS. The property developer is Skanska Norway AS According to the payment schedule CMI has by 31 Dec paid NOK 3,8 mill ex VAT. The total contract sum between Skanska and CMI is NOK 39 mill ex VAT.

NOTE 7 CURRENT ASSETS

		Cost price	Balance sheet value
Norwegian shares		1 137 958	194 752
Bearer bond	Nominal value	Costprice	Balance sheet value
	500 000	529 100	509 900
Shares and Stocks		Invested amount	Balance sheet value
Unit trusts	Low risk	9 321 304	9 543 674
Bond fund	Low risk	10 143 231	10 608 131
Equity fund Norw.	High risk	2 850 579	2 751 114
Equity fund overseas	Medium/High risk	6 139 761	6 936 258
		28 454 875	29 839 177

NOTE 8 FINANCIAL FICED ASSETS

Consists of credits to employees, NOK 544 094.

NOTE 9 RECEIVABLES

Invoiced, not paid sales	6 430 167
Sales, not yet invoiced	3 562 684
	9 992 851

NOTE 10 EQUITY

	Retained earnings	Paid-in capital	Total
Equity at 1 Jan	-4 963 699	15 300 000	10 336 301
Net result for the year	-2 517 343		-2 517 343
Equity at 31 Dec	-7 481 042	15 300 000	7 818 958

Debt due later than 5 years

	2007	2006
Chr. Michelsen Fund	28 012 711	28 012 711

The loan is secured in the company's assets. The recorded value of pledged assets is NOK 20 897 673. Based on the contract of sale from March 2007, this loan will be paid back, and the mortgage will come to an end.

The University of Bergen granted in 2004 NOK 5 mill for research cooperation. The rest of this amount, NOK 1 020 000 is recorded as income 2007.



Statsautoriserte revisorer

Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Board of Directors of
Chr. Michelsens Institutt

Auditor's report for 2007

We have audited the annual financial statements of Chr. Michelsens Institutt as of 31 December 2007, showing a loss of NOK 2 517 344. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The regulations of the Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements. These financial statements and the Directors' report are the responsibility of the Institute's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Institute's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Institute as of 31 December 2007, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Institute's management has fulfilled its duty to properly record and document the Institute's accounting information as required by law and generally accepted bookkeeping practice in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and comply with law and regulations.

We do not have any knowledge of circumstances which indicate that the management of the foundation and its allocations are not in compliance with law, the objective of the foundation and its by-laws.

Bergen, 30. April 2008

ERNST & YOUNG AS

Tore Fyllingen

State Authorised Public Accountant (Norway)

(sign.)

Note: The translation to English has been prepared for information purposes only.

In our strategy, we state that we must ensure that our research matters, and that our research only matters if we inform those who need to know with knowledge for development and justice. CMI publishes reports for our clients, we publish in international peer reviewed journals, we submit op-eds to Norwegian and international newspapers, we publish our own CMI Briefs, CMI Report and CMI Working Paper series. Everything we publish can be downloaded in full-text from our webpage and from bora.cmi.no

CMI STAFF

MANAGEMENT

Dr. Gunnar M. Sørbo (Director)
Radina Trengereid (Assistant Director)

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Dr. Odd-Helge Fjeldstad (Research Director)
Alessandra Fontana (Project Coordinator, U4)
Hannes Hechler (Project Coordinator, U4)
Jan Isaksen
Ida Kristine Lindkvist
Harald Mathisen (Project Coordinator, U4)
Dr. Ottar Mæstad
Aslak Jangård Orre
Jessica L. Schultz (Project Coordinator, U4)
Dr. Tina Søreide
Inge Tvedten
Markus Weimer (Project Coordinator, U4)
David Aled Williams (Project Coordinator, U4)

RIGHTS, DEMOCRACY AND DEVELOPMENT

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Dr. Inge Amundsen
Karin Ask
Dr. Roberto Gargarella
Dr. Gisela Geisler (on leave)
Dr. Siri Gloppen
Eyolf Jul-Larsen
Dr. Siri Lange
Dr. Lise Rakner
Dr. Hilde Selbervik
Hugo Stokke
Dr. Arne Tostensen

PEACE, CONFLICT AND THE STATE

Dr. Are John Knudsen (Research Director)
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Liv Tønnessen

POVERTY REDUCTION RESEARCH GROUP

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Dr. Bertil Tungodden

SENIOR CONSULTANTS

Just Faaland (Emeritus)
Ole David Koht Norbye (Senior Advisor)
Dr. Siegfried Pausewang (Senior Advisor)
Rais Saniman

PROJECT UNIT

Steinar Hegre (Project Director)
Guri K. Stegali (Accountant/Project Coordinator)

LIBRARY STAFF

Kirsti Hagen Andersen
(Head of Library and Documentation)
Reidunn Ljones (Librarian)

COMMUNICATION

Ingvild Hestad (Head of Communication)
Inger A. Nygaard (Technical Editor)
Reginald Christopher Jacob (Secretary)

ADMINISTRATIVE STAFF

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Svanhild Jenssen (Canteen Manager)
Merete Leby (Head of Services)
Ingrid Lone (Canteen Manager)
Per Øyvind Svendsen (Works Supervisor)
Hong Kim Tran (Head of Accounts)
Jorunn M. Tøsdal (Administrative Secretary)

IT SECTION

Aksel Mjeldheim (Head of IT Section)
Robert Sjursen (IT Consultant/Web Developer)

MASTERS' STUDENTS

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Gunnhild Giskemo
Elisabeth Guåker
Chandra Ghimire
Katrine Moland Hansen
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