

45365

**The Comprehensive Development Framework**

James D. Wolfensohn



**The World Bank**  
Washington, D.C. 20433  
U.S.A.

JAMES D. WOLFENSOHN  
President

February 9, 2000

## **THE COMPREHENSIVE DEVELOPMENT FRAMEWORK**

Just over a year ago, on January 21, 1999, I circulated a Proposal for a Comprehensive Development Framework (CDF) - A Discussion Draft. The response has been overwhelmingly supportive. By way of illustration, in September 1999, the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) prepared "On Common Ground", a paper which reflects the consensus reached in the international development community on the CDF's main tenets. Another sign of this growing consensus is the recent endorsement by the Governors of the World Bank Group and International Monetary Fund (IMF) of CDF principles as the basis for poverty reduction strategies for developing countries seeking Bank or IMF assistance, or debt relief under the Highly Indebted Poor Country Initiative (HIPC). As the international development community accepts the CDF as the approach to development which complements the necessary macroeconomic growth strategy without which poverty reduction cannot be achieved, the CDF is evolving from a Bank proposal into a widely used tool.

Over the last twelve months, we have been working with over a dozen countries that volunteered to implement the CDF proposal, as well as several other countries that are implementing CDF-like principles in their development strategies. In addition we have received valuable comments on the CDF from our partners in the industrialized and developing worlds, both from the official development assistance community, as well as from the private sector and civil society. Our partners and country counterparts have raised a number of questions on issues such as the role of macroeconomic fundamentals, gender, trade, labor and Parliaments in the CDF. We welcome these questions and are doing our best to clarify how these and other factors fit into the CDF Proposal. To this end we have produced a set of Questions and Answers (Q&As) on CDF which we update periodically.

As implementation experience accumulates and new questions arise, we intend to continue to build on the original CDF Proposal by updating the Q&As, in consultation with all interested parties. The original CDF Proposal and the latest Q&As are attached to this note. As you read these documents together, please let us know of issues that need clarification, or of any new issues that you feel should be addressed.

James D. Wolfensohn



January 21, 1999

To: The Board, Management, and Staff of the World Bank Group

From: James D. Wolfensohn

**A PROPOSAL FOR A COMPREHENSIVE DEVELOPMENT FRAMEWORK**

**(A Discussion Draft)**

During recent months I have been considering what I have learned in my first three and a half years as President of the World Bank Group and am particularly grateful to all of you for the advice and guidance you have provided. With your help, I have had a unique opportunity to visit 84 countries, Part I and borrowing countries alike. I have visited hundreds of projects, met with government officials, private sector representatives, members of civil society, from trade unions and employee organizations to religious groups, from foundations to global and local NGOs of every type, size and character. I have also participated in and benefited enormously from meetings with other multilateral organizations, starting with my regular breakfast and meetings with my friend, Michel Camdessus, and with the leaders and colleagues in the regional banks. I acknowledge my many exchanges with members of the UN family and with bilateral agencies with whom we work extensively throughout the year.

Obviously I believe that we and all of the above groups have contributed significantly to the betterment of mankind and to the improvement in the lives of many in poverty. I am convinced of the importance of consultation and participation. But the fact remains that progress is too slow. With three billion people still living under \$2 a day, with growing inequity between rich and poor, with forests being degraded at the rate of an acre a second, with 130 million children still not in school, with 1.5 billion people still not having access to clean water, and two billion people not having access to sewerage, we cannot be complacent. More than this, we must be concerned that 80 to 90 million people are being added annually to our planet, mainly in the developing world. Two billion more souls must feed themselves by the year 2025, hampered by wars, with growing inequity, and with distortions of economies and politics as evidenced in crises from Indonesia to Russia and from Latin America to Africa. With the reduction in Overseas Development Assistance and current instability in the international financial markets, there is much to be concerned about.

## Poverty Alleviation and Development Effectiveness

I have been considering the special role of our institution and its effectiveness in poverty alleviation and sustainable development. Together we have worked very hard over these last years, building on the extraordinary work done in the past, to redirect our institution to one that is results-based and not volume-or procedure-based. I am extremely grateful to all of you for the hard work that is already bearing fruit. We are fortunate because we have 54 years of experience and several institutional frameworks, including the IBRD, IDA, IFC, MIGA, as well as related institutions such as Consultative Group for International Agricultural Research – Executive Secretariat (CGIAR), Global Environment Facility Secretariat (GEF), and Consultative Group to Assist the Poorest (CGAP). We can be proud of our history and of the role we have played. We have extremely experienced people in most areas of development – or at least access to them. We are making use of partnerships with others who have more effective skills or broader reach of resources than we have. We are indeed learning to listen more and to be a better partner for the governments and the people we serve and for those with whom we work in the international and local communities.

In addition, I believe we have a better articulation of our role with the IMF. Broadly, our sister institution has the responsibility for macroeconomic stabilization for our client countries and for surveillance. We have the responsibility for the structural and social aspects of development. Obviously, these are not two isolated roles and we work together very closely on a day-to-day basis.

As I have said before, the two functions are like breathing in and breathing out. An appropriate macroeconomic framework is essential for our work, but the social, structural, and human agenda, which we share with the regional banks, members of the UN system, and other partners in development, is essential for the IMF which cannot and does not prescribe in a vacuum. Together we must serve the hopes and aspirations of the people in our client countries, or our clients will not achieve their objectives in peace and stability. And together, we must work with and support the work of the World Trade Organization which is so critical to the trading arrangements and future of our client countries.

In particular areas, such as strengthening the financial systems around the world, we work together as partners with the IMF, regional banks, the BIS, and other institutions; each of us contributing according to the needs of the situation and our available human resources. Our partnerships with the international community are many and varied and serve our clients well.

## Part I

### A Concept – A Balance Sheet with Two Sides, a Coin with Two Sides,

#### a Duet with Two Parts

When I think of a development framework for a country and for regions, I think of a balance sheet with two sides. On the left is the macroeconomic presentation including the Article IV reports of the IMF, the National Income Accounts, the Balance of Payments and Trade Statistics, and all the other financial and economic analysis which are at the core of our current appraisal system. All of us are used to quoting GDP statistics, interest rates, reserves statistics, percentage growth statistics, and so on as a basis for monetary and fiscal policy. Based on analysis of the information, we can decide whether a country is Part I or Part II, IDA eligible, or HIPC eligible. It is the language that Finance Ministers find comfortable, and we all use it to make decisions.

#### The Need for the Right-Hand Side

There is however, a clear need for a second side which reflects more adequately an analytical framework that presents the structural, social, and human aspects. It must go beyond the familiar statistics of infant and maternal mortality, unemployment and children in school, to address fundamental long-term issues of the structure, scope and substance of societal development.

Let me explain this a little more, but before doing so, let me say that I am not too convinced about the imagery of a Balance Sheet. Perhaps we could speak of two sides of a coin, or two parts of a duet. What is key is that the two parts, namely macroeconomic aspects on the one side and the social, structural and human on the other, must be considered together.

But let me return to my balance sheet example. Unlike macroeconomic analysis which brings everything together in a familiar consolidated form, we in the development field have been less successful in giving an accountable presentation of the status of structural work and social progress. This is not surprising since multilaterals and bilaterals alike are limited by resources, experience, and reach and none except the government of the country in question has an overall responsibility. Governments have the responsibility for putting it all together in a comprehensive review of all the elements required for growth and poverty alleviation. But we know that not all of the governments we serve have the capacity to do so, or the resources, or sometimes even the will. Now is there an agreed framework for presentation.

We also know that we “players” in the development business are surely not accustomed to working together in harmony, neither the UN system and multilaterals with bilaterals nor NGOs with the private sector. We certainly cooperate more than we

did in the past. We at the Bank are committed to strengthening such cooperation. But there is still suspicion and many historic grudges and perceptions. What is necessary is an overarching framework – an approach agreed with the government concerned – which will allow us all to work together to meet our goals for poverty alleviation and environmental sustainability. On the basis of such work, we would then be able to present a right-hand side of the Country Balance Sheet which would allow for a more comprehensive analysis and more soundly based action.

## The Comprehensive Development Framework and the International Financial

### Architecture

Within and without governments, in a multitude of research and private organizations, in the press and public discourse, analysis is proceeding as to how the world financial and economic system should be changed, and what role the Bretton Woods institutions are to play. I am of the personal view that with some few changes, including expanded and more transparent financial information, the basic international architecture has served us well. Of course, it can no doubt be strengthened and I am certain that many suggestions will be made. I wish to deal here with only one aspect of the debate.

The Comprehensive Development Framework I am proposing highlights a more inclusive picture of development. We cannot adopt a system in which the macroeconomic and financial is considered apart from the structural, social and human aspects, and vice versa. Integration of each of these subjects is imperative at the national level and among the global players. It is not possible to separate these subjects in Part I countries where the structure of economic and social governance exists. It is certainly not possible to separate these subjects in Part II countries where there is much less tolerance for risk due to fragile structures. A wrong step on the macroeconomic side can have dire consequences for the structural, social and human dimension. In addition, profligate and unbridled spending without regard to resource constraints and fiscal and monetary policy can also have dire consequences.

## The Prerequisites for Sustainable Growth and Poverty Alleviation

What are the basic structural, social, and human prerequisites that should balance the macroeconomic considerations? Let me set forth my list which we should examine and test over the next 12-18 months. But before doing so, let me make one additional important assertion. I believe that unless we think of having all the basic prerequisites, say over a 20-year timeframe, we will endanger, and sometimes ruin the effectiveness of individual projects and programs which we undertake with our clients. Clearly not all the objectives can be approached simultaneously. The framework should not become a straight jacket. We need the flexibility to adjust to the varied conditions of each country. There will be a need for setting priorities, for phasing of action based on financial and human capacity and based on necessary sequencing to get to our objectives. But over



time, all the requirements within a holistic framework must be addressed if there is to be stable, equitable, and sustainable development.

One of the reasons for developing such comprehensive, holistic framework is to allow us to think more strategically about the sequencing of policies, programs, and projects and the pacing of reforms. While the comprehensive approach emphasizes that we must advance on all fronts, certain steps need to be taken before others.

Let me give some examples of what I mean. The fact is that the success of most projects is dependent on many assumptions extraneous to the project itself. Building new schools is of no use without roads to get the children to the schools and without trained teachers, books and equipment. Establishing banks and financial institutions without a banking system that is supervised will lead to chaos. Initiatives to make progress creating equal opportunities for women make no sense if women have to spend many hours each day carrying clean water, or finding and gathering fuel for cooking. Seeking universal primary education without prenatal and postnatal health care means that children get to school mentally and physically damaged. Establishing a health system but doing nothing about clean water and sewerage diminishes enormously the impact of any effort. Seeking equity when government is riddled with corruption and has inefficient and untrained officials is an objective that will never be realized.

Privatization prior to establishing an effective regulatory or competition framework can be a recipe for a disaster; the benefits of lower prices for consumers may well not be achieved. We know, at least from hindsight, that part of the failures in Russia were due to paying insufficient attention to the preconditions for a market economy. Too often in the past, we have gone after the “easy” targets, saying that we would attack the more difficult (often institutional) issues later on. In doing so, we have failed to recognize the essential complementarities.

By contrast, good business strategy attempts to identify bottlenecks – the hard to solve problems that are impediments to success – and it begins by attacking these first. We must learn to apply these lessons to attack poverty and bring about development.

It is also clear to all of us that ownership is essential. Countries must be in the driver’s seat and set the course. They must determine goals and the phasing, timing and sequencing of programs. Where there is not adequate capacity in the government to do this, we must support and help them to establish, own, and implement the strategy. And we must work to achieve the strategy with our colleagues in the government, in the international development community, the civil society, and the private sector. In some countries the long and short term goals will be set by a process of public debate and consensus building led by the government with all sections of society. In other countries, the establishment of goals will continue to be set more centrally.

Let me now set down a possible framework for presenting and managing a holistic approach to the structural, social and human aspects of development.

## A. Structural

1. Good and Clean Government: A country must have an educated and well-organized government. This requires capacity building, an open legislative and transparent regulatory system, properly trained and remunerated officials and an absolute commitment to clean government. While building an effective government framework is difficult, it will become impossible if there is corruption which is the single most corrosive aspect of development and must be fought systemically at all levels. Particularly it must start with a vigorous commitment from the leadership to fight corruption on all levels, with initiative both to prevent it from happening and a system for finding and punishing wrongdoers where corruption exists. The lead must come from the top and efforts must be persistent and unyielding.

2. An Effective Legal and Justice System: Without the protection of human and property rights, and a comprehensive framework of laws, no equitable development is possible. A government must ensure that it has an effective system of property, contract, labor, bankruptcy, commercial codes, personal rights laws and other elements of a comprehensive legal system that is effectively, impartially and cleanly administered by a well-functioning, impartial and honest judicial and legal system.

### 3. A Well-Organized and Supervised Financial System

We have recent significant evidence from Asia and other parts of the world that unless a financial system is well organized, audited and supervised, any country and region is at risk and the people who suffer most from crisis are the poor. Accordingly, a government must establish an internationally accepted and effective supervisory system for banks, financial institutions and capital markets to ensure a well-functioning and stable financial system. Information and transparency, adequately trained practitioners and supervisors, and internationally acceptable accounting and auditing standards will be essential. Regulation and supervision must include banking, savings institutions, insurance and pension plans, leasing and investment companies. Capital markets should also be developed and strengthened as resources allow.

### 4. A Social Safety Net and Social Programs

Clearly, a country's history and culture as well as its state of economic development, will dictate the extent and nature of social programs a government can or wishes to provide. But whether by informal arrangement, familial or tribal support or by government-provided programs, provision must be made for the elderly, the disadvantaged and disabled, for children, for the those men and women unable to find work, and those affected by natural disasters and the aftermath of war. In some transition economies, the social safety net is needed for those put out of work as a result of large-

scale privatizations. Employment opportunities and the terms of employment are crucial to any functioning system. Governments must also provide special programs for indigenous people whose needs are different and whose culture and integrity must be preserved.

In the process of development, traditional institutions and relationships are often undermined, weakening the fabric which holds society together. There may actually be a degradation of social capital. Violence and social unrest may increase. Effective development must address these social concerns. It must both help re-establish a sense of community and knit the entire society together.

This whole area of social programs is very difficult and is heavily dependent on available budgets. But it is crucial to the long-term peace and stability of any country and must rank high on the agenda, particularly for international aid and development agencies working with governments.

While macroeconomic management is never perfect – there will always be some fluctuations in output and employment – the most effective safety net is a policy which maintains full employment. Deep recessions and depressions have adverse effects on virtually every one of the elements of the development strategy: health deteriorates, schooling is interrupted, and poverty increases. Formal safety nets are but an imperfect stop-gap measure in addressing the failures of effective macro policies to maintain the economy at full employment. It is on this subject that the link between the two sides of our balance sheet is most crucial.

Let me now switch gear and suggest six other elements which are basic to effective development and poverty alleviation. Let me start with two human aspects, perhaps the most fundamental of all, dealing with strengthened capacity of individuals in a society. I refer, of course, to education and health.

## **B. Human**

### **5. Education and Knowledge Institutions**

All agree that the single most important key to development and to poverty alleviation is education. This must start with universal primary education for girls and boys equally, as well as an open and competitive system of secondary and tertiary education. Construction of schools, modern curricula geared to the new technological age, and the real needs of the emerging local market, and effective teacher training and supervision all contribute to successful educational programs. Adult education, literacy and lifelong learning must be combined with the fundamental recognition that education of women and girls is central to the process of development. A government must also be careful to learn lessons of practice and history from indigenous peoples and communities, so that education is not imposed from afar but benefits from relevant local, communal experience. Finally, preschool education must be given its full weight in programs. This

can be a key to the development of a child, the level of education reached, and thus the eventual achievement.

In addition, I should observe that developments in science, technology, and knowledge transfer offer a unique possibility to countries to catch up with more technologically advanced societies.

## 6. Health and Population Issues

It is obviously crucial that mothers are supported and that children get adequate health care before and during school years or they will have their capacities diminished. Governments must ensure the provision of health services for adults and elderly at communal and local levels, as well as services for family health care and family planning. These services can come from a variety of sources, both public and private. The sheer growth in population is itself a critical issue which must be addressed in various ways depending on belief and culture. It is linked to education and to religion, and to available health services, and must be addressed by governments as they see fit. Specialized health-care facilities should also be provided on a national or regional basis.

Unless population growth is brought under control, the less developed countries face a losing battle, with most of the scarce savings being used simply to forestall a decline in standards of living. While in recent years in many countries, the percentage of those in poverty has declined, global population growth has been so rapid that the absolute number of individuals in poverty has continued to increase.

We are also confronted with major problems of disease which range from tuberculosis and malaria to AIDS which in all too many countries is being inadequately addressed. Not only can health be a human issue of great proportions but in many countries, health is a barrier to equitable development and to growth.

And now let me pass to the key physical needs of development.

## C. Physical

### 7. Water and Sewerage

With 1.5 billion people not having access to clean water and two billion without access to sewerage, and with the increasing demand for water from industry and agriculture, an effective method of distribution, delivery, finding, and saving water is fundamental. So too is a strategy for sewerage, which not only pollutes water supplies but also affects health in a dramatic way. The regional aspects of water supply will have an increasing impact on peace, investment, and development in years to come, as well as on the individual lives of people, particularly women, in rural and urban areas.

## 8. Power

Two billion people without access to power resort to the use of wood and fossil fuels, resulting in health and breathing problems. Availability of power is not only an issue of convenience but saves the time of women searching for alternative fuels. The environmental impact is also great, it having been evident for centuries with forest destruction altering weather patterns and affecting the quality of air we breath. It is also a major issue for private investment which calls for an adequate, reliable, and appropriately priced source of power.

## 9. Roads, Transportation and Telecommunications

Many leaders have told me that an adequate road system is the starting point for development. Rural and urban roads make possible trade and services, provisions of health care, and getting children to school. Trunk roads are essential to link rural, urban and regional areas. Rail and air transportation systems are also key to growth and link countries to regional and international markets.

In addition to physical communications, access to telecommunications for trade, information and education will be absolutely essential to development in the next century. Without appropriate telecommunication, whether it be telephone or e-mail, computers or wind-up radios without batteries, poverty will not be fought and equity and opportunity will not be provided. Without access to modern communications, the difference between rich and poor will increase due to the knowledge gap, and growth will be restrained.

## 10. Sustainable Development, Environmental and Cultural Issues

There is a growing agreement that protection of our planetary environment is an issue for all of us and that this translates into regional, national, and local strategies. Evidence can be found everywhere, whether it be in Russia, Thailand, or Japan, that pollution can not only kill but it can have severe adverse impacts on economic activity and on growth. Volumes have been written on the subject of environment – on the preservation of our natural resources from forests to biodiversity, on the quality of our air and water, on its significance as an economic factor. The continuing degradation of important natural resources, like forestry, aquifers and so on, represent a silent crisis that will be difficult to reverse. Let me simply flag the issue here as a vital element in any assessment for the health of a society.

Cultural preservation is also crucial not only historic sites, artifacts and books, but also the spoken word and the arts. I believe that there can be no true national development without preserving peoples' history and culture, particularly in a new, globalized environment where there is pressure for "sameness" in all countries. Culture can be justified for tourism, for industry and for employment, but it must also be seen as an essential element in preserving and enhancing national pride and spirit. I will not easily forget my visit to Mali, one of the poorest countries in the world which, more than

a millennium ago, led an empire that stretched up to Egypt. Only this week, I met with the Vice President of Bolivia who told me that the largest city in the Americas was once in his country and that the preservation of its history is part of their national pride.

Some believe that culture is a luxury – low on the list of development priorities. I do not agree and nor does any single leader of countries to whom I have spoken. But this is an issue for another day when we can ask what would France, Germany, Italy and even Australia be without their defining culture.

#### **D. Specific Strategies – Rural, Urban, and Private Sector**

Finally, let me shift gear once more to three specific groupings of strategic issues requiring special attention, namely a rural strategy, an urban strategy, and strategy to promote and maintain private investment. Each of these strategies will build upon the issues already discussed, but because of the importance and special nature of these three subjects, we set them apart for individual attention and review.

##### **11. Rural Strategy**

With the largest concentration of poor in rural areas in most countries, it is important for governments to establish a coherent rural strategy. It is not sufficient to have new crops and agricultural extension programs if there is not provision for trading, for microcredit, for storage, for transportation, and for non-monopolistic outlets. In addition, there must be technical assistance to farmers and converters of agricultural produce. Governments need to think of integrated solutions to rural development, not just individual programmatic help. Integrated action does not mean a return to complex comprehensive and complicated state planning, but we must get beyond individual programmatic help in order to be effective.

##### **12. Urban Strategy**

With 66 megacities of more than ten million people expected to be established in developing countries by the year 2025, with growth in all urban concentrations, and with our existing experience from Jakarta to Mumbai (Bombay), we have ample illustration of the special problems of urban management. It is clear that governments must have an urban strategy which differs from an overall national strategy to the extent that concentration of population causes special and unique problems. Urban planning and appropriate action will be crucial in the next millennium.

##### **13. Private Sector Strategy**

It is clear that the engine of growth is the private sector, both domestic and foreign. A vibrant private sector requires that crucial elements of structural policy are in place.

These include trade policy, tax policies, competition and regulatory policy, and corporate governance.

Conditions must be created for a climate of investor confidence – with appropriate laws, transparent regulations, and predictable taxes. Whether the issue is protection of property rights or fair and equitable labor practices, governments must give certainty to the investor about the “rules of the game”. Provision of credit, guarantees, sources of funding for projects all play a part in the competitive search by governments for investment and for job creation. Nothing is more significant to economic growth than the private sector.

#### 14. Special National Considerations

For completion of this list of prerequisites, I would leave an empty box (#14) along the top of the matrix for Special Considerations depending on the country or the region. In Bolivia, for example, the box was filled by the government with a strategy for an Anti-Cocaine Production Initiative. In other countries, it will be filled in according to the special needs of the country or region. My purpose in suggesting an extra heading (or more, if necessary) in the matrix is to give flexibility for specific country considerations.

All these issues together constitute the Right-Hand Side of the Balance Sheet.

Part II

A Proposal for a Broader Approach to Partnership and to Management of the Development Process

If we can accept for the moment that the above-mentioned listing is a plausible statement of the structural, social and human prerequisites for sustainable development, we can now devote attention to a consideration of what is being done in these areas and by whom. It is obvious to me that there is much too little coordination of effort, much too much suspicion between participants and in many cases a simple absence of a framework to coordinate and bring together under government guidance an agreed set of objectives and effective and accountable programs. There is too little transparency, much too little consultation and too little accountability for performance.

We would like to test as a management tool a matrix. On the top of the chart – the horizontal axis – lists, we list the 14 subjects referred to in Part I. On the vertical axis, it will list the “players” in the development business.

The players in the development field seem to be four:

- \* The Governments – national, state, city and municipal, within each country, and in some cases, regional groupings of governments. I would add that we should not forget the impact of the parliamentary bodies which also constitute both an element in government and a representative of civil society.

- \* Multilateral and bilateral agencies
- \* Civil society in all its forms
- \* Private sector, domestic and foreign

The matrix will look as follows:

The Activities of Partners who can Assist in the Process	<i>The Prerequisites for Sustainable Growth and Poverty Alleviation</i>						



Before discussing this matrix, let me make general preliminary points:

First, there is no way that the World Bank should be seen as assuming the role of the coordinator of all programs in the matrix. In some cases, under the guidance of government, we will lead the process or segments of programs. In other cases, we will follow the lead of others, and in further cases, we will not participate at all. The existence of the matrix is not a clandestine attempt on the part of the Bank to dominate the international development arena, or the donor dialogue in a given country. Quite the contrary. It is a tool to have greater cooperation, transparency, and partnership.

Second, stated more simply, the foremost objective of the matrix is to give all the players, but most especially national governments and parliamentary bodies, a framework of information which can ensure openness, a basis for coordination of effort, and for judgment of the effectiveness of programs and strategies. The matrix is open to all. It is a step towards inclusion, transparency and to accountability. Used correctly, it should stop much of the mud slinging and allow for legitimate and constructive praise and criticism – and above all, give a basis for evaluation and accountability.

Third, I recognize that the pace of coordination and of inclusion, of openness and accountability, will vary by country and by stage of political development. But in this sense, the matrix is neutral, and the government and the society it represents can alone determine the pace at which it wishes to move to a comprehensive program of coordination and measurement of performance. Ultimately, the matrix is a tool for the governments and people of the countries we serve. It is they who must own the programs, not us, and it is they who must set the pace.

Fourth, the matrix and annexes can and should be kept up to date in real time. The matrix will be a summary management tool. But behind each heading there will be Annexes for each subject area, containing a substantive description and far more detailed listings of short and long-term goals, programs, their present status, timing, cost and progress. These annexes can, and should, be kept up-to-date using modern communication and information technology, possibly with open designated websites.

### A Proposal for the Matrix of Development Activity

Having discussed the top line extensively in Part I of this paper, let me now turn to the vertical axis on the chart, broken down into the following four participant groups in the development process:

#### 1. Government

At the first level, the governmental structure of a country must be in charge of the process of development strategy and implementation. Government should aspire to have programs under each of the 14 headings along the top of the matrix and these will be

entered into the grid. Obviously, the entries will have to be made in a form of shorthand and as I just noted, annexes behind each subject heading will give fuller details. For example, an annex on Justice Systems, an annex on education, giving far more detail on each subject.

Government should include not only national programs, but provincial and state, city and municipal to the extent that they are relevant.

## 2. Multilateral and Bilateral participants:

The listing of those involved in the programmatic thrusts is long, but let me give an incomplete but indicative listing.

IMF  
 UN agencies and programmes  
 WTO  
 European Union  
 Regional development banks  
 Bilateral agencies  
 International organizations

All of these participants, as well as the World Bank Group, are involved in projects and programs for development. At a time of lessening resources for overseas development assistance and budgetary restraints on agencies which reduces available human resources, each of us needs to know what the other is doing so that we can cooperate and avoid duplication of effort.

## 3. Civil Society

In all its forms, civil society is probably the largest single factor in development. If not in its monetary contribution, then certainly in its human contribution and its experience and its history.

It is by its nature somewhat disorganized, due to the diversity of groups involved, although individual projects and initiatives are often meritorious, effective and of very long standing. There is, however, little accountability with some non-governmental organizations. Certainly greater cooperation with governments, multilateral and bilateral agencies and the private sector would be beneficial to all.

The list of participants in civil society is great, including, of course, elected parliamentary assemblies which are included also in the government sector. An incomplete list is as follows:

- (i) Religions and religious organizations;
- (ii) Foundations;
- (iii) Trade unions and employee organizations;

- (iv) Employer organizations;
  - (v) Non-governmental organizations with international reach;
  - (vi) Local non-governmental organizations;
  - (vii) Local groups organized for consultation and for implementation of projects;
- and
- (viii) Organizations of indigenous peoples

Depending on local political circumstances, civil society has a greater or lesser voice, but our experience is that by engaging civil society in projects and programs, better results are achieved both with design and implementation and usually greater effectiveness, including more local ownership. I think we all recognize more and more that local ownership is the key to success and project effectiveness.

#### 4. Private Sector

It is absolutely clear that domestic and foreign private investment is the key to economic growth and employment. It offers know-how, training and investment which is essential for development and for the creation of employment opportunities. Private sector involvement is essential for science and technology – a critical factor for growth in all countries. There is a responsibility on governments to provide an appropriate climate for investment, but there is also a growing understanding on the part of business leadership that it is not only morally good but good business to invest with a strong sense of social responsibility.

One should also note that many public projects can now be undertaken by the private sector; e.g. water, power, and communications, and that in many economies privatization of state-owned industries is a significant element in sustainable growth and in balancing the budget.

#### Sharing of Information and Cooperation

If it were possible for all four groups to share information on what they are doing and plan to do, we would have a real chance of achieving longer term targets in a more effective and accountable manner. Accordingly, the matrix will look as shown on Exhibit 1. This matrix will allow us to see quickly what is going on in a country from the point of view of structural and social development and will also show us what is not going on.

In my judgment, if we can develop the matrix effectively, it will be essential for governments and ministers alike to look at both sides of a country's balance sheet when they come to assess a country's position. It will not only be crucial to look at the macroeconomic, financial and trade statistics but it will be equally important to look at the structural and social representations.

### Goals, Achievements & Results

The Annexes to the matrix will play a crucial role. They might start with a general overview of the objectives of the government over the long term in each subject area. It will be crucial in each annex to set forth where the country stands in terms of achievement and where they want to go. The matrix should be read in terms of the stipulated and agreed goals. There would follow a strategy for implementation with a timeline. Thereafter, one could imagine a more detailed listing of projects achieved, projects underway, and projects planned, together with a listing of those institutions providing assistance and a detailed description of the projects planned and undertaken with their results. The format of the annexes should be set according to the subject and to those participating in preparing and managing it.

For each of the annexes, specialists would meet under the guidance of the government or minister concerned perhaps setting forth the program for the next one to three years within a ten to twenty-year framework. These annexes would be kept up-to-date as interaction with all the interested parties occurs. The information would be transparent and available to all. It would be a critical management tool.

It would also be possible to link on one internet site all the "players" so that a continuing dialogue can be maintained and the maximum cooperation achieved. Participants wanting advice or reaction to an initiative could get help from all other participants and have access to best practices available in the development community.

Proactive knowledge management will allow all of us to share best practices and new research results. It will challenge us to improve our understanding of linkages and causality affecting poverty and set the pace for new analytical work and an invigorated research agenda. We hope to work on such an agenda with our partners in government, academia, and business.

I believe the impact of technology on development cooperation will be profound and far-reaching if used effectively. Already, we at the Bank are linking all our overseas offices with voice, data, and video communication by satellite and this can be a basis for a single, inclusive and transparent global community.

### The Test Phase

We are in the process of agreeing with a dozen or so countries to try out the Comprehensive Development Framework on an inclusive, transparent, and accountable basis. Already, our colleagues working in Bolivia have produced their own form of matrix which is attached. We will continue to experiment as we go forward.

Crucial to the success will be open discussions with all participants to learn from their experience, to have them join in the experiment to the extent that they wish. We will be totally open and looking for full partnership. Without it, this program cannot work.

### Conclusion

To conclude, let me say that none of this would be possible without the work being done individually by all our institutions in giving advice and support on projects and programs. Clearly this must continue with even greater efficiency and effectiveness.

What is new is an attempt to view our efforts within a long-term, holistic and strategic approach where all the component parts are brought together. Such development should, in our judgment, be a participatory process, as transparent and as accountable as possible within the political climate prevailing in each country. This is not a return to central planning. It is a holistic and strategic approach to development based on country ownership and partnership.

What is new is the commitment to integration of effort, essential in today's global economy where overseas development is declining significantly. It is also a commitment to expanded partnerships, transparency, and accountability under the leadership of the government.

What is new is that the international financial architecture must reflect the interdependence of macroeconomic and financial, with structural and social and human concerns.

I personally believe that unless we adopt this approach on a comprehensive, transparent, and accountable basis, we will fail in the global challenge of equitable sustainable development and poverty alleviation. We will fail to build a sustainable international architecture for the coming millennium.

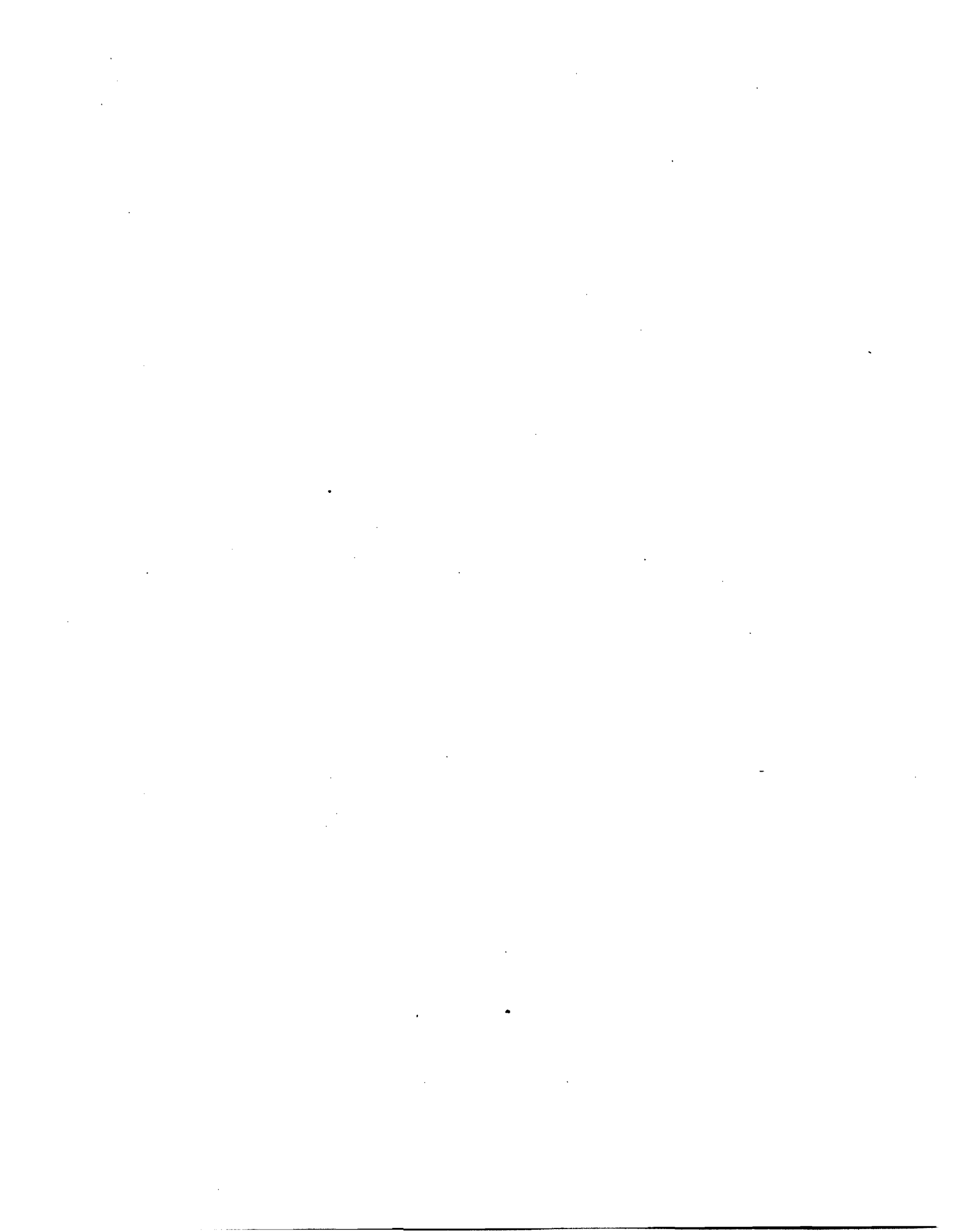
Certainly, we should give this approach a chance, work with our chosen countries, with our partners, and measure our results in a 12 to 18 month timeframe. I am not wed to every word of this approach. I want to test it, and if it can be improved and developed so that we can all be held to higher and more accountable and comprehensive standards, then our goal of making a better and fairer world will be closer at hand.



**New Development Framework - Bolivia**

**POVERTY ALLEVIATION**

		<b>OPPORTUNITY</b> <i>Higher Rates of Sustainable Economic Growth</i>				<b>EQUITY</b> <i>Improve Income Distribution and Inclusion</i>				<b>INSTITUTIONALITY</b> <i>Governability for Opportunity and Equity</i>			<b>DIGNITY</b> <i>Remove Itself from Coca Drug Trafficking Circuit</i>		
		<i>Infrastructure</i>	<i>Regulatory Framework for PSP</i>	<i>Financial Systems</i>	<i>Natural Resources and Environment</i>	<i>Rural Development</i>	<i>Income and Productivity of the Poor and Indigenous</i>	<i>Social Services for Gender and Excluded Groups</i>	<i>Decentralization and Community Empowerment</i>	<i>Efficient and Transparent State</i>	<i>Judicial Reform</i>	<i>Corruption</i>	<i>Alternative Development for Coca Areas</i>	<i>Coca Crops Eradication</i>	<i>Enforcement Policy</i>
<b>World Bank Group</b>		- Transport - Rural Infrastructure - Rural Water and Sanitation - Municipal Development - El Niño	- Regulatory Reform - Privatization	- Financial Regulatory Reform - MIGA Services for Investing in Banking - IFC financial Inst. For microfirms	- Biodiversity Conservation - Environment Industry and Mining	- Agro Technology - Rural Communities Development - Land Administration	- Participatory Rural Investment - Indigenous Peoples - Social Investment Fund	- Education Quality - Education Reform - Health Sector - Child Development - Secondary and Higher Education	- Municipal Development - Financial Decentralization	- Institutional Reform - Public Expenditure Review - Decentralization and Accountability	- Judicial Reform - National Integrity	- National Integrity			
<b>IDB</b>		- Transport - Power - Urban Development - Housing	- Water Regulatory Reform - Sectoral Privatization	- Environmental Regulations	- Ecological Tourism	- Agricultural Sector	- Basic Sanitation for Small Municipalities - Micro-enterprise	- Education Reform - Basic Health - Child Development	- Social Participation Strengthening	- National Governance	- Justice Program				
<b>Other Donors</b>		- CAF Roads - Korea Roads	- Canada Private Investment Development - Sweden Industrial Cooperation	- USAID Micro-finance - CAF Financial System Expansion	- USAID Natural Resources - KFW Biodiversity - UNDP Ecological Tourism and Biodiversity	- Netherlands Rural Telecoms. And Energy - Spain Rural Power - UNDP Information Capacity - NDF Land Administration - Denmark	- OPEP Rural Water and Sanitation - KFW sewerage - Denmark and FIDA Indigenous	- Sweden and UNDP Education Reform - Germany Education Quality - UNICEF Health, Nutrition and Sanitation - UNDP and USAID Health	- Netherlands Administrative Decentralization - UNICEF and EU Municipality Strengthening	- USAID Governance - Sweden, Denmark and GTZ Civil Service	- Complementary activities by USAID and GTZ	- USAID Alternative Development - UNDCP Alternative Development	- USAID Eradication - UNDCP	-US-AID	
<b>Private Sector</b>		- Telecoms - Water - Power		- Banks - Insurance Co.											
<b>GOZ</b>						- Local NGOs	- Local NGOs		- Local NGOs		- TI				





# **Comprehensive Development Framework**

## **Questions and Answers Update**

**CDF Secretariat  
World Bank Headquarters  
Washington, DC  
September 13, 1999**



## Table of Contents

	Page No.
<b>A. BACKGROUND .....</b>	<b>1</b>
1. WHAT IS THE CDF? .....	1
2. WHAT IS THE ORIGIN OF THE CDF?.....	2
3. WHY IS A NEW APPROACH NEEDED? .....	2
4. WHAT IS THE VALUE-ADDED OF THE CDF? .....	3
<b>B. HOLISTIC APPROACH .....</b>	<b>4</b>
1. WHAT IS THE CDF MATRIX? WHAT DOES IT CONTAIN? .....	4
2. HOW DOES THE CDF ADDRESS MACROECONOMIC AND FINANCIAL ISSUES? .....	5
3. HOW ARE TRADE ISSUES ADDRESSED? .....	5
4. HOW ARE LABOR MARKET ISSUES ADDRESSED? .....	6
5. WHERE DOES GENDER FIT IN THE CDF? .....	6
6. IS THERE A SINGLE COUNTRY MODEL FOR THE CDF?.....	7
<b>C. OWNERSHIP .....</b>	<b>8</b>
1. WHAT ABOUT COUNTRY OWNERSHIP AND INSTITUTIONAL CAPACITY?.....	8
2. CAN THE NECESSARY INTERNAL POLITICAL CONSENSUS BE ESTABLISHED IN A COUNTRY TO MAKE THE CDF SUCCESSFUL? .....	8
3. WILL THE POOR AND MINORITY GROUPS BE INVOLVED IN THE CDF? .....	9
<b>D. PARTNERSHIPS .....</b>	<b>9</b>
1. WHAT IS THE ROLE OF CIVIL SOCIETY IN THE CDF?.....	9
2. WHAT IS THE ROLE OF THE PRIVATE SECTOR IN THE CDF? .....	10
3. HOW WILL THE CDF CHANGE RELATIONSHIPS WITHIN THE DEVELOPMENT COMMUNITY? .....	10
4. WHAT DOES THE CDF IMPLY FOR BANK-FUND COLLABORATION? .....	11
5. WHAT IS THE ROLE OF THE UN SYSTEM IN THE CDF? .....	12
6. HOW DOES THE CDF RELATE TO THE INTERNATIONAL DEVELOPMENT TARGETS? .....	12
<b>E. IMPLEMENTATION .....</b>	<b>13</b>
1. HOW IS THE CDF BEING IMPLEMENTED? .....	13
2. HOW IS PROGRESS UNDER THE CDF BEING ASSESSED? .....	13
<b>F. BANK ROLE .....</b>	<b>14</b>
1. WHAT IS THE RELATIONSHIP BETWEEN THE CDF AND THE BANK'S COUNTRY ASSISTANCE STRATEGY (CAS)? .....	14
2. IS THE CDF CONSISTENT WITH THE IDA TWELVE REPLENISHMENT ARRANGEMENTS? .....	14
3. WILL THE BANK'S POLICIES AND PROCEDURES CHANGE UNDER THE CDF? .....	15
4. WHAT ARE THE RESOURCE IMPLICATIONS OF THE CDF?.....	15
5. WHAT IS THE LINK BETWEEN THE CDF AND THE BANK'S STRATEGIC COMPACT? .....	15
6. WHAT IS THE ROLE OF THE BANK'S CDF SECRETARIAT?.....	16

# COMPREHENSIVE DEVELOPMENT FRAMEWORK

## Questions and Answers

### Update

*This document responds to questions – from readers outside and inside the World Bank – on President James Wolfensohn's discussion paper on the Comprehensive Development Framework (CDF).<sup>1</sup> Given that we are still at a very early stage, the answers to many of the questions are evolving - through dialogue with the Bank's Executive Directors, with client countries, and with other members of the development community. This update takes into account the latest developments including a constructive interactive discussion forum on the Bank's website during May/June<sup>2</sup> to promote dialogue on the CDF concept and its implementation.*

## A. BACKGROUND

### 1. WHAT IS THE CDF?

The CDF takes a holistic approach to development. It seeks a better balance in policymaking by highlighting the interdependence of all elements of development – social, structural, human, governance, environmental, economic, and financial. The CDF seeks to move beyond discrete indicators of economic performance and human capacity to address, in concert, the *"fundamental, long-term issues of the structure, scope, and substance of societal development."*<sup>3</sup> This is an ambitious transition that must be led by a country itself, with vigorous participation of civil society and the private sector – and with the support of multilateral and bilateral organizations.

Fundamentally, the CDF is a means of achieving greater effectiveness in reducing poverty. It is based on the following principles:

- *Ownership by the country.* The country, not assistance agencies, determines the goals and the phasing, timing, and sequencing of the country's development programs.
- *Partnership* with government, civil society, assistance agencies, and the private sector in defining development needs and implementing programs.
- *A long-term vision of needs and solutions,* built on national consultations, which can engender sustained national support.

---

<sup>1</sup> James D. Wolfensohn, "A Proposal for a Comprehensive Development Framework," World Bank, January 21, 1999.

<sup>2</sup> The discussion forum began on May 10, 1999. For more information, see the *CDF Discussion Forum* at <http://www2.worldbank.org/hm/cdf/date.html>

<sup>3</sup> James D. Wolfensohn, "A Proposal for a Comprehensive Development Framework," World Bank, January 21, 1999.

- *Structural and social concerns* treated equally and contemporaneously with macroeconomic and financial concerns.

The CDF is meant to be a compass – not a blueprint. How the principles are put into practice will vary from country to country depending on economic and social needs and the priorities of the stakeholders involved. Some development agencies, including the Bank, are already organizing themselves to support the holistic approach in promoting development.

## 2. WHAT IS THE ORIGIN OF THE CDF?

The CDF paper draws on President Wolfensohn's 1997 and 1998 Annual Meetings Speeches,<sup>4</sup> on work done by the Bank's Chief Economist, Joseph Stiglitz,<sup>5</sup> and on the Bank's Partnership Strategy and external consultations on it.<sup>6</sup>

The ideas in the CDF reflect direct observation of development experience, well documented in evaluations from across the World Bank and the broader development community. They stem from evidence that the pursuit of economic growth may too often have been at the expense of social development – and that open, transparent, participatory processes are important for sustainable development. These are ideas that NGOs, the UN, members of the Development Assistance Committee of the OECD, and others in the development community have been championing for many years. The CDF aims to bring many of these ideas together in a single place.

The CDF also involves a commitment to expanded partnerships, transparency, and accountability under the leadership of the government. The CDF recognizes that there is no substitute for national leadership or national consensus for development.

## 3. WHY IS A NEW APPROACH NEEDED?

Development is about much more than the balance of payments, or reserves or trade figures or GDP growth. Development is about transforming whole societies. Experience shows that unless we look at both sides of the balance sheet of a country – macroeconomic and financial aspects on the one side and structural, social, and human considerations on the other – we run a grave risk of misjudging a country's performance as well as inadequately supporting its future development.

---

<sup>4</sup> James D. Wolfensohn, *The Challenge of Inclusion*, World Bank Annual Meetings Speech, October, 1997; and *The Other Crisis*, World Bank Annual Meetings Speech, October, 1998.

<sup>5</sup> Joseph Stiglitz, *Towards a New Paradigm for Development: Strategies, Policies and Processes*, 1998 Prebisch Lecture, UNCTAD, Geneva, October 19, 1998; and *Participation and Development: Perspectives from the Comprehensive Development Paradigm*, paper for the International Conference on Democracy, Market Economy, and Development, Seoul, Korea, February 27, 1999.

<sup>6</sup> See *Partnership for Development: Proposed Actions for the World Bank* (SecM98-421), May 21, 1998; and *Partnership for Development: From Vision to Action* (SecM98-789), September 23, 1998.

Experience also shows the need to identify and plan projects and programs within a comprehensive or holistic approach to development. Otherwise, the projects and programs may not match the greatest needs, they may lead to duplication of efforts, and their prospects for success will be weakened considerably by a lack of parallel development of other supportive programs. Also, in a world of diminishing overseas assistance and limited human resources to meet the global development challenge, we must be ready to contribute to constructive partnerships that bring together government, multilaterals and bilaterals, civil society, and the private sector, in a transparent and interactive process – with agreed long-term goals and the right cooperative spirit to achieve them.

The purpose of Mr. Wolfensohn's CDF proposal is to provoke discussion, experimentation, and action toward these objectives. The Bank is discussing the approach with clients, shareholders, partners, and various other constituencies. Over the last several months, we have elicited inputs and guidance from all our partners on the CDF concept and its operational feasibility – with participation and shared learning that are as broad as possible.

#### **4. WHAT IS THE VALUE-ADDED OF THE CDF?**

While the CDF can be viewed as a "new" approach in terms of its much stronger focus on a holistic approach to development and on partnerships, it can also be seen as part of the natural evolution of the development community's role and broader development thinking. For example, as the Bank has moved beyond simply financing projects – and even beyond supporting only discrete policy reforms, such as trade liberalization – to addressing broader issues such as human and social development, governance, and institutions, the need for an integrating framework of the kind offered by the CDF has become apparent.

In terms of value-added, the broader framework of the CDF can allow the participants in a country's development to think more strategically about the sequencing of policies, programs, and projects and about the better pacing of reforms and the choice of appropriate technology. It can encourage a better balance between sectors and greater transparency in tradeoffs between, say, macroeconomic and social needs. Further, the better alignment of strategies and greater selectivity for each player in the development effort – which the CDF can promote – will mean that more can be done with available resources.

Costs to the country also can be reduced when donors harmonize their analytical work, requirements, and procedures. In addition, the CDF's emphasis on giving a voice to the poor, through consultation with civil society, means that resources will go where they are most needed – and that the benefits can be sustained.

In addition, the CDF recognizes the increasing role that business plays in development and the importance of drawing on the experience of business and the plans it can implement.

## B. HOLISTIC APPROACH

### 1. WHAT IS THE CDF MATRIX? WHAT DOES IT CONTAIN?

The CDF proposes to use a matrix as a management tool. The matrix is designed to provide all players involved in a country's development, especially the national governments and parliamentary bodies, with a shared framework of information that can provide a basis to coordinate efforts. The matrix can also be used for examining the roles of different stakeholders and for identifying intersectoral linkages and information gaps.

The matrix will vary from country to country depending on individual circumstances and priorities. Even so, the CDF matrix cited in Mr. Wolfensohn's January 21<sup>st</sup> discussion paper tries to set out a rational starting point for defining each nation's development essentials:

- *Structural*: good governance and clean government, an effective legal and judicial system, a well-organized and supervised financial system, and social safety net and social programs.
- *Human*: education and knowledge transfer, health and population issues.
- *Physical*: water and sewerage, energy, roads, transport and telecommunications, and environmental and cultural issues.
- *Specific strategies*: for rural, urban, and private sector development.

While the CDF matrix as outlined does not include gender issues and macroeconomic considerations explicitly, it assumes that they are being fully addressed in parallel. Gender is a critical consideration in all aspects of the CDF process.

Additionally, each country will have its own unique priorities that should be included – and the matrix will evolve over time. Attention to fiscal issues, trade and regulatory issues, the labor market and employment conditions, and the role of the private sector, for example, will depend on the characteristics of the country and the results of the national dialogue about priorities and programs needed to address them. In some cases, the CDF will also provide a basis for discussing the impact of external global and regional issues in a given country as well as vulnerabilities, such as natural disasters. In sum, the CDF focuses on each country's development essentials, including social and human development and good governance.

The individual country concerned designs and "owns" the matrix. Obviously, however, it takes time to build a consensus in countries and among the development agencies supporting them. What is crucial is to set up and nurture a mechanism and process by which a version of the matrix appropriate to the country can be agreed upon. Some countries have already initiated work in preparing the matrix: for instance, under the leadership of the Ministry of Planning and with the collaboration of sectoral Ministries, Côte d'Ivoire has embarked on an effort to prepare the matrix with quite encouraging

results thus far. Similar work on a matrix has been completed in Bolivia, and some of the other countries implementing CDF principles are at various stages of developing such a tool.

## **2. HOW DOES THE CDF ADDRESS MACROECONOMIC AND FINANCIAL ISSUES?**

The CDF discussion draft of January 21<sup>st</sup> noted that "We cannot adopt a system in which the macroeconomic and financial is considered apart from the structural, social and human aspects, and vice versa. Integration of each of these subjects is imperative at the national level and among global players."

The Bank works closely with development partners such as the IMF and national governments to help countries better integrate macroeconomic, structural and social policies in country programs to achieve sustainable growth and development. The Bank and the Fund are also collaborating on a pilot Financial Sector Assessment Program (FSAP), to assess countries' financial sectors both for near-term vulnerability and medium-term. This will be a key input into the financial system part of the CDF.

The CDF facilitates the integration of macroeconomic and financial with structural and social policies because of its emphasis on country ownership, broad sectoral coverage, and a medium to long-term horizon. The CDF will strengthen the Bank's focus on questions such as: What are the sources of growth and what are its prospects? How do policies, institutions, social, structural, sectoral and environmental conditions interact to affect growth through such factors as productivity, savings and investment? How are the benefits of growth distributed? What conditions determine whether they are widely shared or not? The broad, long-run approach of the CDF naturally highlights these complex but critical questions.

The CDF also draws attention to other important macroeconomic policy issues, such as ensuring the *long run fiscal* sustainability of the country's development strategy, evaluating the *long run sustainability of the external financing needs* generated by the country's development strategy, and addressing the tough economic management issues faced by countries that are subject to repeated *shocks* such as droughts or large commodity price swings. Reflecting the approach of the CDF, discussions of macroeconomic policy in recent Bank analytical work, such as the pilot Social and Structural Reviews, increasingly focus on these kinds of long run issues.

## **3. HOW ARE TRADE ISSUES ADDRESSED?**

An appreciation of the impact of trade policies is an important element in the holistic, cross-sectoral and long term approach to development fostered by the CDF. Trade policies can have a significant effect on the level and distribution of income, how resources (labor, capital, etc.) are distributed among different sectors of the economy, what techniques of production are used, access to foreign technology, capital equipment and investment, and rate of economic growth in the long run.



Over the past two decades, many developing and transition countries have dramatically liberalized their trade policies by removing or reducing trade barriers such as quantitative restrictions on trade, tariffs and foreign exchange controls. There is increasing recognition that, for countries to draw the fullest benefit from integration with the world economy, they also need to move beyond reducing “traditional” trade barriers to more difficult institutional reforms. These issues include, for example, the efficiency of customs, ports and other logistical facilities, the quality of domestic competition policies, performance and competition in services industries (especially in vital intermediate services such as telecommunications and financial services), government procurement practices and the role of product standards and regulations. The CDF approach facilitates this integrated view of trade policy and development strategy.

#### **4. HOW ARE LABOR MARKET ISSUES ADDRESSED?**

Labor markets are critical to development, and have wide-ranging effects on economies and the lives of people. As the CDF provides a holistic approach to development, and labor accounts for the bulk of personal incomes, labor issues are vital in the CDF. The Bank is working in partnership with other institutions such as the International Confederation of Free Trade Unions, the World Congress of Labor and the International Labour Organization, on these labor issues.

Well functioning labor markets can contribute to economic growth and poverty reduction. They can allocate labor to its most efficient use and thus contribute to growth. They can also ensure that workers get a fair share of the benefits of growth. This is especially important to the poor in developing countries as many have labor as their only asset. Productive employment can bring about social development not only through income generation and poverty reduction, but can help create a sense of dignity and self-worth to the individual and at the aggregate level, can contribute to social harmony. In the absence of a smooth functioning labor market, on the other hand, economic deprivation and social exclusion may result – which can adversely affect minorities, women and children in particular. Further, there is wide recognition that it is growth that is labor-intensive that has the best results in reducing poverty. Creating the conditions for achieving labor-intensive growth remains a challenge for many countries. The broad approach of the CDF is likely to be of assistance in addressing the complex, multi-dimensional issues raised by the challenge of raising labor-intensive growth.

#### **5. WHERE DOES GENDER FIT IN THE CDF?**

Gender disparities exist in every country of the world. In most countries, the evidence suggests, decreasing these disparities would reduce poverty and enhance economic growth. Gender issues therefore need to be part of the consultation process with all partners, on the CDF.

Gender issues exist in every column of the CDF matrix. When discussing the various prerequisites for development, it is therefore important to identify gender issues that are

inhibiting development in that area – and ask how problematic gender disparities can be reduced. For example, when discussing governance issues, it is important to ask whether women have an effective voice in government policy making, given the evidence that the inclusion of women in governance reduces corruption. Similarly, with regard to the legal and judicial systems, it is important to ask whether existing laws and their enforcement treat women and men equitably, since inequitable treatment often underlies the inability of women to make a full contribution to economic productivity. With regard to safety nets and social programs, a critical question is whether programs adequately recognize the vulnerability of women to demographic and economic shocks caused by their dependency on male family members for income transfers. In areas such as agriculture and water and sanitation, the important questions include whether women's distinctive roles in the sector have been adequately addressed in the design of sectoral programs.

Government ministries usually are run by men, and although men's and women's interests overlap, the overlap is incomplete. The CDF process should be established in a way that ensures that women as well as men have a voice in it.

#### **6. IS THERE A SINGLE COUNTRY MODEL FOR THE CDF?**

There is no single model for the CDF. Over an 18-month period of experimentation on the ground and structured learning, the "pilot" countries will use the CDF to craft their programs and experiment with different ways of working – for example, greater partnership, stronger ownership, and so on.

Bank teams will work within the provisions of the Bank's policies and legal requirements, while making use of the flexibility these provide to respond to client needs. In Bolivia and Ghana, for example, the CDF approach is being explored simultaneously with greater use of adaptable lending instruments. In Jordan, early discussions focused on annual reviews of public sector management and public expenditures and on matching the Bank's assistance more closely to needs identified in that process.

The Bank is also continuing to refine the concept through research and external consultations. To share experience and lessons, the country directors for the CDF countries meet monthly with other Bank operational managers in a Learning Group.

## **C. OWNERSHIP**

### **1. WHAT ABOUT COUNTRY OWNERSHIP AND INSTITUTIONAL CAPACITY?**

The CDF rests on well-established and documented lessons of experience<sup>7</sup> – principally, that only with country ownership can development efforts be fully effective. At the same time, governments need relatively well developed institutions to be able truly to "own" the development process – to define development problems, consult with multiple stakeholders, and orchestrate the actions needed for their solution. This kind of capacity takes time to develop. While this capacity is developed and strengthened, and as country ownership and genuine partnerships are fully achieved, any tension between domestic policy formulation and the nature of external policy advice is likely to subside. So while the Bank is ready to support institutional development under the CDF, it will take its cues from governments about the scope and pace of change. In all pilot countries efforts are under way to strengthen capacity. However, in most cases, these efforts are inadequate and special attention to capacity-building and knowledge transfer should continue.

Where the country does not have adequate capacity, the international community must support and help the authorities to establish, own, and implement the program. At the same time, capacity building itself provides opportunities for donor coordination and for scaling up programs.

### **2. CAN THE NECESSARY INTERNAL POLITICAL CONSENSUS BE ESTABLISHED IN A COUNTRY TO MAKE THE CDF SUCCEED?**

The means of arriving at consensus will vary from country to country, partly depending on the maturity of the country's governance processes and institutions. A central aspect of implementing the CDF in a country, however, will be support for government efforts to draw out the views of different stakeholders, for example, through:

- Supporting the identification and ownership of a balanced national development strategy, and an enhanced central role of government in the coordination of development assistance;
- Supporting the role of legislatures in the making of public policy (e.g., through adopting laws and parliamentary inquiries), in building a national consensus on development and in providing oversight of governmental programs and policies;
- Supporting in-country consultative group meetings to enhance the participation of key national stakeholders, including civil society and the private sector;
- Promoting efforts to develop and implement assistance strategies that emerge from a country's own national development agenda and priorities;

---

<sup>7</sup> See, for example, *1994 Evaluation Results*, Operations Evaluation Department, World Bank, 1996.

- Promoting joint analytical work with partners to enhance country capacity, consensus building, and ownership;
- Supporting national fora to promote civil society and private sector inclusion;
- Promoting the harmonization of assistance agencies' operational policies and procedures – to increase efficiency in the delivery of development assistance and reduce the burden on the country;
- Supporting the development of country-based knowledge systems that would enhance government coordination efforts; and
- Promoting the use of cooperation frameworks among assistance agencies to facilitate real partnership at the country level.

Given its emphasis on promoting broad ownership that includes civil society agencies and the private sector and its focus on key, long-term development priorities, the CDF should transcend government changes and strengthen the sustainability of development efforts.

### **3. WILL THE POOR AND MINORITY GROUPS BE INVOLVED IN THE CDF?**

One of the most important principles in the CDF is that of country ownership of the development agenda. In this process of national consensus building, it is vital that the poor and minority groups are fully involved and are not disenfranchised. This presents a major challenge and may require special efforts, including, where necessary, strengthening the capacity of civil society groups, to ensure that the consultative processes with the poor and minority groups are not merely perfunctory exercises.

## **D. PARTNERSHIPS**

### **1. WHAT IS THE ROLE OF CIVIL SOCIETY IN THE CDF?**

Civil society involvement is central to the partnerships approach and consensus building essential for the success of the CDF. The involvement of civil society in defining the national strategy and its priorities, represents a major change in the approach to promoting development; it is also a key aspect of country ownership of the policy agenda, as distinct from government alone defining the strategy. Increasingly, civil society (including NGOs) plays a crucial role in promoting development at the grass roots level and is an important vehicle for giving voice to the poor and marginalized. Nevertheless, civil society is not a homogeneous group and the process of engaging its representatives in the policy debate must be defined by country-specific circumstances. Even the choice of who should speak on behalf of civil society can pose certain challenges. In Côte d' Ivoire, Bolivia, Uganda and several other countries, conscious

efforts to include civil society in policy discussions have revealed the need to build both capacity and organizational structures that would allow for constructive engagement in the policy debate.

Still, significant progress has been made in the more recent past: in all the CDF pilot countries, efforts are underway to engage civil society in policy discussions, building upon a process that pre-dates the CDF. Furthermore, in-country aid coordination meetings (e.g., Consultative Groups or CGs) allow for a more robust participation of civil society in the discussions. Recent in-country CGs (for instance, Uganda, 1998; Côte d'Ivoire, 1998) and a mid-term CG in Vietnam (1999), have all included participation by civil society.

In principle, civil society can also be an important player in carrying out analytical work jointly with the country's government and other partners, where the capacity is available. In practice, this remains no more than a potential in many cases for the time being but one which holds out some promise for the future.

## **2. WHAT IS THE ROLE OF THE PRIVATE SECTOR IN THE CDF ?**

A significant change in the approach to promoting development is the increasingly important role of the private sector. The CDF recognizes this role and advocates the full participation of the private sector in the policy debate, consistent with the need for inclusiveness. There is growing evidence both from the CDF pilots and other sources, that the private sector is now increasingly included in the policy debate: for instance, Consultative Group (CG) meetings now involve private sector participation either directly by way of a seat at the table, or indirectly through separate meetings. In Vietnam, the private sector was fully involved for the first time in a mid-term CG in June, 1999. Romania is another case where efforts are underway to fully involve the private sector in the policy debate: intensive consultations recently organized in the form of workshops to identify Romania's national vision and priorities fully involved private sector participation. With more CGs held in the field, the scope for private sector participation is becoming much larger. It is expected also that good governance and judicial reform, both important aspects of the CDF, will provide a suitable environment for private sector activity.

## **3. HOW WILL THE CDF CHANGE RELATIONSHIPS WITHIN THE DEVELOPMENT COMMUNITY?**

As Mr. Wolfensohn has emphasized, "The key point about the CDF is that it's a basis for bringing people together – not necessarily under World Bank leadership. In some cases the Bank will lead, in some cases it will follow, and in some cases it will not be there at all." Most of those who have read the January 21<sup>st</sup> proposal have expressed support for the general concept, but have also raised questions about how the CDF will work in practice. We are now working with our partners to build shared understanding and ownership of the CDF concept – and we are using its trial implementation to identify common solutions.

The principles underlying the CDF reflect the principles for aid coordination espoused by the Development Assistance Committee of OECD, the EC, the UN, and bilateral donors. The CDF aims to give all the actors involved in a country's development the information that provides a basis for each to contribute according to its comparative advantage. The actual arrangements for inter-agency coordination and division of labor will be unique to each country adopting the CDF. It will be important to ensure that these arrangements do not undermine the country's ownership and decision-making power and that they facilitate the participation of all major stakeholders. Each agency will remain individually accountable, according to its own standards, for carrying out its agreed contributions. However, effective partnerships, essential for the success of the CDF approach, require active nurturing of mutual trust and confidence among the players. Equally, the CDF will also mean changes in the values and attitudes of all partners.

Prior experience, and early experience from some of the CDF countries, shows that bilateral donors are keen to move toward greater cooperation to avoid the duplication of analytical work, and to harmonize their processes for appraisal, monitoring, and evaluation – thus increasing their efficiency and reducing the workload for countries.

Uganda's experience shows how various donor initiatives can be brought together. The Consultative Group meeting held in Kampala in December, 1998, drew broad representation from the private sector, civil society, the donor community, and the government, with full participation of the President, parliament, and the cabinet. Since then, the CDF has offered the opportunity to broaden the discussion of macro and sectoral issues, improve government interaction with donors and civil society, and better define the sorts of programs that are needed. The policy matrix that was developed underlined issues of selectivity, showing how thinly assistance agencies are spread and how much their activities overlap. Donors have agreed to measure, after 18 months, their progress toward a more coordinated approach, and the government has put together multisectoral teams to help in this effort.

#### **4. WHAT DOES THE CDF IMPLY FOR BANK-FUND COLLABORATION?**

The Bank and the IMF have a long-standing partnership in assisting member governments to achieve sustainable growth and development. This partnership recognizes the primary responsibility of the Fund for macroeconomic stabilization and surveillance, and the primary responsibility of the Bank for structural and social issues. The CDF proposal recognizes the IMF as a key partner and does not presume any changes in the mandates and responsibilities of the two institutions. However, the CDF could enhance the development impact of this partnership because it further emphasizes country ownership; broadens and deepens sectoral coverage; places strategies and policies in a longer-term horizon; stresses that to be effective economic programs need to be comprehensive and holistic; and require the support of a broad-based international partnership extending beyond the Bank and the IMF.

PFPs have long been an important vehicle for Bank-Fund-country partnership. They provide a medium-term framework for the annual ESAF-supported programs, which aim

to integrate policy advice on macroeconomic and structural issues, coordinate technical assistance and identify external financing requirements. But country ownership and a long-term development perspective are areas in need of increased attention. The ongoing Pilot Program for Enhanced Bank-Fund Collaboration in ESAF/IDA Countries – which includes Vietnam and Ethiopia, two CDF pilot countries – is already exploring how the CDF can enhance collaboration between the two institutions. For example, the country teams are seeking to foster greater client ownership, and to better integrate the relevant elements of the broader CDF coverage and time horizon into the PFP or an alternative Bank-Fund-country program document.

## **5. WHAT IS THE ROLE OF THE UN SYSTEM IN THE CDF?**

Today, there is consensus between the UN, the Bank and its major development partners regarding the links between social development and a sound macroeconomic and structural policy environment and, an agreement on the need for close cooperation and partnership. Work is underway with the UN and others to review the relationships between frameworks such as the UN Development Assistance Framework (UNDAF), the UN Common Country Assessment (CCA) and the CDF in the common interest of creating a cohesive, integrated approach to aid coordination that supports a country-led national development strategy.

The UN Secretary-General expressed the UN's interest in the CDF. Since then, there have been numerous discussions about the CDF with various parts of the UN system – for example, at the ECOSOC meetings held in New York and Geneva with Mr. Wolfensohn and at a meeting in Paris between Mr. Wolfensohn and representatives of major UN agencies and programs on March 5, 1999.

Several UN agencies also are taking steps to ensure that their locally-based staff are fully informed on the CDF. Recently, the Chairman of the Executive Committee for the UN Development Group sent a letter to UN Resident Coordinators advising them of the details of the CDF and calling for engagement in the CDF process building on the strengths of the agency. UN agencies have also designated CDF Focal Points to provide useful feedback on pilot activities and strengthen partnerships with other players. The UN Development Group has been asked by the UN Deputy Secretary General to play a facilitating role.

## **6. HOW DOES THE CDF RELATE TO THE INTERNATIONAL DEVELOPMENT TARGETS?**

The CDF is ultimately about more effective and sustainable poverty reduction. In this sense it is consistent with the International Development Targets which have emerged, mostly from UN conferences, during the 1990s. The achievement of these targets (including, universal primary education by 2015, elimination of gender disparity in primary and secondary education by 2005, and reduction of infant and under-5 mortality by two thirds between 1990 and 2015), crucially depends on the pattern and magnitude of growth, which in turn depends on policy and investment in the social sectors. This is in

line with the CDF's emphasis on addressing the requirements of the social/institutional aspects along with the attention given to macroeconomic and financial issues.

## **E. IMPLEMENTATION**

### **1. HOW IS THE CDF BEING IMPLEMENTED?**

The CDF is currently being implemented in the following thirteen economies in the form of pilots: Bolivia, Côte d'Ivoire, Dominican Republic, Ethiopia, Eritrea, Ghana, Jordan, Kyrgyz Republic, Morocco, Romania, Uganda, Vietnam, and West Bank and Gaza. These are self-selected: governments that are aware of what the CDF offers have expressed interest in taking part. Their diversity emphasizes that the CDF approach is relevant to all countries and that there are no set criteria other than that government and partners embrace the concept. Country ownership is at the core of the selection criteria. Significantly, a growing number of "non-pilot" countries are implementing elements of the CDF approach. Over time, this practice will embrace even more "non-pilot" countries.

The pilots are putting into practice a critical mass of the CDF principles (outlined under question A.1. above). But in each one, the approach taken and the timing will depend on the government and its interaction with internal and external stakeholders. The Bank is not advocating a standard approach. The 18-month time frame should be enough to show whether it is possible to achieve the kind of broad consultation and consensus-building that are needed for the CDF approach to work.

While these are still early days, the lessons that are beginning to emerge from the pilots are very encouraging. For instance, in Ghana, strong partnerships have emerged among all key players, in addition to the Government increasingly taking the lead in the policy debate. In Bolivia, the modus operandi for operationalizing the CDF have been spelt out in great detail, building on the country's extensive consultations with all stakeholders which preceded the National Action Plan and its priorities. In Vietnam, conscious efforts are now being made to engage civil society in the policy debate, while building stronger partnerships among the key players.

No country is in principle excluded from participating in the CDF. However, the Bank has looked for signs that in addition to governments, other agencies and stakeholders are already starting to join in – and has, of course, taken into account its own knowledge of the country concerned. For the overall approach, we are encouraging governments to seek the support of the full range of their development partners.

### **2. HOW IS PROGRESS UNDER THE CDF BEING ASSESSED?**

The time frame for testing the CDF at work in the initial countries is 18 months. Clearly, this is too short a time for a definitive assessment of the developmental impact of the CDF. But it is long enough to show whether the country, together with major stakeholder



groups, can put into practice the CDF principles and the kind of consultation and consensus-building processes needed for the CDF to work. Governments and teams from assistance agencies will track indicators depending on the goals they have agreed at the outset. The choice of specific indicators, and of how they will be monitored, will depend on the government and its development partners.

In most of the countries undertaking the CDF, the discussion of indicators is still in its early stages. In Bolivia, for example, discussion has focused on long-term, internationally agreed development goals and on what needs to be done to achieve them. Within the Bank, the performance scorecard is an instrument that will cover across-the-board experience and results – and help the Bank assess whether the CDF is helping to achieve improved development effectiveness and, ultimately, poverty reduction.

## **F. BANK ROLE**

### **1. WHAT IS THE RELATIONSHIP BETWEEN THE CDF AND THE BANK'S COUNTRY ASSISTANCE STRATEGY (CAS)?**

The CDF and the CAS are fully complementary. The CDF aims to cover the totality of a country's long-term development strategy. The CDF would be especially useful in helping countries to design, sequence, and coordinate their overall development programs. Over time, the CDF should provide the umbrella under which each agency would prepare its own CAS or business plan. In this context, the CDF provides a basis for continued CAS reform – improving the CAS's diagnosis of the country's development agenda by bringing in longer-term developmental and holistic perspectives and increased focus on partnership and country ownership. As lessons are learned in the CDF pilots, they will be reflected in Bank CASs, programs, and operations, which in turn will change as the influence of the CDF is felt more broadly. The CDF may also lead to a repositioning of the CAS, and it could help to solve a new problem – the proliferation of CAS-type documents among bilateral and multilateral donors – which is increasingly burdening clients. Under this vision, the Bank's CAS would increasingly focus on the medium-term business plan – including deliverables, accountabilities, budgetary resources, and impact – for contributing to the overall country CDF.

### **2. IS THE CDF CONSISTENT WITH THE IDA TWELVE REPLENISHMENT ARRANGEMENTS?**

The CDF is fully consistent with the IDA12 agenda<sup>8</sup>. Three country program issues warrant particular emphasis:

- First, in keeping with IDA's overarching goal of poverty reduction, IDA12 resources are concentrated on poverty reduction through investing in people,

---

<sup>8</sup> *Additions to IDA Resources: Twelfth Replenishment: Partnership for Poverty Reduction (IDA/SecM99-98)*, March 1, 1999.

promoting broad-based growth, supporting good governance, and protecting the environment; these also are key CDF objectives.

- Second, both IDA12 and the CDF recognize the importance of flexibility and customized country programs, fully grounded in country ownership and partnership between the recipient country and donors.
- Third, IDA12 and the CDF both focus on performance and aid effectiveness. Recognizing that poverty reduction is more successful in a good policy environment, IDA country allocations are based on performance, which is assessed on an annual basis.

### **3. WILL THE BANK'S POLICIES AND PROCEDURES CHANGE UNDER THE CDF?**

The CDF pilots will comply with the Bank's Board-approved policies and procedures – including the environmental and social safeguards, fiduciary policies (including those for procurement), contractual and legal procedures, and disclosure policy. At the same time, the pilots will have flexibility to experiment with internal non-policy-related procedures, such as those for project documents and internal processing. If any recommendations for changes in Board-approved policies and procedures emerge from the CDF pilots, they will be presented to the Board for consideration.

### **4. WHAT ARE THE RESOURCE IMPLICATIONS OF THE CDF?**

The CDF is designed to yield better results, and to increase overall efficiency by reducing the duplication of efforts – thus it should help everyone, over time, to lower costs. At the same time, it has to be recognized that participatory approaches – an integral part of the CDF – may take more time and resources than do more top-down approaches to development. Again, however, these are also expected to produce substantial efficiency gains, over time – and savings.

The Bank will fund any additional costs of CDF implementation by reallocating away from other activities – within current operational budget envelopes. But the additional costs of piloting the CDF are not expected to be large. The reallocation likely to be needed is judged to be within the range of the normal reallocations made in Bank programs in the course of a year. For the Bank, overall budget neutrality is a key concept underlying the CDF.

### **5. WHAT IS THE LINK BETWEEN THE CDF AND THE BANK'S STRATEGIC COMPACT?**

The CDF provides the link between the Bank's mission of alleviating poverty and the renewal program funded through the Strategic Compact. The Compact has been positioning the Bank to undertake the CDF approach. A number of initiatives that the Bank has been working on under the Compact – putting the country in the driver's seat;

addressing a broader development agenda through partnerships; decentralizing staff to be better attuned to clients; sharing learning/knowledge; undertaking anticorruption activities – are all integral to the CDF. In many respects, therefore, the CDF is on a continuum with the Compact – and reinforces its objectives. At the same time, the CDF holds the potential to provide the strategic direction for the Bank well beyond the Compact period.

## **6. WHAT IS THE ROLE OF THE BANK'S CDF SECRETARIAT?**

The Bank has established a CDF Secretariat, as a central focal point for CDF matters, to provide support in the implementation of CDF principles. The Secretariat is an active participant in CDF-related workshops and conferences and the informal networks of CDF focal points in bilateral aid agencies, multilateral institutions, and the UN family. These focal points provide for useful sharing of information, distilling lessons, identifying synergies and finding solutions to bottlenecks that occur in the implementation of the CDF. The Secretariat also provides the secretariat function for the Learning Group meetings and has responsibility for keeping senior management and the Bank's Executive Board and staff fully briefed on progress. The Secretariat has also introduced a tracking mechanism to monitor progress in CDF pilot countries. The mechanism is updated on a quarterly basis and provides the information required for briefing the Board, senior management and staff, as well CDF focal points.

## Organisation for Economic Co-operation and Development

### Development Assistance Committee

#### ON COMMON GROUND

### CONVERGING VIEWS ON DEVELOPMENT AND DEVELOPMENT CO-OPERATION AT THE TURN OF THE CENTURY

#### Growing Convergence

The international community has in recent years built a stronger consensus on what constitutes sustainable development, and how it can be achieved. Following the international conferences sponsored by the United Nations, which have set out an agenda and brought consensus to what people-centred development means in process and substance, bilateral and multilateral agencies are explicitly taking a more systemic and strategic approach to co-operation arrangements and techniques based on ownership and participation by the governments and civil societies of developing countries themselves. These concepts, goals and endeavours stem from a host of major policy documents issued in the past few years.<sup>2</sup>

Development agencies increasingly recognise the need for a *long-term integrated vision of development*, emerging from and supporting the *country's ownership* of its own development process; they call for *partnership* with government, civil society, assistance agencies, NGOs and the private sector in defining development needs and implementing programmes. Finally, they all stress the need for concrete *development results*. Encouragingly, it appears that a wide range of developing countries in all regions of the world have moved, to varying degrees, to exercise their own leadership in designing and implementing their strategies, in monitoring results and in co-ordinating with their external partners.<sup>3</sup>

---

<sup>1</sup> Report on Development Co-operation, February 2000 - Chapter 5: Partnership and Co-ordination, Annex

<sup>2</sup> See Appendix. The present Appendix includes policy documents by multilateral organisations. It will later be supplemented with policy documents by bilateral agencies.

<sup>3</sup> A non-exhaustive list includes: Tanzania - *Development Vision 2025*; Ghana - *Vision 2020*; Egypt - *Vision 2017*; Uganda - *Poverty Eradication Action Plan*; Bolivia - *Operational Action Plan 1997-2002*. Typically, where governments have been able to produce such strategies, they also manage reasonably well to organise the co-ordination process (although there are differences between various sectors).

### **Common Principles**

The following principles form building blocks for partnership among all development actors. They are common to all partnership efforts, whether initiated by developed or developing countries.

#### ***Long-term integrated vision of development***

Over the years, the understanding of development and development co-operation has undergone fundamental change. It has expanded to take more fully into account how markets, societies and governance interact and evolve. The importance of human and social capital in these development processes has also received more recognition. From this, it follows that sustainable development can only be achieved by integrated strategies that incorporate key economic, social, environmental and political elements. All components -- macroeconomic, financial, structural, social and human -- should be brought together in a long-term, holistic and strategic approach.

**To achieve effective sustainable development, it is necessary to address economic and financial issues on the one hand, with structural, social and human issues, on the other, in a balanced way, thereby integrating the following key elements:**

- **A sound policy framework encouraging stable, growing economies with full scope for a vigorous private sector and an adequate fiscal base.**
- **Investment in pro-poor approaches and social development, especially education, primary healthcare and population activities.**
- **Enhanced participation of all people, and notably women, in economic and political life, and the reduction of social inequalities.**
- **Good governance and public management, democratic accountability, the protection of human rights and the rule of law.**
- **Building institutions, including social safety nets, that cushion the negative effects of and enhance developing countries' resilience vis-à-vis external shocks and crises, while helping them to take advantage of the opportunities offered by globalisation.**
- **Sustainable environmental practices.**
- **Addressing root causes of potential conflict, limiting military expenditure, and targeting reconstruction and peace-building efforts towards longer-term reconciliation and development.**

### *Ownership by the country*

The view that each developing country and its people are ultimately responsible for their own development is widely accepted nowadays. Experience shows that success has been achieved only where the people and the institutions of developing countries themselves have made sustained efforts. It therefore follows that the developing country is the essential agent for organising co-operation efforts. There is no room for paternalistic approaches. Countries must be in the driver's seat and set the course. They must generate the commitment to development, and determine goals and the phasing, timing and sequencing of programmes.

**The responsibility for development, reducing poverty and the preservation of a political environment conducive to peace, security and respect for human rights lies with the developing countries themselves, the role of developed partners and multilateral institutions being to support such efforts.**

**The developing country is the legitimate organiser for co-operation efforts, through relationships and mechanisms that reflect the particular local circumstances.**

**Prime responsibility for overall country-specific co-ordination, including macro-economic and project/programme issues, lies with the developing countries; in cases where local interest or capability is not tuned to this ambition, external partners will encourage regular forums for co-ordination with all stakeholders, including the government, civil society and the private sector – and ensure that their own representatives participate; where capacity for co-ordination is insufficient, external partners will support efforts for capacity building.**

### *Partnership*

Earlier aid efforts involved working almost always with central governments. Today the international development community is working with many more partners to meet demands for greater efficiency, respond to more pluralistic and decentralised political systems, and recognise the importance of a dynamic private sector, local ownership and participation by civil society. Defining development needs and implementing programmes should be done in the partnership mode, with government (national, state, city and municipal) in the driver's seat and involving civil society in all its forms, private sector (domestic and foreign) and development agencies (both multilateral and bilateral). Such partnerships may also be needed at the regional and global levels to identify and supply "public goods" required to overcome specific barriers and bottlenecks to development.

**Country-owned development strategies and targets should result from an open and collaborative dialogue between developing country authorities, civil society and the private sector, of their shared objectives and their respective contributions to the common endeavour; such strategies and targets should be**

**the basis for external partners in their dialogue with the developing country authorities on their country assistance strategies.**

**Each external partner's programmes and activities should be set within the framework of a country-owned strategy in ways that respect and encourage strong local commitment, participation, capacity development and ownership, as well as in ways that avoid duplication and enhance synergy.**

### ***Development results***

In order to effectively relate financial inputs -- whether their origin be domestic or foreign, public or private -- to the ultimate outcome of development efforts, it is increasingly acknowledged that, in addition to setting quantitative goals for such financial inputs, quantitative goals must be set for results countries want to achieve with their development efforts, especially in the area of poverty reduction. Setting goals implies the establishment of processes for systematic monitoring of their achievement. The articulation of development goals and monitoring of results promotes participation and accountability, two basic elements in sustainable development.

**Development co-operation and the procedures by which its implementation is governed, should be accountable, transparent, effective and visible; partners should undertake to harmonise tools and practices and should use channels and methods that do not undermine the values of ownership and partnership.**

**Joint monitoring and evaluation mechanisms, including quantitative indicators, should be set up to monitor development progress.**

**External partners should ensure that the entire range of their policies are consistent with and thus do not undermine development objectives.**

**Partnership approaches to development tend to be time-consuming and labour-intensive, especially in the beginning; however, external partners should not consider this as a burden, but rather as an investment towards achieving sustainable development, and development agencies' staff should therefore be effectively interested, motivated and trained to put partnership principles into practice.**

### **Future directions**

Experience shows that implementing the approach described above is not an easy task, neither for local nor for external partners. Agreement by the international community on the above principles will not automatically lead to full-scale implementation. Despite converging ideas, there is still proliferation of isolated efforts. This leads sometimes to confusion and misunderstanding at the operational end. It is also detrimental to the need for partners involved to build mutual trust and confidence. Thus, while recognising the responsibility of developing countries under these arrangements, external partners should be prepared to re-visit and discuss their own practices so as to indeed give space to assumed

situation and implementation capacity of countries, and set over a realistic time frame. They called for appropriate compensatory measures to be built into the design of the programme to protect low-income groups, including the provision of well-targeted technical assistance to the more vulnerable groups and the allocation of adequate resources for social sectors. They agreed that countries have primary responsibility for economic reform programmes and that IMF staff should consider the political constraints faced by the national authorities. They noted that some of the recommended measures to ensure ownership might prolong the initial stages of negotiations but considered that the investment would be compensated for over the period of implementation.

- **World Bank, Partnership for Development: Proposed Actions for the World Bank, May 1998 and Partnership for Development: From Vision to Action, September 1998.**

The first is a discussion paper proposing a new course for the World Bank, through an emphasis on supporting country ownership of the development efforts and working in partnership with governments and civil society as well as other donors in support of a nationally owned development strategy. The second, based on consultations in Africa, Asia, Europe and the Americas, outlines action to be taken to put the partnership approach into practice.

- **James D. Wolfensohn (President of the World Bank), A Proposal for a Comprehensive Development Framework (A Discussion Draft), January 1999.**

This proposal follows the World Bank's broad proposals on partnership in 1998. It recognises that to achieve sustainable development impact, it is necessary to address economic and financial issues, on the one hand, together with structural and social issues, on the other, in a balanced way. It also underlines the need for country's ownership of the development process and for all internal and external stakeholders to work together in partnership.

- **United Nations, General Assembly resolution on Renewal of the Dialogue on Strengthening International Economic Co-operation for Development through Partnership, January 1999.**

In follow-up to the UN's adoption of the Agenda for Development and to the first high-level dialogue of the General Assembly on the social and economic impact of globalisation and interdependence and their policy implications, the General Assembly reaffirms in this resolution the continuing need to strengthen constructive dialogue and genuine partnership in order to promote further international economic co-operation for development.

- **United Nations, United Nations Development Assistance Framework, Guidelines, April 1999, and Common Country Assessment, Guidelines, April 1999.**

As part of the UN Secretary general's programme for reform, the United Nations Development Group proposed in 1997, the United Nations Development Assistance Framework (UNDAF), with a view to bringing "greater coherence to the UN programmes of assistance at the country level ... with common objectives and time frames in close consultation with governments". The UNDAF, both as a process and a instrument, is based on the Common Country Assessment (CCA), generating a common understanding of the causes of development problems as well as the needs and priorities of the country.

- **ACP-EU, ACP-EU Joint Assembly Resolution on the Future of ACP-EU Relations, April 1999.**

In 1998, the European Commission received the mandate from the council of the Union to negotiate a new partnership agreement with the ACP countries after the expiry of the Fourth Lomé Convention in the year 2000. The eradication of poverty will be the central plank of the agreement, which will require reforms in the ACP countries to achieve more sustained development and greater competitiveness as well as to develop the private sector, as well as to develop the private sector, create



ownership. Harmonising tools and procedures will not only help developing countries through reduced administrative demands, but should also lead to a significant reduction in the transaction costs of development co-operation. In this respect, so-called sector-wide approaches should be seriously considered as a viable alternative to project approaches to development.

The number of people living in poverty has reached an historic high, while the Official Development Assistance effort has reached an historic low. If we do not succeed in significantly improving the quality of development assistance, we risk entering the Millennium with globalisation -- which should enhance the foundations for development -- possibly weakening them. What is required is a concerted push to sustain the political will to pursue development co-operation in a way that will reduce the inequalities between rich and poor countries. The international development co-operation system needs to ensure that its performance is measured against the above principles; that we harness collective strengths and knowledge to improve the impact at the country level; and that we engage vigorously with those "outside our ground" -- government agencies responsible for other policy areas, the private sector, trade institutions, investment houses, and the public at large -- to attain the goals for an inclusive global society. Doing so will add *substance* and *value* to the process of convergence.

\*\*\*\*\*

## APPENDIX

### POLICY DOCUMENTS BY MULTILATERAL ORGANISATIONS

#### - MDB Task Force, *Serving a Changing World*, March 1996.

In this report, the Task Force on Multilateral Development Banks recommended closer co-operation and harmonisation among the five multilateral development banks (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank) in support of "borrower ownership of reforms, programmes and projects". All the banks supported the main conclusions of the report and in a joint report to the Development Committee in 1998, the Presidents of these banks reconfirmed their support for the directions indicated in the report, while recognising "a clear need to deepen their co-operation beyond what has been achieved thus far".

#### - OECD/DAC, *Shaping the 21st Century: The Contribution of Development Co-operation*, May 1996.

In this report, Members of the OECD's Development Assistance Committee - at the level of Ministers for Development Co-operation and Heads of Aid Agencies - laid down their agreement on the principles of inclusive and people-centred development strategies, and proposed a global effort to achieve priority-specific goals within a give time frame, calling for partnership and local ownership.

#### - IMF, *The ESAF at Ten years: Economic Adjustment and Reform in Low-Income Countries, 1997 and External Evaluation of the ESAF, 1998*.

In their discussion of these evaluation reports, IMF Directors considered that the mutually reinforcing ESAF objectives of growth and external viability called for ambitious strategies, but tailored to the

productive jobs, improve access to social services and extend the partnership to civil society. In a lengthy resolution, the ACP-EU Joint Assembly, among others, "maintains that, if sustainable development is to be achieved, human beings and their basic rights should be made the focal point of development policy deliberation and activities".... "maintains, in particular, that the new ACP-EU Convention will provide an important opportunity for honouring the commitment and achieving the objectives adopted at international summits and notes that the OECD's Development Assistance Committee has negotiated a number of useful reference points".... "reiterates that ownership of interventions is crucial and that this requires early involvement from civil society in the formulation of policies and programmes".