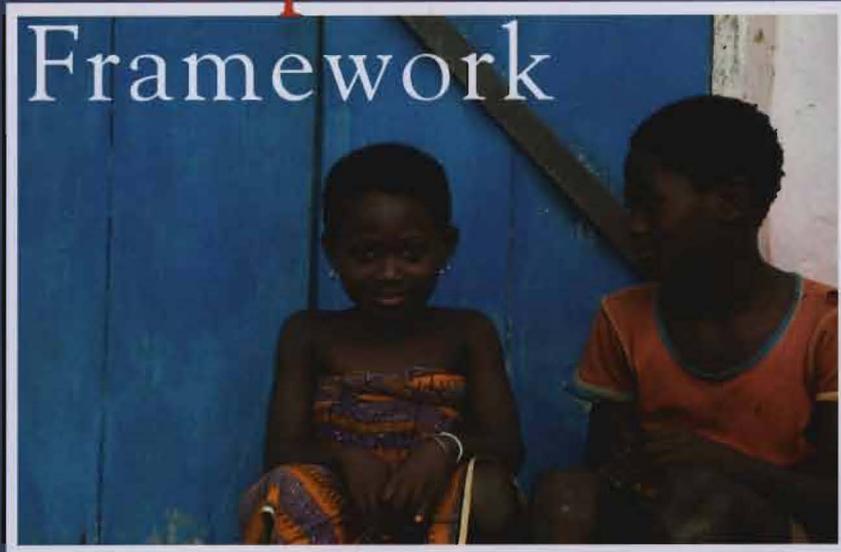




Comprehensive Development Framework



*Report on Country Experience
CDF Proposal
Questions and Answers*



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Preface

At the 1997 Annual Meetings of the Board of Governors of the World Bank and International Monetary Fund, I raised the need for inclusion, since too many in the developing world were not being helped sufficiently by the development process, and we were in danger of losing the war against poverty. At the Annual Meetings in 1998, I took this idea further by raising the need to explicitly balance our concern for sound macro-economic policy and growth with an equal concern for effective poverty reduction, and an increased attention to institutions. In January 1999, I proposed a Comprehensive Development Framework (CDF) to take into account in an integrated manner the concerns I had previously highlighted. At that time, I promised that I would report back to you in 12 to 18 months on the experience gained with a dozen or so countries which I hoped would volunteer to apply this approach. This report does that.

In March 1999, we began to track implementation of the CDF and to draw lessons from the emerging experience. We recognized that some countries were already heading in the direction advocated by the CDF, and that many of our partners also had expressed similar views in their policy documents. Since launching the CDF proposal, we have held regular meetings within our own institution, and with all our partners, to discuss progress and exchange views and experience. Today, I can report that the countries applying the CDF have made progress, and while some have had to contend with severe external and internal shocks that have slowed the process of change, others have been able to make steady progress. This report

shows that countries have been most successful in laying the groundwork for developing a comprehensive development strategy, in enhancing inclusion through national consultations to build consensus on priorities, and in forging more strategic partnership among all actors. But, the report also shows that we are only at the beginning of the process and that there is much more to do to deepen and widen the implementation of the CDF.

As we look ahead, it is our intention to continue to support countries that are interested in implementing the CDF. Since Poverty Reduction Strategy Papers, which the Governors endorsed at the last Annual Meetings, should be based on the CDF principles, we shall cast the net wider to learn from the broader experience from this larger group of countries. We also intend to learn from the growing number of other countries that are implementing principles compatible with the CDF, and from sub-national experiences of applying the CDF principles, such as City Development Strategies and Community-driven Development.

The recent G-7 Statement at Okinawa, as well as the Ministerial Meeting of the Development Assistance Committee of the Organization for Economic Cooperation and Development in May, expressed a commitment to the CDF—and the PRSP—as the way forward to enhance country ownership and the achievement of international development goals. We intend to continue to direct the energy of our institution to make this a reality.

James D. Wolfensohn
President
World Bank Group

Abbreviations and Acronyms

ACC	United Nations Administrative Committee on Coordination
ADLI	Agricultural Development Led Industrialization
AFDB	African Development Bank
AHLC	Ad Hoc Liaison Committee
APL	Adaptable Program Loan
CAS	Country Assistance Strategy
CCA	Common Country Assessment
CCPOQ	Consultative Committee on Program and Operational Questions of the ACC
CDD	Community - Driven Development
CDP	Country Development Partnership
CDS	City Development Strategy
CEM	Country Economic Memorandum
CG	Consultative Group
CPIA	Country Policy and Institutional Assessments
DAC	Development Assistance Committee
DEC	Development Economics Department
ECOSOC	Economic and Social Council of the United Nations
EU	European Union
ESW	Economic and Sector Work
HCMC	Ho Chi Minh City
HDF	Holistic Development Framework
IDA	International Development Association
IMF	International Monetary Fund
IPRSP	Interim Poverty Reduction Strategy Paper
LIL	Learning and Innovation Loan
MDB	Multilateral Development Bank
MTEF	Medium Term Expenditure Framework
MTPDP	Medium Term Philippines Development Plan
NAP	National Action Plan
NEFPF	National Economic Policy Framework and Program
NGO	Non Government Organization
NIR	National Institutional Review
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OED	Operations Evaluation Department
PA	Poverty Assessment
PEAP	Poverty Eradication Action Plan
PER	Public Expenditure Review
PERC	Public Expenditure Review Credit
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RDB	Regional Development Bank
SIM	Sector Investment and Maintenance Loan
SS	Sector Studies
TAS	Tanzania Assistance Strategy
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
WTO	World Trade Organization

Executive Summary

The proposal for a Comprehensive Development Framework (CDF) was introduced by World Bank President Wolfensohn in January, 1999. Building on the lessons of development experience, the CDF is a holistic approach to development that balances macroeconomic with structural, human, and physical development needs. The framework is anchored in four key interrelated principles and objectives to be pursued at the country level:

- a long-term vision and strategy—a prerequisite for sustainable development;
- enhanced country ownership of development goals and actions;
- more strategic partnership among stakeholders; and
- accountability for development results.

Since March 1999, implementation of the CDF has been tracked in the West Bank and Gaza and in the following eleven countries: Bolivia, Côte d'Ivoire, the Dominican Republic, Eritrea, Ethiopia, Ghana, Kyrgyz Republic, Morocco, Romania, Uganda, and Vietnam. A growing number of other countries have also embraced the CDF approach.¹

The Bank has put in place various mechanisms to facilitate information exchange and learning as the CDF is implemented: regular meetings of a learning group of CDF pilot-country directors, chaired by Mr. Wolfensohn; meetings with the Bank's Executive Board, and meetings with networks of CDF bilateral, UN, and multilateral focal points. A questionnaire updated quarterly by the Bank's CDF pilot country teams has proved useful for tracking progress in a structured way.

Scope of this report

The CDF proposal stated that results from implementing the CDF in countries that embraced the idea would be assessed in 12-18 months time. Accordingly, this report examines the experience since the first pilots began to be monitored, and draws out salient implications for the Bank and other actors in the development community.

The piloting of the CDF has not been approached as an experiment with a clearly defined protocol to be tested. Fundamentally, the CDF is about societal transformation.

Over the long term, the criterion for judging the success of the CDF is better achievement of development goals. At this stage, given the long-term nature of the changes sought by the CDF approach, its comprehensiveness, and the short time span since the pilots began to be tracked, it would be difficult to link specific development results directly to CDF activities.

As the CDF itself recognizes, however, the key to better development results lies in the processes that are put in place, so an early assessment of progress with the CDF must be vitally concerned with changes in processes. This report therefore seeks to judge whether the actions that have been taken are consistent with CDF principles, and to weigh the quality of the processes set in motion, and, therefore, the extent to which the CDF may be making a difference.

A planned three-year research evaluation of the CDF by the Bank's Operations Evaluation Department, jointly with the Development Economics Department, is expected to shed more conclusive light on the impact of the new approach. The OED evaluation is expected to consider the costs and benefits of implementing the CDF.²

Lessons from the Pilot Experience

Experience since the pilots began to be tracked is examined below under each of the four key objectives of the CDF, and in relation to balancing better macro-economic and structural and social needs, with an identification of what has worked well, and where key challenges remain.

Overall progress

Overall, all the pilot countries are making progress, with more than half of them taking action or having largely developed a majority of the CDF elements. Individual country performance has varied from Bolivia and Ghana which have made the most overall progress, to Ethiopia, Morocco, West Bank and Gaza, and Kyrgyz Republic which have made the least. The area of greatest progress is on the long-term vision and strategy, where nine of the twelve countries have action well in hand. Least progress has been made in putting in place open and transparent development management information systems; only two

of the twelve countries (Bolivia and Ghana) have action well in hand. Bolivia, the Dominican Republic, Eritrea, and Ghana (and within Government, Vietnam) stand out in giving meaning to the concept of country ownership. Bolivia, Ghana, and to a lesser extent Eritrea, Uganda, and Vietnam have made meaningful progress in putting mechanisms in place to enhance partnership. Looking at countries' progress in relation to when tracking started—rather than absolute progress—Bolivia, Ghana and Romania have gone furthest in about the last 16 months. The Dominican Republic, the Kyrgyz Republic, Uganda and Vietnam have all also been making progress, albeit from very different starting points.

Define long-term vision and strategy—a prerequisite for sustainable development

The CDF goal of achieving faster, sustainable development for poverty reduction recognizes that poverty has multiple facets: income, physical security, environmental sustainability, and the ability of poor people to confront their future with confidence. Given the breadth of the development challenge, for a country to achieve sustainable development it needs to implement *all* the CDF principles, perhaps over a 20-year time frame, though progress will not necessarily be at the same speed on all fronts. These actions need to be built on a sound macroeconomic framework and institutions—good government, an effective legal system, a well-organized and supervised financial system, social safety nets and social programs. An overall conceptual framework, or shared vision, that captures the country's development aspirations, is needed to provide direction, consistency, and focus. The vision needs to be complemented by a strategy that sets out how the country will make progress. Such a holistic framework allows for more strategic thinking and better sequencing of policies, programs, and projects as well as better pacing of reforms.

What has worked well

- Some concrete steps have been taken to formulate long-term national development frameworks, drawing on broad-based participation and generally complemented by medium-term strategies with clearly defined priorities and monitorable development goals. Some existing visions that predate the CDF are being reviewed. Most of the countries have well-articulated medium-term strategies linked to the visions.

- Countries are now giving greater attention to balancing macroeconomic with structural, human, and physical requirements. Correspondingly, they are making more efforts to identify the tradeoffs entailed in balancing priorities.
- All countries piloting the CDF have, to varying degrees, begun a process of national consultations for formulating development strategies or medium-term action plans, though mechanisms and progress vary considerably across countries.

Remaining challenges

- Institutionalizing national consultation processes is proving to be politically sensitive; clearly, the pace cannot be faster than the capacity of existing democratic institutions permits.
- Focusing on the long term can be very difficult where a country faces a crisis. Four pilot countries either do not yet have a long-term vision or have only recently begun work towards one. Three countries do not yet have medium-term strategies.
- Implementing all the four key CDF principles simultaneously—which is an important lesson emerging from the country experience—remains a challenge particularly for some countries.

Enhance country ownership—putting the country in the driver's seat

Managing development is the responsibility not of development assistance agencies but of countries—their governments and their people. Hence the need to have the country (government at all levels, parliament, civil society, the private sector and other domestic stakeholders) firmly in the driver's seat.

What has worked well

- Governments are starting to assert ownership by taking the lead in aid coordination activities, including chairing in-country meetings with donors on a regular basis.
- Experience shows that holding the main consultative group (CG) meeting in the country's own capital is a valuable way to nurture and broaden country ownership, and does not adversely affect the debate or the level of participation from donor capitals—as some donors had feared. Many CDF pilot countries and some that are not formal pilots have recently had successful in-country CG meetings.

- Where civil society and the private sector have become actively involved in the policy debate, this can help deepen and widen country ownership of the development agenda, and the sustainability of the CDF approach. The inclusive approach, now reinforced by the Poverty Reduction Strategy Process (PRSP) where applicable, should further strengthen the involvement of domestic stakeholders in the policy debate.

Remaining Challenges

- The Bank and development partners generally need to show more confidence in country ownership, by allowing the time and space needed for ownership to be expressed, and being prepared to let go.
- The attainment of full country ownership will require more strategic support for capacity building and changes in the policies, practices, and procedures of the wider development community to nurture what is often a delicate process.
- Countries, in collaboration with their external partners, should consider defining additional concrete steps for making progress in supporting government leadership, e.g. through stronger country involvement in upstream joint analytical work—before policies and programs are formulated.
- Governments generally prefer domestic stakeholders to be engaged in the policy dialogue through established or strengthened democratic institutions, including parliaments, rather than through ad hoc consultation mechanisms. Some governments still question the need to involve domestic stakeholders in policy discussions, since, from their point of view, it is unclear to whom these stakeholders are accountable and since these governments are the elected representatives of the people.

Enhance strategic partnership among stakeholders

Development experience shows that there is too little coordination of effort, too much suspicion among the various actors, too little transparency and consultation, and not enough focus on accountability for performance. For greater poverty reduction, there are clear benefits to be had from stronger partnership and better coordination among assistance agencies, and greater selectivity of effort, based on agencies' comparative advantage.

What has worked well

- Stronger partnership is emerging in varying degrees in all pilot countries, both among assistance agencies and between these agencies and the countries.
- Sector and thematic groups comprising both government and donor representatives are now operational in several countries and meet regularly to exchange information and facilitate learning.
- In several pilot countries, donor assistance strategies are increasingly better aligned to the national medium-term development strategy.
- Donors are gradually becoming more selective in their interventions, following their comparative advantage.
- There is a much greater sense of urgency for harmonizing donor policies and procedures to reduce the burden on clients and make the aid delivery process more effective.

Remaining challenges

- Concrete progress in harmonizing donor practices and procedures remains limited both at the institutional level and at the country level, reflecting long-standing ways of doing business as well as constraints in donor capitals.
- The need for donors to demonstrate their individual contributions reduces aid effectiveness in almost all pilot countries. Where it dominates, it preempts more effective government leadership.
- Achieving greater selectivity and reducing duplication of effort and wasteful competition will require much better upstream coordination of analytical work among partners.
- Development of institutional capacity in partner countries needs strategic—not project by project—attention to allow for more effective partnership.
- As can be seen from the reactions at the WTO meeting in Seattle, and the April 2000 World Bank/IMF meetings in Washington, and as foreshadowed for the World Bank/IMF Annual Meetings 2000 in Prague, much suspicion still exists on the part of certain well-organized members of civil society. This must be overcome.

Increase focus on accountability for development results

To be accountable for development results, development managers need to make their goals clear, monitor the progress of programs and projects, and share the information that becomes available. Indicators of progress should focus on development results, rather than inputs, and given that most countries have very limited statistical and monitoring capacity, it is better to choose a few intermediate indicators that can be assessed regularly than to have results indicators that can only be assessed irregularly. Transparency and open sharing of information on development goals and progress by a country and its partners helps to make development more effective and greater poverty reduction possible. Achieving this objective, for example through a CDF-type matrix, would allow greater attention to development gaps, sequencing of interrelated development activities across sectors, and identification of comparative advantages. Ultimately it would allow much greater focus on results and accountability than has been the case so far.

What has worked well

- Governments increasingly recognize the need to take a more strategic approach to the gathering and dissemination of information regarding the CDF and a number of country-specific websites are already operational.
- Progress is being made in some pilot countries to develop a CDF matrix, or one like it, setting out details of individual stakeholders' activity sector by sector.

Remaining challenges

- Progress in developing the CDF matrix has been slower than originally anticipated. There are still barriers to the disclosure of information.
- While country-specific indicators of performance are available for a few pilots, most have not yet completed their preparation.
- Much work is still to be done on monitoring and evaluation capacity in-country.

Going Forward

The CDF has implications for how the Bank works and for the larger development community. Beyond the pilots, a number of other countries have already embraced the CDF approach. In adopting the PRSP process in September 1999, ministers decided that it should be based on CDF principles. And with the significant increase in the number of PRSPs expected, application of the CDF principles well beyond the current pilots is gaining momentum. At the subnational level, this is happening in both low- and middle-income countries, for example through the City Development Strategy initiative, which applies CDF principles and objectives at the city level.

As the CDF process evolves, the Bank needs to pursue a number of actions as set out below. External partners and the countries themselves may wish also to draw out the implications from their own perspectives. This report presents some measures they may wish to consider.

Actions by the Bank

The Bank's six Regions are already considering the region-specific implications of a wider application of the CDF approach, including actions required at the country level, the relationship with the country's key external partners, and internal change in support of the CDF approach.

Experience suggests that in order to implement CDF more broadly, the Bank should more systematically align its instruments, processes and way of working with the CDF approach. In particular, it should:

- *Better align the CAS and CPIA (country policy and institutional assessments)*, as proposed in the recent CAS Retrospective and in accordance with the proposal by the IDA deputies at their recent Lisbon meeting. As envisaged in the CAS Retrospective, the CAS can be used in non-pilot countries to introduce or deepen the CDF approach, as has been done in some countries such as Zambia. The recent CAS for the Philippines also reflects an approach that embodies CDF principles. In this

context, the Social and Structural Reviews (SSRs) should also be better aligned with the CAS and the CPIA.

- *Approach economic and sector work, identifying the constraints to development and poverty reduction and the priorities for action, with a three-pronged purpose of:* i) enhancing partnership by facilitating dialogue on analytical standards and policy options; 2) enabling the pursuit of broad-based consensus; and 3) knowledge transfer. This framework can provide a basis for the Bank's support for country leadership and for its professional judgement on the adequacy of country policies and processes for Bank programs.
- *Work towards greater selectivity in country assistance strategies, building on the Bank's comparative advantage, and closer collaboration with partners in formulating support and its timing in individual countries.*
- *Move towards a greater focus on programmatic lending, to provide for a medium-term approach that is adaptable to country circumstances, consistent with a results-based approach. In this context, experience in the CDF pilot countries suggests that a greater use of programmatic lending instruments such as adaptable program loans (APLs), sector investment and maintenance loans (SIMs), and programmatic structural adjustment loans and credits (PSALs/PSACs) facilitates strengthened country ownership.*
- *Promote concrete action on harmonization of operational policies and practices at the institutional and country levels. This will help to reduce the transaction costs for partner countries and institutions, and facilitate more programmatic approaches to the delivery of development assistance.*
- *Consider aligning its support more closely to the country's own budget process. This would ensure greater predictability of future resource flows.*
- *In the PRSP process, continue to ensure that CDF principles are fully incorporated in the way staff support these countries. Also, any outstanding CDF-related issues need to be addressed in the joint Bank/Fund assessments, as has been done in an exemplary manner in the Ghana case.*
- *Encourage the introduction and dissemination of CDF principles. Use various mechanisms to introduce the CDF in the dialogue with countries, including at the sub-national level, for example, through the City Development Strategy.*
- *Play a stronger role in bringing international experience to*

bear in designing and promoting alternative modes for more effective private-sector engagement in the CDF context.

- *Explore the introduction of multi-year administrative budgets at the country department level, and continue work to see how the Bank can increase the development impact of its safeguard and fiduciary policies, especially in the context of sector-wide approaches to lending.*
- *Create among Bank staff a better enabling environment for the CDF. This requires further improvements in:* 1) leadership behavior at all levels of staff; 2) the organizational environment—making the matrix approach excel; and 3) the approach to learning and training. Specifically, the Bank should further develop action learning, together with clients and partners, as used in some of the pilots; promote skills that support working in a partnership mode; and create a community of CDF change agents who support one another in nurturing the CDF approach. These changes should be pursued in a phased and tailored manner, concentrating on those cases where both the country and the Bank are ready to adopt this way of working, building on the accumulated experience.
- *More closely align recruitment practices and the incentive structure for assessing performance and promotion to support CDF implementation, by lending more weight for example to partnership-related competencies. Greater progress in linking incentives to working in this new way will send more consistent signals to encourage staff to “walk the talk”. The Bank's Regions plan to set up an internal CDF focal points group, together with the CDF Secretariat, to enhance collaboration on CDF implementation.*
- *Explore the implications for Board practices. For example, the presentation of Ghana's development strategy to the Bank's Board by the Government was an explicit expression of efforts to strengthen country ownership. Although it is still early, a wider application of this initiative needs to be considered.*

Implications for partner organizations

The key consideration for all external partners is the need for greater harmonization of policies, practices, and procedures. Experience shows clearly that this cannot be achieved solely on the basis of action at the country level. Indeed all actors, including the Bank, see this as an area that requires action at the institutional level. OECD/DAC has been encouraged by bilateral development ministers to proceed with identifying the constraints on

progress. This work should have the full support of the Bank and other multilateral development banks. More specifically:

- *The business plans of all partners should be derived from the country's strategy, or poverty reduction strategy in low-income countries.* This has implications for individual donor visibility.
- *The sector-wide approach is a promising instrument to establish effective coordination at the country level as well as reduce transactions costs.* External partners, including the Bank, must ensure that they do not superimpose their own requirements and thus defeat the partnership.
- *Steps need to be taken to help countries improve their capacity to monitor development results.* Here it is important to ensure coherence among various donor initiatives including with ongoing work by OECD/DAC on statistical capacity and on international development indicators, and in improving country monitoring and evaluation capacity.

Implications for partner countries

These include:

- *The holistic approach presents challenges for all countries but is essential for focusing on greater poverty reduction.* In this context, formulating an appropriate development vision, complemented by a medium-term strategy with well defined goals, is a fundamental need. Pilot experience shows that many countries are faced with multiple possible strategies. Countries should be supported in rationalizing the content of donors' strategies to ensure coherence of effort. Similarly, countries that have successfully devised short-term strategies, partly in response to crises, but have made less progress on a long-term vision,

must be supported in taking the long-term view. This is particularly relevant in PRSP countries, which have a relatively strong incentive to focus on the short term.

- *Seeking maximum synergy among programs designed to improve country capacity—such as the Partnership for African Capacity Building initiative.* Institutional capacity is central to implementing all the CDF principles of building ownership, forging more strategic partnership, formulating and implementing policies, and enhancing accountability for development results.
- *Moving forward with the wider and faster application of in-country consultative group meetings.* The World Bank should collaborate and encourage its partners, such as UNDP and the regional development banks, to work in this direction.
- *Countries will continue to be encouraged to open up the dialogue further to include all representative domestic stakeholders.* To the extent feasible this dialogue should be conducted through existing democratic institutions, rather than setting up parallel ad hoc consultation mechanisms that can undermine fragile existing institutions by implicitly questioning their legitimacy.
- *While all the efforts to put in place CDF or CDF-type matrices are incipient, they should be further supported—whether through the Development Gateway Initiative or other efforts.* This work contributes to transparency and accountability, as well as helping to create a better-informed development management environment.
- *Governments should widely disseminate their strategies so as to ensure full understanding by all stakeholders, and increase Government accountability.* Where this is not done, the commitment of stakeholders—even those within Government—is weakened.
- Lastly, pilot experience shows that all the CDF principles and objectives should be pursued simultaneously, because progress in one depends on progress in the others.

Background

The Comprehensive Development Framework (CDF), piloted in eleven countries and West Bank and Gaza, was introduced by World Bank President Wolfensohn in January, 1999.³ Building on the lessons of development experience, the CDF seeks to enhance development effectiveness through coordinated support of country ownership of a well-defined development agenda. It is a holistic approach to development that balances macroeconomic with structural, human, and physical development needs. The framework is anchored in four key interrelated principles and objectives to be implemented at the country level:

- a long-term vision and strategy—a prerequisite for sustainable development;
- enhanced country ownership of development goals and actions;
- more strategic partnership among stakeholders; and
- accountability for development results.

The Bank's Executive Board endorsed the proposal to pilot the CDF in March, 1999. A pilot program was then assembled on the basis of Bank/Country dialogue, with Bolivia and Ghana (two countries that had already embarked on approaches similar to the CDF) coming forward very early. Nine more countries (Côte d'Ivoire, the Dominican Republic, Eritrea, Ethiopia, Kyrgyz Republic, Morocco, Romania, Uganda, Vietnam) and West Bank and Gaza followed. Fundamentally, piloting the CDF is an investment in laying a more solid basis for sustainable poverty reduction, whose returns will be generated over time. The emphasis has been on learning by doing and distilling the experience.

In March 1999, the President established a small CDF Secretariat, supported by bilateral secondments, as a central focal point to provide support in the implementation of the CDF. Various mechanisms were put in place to facilitate information exchange and learning as the CDF is implemented: regular meetings of a learning group of CDF pilot-country directors, chaired by Mr. Wolfensohn; meetings with the Bank's Executive Board; and meetings with networks of CDF bilateral, UN, and multilateral focal points. A tracking mechanism updated quarterly by the Bank's CDF pilot country teams has allowed structured monitoring of progress.

Scope of this Report

The CDF proposal stated that results from implementing the CDF in countries that embraced the idea would be assessed in 12-18 months time. Accordingly, this report assesses the experience since the first pilots began to be tracked, and draws out salient implications for the Bank and other actors in the development community. Previous reports on the CDF limited themselves to describing progress and identifying promising practices and emerging challenges.⁴

Ultimately, the criterion for judging the success of the CDF is better development results. At this stage, given the long-term nature of the changes sought by the CDF approach, its comprehensiveness, and the short time span since the pilots began, it would be difficult to link specific development results directly to CDF activities.

As the CDF itself recognizes, however, the key to better development results lies in the processes that are put in place. An early assessment of progress with the CDF must be vitally concerned with changes in processes. This report therefore seeks to judge whether the actions that have been taken are consistent with CDF principles, and to weigh the quality of the processes set in motion, and, therefore, the extent to which the CDF may be making a difference.

Following this report, a three-year phased research evaluation of the CDF will be undertaken by the Bank's Operations Evaluation Department (OED) and Development Economics Department (DEC). The evaluation intends to: i) verify the extent to which the CDF principles are being practiced in diverse country contexts; ii) identify the difference the principles are making in promoting development; and iii) assess how the principles are reflected in the Bank's own instruments and processes and in poverty reduction strategy papers (PRSPs). The evaluation will use both cross-country analysis and case studies and, to the extent possible, involve the Bank's partners and client countries. This evaluation will also address costs and benefits of the CDF.⁵

The remainder of the present chapter describes recent events in the development community with regard to the CDF. The second chapter, *Lessons Learned*, takes stock of the pilot experience. It assesses progress at the country level over the last year and half in implementing various aspects of the CDF, responding to requests from close observers for a more evaluative approach, albeit one based on qualitative rather than quantitative judgments. The third chapter, *Implications for Wider Application*, examines implications and lessons for the Bank for possible replication in moving forward with CDF principles.

Non-formal Pilots

Several countries that are not formally part of the CDF pilot tracking mechanism have launched processes consistent with the CDF approach or expressed an interest in doing so. They include a growing number of middle-income countries. For example, both Thailand's Holistic Development Framework and the Philippines' Medium-term Development Plan seek to balance macro-economic considerations with structural and social interventions. In both those countries, the strategy is homegrown and has been developed through participatory processes involving the private sector and NGOs. The assessment in this report draws on some of the experiences of non-formal pilot countries. Annex 4 outlines how some low-income and middle-income non-formal pilot countries have applied the CDF principles, and the role of the Bank in this process.

Consultations with Ministers of Developing Countries

Regular consultations on the CDF have been carried out during the Spring and Annual Meetings of the Bank and International Monetary Fund. These consultations have allowed for exchange of views between the President of the Bank and finance ministers and senior officials of both CDF pilot countries and non-pilot countries. These meetings have added to understanding of the CDF and also led to requests for Bank support in implementing the approach in non-pilot countries. Developing country ministers have underscored the importance of treating each country according to its own circumstances. Some have also underscored the fact that countries interested in implementing the CDF can do so on their own initiative and do not need the Bank or other partners to be involved.

Evolving Relationships with Partners

Dissemination of the CDF proposal and consensus-building around its key principles was a major area of focus straight after the proposal was launched. An important goal of that effort was to ensure that the Bank's key multilateral and bilateral partners were fully briefed and to see whether a consensus might develop around the approach. Shortly after the World Bank's Board of Executive Directors discussed the CDF in March 1999, the development Ministers from several European countries met with Mr. Wolfensohn in Berlin. The ministers expressed support for moving forward with implementation of the CDF, and the first network of CDF bilateral focal points was established.

The network of CDF UN focal points was established soon afterwards. In addition, the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC) started a network of multilateral secretariats. This network took up the issue of the CDF in relation to other country-based pilot experience that was being sponsored by the DAC and other institutions.

Further to these formal exchanges, consultations on the CDF with partners have been continuous, and previous CDF progress reports have documented them. The Bank's Board of Executive Directors has been kept abreast of major outcomes from the exchanges. Systematic meetings have been held to discuss the CDF with ministers of developing and transition countries, and visits made to some countries implementing the CDF.

Bilateral focal points

The persons nominated to be focal points are mostly senior staff at the headquarters of development agencies. Their role has been to keep abreast of CDF implementation experience in the countries where the agencies are at work, and to keep the network and the Bank informed about progress and challenges as seen from their perspective. The CDF focal points networks have met three times in the sixteen months, and the substantial experience exchanged helped to shape this and previous reports.

Equally, the network has been an important source of support to keep the momentum of the CDF going. Specific issues raised by the agencies have been carefully

followed up. In the course of implementation of the CDF in the pilot countries, most issues related to coordination have been dealt with at the country level. Others that needed action at the institutional level have been discussed at bilateral focal points meetings; examples are the harmonization of practices and procedures, alignment of country assistance strategies to the national strategy, and budgetary support for sector-wide approaches.

UN agencies

Close working relationships have also been developed with various UN agencies and bodies such as the UN Development Group, through the UN focal points network. This network has worked to strengthen the integration of UN instruments—in particular the common country assessments and development assistance frameworks—with the implementation of the CDF.⁶ Work with the UN has also focused on keeping information on the CDF flowing to UN bodies such as ECOSOC and the CCPOQ. While parts of the UN system still have some doubts about the CDF, these groups have changed their views about the CDF substantially over the last year and half. Today, the focus of attention is not on whether the Bank will overwhelm UN instruments; rather it is on achieving better partnership among the UN agencies and the Bank in supporting country-led development efforts.

OECD/DAC

Work with the OECD/DAC on the CDF continues with good progress being made. The President of the Bank presented the CDF to the DAC Ministerial-level Meeting in May 1999, and working-level contacts intensified with the goal of ensuring greater coherence between the CDF and the partnership strategy espoused by the DAC. This culminated late in 1999 with a DAC-sponsored statement, *On Common Ground*,⁷ which builds on the CDF principles and integrates similar concepts from the current strategies of many partners in the development community, including the European Commission, the IMF, MDBs, and the UN. *On Common Ground* sought to put to rest the notion that the CDF competes with other strategies. It emphasized the consensus that now exists in the development community on the principles of the CDF and the resolve to translate them into reality.

The DAC Ministerial Level Meeting of May 2000, expressed the support of ministers for the CDF⁸. Minis-

ters recognized that CDF principles can be difficult to put into practice, because they may require fundamental change in the mindset of development agencies. However, they also stressed the need for such changes in order to make the most of the new development partnership, including through better engagement with local civil society, the use of sector-wide approaches, the simplification and harmonization of procedures, and the delegation of authority where possible to field level staff. In this regard, they emphasized that there should be full coherence between the CDF and the Poverty Reduction Strategy Papers, which are to be prepared in accordance with CDF principles (see chapter on *Implications for Wider Application* below).

Civil Society

Outreach to and consultation with civil society has taken a number of forms. In the pilot countries, the primary role in promoting such dialogue has rested with Government, as discussed in the chapter, *Lessons Learned*, below. Elsewhere, many development partners (both bilateral and multilateral) have engaged in such debate—at global and regional level. The Bank has welcomed and encouraged such exchanges. Its own contributions have included two on-line, electronic dialogues, one in May and June 1999, the other in June and July 2000; together with seminars linked to the Spring and Annual meetings of the Bank and IMF; and a long series of ad hoc meetings with individuals and groups, in headquarters, at regional level and in-country. CDF is also a key item in the World Faiths Dialogue on Development co-chaired by the President of the Bank and the Archbishop of Canterbury. These contacts have provided a great diversity of comments and suggestions, many of which are reflected throughout this report. Some particularly prominent themes included:

- the importance of the Bank's actions being seen to match with the language of the CDF;
- the need for World Bank staff to internalize CDF, so as to adapt their own behaviors to the partnership approach set out in CDF;
- participation, consultation and inclusion, however defined, need to be authentic to be meaningful. This kind of inter-action takes time;
- the importance of the focus on results—and results defined not through generic indices, but with reference to those most nearly concerned, i.e. the marginalized and the vulnerable poor.

Lessons Learned

This chapter examines the pilot experience under each of the four key objectives of the CDF: putting in place a development vision and strategy; enhancing country ownership; forging stronger partnership under government leadership; and a focus on development results. It identifies what has worked well over the last year and a half, and where key challenges remain. The last section of the chapter provides an overview of progress.

Data for the assessments in this chapter come from a variety of sources. Using a questionnaire that is updated quarterly, the Bank's CDF secretariat and the country teams track all the key elements of the CDF approach. The assessment also draws on information from the focal points representing the major bilateral agencies, the UN system, and multilateral development banks, and from structured interviews held in June 2000 with cross-sections of stakeholders in several of the pilot countries. Annex 1 outlines the approach used for making the assessments of progress, while Annex 2 provides the results of country by country assessments.

Long-term Vision and Strategy: a Prerequisite for Sustainable Development

Achieving faster, sustainable development for poverty reduction—the goal towards which CDF aims to contribute—recognizes that poverty has multiple facets, of which income or wealth are only an element: others include physical security, environmental sustainability, and the ability of poor people to confront their future with confidence. This goal also recognizes that the CDF is about societal transformation. Given the breadth of this development challenge, CDF identifies the need for a broadly based foundation, on which to build a long-term vision grounded in a holistic approach, which is in turn translated into medium-term development strategies.

Experience from the pilots has shown that the foundation needs to include a sound macroeconomic framework. If this is disrupted, countries face real difficulties in maintaining a long-term perspective of any kind. Short-term decision making can then quickly erode the accumulated benefits for the poor of previous long-term approaches. The experience has confirmed that it is difficult to focus

on the long term in the midst of a crisis, but has also shown that in some cases the use of CDF approaches has helped governments sustain a longer-term focus even at such times.

Experience also shows the need for sound institutions that respond to the interests of the people by providing good, clean, representative government; an effective legal and justice system; a well-organized and supervised financial system; and a social safety net. These structures need to be accessible to as much of the population as possible—often this will mean that they need to recognize issues of regionalism and decentralization. The pilots have shown that the lack of such sound structures is an obstacle to taking CDF forward, both in itself and because their absence prevents the confidence-building between government and other parts of society that is essential for effective dialogue. In most of the countries piloting the CDF, at least some of these structures remain to be fully developed⁹. Experience over the last year has shown that one benefit of CDF has been to make this unfinished agenda more transparent, and to facilitate public discussion of ways to take it forward. In this sense, the CDF may be said to have had a catalytic effect.

Setting a strategic direction

To build on these foundations at the country level requires an overall conceptual framework, or vision, that provides the direction, consistency, and focus essential to sustain any long-term process.¹⁰ Experience from the pilots shows that such a vision must have regard to all the CDF principles and must be country-specific (Boxes 1 and 2).

To establish such a vision, the following elements are needed:

- *A basic understanding of the nature of the opportunities and problems facing the country*, together with knowledge of and experience about the constraints they face, including the government's capacity limits.
- *A simple shared vision statement that sets out the country's aspirations*. This is about capturing the aspirations of the people; it need not specify concrete objectives. Realism and concreteness are desirable, but it is more important that the vision authentically reflect the broad aspirations of the country.

The vision needs to be complemented by a *strategy* that sets out how the country can make progress towards it. This strategy needs to be realistic, and framed in terms of concrete time-bound actions geared to delivering specific development results. Partly because of this specificity, strategies cannot be projected as far ahead as visions, and will need to be reviewed periodically as circumstances change. The vision and strategy should be extensively disseminated to ensure widespread commitment and support.

All parts of government then need to relate their own activities to the national strategy. The aim should be that all branches of government do so, together with all sectors of activity, and all levels (national, regional, local). In so doing, they will need to address both policy and implementation capacity. The greater the coverage of this process, the greater the likely consistency in pursuing the vision.

Box 1: Long-term Vision

A strong long-term vision will look forward at least ten years, and include a focus on key poverty reduction aims, including the role of gender, and propose results-measures by which to assess progress.

Bolivia	"Bolivia towards the 21 st Century" vision launched as part of national dialogue. Focuses on results; poverty reduction through higher, sustainable growth is main aim, with gender as a cross-cutting issue.
Côte d'Ivoire	"Vision 2025" promotes growth as means to reduce poverty. Some discussion of results, but treatment of gender limited. It now needs to be reviewed.
Dominican Republic	Ten-year vision, with partial focus on poverty reduction. Little discussion of results. Some recognition of gender issues.
Eritrea	Twenty-year National Economic Policy Framework and Program (NEPFP), strongly focused on poverty reduction, and specific section on gender. Results not covered in detail. Being reviewed in light of conflict with Ethiopia.
Ethiopia	Agricultural development-led industrialization (ADLI) vision not time bound. Evolves over time, based on pro-poor growth. Gender is integrated in government policy. Some treatment of results. Needs review in light of conflict with Eritrea.
Ghana	"Vision 2020" with strong focus on poverty reduction through economic growth. Gender is integrated, as are indicators of progress on results.
Kyrgyz Republic	"Vision 2010" now under development through national and provincial workshops. Three areas of focus: Poverty Reduction and Social Protection; Sustainable Economic Growth; and Good Governance, Legal and Judicial Reform. Due by end 2000.
Morocco	No clearly articulated long-term vision.
Romania	UNDP-sponsored National Strategy for Sustainable Development 2000-2020 consistent with EU accession. Poverty issues addressed by some aspects; gender partly covered. Results not yet spelt out.
Uganda	Current work on "Economic Vision 2025", to build on Poverty Eradication Action Plan (PEAP), which focuses on reducing poverty. Gender-integral. PEAP goals not yet translated into result measures.
Vietnam	Twenty-year vision and ten-year strategy being prepared. Poverty reduction, equity and vulnerability as central themes, as will be shift to market based economy. Gender is recognized as major issue. Results not yet covered in detail.
West Bank & Gaza	No clearly articulated long-term vision.

The programming of work should be tailored to specific country circumstances, with a view to realizing all potential synergies. Achieving an effective vision requires a series of prior actions relating to consultation and inclusion. Although logic places the development of the vision at the beginning of the CDF process, pilot experience has shown that in practice it may not be the first action taken, and that it can be valuable to pursue different elements of the CDF simultaneously while

recognizing that some will advance more rapidly than others. Some countries, particularly where long-term prospects are hard to predict, have established medium-term strategies and related expenditure frameworks without having a vision in place.

Where the expenditure framework covers several years, the links between that framework and the strategy need to be carefully established when they are put in place, and

Box 2: Medium-term Strategies and Expenditure Frameworks

Any long-term vision needs to be supported by a medium-term strategy and other implementation plans; such strategies may also exist even where no vision is in place.

Bolivia	National Action Plan (NAP) 1997-2002, with detailed results indicators linked to Government spending plans and international goals. Not yet linked to new vision. Being updated as part of PRSP process.
Côte d'Ivoire	Two strategies, both linked to Vision 2025. Growth-oriented "Elephant of Africa" and separate poverty reduction strategy, endorsed by 1998 Consultative Group, with focus on results. To be reviewed as part of PRSP process.
Dominican Republic	Not adequate at present. A key challenge for newly-elected government.
Eritrea	Current priorities distorted by conflict with Ethiopia. However, five-year plan deriving from National Economic Policy Framework and Program is in preparation.
Ethiopia	Current priorities distorted by conflict with Eritrea, but some work in hand, building on sector strategies.
Ghana	Vision 2020 includes five-year "steps". First covered 1996-2000. Separate medium-term expenditure framework, linked to planning framework, and well presented. Second step being prepared for 2001-2005.
Kyrgyz Republic	A national Poverty Reduction Strategy is developing a three year expenditure plan for 2001 to 2003.
Morocco	Five-year development plan before Parliament. Because of political transition, not clear how this will translate into activities.
Romania	New Medium Term Development Strategy for 2001-2004 (not poverty focused) and accompanying Action Plan (modest treatment of poverty, mainly monitoring) part of EU accession.
Uganda	Medium-term Expenditure Framework provides robust, concrete, strategic basis for taking forward Poverty Eradication Action Plan. Needs linking to Economic Vision 2025.
Vietnam	Five-year plan under development, due for approval early 2001, which will be related to proposed longer-term strategies.
West Bank & Gaza	Elements exist, with little poverty focus, but work is in hand to build on them.

their continuing consistency must be monitored during implementation. Such strategies and expenditure frameworks need to be updated periodically to reflect changing circumstances and the passage of time, as several pilot countries are currently doing. Obviously this is especially necessary where external or internal events, such as war or natural disasters, significantly change the problems a country faces.

Holistic approach essential

The CDF is predicated on a holistic approach, which avoids compartmentalization and acknowledges the synergies between the macroeconomic perspective and the

structural, social, and physical ones, and between long- and short-term goals.

Pilot experience has shown the synergies that can be achieved among different elements of government—and the incoherence that can arise from uncoordinated actions (Box 3). Managing the synergies can be especially challenging in the context of decentralization, where sector programs will need to be cross-linked with horizontal initiatives at the regional or local level. The lessons emerging from experience of City Development Strategies and Community-Driven Development can help clarify the likely key synergies and incoherences, and so play a role in shaping these choices.

Box 3: Holistic and Balanced Approaches

A holistic, balanced approach will ensure adequate attention to both the macroeconomic essentials and structural and social issues, strike a balance between long-term and short-term priorities, and examine key inter-linkages.

Bolivia	Approach is holistic and balanced, and seeks to capture dynamic linkages between sectors. Implementation designed to support cross-sectoral working.
Côte d'Ivoire	Vision emphasizes economic growth and does not consider adequately how social and structural issues interact with growth, but PRSP process should help. Implementation remains highly compartmentalized.
Dominican Republic	Balance of priorities in vision, but no discussion of the linkages among them.
Eritrea	Strategic approach aims to be holistic and implementation seeks to reflect that. However, more work is needed on structural issues and inter-linkages.
Ethiopia	Strategic approach holistic, but structural coverage is incomplete, and how this approach translates into implementation is unclear.
Ghana	Strategic approach is holistic and implementation seeks to reflect that.
Kyrgyz Republic	Current planning framework still under development. Some elements of holistic approach emerging.
Morocco	New medium-term strategy includes both sectoral and cross-sectoral components. Not yet under implementation
Romania	Plans focus on EU accession—without identifying hard challenges ahead. Implementation is compartmentalized. However, Government recognizes need to use CDF process to become more holistic.
Uganda	Strategic approach aims to be holistic, but does not yet provide full coverage.
Vietnam	Thinking becoming quite holistic, as reflected in strategy documents. Macro, financial and structural issues assessed in light of their social consequences.
West Bank & Gaza	Articulation of holistic view being supported through CDF.

Enhancing Country Ownership: the Country in the Driver's Seat

Countries themselves need to own and manage the development agenda if it is to be successfully implemented and progress sustained, as the literature on aid effectiveness has increasingly underscored.¹¹ Certain features of the aid relationship, such as donor-driven reforms, dependent on externally-imposed conditionality for their implementation, have undermined country ownership, instead of enhancing it.¹² Achieving such ownership requires a strong leadership role by government, and active involvement of other parts of society, a complex and time-consuming process.

Experience in the pilots emphasizes that the move towards stronger country ownership needs to be approached through realistic concrete steps, under govern-

ment leadership, and with broad-based participation by all parts of society. Where appropriate, the Bank should use its leadership role for the time being to nurture country ownership, for example by supporting Consultative Groups (CGs) held in-country, transferring their leadership to the government, and by facilitating broad-based domestic participation.

Government's role

The government needs both to exercise leadership and to have the capacity to analyze development opportunities and problems and plan and implement solutions.

The *requirements of ownership* are best captured through four criteria set out by the Bank's Operations Evaluation Department:

Box 4: Homegrown Strategies

Homegrown strategies are developed and owned by the country, drawing on external advice where appropriate.

Bolivia	Government clearly leads strategy development, with change agents to take it forward. Challenge is to broaden beyond change agents.
Côte d'Ivoire	Previous government initiated work with partners and had some change agents in place. While some of that structure still available, future government role depends on outcome of current transition.
Dominican Republic	Current vision results from broad national engagement, by all major political figures, including incoming government. Priority now to put in place change agents to carry it through.
Eritrea	Strategy developed, and strongly endorsed, by the Eritrean Government, including key change agents.
Ethiopia	Government has clearly led strategy development, and is committed to its implementation.
Ghana	Government led strategy development, and is publicly committed to the key goals. Key senior officials are active change agents.
Kyrgyz Republic	The authorities have worked hard to push CDF, but partner technical inputs remain key.
Morocco	Government prepared the plan that is now before Parliament. Bank assisting with follow-on sector analysis.
Romania	Government intermittently active proponent of CDF. Key change agents face competing pressures from other key aims, only partially reconciled.
Uganda	Government leadership has been strong, with donor support.
Vietnam	Government has a long tradition of strong leadership and independent mindedness.
West Bank & Gaza	CDF process initially led by partners, but Palestinian Authority now developing planning capacity to lead. Key change agents face many competing pressures.

- the locus of initiative must be in the government;
- key policy makers must be intellectually convinced;
- there must be evidence of public support from the top political leadership; and,
- there must be broad-based stakeholder participation¹³.

Pilot experience as regards these ownership criteria is shown in Box 4. As to the *locus of initiative*, a growing number of governments are taking the lead in initiating policy changes and in program implementation. However, a key test is the ability of the country to say “no” where the locus of initiative is not from within. For heavily aid-dependent countries, this can be difficult to do. As to the *intellectual conviction of key policy makers*, most of the pilot countries have only a few key players, who are often forced to act in response to short-term crises in the domestic political economy. But it is the

commitment to new ideas of these same few that can make the difference in ensuring their sustainability.

Several CDF pilot countries have recently had elections or are now preparing for them. Their experiences should provide insights into the sustainability of the CDF approach where there is a change of government. As regards the *commitment of the top political leadership*, support is often found at the highest levels of government—the head of government or the ministry of finance—but the necessary commitment at the level of sectoral ministries can take longer to nurture.

As far as *broad-based participation*, for a government to play a strong role, it must consult with multiple stakeholders, and identify and often implement appropriate strategic responses. Government needs to have due regard

Box 5: Government Capacity

Adequate government capacity to own and manage their development agenda.

Bolivia	Capacity is concentrated in well-placed change agents in the executive branch; Institutional Reform Project recognizes capacity as a strategic priority, but it will take time.
Côte d'Ivoire	Capacity for implementation of medium-term programs fair, but weaker for long-term strategy. Partners supporting strategic capacity development.
Dominican Republic	Capacity weak, but political commitment has been strong, and Government plans public sector reform to strengthen capacity.
Eritrea	Strategy capacity exists but sparse; implementation capacity weak. Capacity development a strategic priority.
Ethiopia	Strategic capacity strong; implementation capacity varies by ministry. Strategy for capacity development being put in place.
Ghana	Government capacity relatively strong for region. Further capacity development a strategic priority.
Kyrgyz Republic	Very limited—and overextended—capacity. Now recognized as key constraint.
Morocco	Strategic capacity fair, but needs further strengthening
Romania	Strategic and implementation capacity both weak.
Uganda	Government capacity relatively strong for region, but inadequate to the tasks at hand. Further capacity development a strategic priority.
Vietnam	Capacity for central planning strong, but weak in developing more integrative CDF-style strategy.
West Bank & Gaza	Capacity weak.

to the concerns of all the parts of society that are engaged in supporting the overall process. In particular, it requires a relatively well-developed administrative framework through which to own and manage the development agenda. Effective capacity also entails systematic institutional arrangements within government for managing the work of implementing, overseeing, and reviewing the progress of strategies, and sufficient influence to ensure these activities are given the priority they need.

Experience from the pilots shows that the lack of adequate government capacity is a major constraint to more rapid progress on all fronts. Capacity building should therefore be an integral part of the agenda, not an add on (Box 5, page 21).

Beyond the government

In many countries piloting the CDF, civil society and the private sector are emerging as important forces for

Box 6: Consultation and Inclusion of Stakeholders

An effective consultative process will fully engage with a broad range of organizations from both civil society and the private sector, and will be institutionalized, i.e. made a regular and continuing feature of government administration.

Bolivia	Broad involvement across stakeholders, although some felt ill-prepared. Process being renewed in course of preparing the second dialogue as a basis for the Poverty Reduction Strategy.
Côte d'Ivoire	Highly centralized tradition of government, so patterns of dialogue new, but current Government making efforts at broad consultation.
Dominican Republic	Extensive consultation over several months, to articulate national vision and associated strategy. Inclusion of diverse national stakeholders now a continuous process.
Eritrea	Wide domestic consultation is part of informal tradition. Consistently inclusive process, but not yet formally institutionalized.
Ethiopia	Extensive grassroots consultations were held, but with limited involvement of NGOs and private sector. Unclear whether national consultations will be repeated.
Ghana	Vision was discussed at forum of national stakeholders, after it was written. Current consultations for Second Step more extensive, and continuing. But they may lack credibility without adequate follow-through.
Kyrgyz Republic	Multiple consultations on currently emerging vision, and robust dialogue has begun. However, efforts to include all national stakeholders have been uneven. Elements for institutionalization emerging, but some risk it could be a one-off experience.
Morocco	Involvement of national stakeholders, through sector working parties. A specific consultation on a broad issue is unusual, but consultations on narrower topics are common, and public think tanks are being established to support these processes.
Romania	National consultations held to initiate CDF effort, but dialogue needs to be sustained. Consultations not yet formally institutionalized.
Uganda	Broad engagement with civil society and private sector, and in a continuing manner. Scope for further development and institutionalization.
Vietnam	Government has supported broad and unprecedented consultation effort. Consensus-based decision processes are integral to the national system, but the inclusion of small private sector and civil society organizations has been new.
West Bank & Gaza	Consultations fairly narrow and sector-oriented, although broader consultations are planned. It remains to be seen whether Palestinian Authority-civil society consultations become routine.

change. And evidence is growing that participation improves the quality and sustainability of development efforts.¹⁴ The Uganda poverty assessment, for example, consulted with poor communities on their most urgent needs. As a result previously unconsidered dimensions, such as risk, vulnerability, physical and social isolation, powerlessness and insecurity, are included in the analysis and reflected in policy decisions.

But the *structured involvement* of domestic stakeholders, beyond government, in decision making remains spotty, and the pilot experience shows that seeking to elicit and incorporate the views of multiple stakeholders can present formidable challenges (Box 6). Even in those countries which have made most progress in implementing CDF, institutional structures for engaging civil society and the private sector are still rudimentary. Moving forward, developing such structures will be a key part of the agenda, as will the need for greater consistency and transparency in their use.

Some governments, however, take the view that domestic stakeholders should seek to engage in the policy debate only through existing democratic institutions, especially their parliamentary representatives. As was noted in the *CDF Mid-term Progress Report*, there are concerns about the risk of undermining fragile democratic institutions. And while governments are accountable to the people, they sometimes question who civil society is accountable to. Even where governments have made efforts to engage civil society in policy discussions, this has often been a perfunctory exercise, undertaken largely in response to pressure from donors.

A key challenge is to define the rules of engagement.¹⁵ Where the views of civil society are reflected in the outcome of consultations, this tends to build trust, as was the case recently in Zambia.¹⁶

The Private Sector

Consistent with the inclusiveness advocated in the CDF approach, and the increasing role of the private sector in development, a number of CDF pilot countries have taken steps to encourage a more active role by the private sector in policy discussions. But in the absence of adequate structures for regular consultations with Government in many countries, *ad hoc* approaches may not fully address the concerns of either side about how the public-private sector relationship should work. Still, there is

Box 7: Vietnam: Private Sector Forum

The Private Sector Forum is a direct result of the inclusive approach being taken by Vietnam in the context of the CDF and is seen as a catalyst for promoting comprehensive development. The Forum has focused on developing a shared vision and established working groups on legal, banking, and manufacturing and distribution. It has enabled a regular dialogue with government and good progress is being made in a number of areas including on regulatory issues. In a major breakthrough, the Working Group on the Banking sector built the platform for the first-ever discussions between Government and the private banking sector. The Private Sector Forum has also been instrumental in putting forward regulatory proposals for the consideration of Government.

encouraging evidence of progress in a number of CDF pilot countries including Vietnam (see Box 7), Romania, Ghana, the Dominican Republic, and Uganda.

Similarly, the run-up to recent in-country CG meetings in Côte d'Ivoire, Ghana, Uganda and Vietnam have all included consultations with the private sector. In some cases, the consultations have been quite extensive. However, giving a seat to the private sector at the main CG meeting is still resisted in part because the CG mechanism is seen as a forum for engaging the government in a debate on the country's policies. But an important threshold is being crossed and the perspective of the private sector should enrich the debate, especially in countries where private sector involvement in the policy debate has been minimal in the past.

In the case of Romania, the Romanian-American Business Network was launched in January 2000 to tap into the skills, experience and resources of émigré Romanians in facilitating private sector development in the country. The private sector in Romania has also participated actively in recent government-led consultations on a national strategy. Several other countries, building on earlier initiatives, are moving towards greater private sector involvement in policy discussions though progress, in many cases, remains relatively modest. Overall, the emerging experience with private sector involvement in the CDF context shows that the Bank Group has an important role to play in bringing international experience to bear on alternative modes for more effective private sector engagement.

Box 8: Effective Partner Coordination

Effective partner coordination requires suitable in-country arrangements to ensure good exchange of information and building of rapport, together with clear government leadership and direction.

Bolivia	Government leads and chaired last CG, but coordination capacity limited. They hold bi-monthly meetings with partners. Subgroups, chaired by Government and partner co-leaders, meet regularly.
Côte d'Ivoire	Partner coordination led by World Bank/UNDP/France. Government chairs working group with partners twice yearly. Other meetings irregular. Coordination in education sector good, but spasmodic elsewhere.
Dominican Republic	Quarterly partner meetings, chaired by Government. But coordination is otherwise fragmented and Government coordination capacity needs to be strengthened.
Eritrea	Government leads and actively manages all partners, including choosing whom to engage with. No regular coordination meetings in past; Government hosted meetings when it judged them desirable. Now committed to more regular cycle.
Ethiopia	World Bank coordinates partners locally. No regular high-level meetings with Government, outside CG. Four active sectoral partner-government groups.
Ghana	CG now held in-country and now chaired by Government. They have also established quarterly meetings of a mini-CG, and regular sectoral groups. Partners have divided up lead support roles for each of these groups.
Kyrgyz Republic	Bank chairs CG, and UNDP chairs information meetings among locally-based partners. Government holds bilateral meetings, but its capacity is very limited
Morocco	Government holds ad hoc, informal bilateral meetings. No other coordination mechanism.
Romania	Last CG held in Brussels in 1997 - World Bank/EU chair. Regular meetings among partners for some sectors, some of which the Government chairs, but capacity limited.
Uganda	CG held in-country, organized by Government, but World Bank chairs. There are monthly meetings between Government and partners, with Bank chairing.
Vietnam	In principle Government leads. CG meets in-country twice a year, with Bank chairing. UNDP hosts monthly partner lunch, sometimes with Government. 20 Government-donor partnership groups now seeking to place donor programs within policy and institutional frameworks and will lay out strategies to next CG meeting.
West Bank & Gaza	In principle Government leads, but Bank chairs CG, Norway chairs Ad-Hoc Liaison Committee, and both held outside region. Regular monthly meetings of Government and partners, plus sector working groups, some of which Government leads.

Stronger Partnership Among Stakeholders

Relations between development assistance agencies and their partner countries are becoming more structured. Experience has shown that almost all assistance agencies are now starting to put greater emphasis on aligning their strategies with those of partner governments and of other donors, and on forging closer partnerships with one another in their partner countries to achieve this. Many agencies are finding that greater decentralization of authority to the field facilitates such partnerships. With

the same goal of better strategic alignment, the agencies are also taking a more participatory approach to designing their assistance strategies, and having more purposeful consultations with governments. In addition, while much progress has been made in modifying the CG process, only three governments have chaired the CG, or equivalent donors' meetings to date (Box 8). In some pilots, the government would still rather go hand-in-hand to a CG with the Bank. In some other cases, the Bank finds it is premature to let go.

But the experience from the pilots shows that there are many challenges still ahead. At the highest level, development partners are now committed to partnership, and their in-country representatives are generally prepared to work closely to this end with the Bank and others. However, there is sometimes a disconnect between the policy principle and working practice, so that in-country staff do not always receive strong signals of support for partnership from their headquarters. Addressing this issue calls for action at the institutional level.

Selectivity

Selectivity of intervention—working together, looking to use the comparative advantage of each partner, and translating that into the choice of what programs to support—is one of the central tenets of CDF. Some progress is beginning to show in selectivity of intervention among donors (Box 9). But the frequency of sectors with seven or more active development partners vividly shows how far there is to go. Annex 3 shows the numbers of donors—not taking into account the various UN agencies

Box 9: Alignment with the Country Strategy—and Selectivity of— Partners' Assistance

Bolivia	Increasing partner alignment focused on National Action Plan 1997-2002 and matrix. Some selectivity among partners in evidence, but room for further development.
Côte d'Ivoire	Real partner alignment yet to emerge. Some selectivity emerged naturally among limited partner group that was active from early 1980s through the mid-1990s.
Dominican Republic	Fragmentation of agencies dealing with partners and lack of clear coordination are obstacles to alignment. However, CDF provides opportunity for dialogue. Selectivity beginning to emerge in some sectors as a result.
Eritrea	Closer alignment, based on Government leadership and partner support for overall strategy, emerging following development partners' meeting. Some sectoral selectivity among partners driven by Government.
Ethiopia	Relatively good alignment, being strengthened through sector programs, although bilaterals' strategies are more variable than multilaterals. Little strategic selectivity, but partners are few.
Ghana	Fairly close and growing alignment, given partner support for overall strategy, and effective local coordination. Best in sectors with strong local leadership. Selectivity and reduced duplication emerging from sector programs, within context of CDF.
Kyrgyz Republic	Partners broadly agree with National Plan currently before Parliament. Natural selectivity—based on respective priorities—has emerged among partners.
Morocco	Government holds ad hoc, informal bilateral meetings. No other coordination mechanism.
Romania	Degree of alignment unclear. Some, natural selectivity among partners beginning to emerge, particularly in context of EU accession priorities.
Uganda	Alignment with partner-supported PEAP improving, but some way to go. Selectivity explicitly addressed in context of CG with some success, but now need to develop it.
Vietnam	Bank CAS and UNDAF built around Government's plans. Many bilaterals increasingly aligning assistance at sector level. Partners committed to improve selectivity. Pilot schemes underway in several sectors, but more work needed.
West Bank & Gaza	Degree of alignment unclear, since no clearly articulated national strategy. Selectivity among partners, by sector, is beginning to emerge.

and civil society organizations—that were active in 1996-98 in different sectors in the CDF pilot countries. Though no one disputes the potential value of selectivity, individual donor countries' concerns about visibility, and about their freedom to frame their development cooperation policies in the context of their overall foreign and trade policies, often pre-empt better partnership with other donors and government leadership of the agenda in their client countries. In one country piloting the CDF, a sector-wide approach is frustrated by donors' insistence on supporting only particular activities. Some donors earmark funds, as mandated by the legislative bodies in their capitals. And the public relations aspect of, say, moving out of girls' education into building power plants, even where that is apparently the correct choice, can be a

serious consideration. For their part, certain client countries are used to working with certain partners on certain issues and may want to continue to do so, even if other donors can provide more effective support.

Establishing the comparative advantage of individual partners, including the World Bank, can be difficult technically as well as politically,¹⁷ and this issue has yet to be addressed on a broad front. Innovative approaches are needed. As an example, in recent discussions between the Government of Tanzania and donors, it was suggested that an independent group should be established to judge donor performance. Such approaches might become a part of determining the comparative advantage of different partners.

Box 10: Harmonization among Development Partners

Harmonization of procedures and practices is likely to make the development process more effective.

Bolivia	Some joint appraisal, negotiation, monitoring and evaluation. Government would like to extend this to other practices and procedures.
Côte d'Ivoire	Some harmonization of appraisal, monitoring and evaluation. None on procurement yet, although work underway with AfDB on a regional approach to procurement.
Dominican Republic	No harmonization.
Eritrea	Some <i>ad hoc</i> coordination.
Ethiopia	Some harmonization of appraisal, monitoring, and evaluation policies being developed through sector programs, but none on procurement or financial management.
Ghana	Now an active topic. Progress varies by sector, but includes analysis, appraisal, procurement and monitoring, particularly where sector programs in place.
Kyrgyz Republic	Coordination on analytical work considerably improved, with case by case collaboration on activities but to date procedures and practices not harmonized.
Morocco	Virtually no harmonization, although some cooperation on procurement legislation has been evolving.
Romania	Some limited harmonization of appraisal, monitoring and evaluation approaches.
Uganda	Sector programs facilitating some harmonization of appraisal, monitoring, and evaluation. Use of basket funding may enable progress on procurement.
Vietnam	No harmonization in past, but issue given prominence at CG meetings. Three largest donors (World Bank, AsDB, and Japanese Government) have just completed joint portfolio review, and working actively with government on harmonization.
West Bank & Gaza	Virtually no harmonization.

Donor comparative advantage becomes less important to the extent that donors can be convinced to move from micro to macro delivery methods, from projects to budget support (via sector programs); selectivity is then internalized in the client country's own processes of choice.

Harmonization

Harmonizing donor policies, practices, and procedures is another important area where the gap between intentions and the reality is still wide (Box 10). Several events and institutions over the last year have called for harmonization.¹⁸ At the Stockholm workshop in August 1999¹⁹, Tanzanian President Mkapa eloquently described the burden created by the lack of partner harmonization, explaining that the multitude of missions, guidelines, and reports Tanzania has to deal with makes it almost impossible for it to claim ownership of its own development process.

Harmonization has to address policies and rules (procurement, evaluation, environmental assessments, anti-corruption policies, etc.) and also practices on the ground, such as joint program preparation and appraisal, use of common reports, and joint or synchronized missions. Harmonization at the institutional level, with donors harmonizing with one another, and harmonization at the country level, with donors harmonizing with local procedures, both need to be pursued, and it will require considerable attention to prevent the two from moving in different directions.²⁰

The multilateral development banks are now discussing more intensively the scope for harmonization in areas such as procurement (where some concrete progress has already been made in developing master bidding documents for goods), as well as environment assessments, social safeguards, financial management and evaluation where tangible progress is yet to occur and much sustained effort is required. Bilateral donors, e.g., through OECD/DAC, have increasingly expressed willingness to engage in serious attempts at harmonization.²¹ Ongoing discussions on linking multilateral and bilateral efforts aim to scale up these efforts.

An important issue in the harmonization discussion is the untying of aid or use of common funding pools—an arrangement where several donors contribute to a single fund, through which one set of project procedures are

followed. Recent developments in the DAC indicate that, in the short run, the international community will have to find ways to harmonize under the constraints of tied aid to most countries.²² The Bank should work closely with the DAC and with other multilaterals to move this agenda forward in the coming months, possibly under DAC leadership.

Focus on Accountability for Development Results

At this stage of the pilots it is too soon to expect a detectable change in development results that could be linked to CDF-related activities—even if there were adequate baselines and systems for monitoring progress, which is rarely the case.²³ This report thus concentrates on assessing the state of the mechanisms that are needed to provide transparent public information on development progress and results. Such information enables:

Government, as overall manager, to:

- understand how the implementation of the CDF principles is unfolding;
 - identify the priority needs for action and adjustments; and
 - explain its own policies and actions.
- *All those participating in the process* of implementation, but especially civil society and the private sector, to understand how they can contribute, and how their contributions are being used and drawn on.
- *Those outside the process* to have a picture of it, over time, as objective evidence on impact accumulates.

Defining and collecting information

A key initial step is to identify the *types of information needed* to manage the country's strategies and report on progress in implementing them. Best practice suggests these information needs should be defined during strategy development, in terms of results and indicators. Typically, the development results sought will be linked to the internationally agreed development goals. Indicators, in the form of objective and verifiable measures, are needed to assess how far those results are being achieved, and hence judge the progress made towards the goals set out in the vision and national strategy.

Government must ensure that the information needs defined are *consistent with the capacity in place*—inside or

Box 11: Government Mechanisms to Track Development Results

Tracking development results requires clear measures or indicators of success, and mechanisms to track changes in these indicators

Bolivia	Government and partners have agreed on intermediate indicators, and on further benchmarks and targets, incorporated with objectives for Bolivia's budget cycle. These are presented at annual CG.
Côte d'Ivoire	Yet to be discussed, beyond existing strategy framework.
Dominican Republic	Principles of tracking agreed, means of implementation yet to be determined.
Eritrea	CDF matrix will be used for tracking.
Ethiopia	Yet to be addressed.
Ghana	Sector groups have identified relevant indicators, available for both CG and CDF purposes, and being further developed in context of Poverty Reduction Strategy.
Kyrgyz Republic	Too early in the process. Some results being identified in context of matrix.
Morocco	Too early in the process.
Romania	Process at early stage, but some elements being identified through matrix, and support from UNDP.
Uganda	Not a priority at present, but will emerge with time.
Vietnam	No harmonization in past, but issue given prominence at CG meetings. Three largest donors (World Bank, AsDB, and Japanese Government) have just completed joint portfolio review, and working actively with government on harmonization.
West Bank & Gaza	Too early in the process.

outside government—to record information on a regular basis. Experience shows that it is better to choose a few good, intermediate indicators that can be assessed on a regular and continuing basis, than to have a larger number of precise measures that can only be assessed on an irregular basis.

Much work is still to be done on monitoring and evaluation mechanisms; few CDF pilot countries have reasonably complete systems (Box 11). Some have good record keeping systems, at least in some sectors, and several are beginning to relate those records back to their management systems. This is most obvious in the case of Bolivia, whose results-based budget links the initial objectives and resource allocations with actual outlays and results achieved, in an iterative cycle. However, putting such a

system in place takes time—in this case, it took a year for all donors and government agencies to agree on the indicators to be used. Even then these indicators are subject to revisions. But for many countries an initial element in CDF implementation will need to be the development or strengthening of arrangements for monitoring progress. The sooner such arrangements are in place, the sooner a baseline of information can be established against which countries' subsequent progress can be assessed.

All actors, and particularly external development partners, will need to be transparent about their contributions to the results sought. Most development partners are in principle committed to this approach, in line with the PARIS 21 Initiative on Partnerships in Statistics for

Development in the 21st Century. As with several other aspects of the CDF, the key is to translate the commitment into reality. The current state of such information is far from perfect (Box 12).

Dissemination

The reason for collecting information on progress is to support a transparent focus on results. Dissemination of accurate and timely information will be crucial, both to

Box 12: Development Information on Partner Contributions to Results

Government and their partners need to understand what their collective contributions are, and how these help achieve the results in the overall vision. The CDF matrix is one tool to help achieve this.

Bolivia	No formal information system in place, although partner coordination intended to help fill gap. Efforts underway to develop baseline information for health sector. The Government has its own CDF-style matrix, including indicators, in place.
Côte d'Ivoire	System in use needs improvement, an effort the Bank is supporting. CDF matrix, developed in 1999, is seen as a long-term commitment and contract between Government and its partners—with progress to be assessed in three years.
Dominican Republic	Inadequate information on partner activity. Early indications that new Government intends to make use of indicative matrix prepared by Bank (in context of CAS).
Eritrea	No system in place, but Government exerts strong control on who does what. Government and partners have agreed to use CDF matrix for feedback.
Ethiopia	No systematic means for sharing information on partner activities and results. Education sector system was constructed, but is not in use.
Ghana	Available system inadequate, but construction of lending database under discussion within context of CDF. Matrix may emerge from process, but sector annexes are primary source of information for all partners.
Kyrgyz Republic	As part of CDF process, partners working with Government to develop a system. Partial draft CDF matrix available on national website.
Morocco	Government System in place. CDF sectoral working groups may lead to matrix.
Romania	Debt management system being installed should assist Government. Joint indicators will be developed for joint evaluations—using the matrix as a broad framework
Uganda	Government does not have a system, although UNDP constructed a tracking system. Matrix has proven of limited use. Government intends to use Medium-term Economic Framework and Public Expenditure Review to assign accountabilities.
Vietnam	The government has systems at sector level (e.g. Agriculture and Rural Development). UNDP is transferring its Development Cooperation Database to government. A joint donor-government web site is to be prepared over the coming months.
West Bank & Gaza	Computerized database of partner activity exists, but may not be optimally used. Matrix is in use by the Palestinian Authority, but it is unclear to what extent partners will make the necessary commitment.

ensure government has what it needs to manage the CDF approach properly, and to enable other parts of society to play their roles.

Overall effective dissemination will require a strategic approach. Pilot experience has clearly shown the importance of tailoring the dissemination of information to the different interests, approaches, languages, backgrounds, and educational attainment of the various participants. Experience has also emphasized how challenging that task is, particularly given capacity constraints. In Ghana, for example, their vision was first established and publicized in 1995. Despite subsequent publicity including frequent reference to the vision in government statements, awareness of the vision, and more particularly of its content, remains very uneven, particularly outside the middle-class in Accra. While the government recognizes the need to improve awareness country-wide, this is placing a major burden on the planning Ministry and on the often weak regional administrations, which has to compete with more immediately pressing priorities. Similarly, in Bolivia, the Government's own CDF-inspired "Marco de Relacionamiento" is hardly known beyond the level of senior officials.

CDF matrix

The CDF proposal put forward the use of a matrix that would show the activities of all partners across all sectors and be kept up to date. The goal of the matrix is to give all players a framework of information that can ensure openness and a basis for coordination of effort and for judgment of the effectiveness of programs and strategies.

The pilots have yielded less experience than was hoped about how the CDF matrix can be used. Some countries have felt that developing a matrix should be an output of the CDF process. Others have relied on other ways to achieve greater sharing of information, ways with which they were already familiar. These are judgments for individual governments to make. However, those countries that have established matrices, whether at national or sector level, have generally felt the benefit from doing so, and plan to build on the experience.

The CDF matrix has sometimes been seen as a static product reflecting an idealized position. This was not the intent—the matrix is meant to be an evolving management tool that can help channel information from and to

all involved, and enable more informed decision making. As policies and activities change, so should the information in the matrix. Repeated iteration of this kind was intended to be fundamental. It was also recognized that in many cases, information would be only partially complete, but that even partial information could help move the process forward. But, in some cases, partners have been hesitant about quantitative information, which would allow comparisons of support, being included in CDF-type matrices.

A key reason for using the matrix is to make information publicly available as widely as possible and in an easily accessible form, so that development stakeholders can draw information from it and contribute information to it. Some of the pilot countries have developed national CDF websites displaying the matrix to help achieve this end. So far there are six live sites: in Bolivia, Côte d'Ivoire, Ghana, Kyrgyz Republic, Romania, and Vietnam²⁴.

Overall Assessment

The CDF approach represents a major shift in collective thinking in the international development community about the nature of development, the relationship between government and domestic stakeholders, and collaboration among external partners to support government leadership in reducing poverty.

As emphasized above, it is too early to reach definitive conclusions from the pilots about the results of the CDF. Equally, it is not possible to quantify value added at this point in the sense of measuring changes that are specifically attributable to the CDF. The CDF is not an add-on, but rather an organizing framework that allows for an integrated approach to poverty reduction efforts. Overall, progress has been uneven because of: different starting dates and conditions for the pilots; unforeseen events such as civil conflict, changes in government; differences in the availability and use of domestic capacity. Consensus building takes time both between Government and other stakeholders and, in some instances, within Government.

The key to improved development results, as noted above in this report, lies in the processes now being put in place. Accordingly, any early assessment of progress must be concerned with these processes, which have been the major focus of the pilots. Given the very different points

of departure, history, and institutions in the pilots, inter-country comparisons are not appropriate, but there is evidence of progress which points to worthwhile practices. The country assessments show the following:

- More than half of the CDF pilot countries are taking action or have largely developed a majority of the CDF elements. Two of them have largely developed a majority of those elements. All CDF pilots are making some progress.
- Bolivia and Ghana have made the largest overall progress in implementing the CDF. This seems to be the case across all key objectives of the CDF.
- Progress remains modest in Ethiopia, Morocco, and West Bank and Gaza, with little change from the situation in March 1999. There are obvious reasons for this, as discussed earlier. Absolute progress in Kyrgyz Republic has also been modest, but recognizing the low base from which they started, there is progress to record.
- Bolivia, the Dominican Republic, Eritrea, and Ghana stand out in giving meaning to the concept of country ownership. Their development strategies are largely homegrown, and have been the subject of broad-based consultations with stakeholders. These countries could be said to be in the driver's seat. Vietnam has a long tradition of Government ownership, but they are still trying out step by step their level of comfort in relating to civil society and the private sector.
- Bolivia, Ghana, and to a lesser extent Eritrea, Uganda, and Vietnam have made meaningful progress in putting mechanisms in place to enhance partnership. Bolivia and Ghana have appropriate aid coordination systems, resulting in close alignment of assistance strategies to these countries' own strategies. The other three appear to be making good progress towards this objective.
- Bolivia, and to a lesser extent the Dominican Republic and Ghana, have made relative progress in putting in place mechanisms to make development information available and to adequately track development results.
- Looking at countries' progress in relation to their starting points—rather than absolute progress—Bolivia, Ghana and Romania have gone furthest in the last 18 months. Romania has made significant progress on all aspects of both the creation of a long-term vision and enhancing country ownership; while Bolivia and Ghana have made considerable progress in both of these areas and on partnership. The Dominican Republic, the Kyrgyz Republic, Uganda, and Vietnam have all also been making significant, relative progress, albeit from very different starting points.

- Overall, the greatest area of progress is in working towards a long-term vision and strategy, where nine of the twelve pilots are more than halfway there. Least progress has been made in putting in place open and transparent development management information systems; only two of the twelve countries are considered to be at or beyond the halfway point.

Implications for Wider Application

The CDF has implications for how the Bank works and for the larger development community. Ultimately, all actors in the development community must consider the implications from their own perspective, with the goal of facilitating more effective collaboration in support of country leadership. This chapter considers the implications of the CDF, in particular, for the Bank under three broad headings:

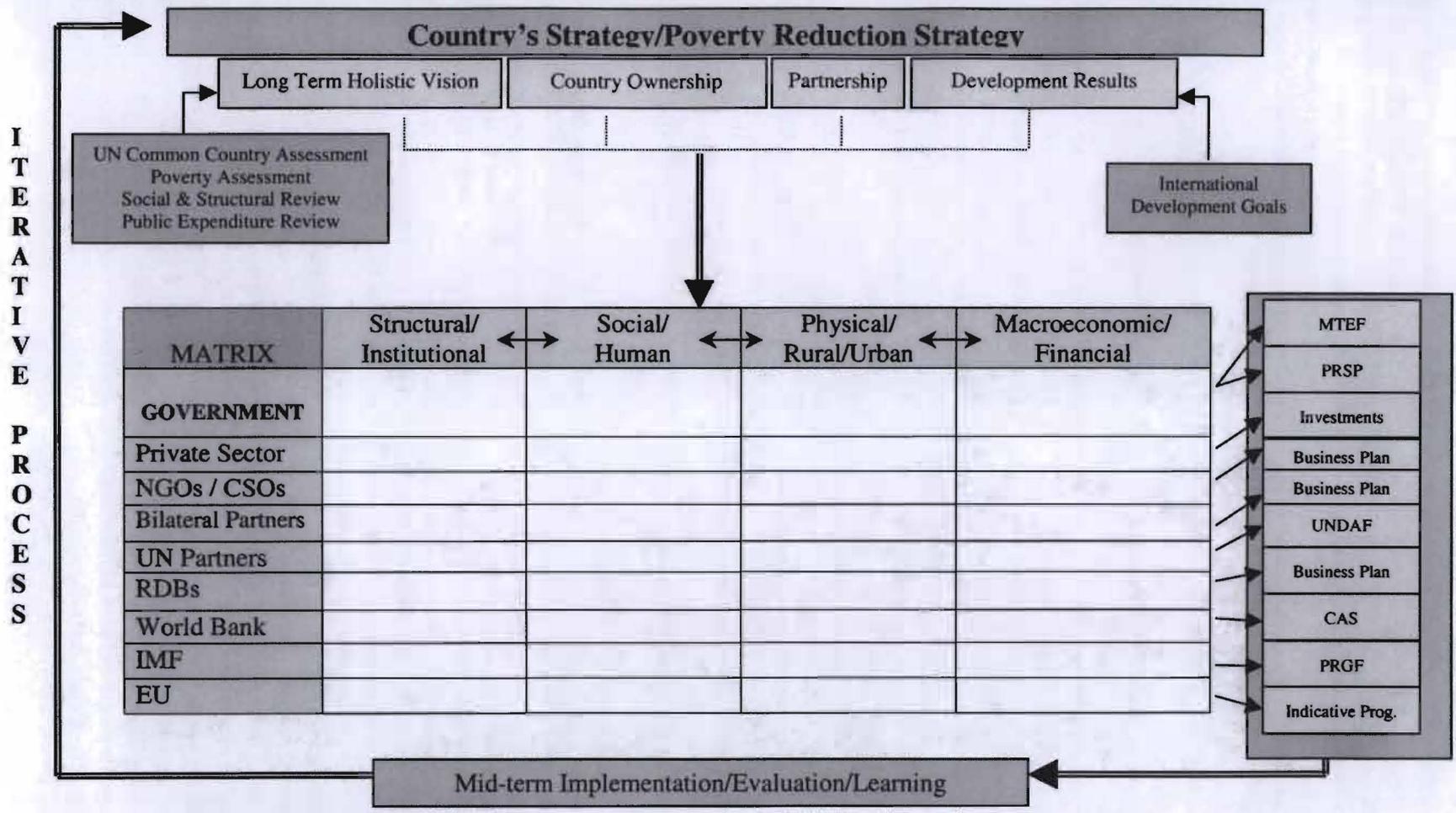
- Links with PRSP and Bank instruments and processes;
- Applying the CDF approach at the city level;
- Changing the way the Bank works.

Links with PRSP and with Bank Instruments and Processes

Experience shows that within the Bank, broader CDF implementation calls for more systematic alignment of Bank instruments and processes, including contributions to the PRSP process, country assistance strategies, and economic and sector work.²⁵ UNDAF, PRGF, and the Bank's CAS are some of the key business plans or programs for supporting the country's strategy. These links are illustrated in the Chart overleaf.

This chart representing the scope of the CDF has been the product of extensive discussion both internally and outside the Bank and has benefited from a well informed debate about the relationship of various key development instruments. While it does not encompass all relevant instruments, it provides a useful abstract about the operational implications of the CDF. In short, the chart describes a typical country situation, where the country's strategy (in middle income countries), and the country's poverty reduction strategy (in low income countries), are based on the CDF principles. The formulation of these strategies is supported by analytical work by partners, and

Comprehensive Development Framework



- CAS: World Bank's Country Assistance Strategy
- MTEF: Medium-Term Expenditure Framework, prepared by government
- PRGF: International Monetary Fund's Poverty Reduction and Growth Facility
- RDB: Regional Development Bank(s)
- UNDAF: United Nations system's Development Assistance Framework
- PRSP: Poverty Reduction Strategy Paper, prepared by government (required for IDA, HIPC, PRGF countries only)

is guided by international development goals based on UN conferences –of which poverty reduction is the primary goal. The chart shows the matrix of activity embedded in the country's strategy. It explicitly recognizes the issue of strategic balance defined in a holistic manner, and the contributions of various illustrative players, both domestic and external.

In a real country situation, this matrix shows where the priorities are concentrated and the areas where there are duplications or gaps. The chart also underscores a major aspect of the CDF, that is, that business plans emerge from the country's strategy, and are not developed independently outside the CDF processes. For example, in this situation, the government prepares a PRSP which directly translates the country's long-term strategy into a time-bounded action plan. Similarly, the Bank develops its country assistance strategy drawing from the country's strategy, ensuring strategic alignment with country owned priorities, taking into account the comparative advantages of all internal and external actors. Finally, the matrix is simply an information management tool which is expected to change over time as the CDF process matures and the various country development programs are aligned. There are several examples already about how this process works in practice, such as in Ghana, where the CDF process has helped the Government to formulate its strategy and programs with the UN's CCA as an input.

Poverty reduction strategy paper (PRSP)

The PRSP is an operational vehicle which can be a specific output of the CDF or of processes based on CDF principles²⁶ in low-income countries. Its intent is to integrate countries' strategies for poverty reduction into coherent, growth-oriented macroeconomic frameworks and to translate these strategies into time-bound action plans, to be revised over time. In the PRSP process, it is the government, not the Bank and the IMF, that takes the lead in preparing the country poverty reduction strategy, drawing on broad-based participation of civil society and other stakeholders to formulate the strategy and monitor its implementation. The PRSP then provides the guiding framework for aligning external development assistance. It is expected that all active IDA borrowers will prepare PRSPs during the next two years.

Experience in the IDA countries among the CDF pilots shows that countries implementing the CDF as their development framework have been at the forefront of those preparing PRSPs. Notably, Bolivia, Ghana, Uganda, and Vietnam are basing their PRSP processes on national visioning exercises, in which representative groups of society are participating and to which they are contributing effectively. They are drawing up implementation action plans and forming representative sector groups that will be charged with defining sector strategies and desired development outcomes. In some of the non-pilot low-income countries that have adopted CDF principles, such as Tanzania and Zambia, work already done in the context of the CDF has also facilitated more rapid progress in adopting the PRSP process.

Notwithstanding progress, the Bank will need to ensure that it provides active support to countries to fully incorporate the CDF principles in the PRSP process, in the same way that the principles should shape its own financial support. Before the introduction of the PRSP, the Bank and Fund had often not explicitly recognized the paramount importance of country ownership in a way that is operationally relevant. The challenge for their own programs and policy advice is to reflect this broader, more balanced approach with more time and policy space granted to client countries, where warranted. To quote the July 21, 2000 Okinawa G-7 Statement, 'The Comprehensive Development Framework (CDF) and the Poverty Reduction Strategy papers (PRSPs) should become the basis for programmes that have strong ownership by the recipient countries.'²⁷

Country assistance strategies (CAS)

The CDF processes are changing the nature of the Bank's CAS. In countries where there is a homegrown CDF process, the CAS becomes the Bank Group's own business strategy in support of the country's development strategy. The country strategy in essence becomes the basis of the CAS, containing the diagnosis of the issues as well as the government's program²⁸. The government of Ghana, for example, in March, 2000, presented its strategy and the underlying analysis directly to the Bank's Board, drawing upon the country's CDF approach. Bank staff followed with a CAS assessing the Government's strategy and presenting the Bank's business plan to support its implementation.

As envisaged in the *CAS Retrospective*,²⁹ the CAS can be used in non-pilot countries to introduce or deepen the CDF approach, as has been done successfully in countries such as Zambia.

Going forward, the Bank will be designing its assistance strategies proactively defining its comparative advantage. Information sharing, working closely with key partners, and pooling diagnostic, analytical, evaluation, and financial resources, both in the country and in capitals, will now be essential.

As the Bank's support for CDF implementation becomes more integrated with the support of other partners, this support will increasingly be closely linked to the country's budget formulation and be reflected in the country's medium-term expenditure framework, as has been the case of Bolivia, Ghana and Uganda, relatively advanced CDF pilots.

Economic and sector work (ESW)

The CDF also has implications for the Bank's economic and sector work, which identifies the constraints to development and poverty reduction, and identifies priorities for action. Experience from CDF pilots shows that ESW needs to be approached with the more explicit three-pronged purpose of:

- enhancing partnership by facilitating dialogue on analytical standards and policy options;
- enabling the pursuit of broad-based consensus on policy directions; and
- becoming an important vehicle for knowledge transfer.

ESW approached in this manner can provide the analytical tools to support country leadership as envisaged in the CDF and PRSP. This approach also provides a basis for the Bank's professional—due-diligence—judgement on the adequacy of country policies and processes for Bank programs. In terms of partnerships, all ESW, from whatever source, should feed into the country's formulation of its vision and a shared diagnosis of the constraints to development and poverty reduction. What is needed is an explicit assessment of the comparative advantage of each partner, plus harmonization of the modalities of working together.

In some of the pilot countries it is becoming more common for partners (such as UNDP, EU, IMF and other assistance agencies together with the government), to work together to identify knowledge gaps to be filled and to jointly undertake the necessary work. In Vietnam, for example, a poverty analysis document has been prepared jointly by a working group with representatives from the government, international NGOs, and donor agencies, and a public expenditure review has been undertaken jointly with the government by the Bank and donor agencies. Doing upstream ESW jointly with the government and other partners is likely to help broaden the ownership of the analysis and the policy options identified.

Country policy and institutional assessments (CPIAs)

In designing its assistance strategies, Bank management sets out its own view of country performance, commitment, and progress, to provide a bridge between the country's vision and long-term strategy and the Bank's own business plan for the country. The CPIA, which supports this process, is currently a Bank-centered staff assessment and rating tool of the country's policy and institutional performance in areas relevant to economic growth and poverty reduction. The CPIA also informs the allocation of IDA resources. The SSR (Social and Structural Review) offers a comprehensive review and analysis of social and structural policies and has been piloted since the 1997 East Asia crisis. Core issues covered by pilot SSRs to date are: the public sector and governance, the private sector business environment, the financial sector and capital markets, and the social protection system, "...all within a medium-term macro-economic, growth, and poverty reduction framework"³⁰

Given the paramount importance of country ownership and partnership in the CDF/PRSP processes, the SSR and the CPIA will need to be transformed into a transparent assessment of country performance including the relevant stakeholders. The Bank's own professional judgement should be informed by the process and should be linked to its business plan for supporting a country's strategy. The transparent development and use of the CPIA and its wider sharing with partners, including in policy dialogue, was recommended by IDA Deputies at the June 2000 Lisbon meeting³¹.

Lending instruments

In principle, the CDF facilitates and provides a promising environment for much more programmatic support from assistance agencies. In cases where there is government administrative and leadership capacity, confidence in the quality of governance, and willingness on the part of other external partners, the Bank should consider aligning its support more closely to the country's own budget process. This would ensure greater predictability of future resources flows for the country, and would reinforce the potential of the sector-wide approach.

The pilot experience in CDF countries suggests the usefulness of increased use of programmatic lending instruments such as: adaptable program loans (APLs), sector investment and maintenance loans (SIMs), and programmatic structural adjustment loans and credits (PSALs/PSACs). These instruments can facilitate a long-term development perspective, catalyze coordinated donor support of country-owned sector and national strategies, and leverage development impact beyond the scope of individual projects. It is revealing to see that CDF pilot countries are making extensive use of these programmatic lending instruments (Annex 5).³² Going forward, the mix of instruments will reflect individual country circumstances and continue to be determined by a country-by-country basis through the CAS.

In addition to attention to lending instruments, the specific situation in the CDF pilot countries shows that there is great scope for better alignment of ESW and the CAS to the requirements of the CDF and PRSP. In most of these countries, the opportunities to do so exist (see Annex 5).

Multi-year administrative budgets and safeguard policies

A multi-year administrative budget for country department can provide more flexibility to better align the possible need for relatively higher expenditures up-front, with lower expenditures down-stream in the CDF implementation support process. This has been the experience of some CDF pilot country teams and its wider application will be considered.

Regarding safeguard policies, these have been designed largely with projects in mind and existing Procurement

and Consultants Guidelines apply to adjustment loans only when they have been made specifically applicable as a part of the loan. Experience shows that the increasing use of sector-wide approaches (e.g. APLs) in CDF pilot countries, support the ability of these countries to rationalize their work at the sector level. Accordingly, it is appropriate to explore the application of safeguard policies in a sector-wide approach. Staff guidance will be needed.

Applying the CDF Approach at the City Level

The City Development Strategy (CDS) is an application of the CDF at the level of cities, and is being implemented in several countries that are not formally piloting the CDF at the national level. The CDS approaches the development of a city from a holistic perspective, giving appropriate weight to economic, financial, institutional, social, human, and physical factors. It sees participation, inclusion, ownership, and transparency as vital to ensure the long-term sustainability of city programs. In addition, the CDS calls for a clear focus on development results—particularly poverty reduction—and strong partnership with external partners to ensure coherence of approach and integrated support.

The CDS introduces the principle of comprehensiveness at the local level, in large part, because of world wide shifts in the structure and roles of government. More than 70 countries are decentralizing, and the locus of spending, of public sector reform and action on the development agenda are shifting to sub-national levels. The CDS³³ is part of the Bank's response to these world wide changes. CDS complements the current CDF framework by addressing "vertical" issues in governance, that is the subnational units of government, and eventually linking these back to national policy.

The CDS is being implemented in 27 cities, including three cities in formal CDF pilot countries—Vietnam and Uganda (see Box 13). The largest concentration of effort is in Asia, accounting for 21 CDS programs.³⁴ This program shows how CDF principles can begin to be introduced at the sub-national level in countries where a national approach to the CDF is not yet possible.

**Box 13: The City Development Strategy
in Ho Chi Minh City**

The CDS in Ho Chi Minh City illustrates how external partners can come together to support an integrated, more open, city development program. Under CDS, the city has developed a long-term vision and shorter-term strategies. It has begun holding consultations with stakeholders, including NGOs and the private sector, although it is confronting the complexity of city size and trying to minimize the risk of fragmentation of the process. The government has expressed strong ownership, as Vietnam's national government has done in the case of the CDF. But, it is still very early in the process and a more traditional concern with identification of priority projects and programs has received extensive attention. The Ho Chi Minh City Official Development Assistance Partnership, which bring all key donors together with the government, is seeking to mobilize coordinated support from donors according to their comparative advantage, to assist in overall strategy formulation and implementation. This partnership is a key element of the implementation of the CDS.

Changing the Way the Bank Works

Staff involved in implementation of the CDF in pilot countries have internalized and incorporated the CDF principles into their ways of thinking and relating to clients, partners, and each other. In its collaboration with the governments in these countries, the Bank has increasingly acted as convener, capacity builder, coach, and change facilitator. Experience shows that when carried out well, these roles have helped to strengthen relationships with other stakeholders in the development process.

But, creating an enabling environment for the CDF among Bank staff beyond the pilots, requires further changes in leadership behavior at all levels, in the organizational environment, and in the approach to learning and training. These changes should be pursued in a

phased and tailored manner, concentrating on those cases where both the country and the Bank are ready to adopt this way of working, building on the accumulated experience.

Leadership behavior at all levels of staff

Examples of new leadership behavior include greater efforts to build trust and mutual respect, empower individual staff members and teams, give priority to national experience and capacity, think more holistically, work as part of networks, cede leadership to others, and shift the focus of management from inputs to development results.

In the pilots, country directors have been the main leverage points for incorporating the CDF principles. They have acted as role models for their country team members and champion the CDF approach externally in their interactions with clients and partners. In addition, all staff members have had the responsibility for acting on this basis in their day-to-day work. But they have also needed consistently strong signals from senior managers, who themselves are called to model the new way of conducting the Bank's business, including the way they address obstacles to change. Senior managers can help in encouraging the breaking of silos across sector units which is essential to carry out the holistic approach.

Supportive organizational environment—making the matrix approach excel

Changes in individual behavior are influenced by the organizational environment, as reflected in the Bank's matrix structure, work processes, and internal culture. Pilot experience suggests that even small changes to facilitate working across sectoral and regional boundaries, decentralize decision making, and modify cultural norms, can significantly support new behaviors. Further progress with decentralization and empowerment of country teams will also help to cultivate an organizational culture of partnership and ownership. The Bank's key support units, for example, those working on leadership, organizational change and learning, should work together in a synergistic way to support managers and staff to incorporate CDF principles into the way they work.

Alignment of learning/training with CDF

Box 14 summarizes ways of working that the Bank has used to facilitate the implementation of the CDF in some of the pilot countries. It takes into account three key enabling factors: individual leadership behavior; organizational environment; and the learning approach. An independent assessment concluded that in some formal and non-formal CDF pilots, a customized action-learning approach used by Bank teams and their national partners has been crucial for adopting the CDF principles. The approach catalyzed innovative institutional change, enhanced leadership competencies consistent with CDF requirements, and led to enthusiastic support for the new way of doing business³⁵.

Based on promising experience of the pilots to date, the Bank should take steps to ensure that the units mentioned above develop an integrated program of support for country departments. Given their comparative advantage, offer a package of well-concerted support geared to delivering results at the country level. Specifically, the package should seek to further develop:

- action learning, in which managers and their teams learn while addressing real work challenges in real time;
- de-emphasize traditional classroom lecturing.
- joint learning with clients and partners;
- learning of process skills that support working in a partnership mode; and
- exchange of experience among staff members—creating a community of CDF change agents who support one another in nurturing the CDF approach.

Box 14: Promising Changes in the Bank's Way of Working

Examples from Bank's way of working with pilot countries that facilitated incorporation of CDF principles (one country per region shown).

	Leadership Behavior (roles, skills, attitudes)	Organizational Environment (structure, processes, culture)	Learning Approach (learning, context, content, process)
Bolivia	<i>Empowering teams incl. ACS staff and infusing passion inspired a higher level of effort and forged more committed internal and external relationships.</i>	<i>Decentralization of decision making facilitated receptiveness to emerging opportunities.</i>	<i>Using a results- and decision-oriented learning approach promoted a results- and decision oriented work culture together with the government.</i>
Ghana	<i>Giving priority to national experience and capacity encouraged government to take stronger leadership role.</i>	<i>Building a culture of mutual respect and trust gave the government the opportunity to present their long-term country strategy directly to the Board.</i>	<i>Building upon lessons learned in Bolivia and applying an action-learning approach sped the process of joint learning.</i>
Morocco	<i>Adapting our CAS practices to the dynamics in the country and to the timing of the national process for developing country strategy improved the relationship between government and Bank.</i>	<i>Developing cross-sectoral working practices promoted movement towards a more holistic approach.</i>	<i>Facilitation of country team retreat by process expert enhanced team process skills and effectiveness.</i>
Romania	<i>Being more innovative and working within the broader context together with the government is helping to create a network for change inside the country and to open up dialogue between the government and the private sector and other members of civil society.</i>	<i>Leveraging the matrix structure facilitated inter-sectoral teams, both within the Bank and within the government.</i>	<i>Leveraging external change process expertise into a joint learning experience supported vigorous national dialogue, including with civil society.</i>
Vietnam	<i>Performing in a networking role and ceding leadership to others facilitated synergies among development partners</i>	<i>Modeling more open and transparent work culture and processes encouraged government to take a more open and inclusive approach with civil society and private sector.</i>	<i>Sharing of knowledge and joint learning supported the institutionalizing of bi-annual mini-CG-meetings, bringing together internal and external stakeholders.</i>

Notes

¹For some examples of these, see Annex 4.

²The working assumption within the Bank is that CDF implementation is budget neutral Bank-wide, although internal reallocations of resources have taken place. Experience from the Country Directors shows that so far some expect to save resources while others have needed more. Ultimately, this depends on country-specific requirements and the support they need from the Bank.

³See Section 2—*CDF Proposal*.

⁴This report has two predecessors—*Comprehensive Development Framework (CDF): Progress Report*, Sept. 14, 1999 (SecM99-642); *Comprehensive Development Framework: Mid-term Progress Report*, Sec.M2000-320, June 1, 2000). A draft of the latter was considered at an informal meeting of the Executive Board on May 19, 2000.

⁵A note on the proposed approach has been discussed with the Board's Subcommittee on Development Effectiveness. While OED and DEC will present two distinct final reports because of their different mandates and perspectives, every effort will be made to assure coherence through a common evaluation and research program along with a common advisory group—including the CDF Secretariat—and joint workshops at the beginning of the evaluation to define an appropriate methodology.

⁶The Chairman of the UN Development Group sent a memorandum to all UN resident coordinators in mid-1999, encouraging their involvement and support for CDF implementation at the country level; such signals from headquarters can greatly help to forge more strategic partnerships at the country level.

⁷*On Common Ground: Converging Views on Development and Development Cooperation at the Turn of the Century*. Development Assistance Committee, Organization for Economic Cooperation and Development, September 1999.

⁸See paragraphs 48, 49 and 71 of the draft meeting record DCD/DAC/M(2000)4/PROV.

⁹See *CDF Mid-term Progress Report* (SecM 2000-320), June 1, 2000.

¹⁰For simplicity this framework is called a vision, although there are a number of related terms, including national strategies for sustainable development as proposed by the 1992 Rio Conference on Environment and Development, and the UNDP-sponsored National Long-Term Perspective Studies.

¹¹See for example, Paul Collier, "The Failure of Conditionality" in Gwin and Nelson, eds., *Perspectives on Aid and Development* (Washington, D.C., Johns Hopkins University Press, for the Overseas Development Council, 1997), pp. 51-78. Also World Bank, *Partnership for Development: Proposed Actions for the World Bank* (Washington, D.C., May, 1998); esp. pp.8-11.

¹²Paul Collier, *ibid*; pp.51-78.

¹³*World Bank Structural Adjustment and Sector Adjustment Operations: The Second OED Review*. World Bank Operations Evaluation Department, Report No. 10870, June 30, 1992.

¹⁴See World Bank, *The World Bank and Participation*, (OED, Sept. 1994); also OECD/DAC, *Final Report of the Ad Hoc Working Group on Participatory Development and Good Governance* (Paris, 1997).

¹⁵Consultations do not imply consensus. Earlier discussions with outside sources on the Bank's partnership strategy offered a pointed reminder about this: "In practice, it was extremely unlikely that an uncontested national consensus could be developed in any country on key issues of public policy; and even where it could, it was unlikely that such a consensus would favor the kind of substantial structural change that was implicit in most Bank-supported reform programs. Indeed, radical change often required brave and unpopular decisions by the political leadership." See *Partnership for Development: From Vision to Action* (Report of European Roundtable Meeting held at the Overseas Development Institute, London, on 2 July, 1998). World Bank, 1998.

¹⁶For more on this, and other non-pilot country experience with adopting the CDF approach, see Annex 4.

¹⁷For the Bank, increased selectivity can have considerable internal consequences. It may mean pulling out of sectors in certain countries, where Bank staff feel they have at least an absolute advantage in technical competence. It may call for a different skills mix, in technical terms and in terms of being able to work in partnership. Of course, pulling out of a sector in one country may be offset by moving into the same sector, with similar skills needs, in another country, but it is also possible that a more institutional comparative advantage may emerge, with consequences for staff careers and the Bank's overall skills mix.

¹⁸These include DAC's Development Partners' Forum and Senior and High Level Meetings in December 1999 and May 2000; the Utstein Group of Development Ministers; a workshop in Stockholm, co-hosted by the Nordic Countries and the World Bank, that involved bilateral and multilateral donors and developing countries; and the aid coordination studies produced by the Bank's OED and by UNDP.

¹⁹CDF Stockholm Workshop Report (SecM99-685), October 15, 1999.

²⁰To use procurement as an example: today borrower countries have to deal with widely varying, donor-imposed procurement rules, with enormous transaction costs for the country. Institutional level harmonization among partners could reduce these costs, but this is not an easy task since often these rules are themselves imposed on the partner agency by their own legislation. The solution lies in a two-fold approach: partners should seek to harmonize their rules and procedures, starting by a more flexible interpretation of existing requirements. Second, the partners should support the development

of country capacity, such as in procurement, tailored to meet acceptable standards for all.

²¹ The UK Department for International Development (DFID), for example, recently made known its intention to move towards common procedures on disbursement, accounting and audits. DFID also plans to collaborate with other donors in moving away from project to sector assistance and in making longer-term commitments.

²² However, the Okinawa G8 Communiqué of July 23, 2000 noted: *To achieve increased effectiveness of ODA, we resolve to untie our aid to the Least Developed Countries, on the basis of progress made in the Organization for Economic Cooperation and Development (OECD) to date and a fair burden-sharing mechanism that we will agree with our OECD partners. We believe that this agreement should come into effect on January 1, 2002.*

²³ The extent of changes will be examined over time, including by DEC and OED in the evaluative studies that were mentioned earlier.

²⁴ See the World Bank's CDF web-site (<http://www.worldbank.org/cdf>) for more information.

²⁵ The PRSP is a country-owned document. However, the PRSP—interpreted here as covering the interim PRSPs (IPRSPs) as well—is included in this section because of the close connection with the Bank's own instruments and processes.

²⁶ See Annex 6 on the relationship between the CDF and the PRSP process.

²⁷ G-7 Statement, Okinawa, July 21, 2000.

²⁸ The CAS has traditionally had three parts: a broad analysis of the country's economic and financial situation and development prospects; the Bank's recommended development strategy for the country; and the business plan to support this strategy.

²⁹ World Bank, Country Assistance Strategies—Retrospective and Implications (R99-228, December 7, 1999)

³⁰ World Bank, *Supporting Country Development: World Bank Role and Instruments in Low-and Middle-Income Countries, Questions and Answers*, August 2, 2000, (SecM2000-435/1); page 11.

³¹ *Summary of IDA 12 Mid-Term Meeting, Lisbon, Portugal* (IDA/SecM 2000 - 328), June 16, 2000.

³² Since tracking of the pilots began, seven of the formal pilot countries have used eleven adaptable program loans (APLs) to sustain changes in institutions, organizations, or behavior needed to successfully implement programs. Ghana has used three APLs and two sector investment and maintenance loans (SIMs), which are most appropriate where a sector expenditure program needs extensive coordination. Bolivia has used two APLs and 1 learning and innovation loan (LIL) to support institutional change and development goals. Four more countries have initiated LILs supporting small pilot-type investment and capacity-building projects.

³³ Recommended in the Bank's strategy for urban development and governance, World Bank 1999, *Cities in Transition: A Strategic View of Urban and Local Government Issues* (Infrastructure Group, PSI).

³⁴ Experience of CDS in Asia was recently reviewed at a conference in Fukuoka, Japan. The mayors of the Asian cities discussed at length the implications of implementing the CDF principles at the city level. Mayors were concerned about poverty reduction and city growth. They were concerned about how to link CDS to national policies. They also recognized the value of institutionalizing the various stakeholder consultation processes launched. They also agreed that they should share CDS experience on a more continuous basis and with the support of the Bank's Urban Group intend to launch an on-line network in the near future.

³⁵ The assessment was made by the Society for Organizational Learning, guided by an internal task force.

Methodology For Tracking Progress

From the inception of the CDF pilots, tracking progress was regarded as a key part of the process. Four inter-related approaches have been used so far: first, a tracking questionnaire was introduced covering all major aspects of CDF activity and updated by pilot country teams on a quarterly basis. Second, to promote learning and information exchange, a Learning Group of pilot Country Directors, chaired by Mr. Wolfensohn, was established and has met regularly since. Third, groups of focal points representing major bilateral agencies, the UN system and, the Regional MDBs, were formed to keep track of developments in the pilots, identify challenges and exchange information. Finally, in June 2000, structured interviews were held with broad cross-sections of key stakeholders in several CDF pilot countries.

It is the triangulation of information from the various sources that has facilitated making assessments of performance for all pilot countries and area of activity. These assessments are given in Annex 2 and essentially compare performance between March 1999 and July 2000 for individual countries. Five criteria are used:

- **Little or No Action** – Due to a wide variety of circumstances, including political developments, capacity limitations, unforeseen events, action has remained at a virtual standstill in some CDF areas of activity, in some countries.
- **Elements Exist/Being Considered** – There is some basis for making progress, either through what already exists, or definite plans.
- **Action Being Taken** – Progress is being made, although not yet enough, and the basis exists for even more substantive progress.
- **Largely Developed** – Significant action taken already, although some further action is needed.
- **Substantially in Place** – The activity is virtually accomplished.

These assessments are based on the information available and it is particularly important to emphasize that cross country comparisons are not appropriate given the vastly different nature of countries' institutions, histories, forms of government, etc. Most CDF pilot countries are still

looking into developing country-specific indicators for monitoring progress. Nevertheless, as noted in the main text, some pilots now have good record keeping systems, at least for some sectors and several are beginning to relate those records back to their management systems.

Overall, however, available information is necessarily uneven, for two reasons. First, there is no CDF 'blueprint', so full 'cross-sectional' data cannot be compiled. Countries start at different 'initial conditions', and make progress along a variety of trajectories. Second, there are very few countries in a position to make substantial progress simultaneously on all fronts in terms of CDF principles i.e. putting in place the prerequisites for improved outcomes, enhanced country ownership, more strategic partnership and a focus on accountability for development results. Thus, it is to be expected that there is great variation even within a country.

The cost of data collection—and its impact on data availability—should also not be under-estimated.

Finally, capacity limitations remain a problem and cut across individual countries and CDF principles from preparing the vision/strategy to keeping track of inter and intra-sectoral linkages. A wider application of the CDF will benefit from reinforcing existing arrangements for monitoring progress, taking into account specific country circumstances.

Bolivia

Putting in place a long-term vision—a prerequisite for sustainable development

Is there a long-term vision/strategy?

Is it focused on development results?

Does it adequately balance structural, human, physical and macro priorities?

Are there adequate medium-term programs?

Enhancing country ownership—the country in the driver's seat

Are the vision or strategy home grown?

Has the Government involved all relevant stakeholders?

Have national consultations been institutionalized?

Does Government have the capacity to formulate and implement policy?

Partnership among stakeholders

Are there effective in-country fora for partner coordination?

Does government lead the coordination of development partners?

Are partners' assistance strategies aligned with the country strategy?

Are partners being selective, or taking steps to reduce duplication of effort?

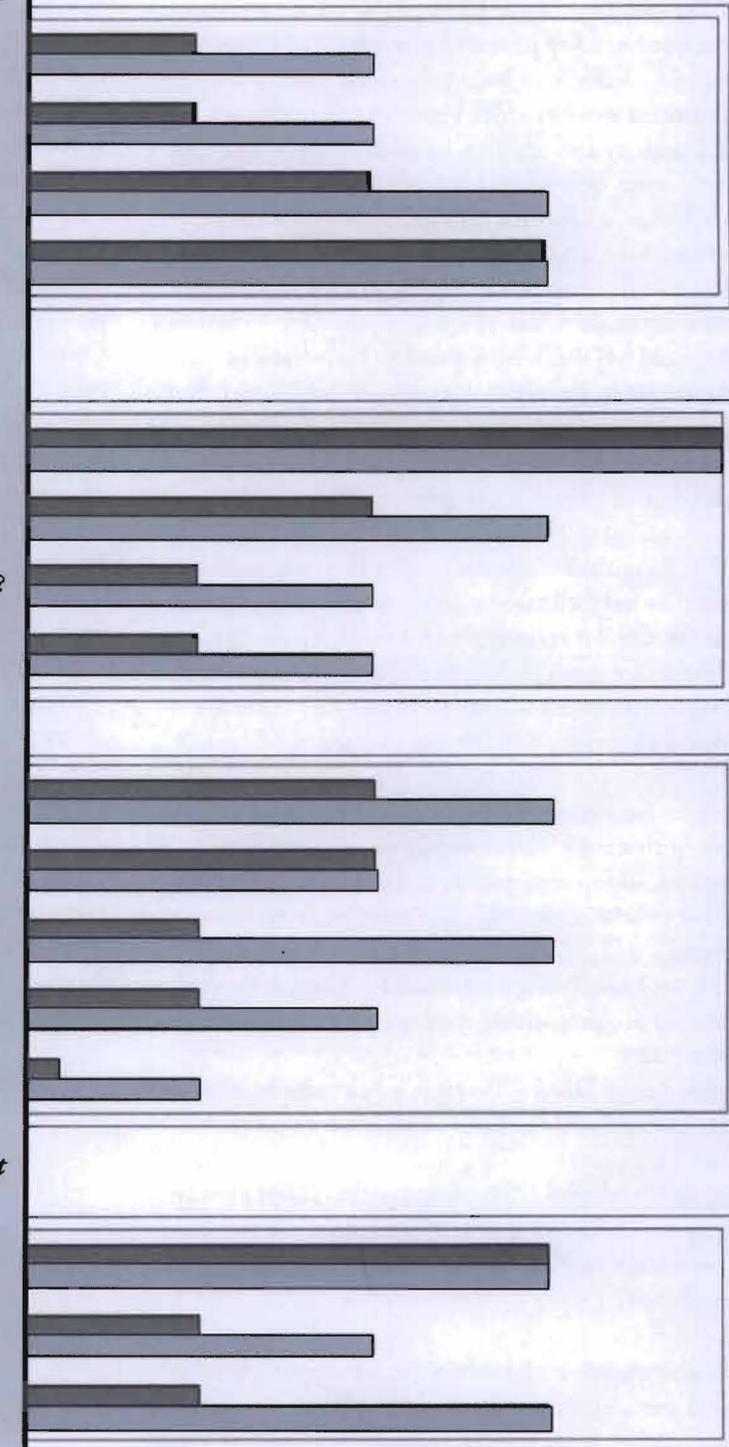
Are partners' operational practices harmonized?

Focus on accountability for development results

Does the government have an adequate development information system?

Is development information being made transparent, e.g., via a CDF matrix?

Is the government putting in place mechanisms to track development results?



Little or No Action Elements Exist/Being Considered Action Being Taken Largely Developed Substantially in Place



Côte d'Ivoire

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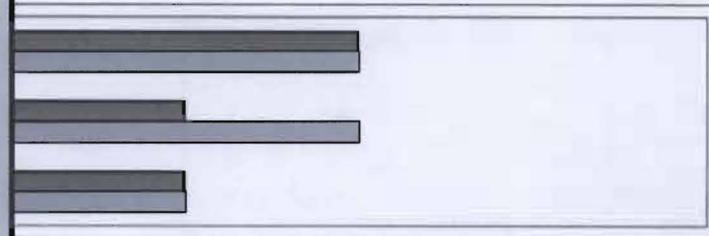
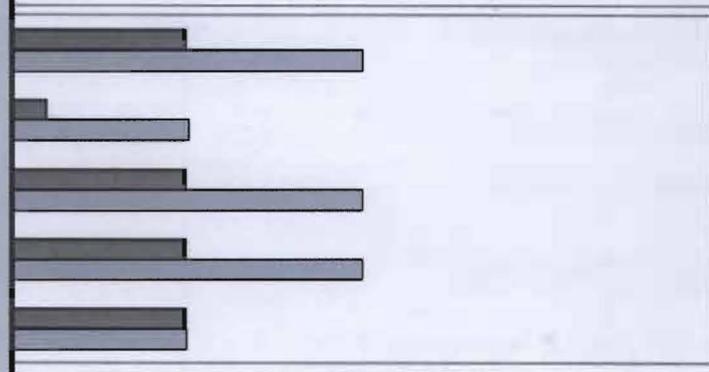
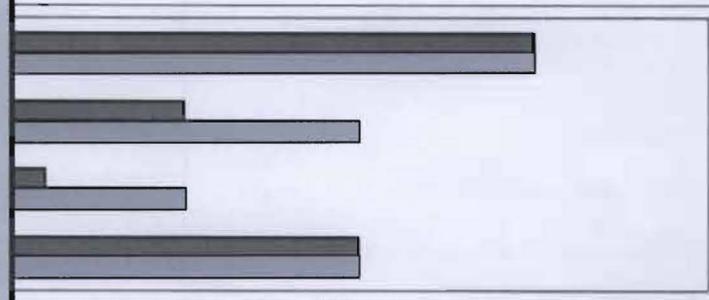
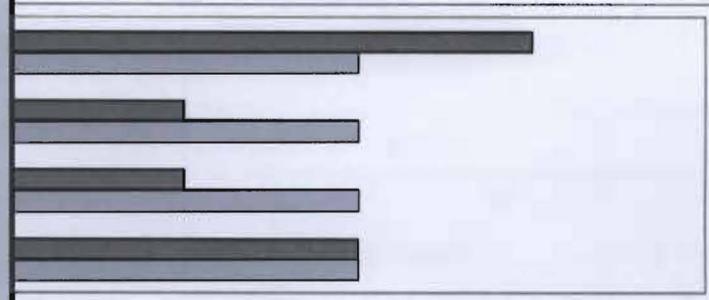
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June 2000

March 1999

Dominican Republic

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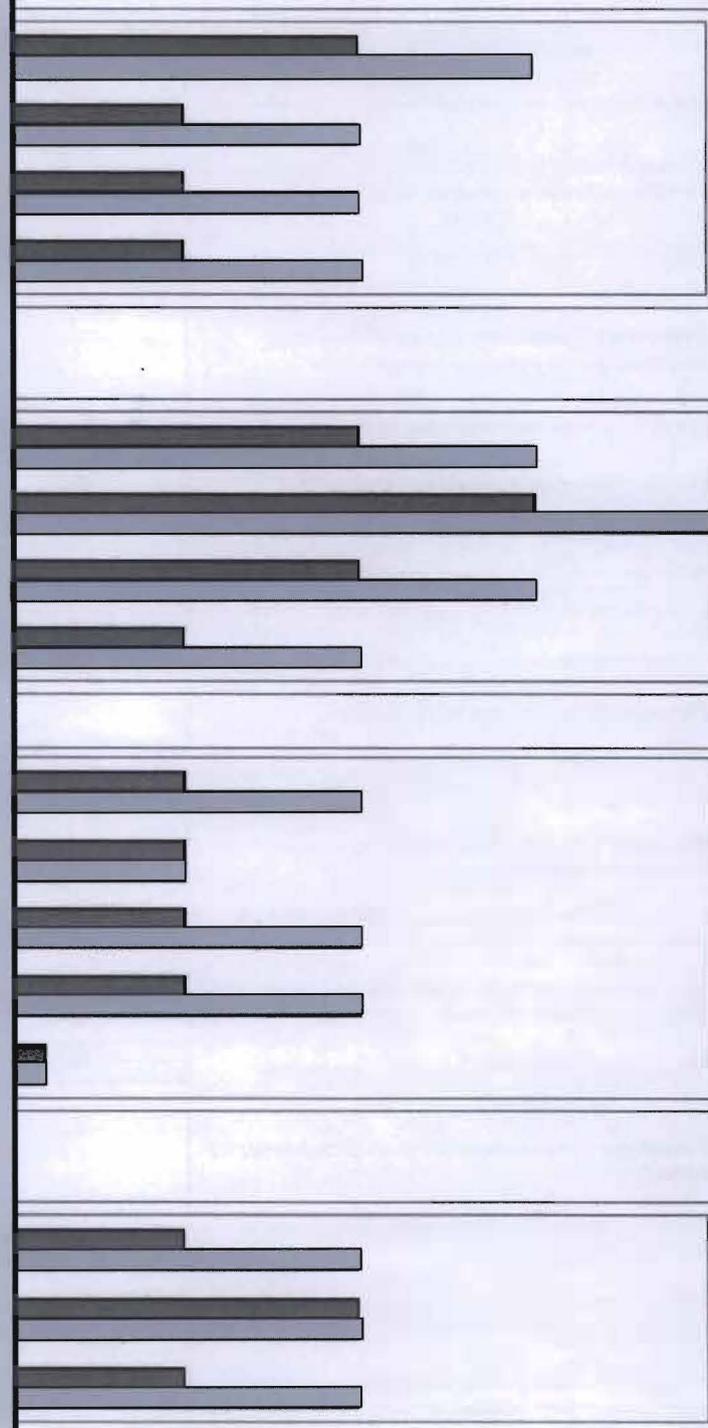
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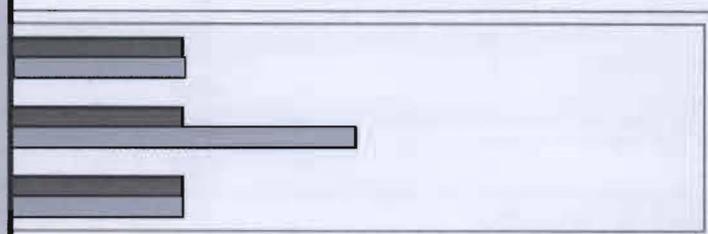
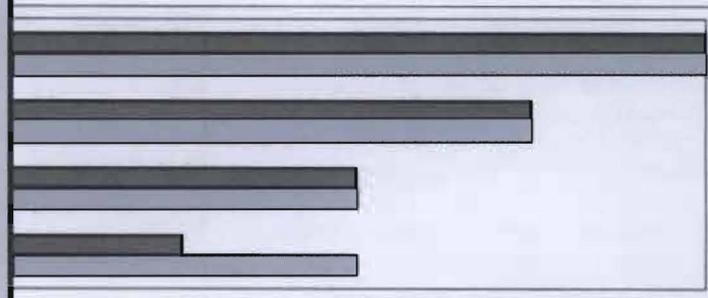
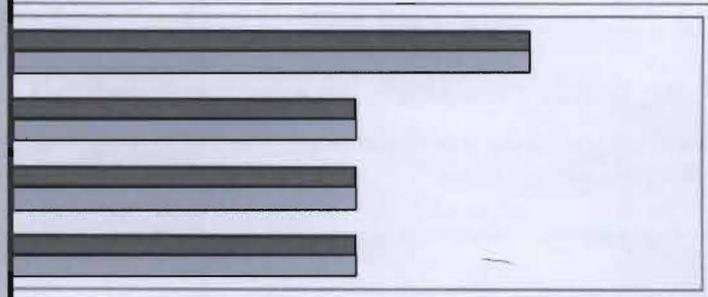
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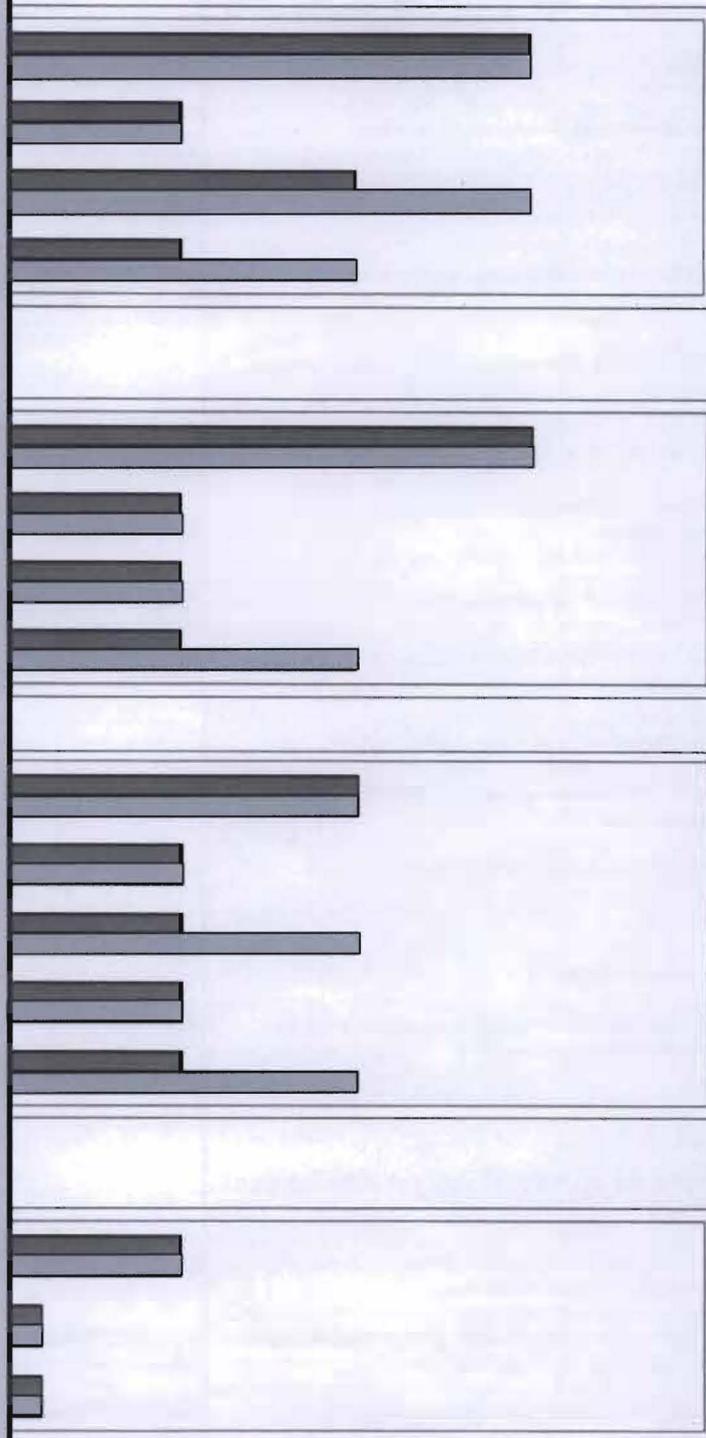
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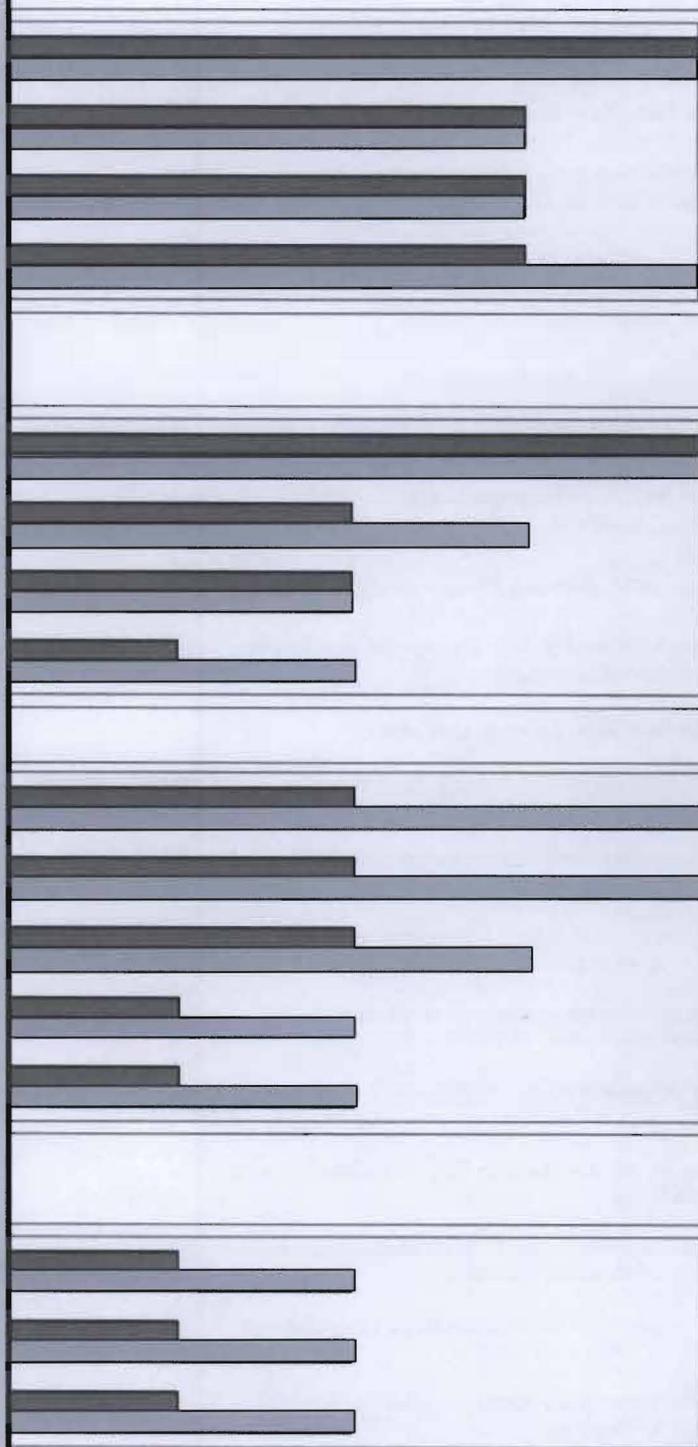
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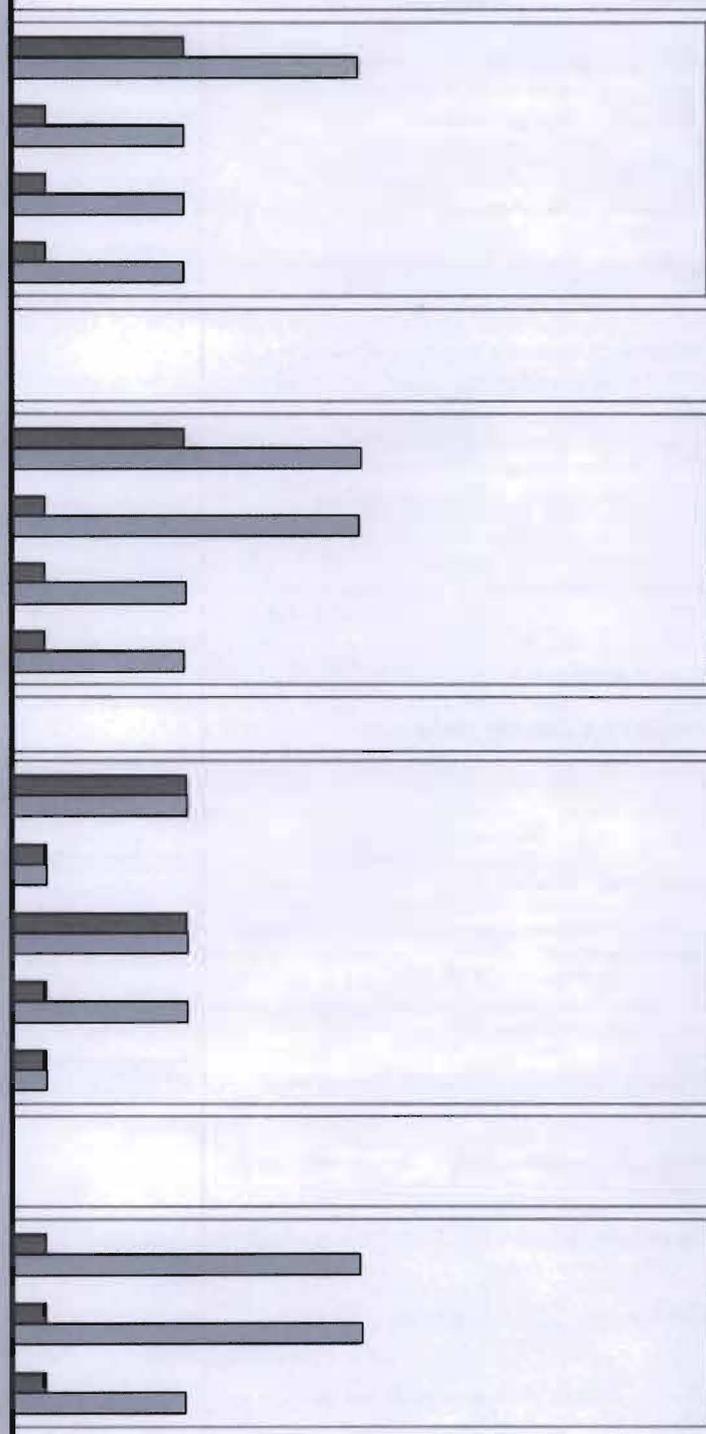
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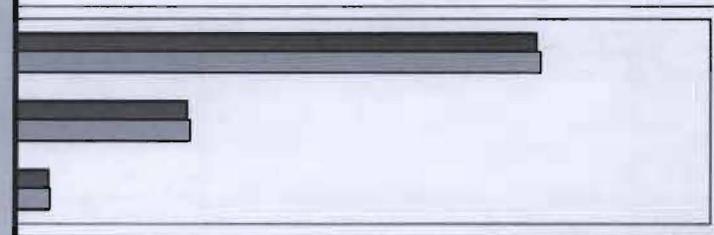
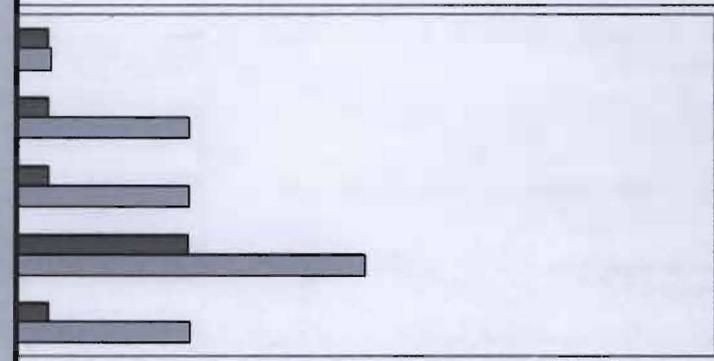
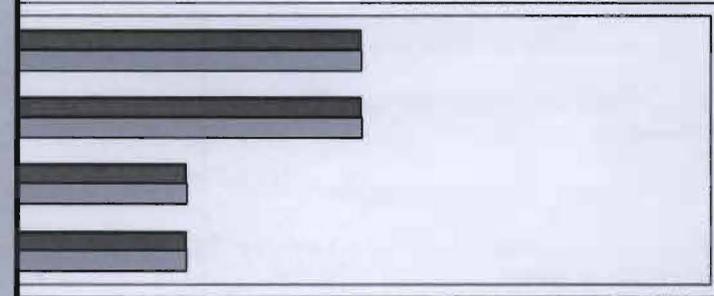
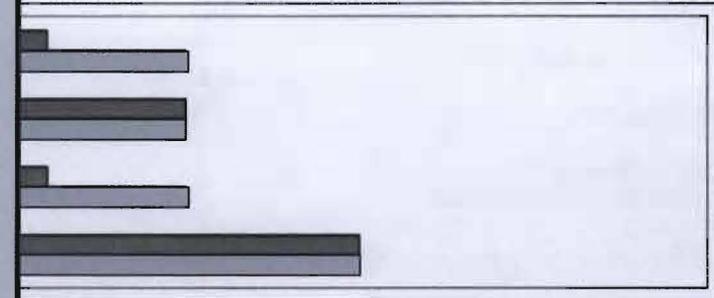
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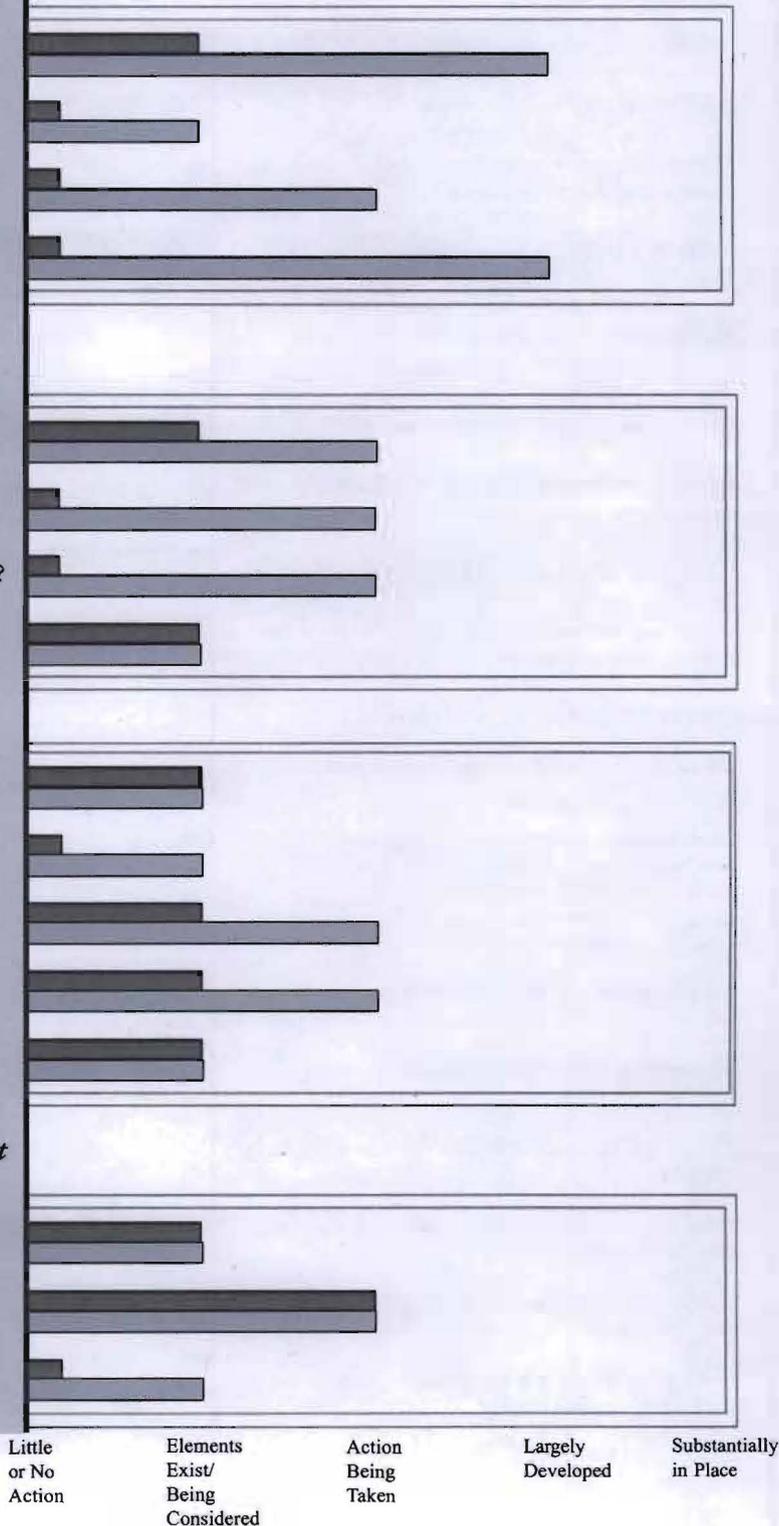
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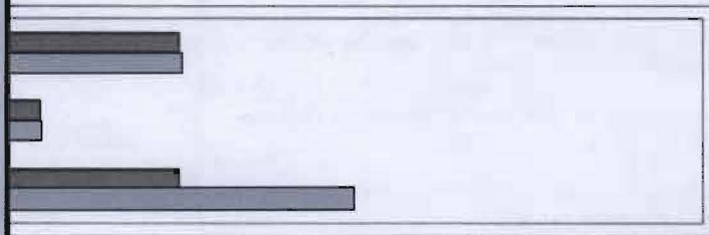
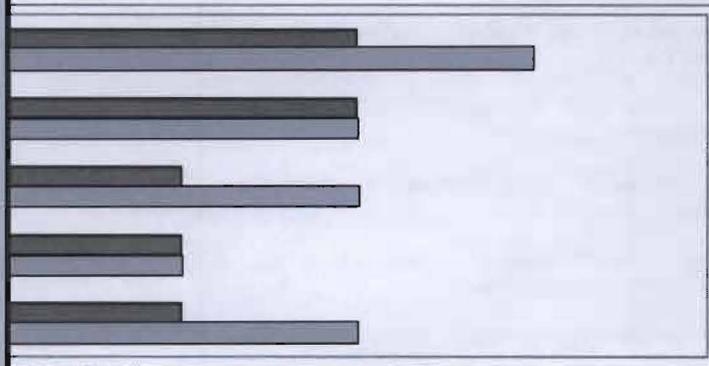
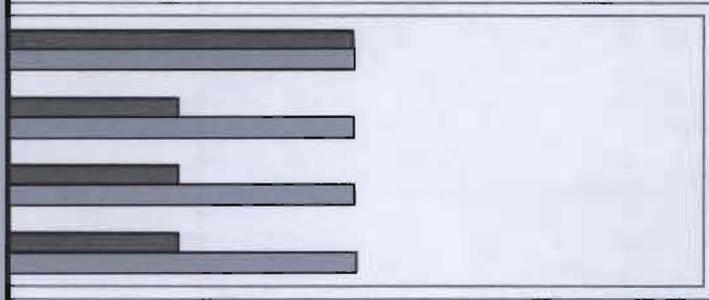
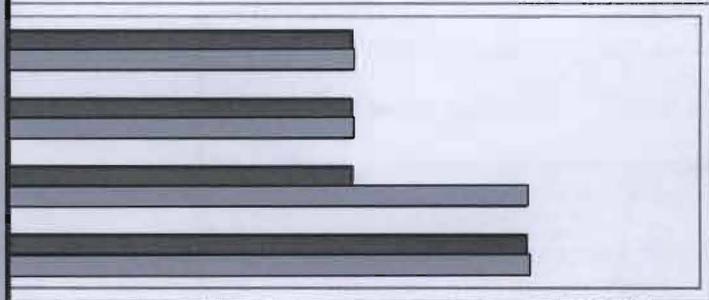
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Focus on accountability for development results

Does the government have an adequate development information system?

Is development information being made transparent, e.g., via a CDF matrix?

Is the government putting in place mechanisms to track development results?



Little or No Action Elements Exist/Being Considered Action Being Taken Largely Developed Substantially in Place

June 2000 March 1999

Vietnam

Putting in place a long-term vision—a prerequisite for sustainable development

Is there a long-term vision/strategy?

Is it focused on development results?

Does it adequately balance structural, human, physical and macro priorities?

Are there adequate medium-term programs?

Enhancing country ownership—the country in the driver's seat

Are the vision or strategy home grown?

Has the Government involved all relevant stakeholders?

Have national consultations been institutionalized?

Does Government have the capacity to formulate and implement policy?

Partnership among stakeholders

Are there effective in-country fora for partner coordination?

Does government lead the coordination of development partners?

Are partners' assistance strategies aligned with the country strategy?

Are partners being selective, or taking steps to reduce duplication of effort?

Are partners' operational practices harmonized?

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June 2000

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West Bank & Gaza

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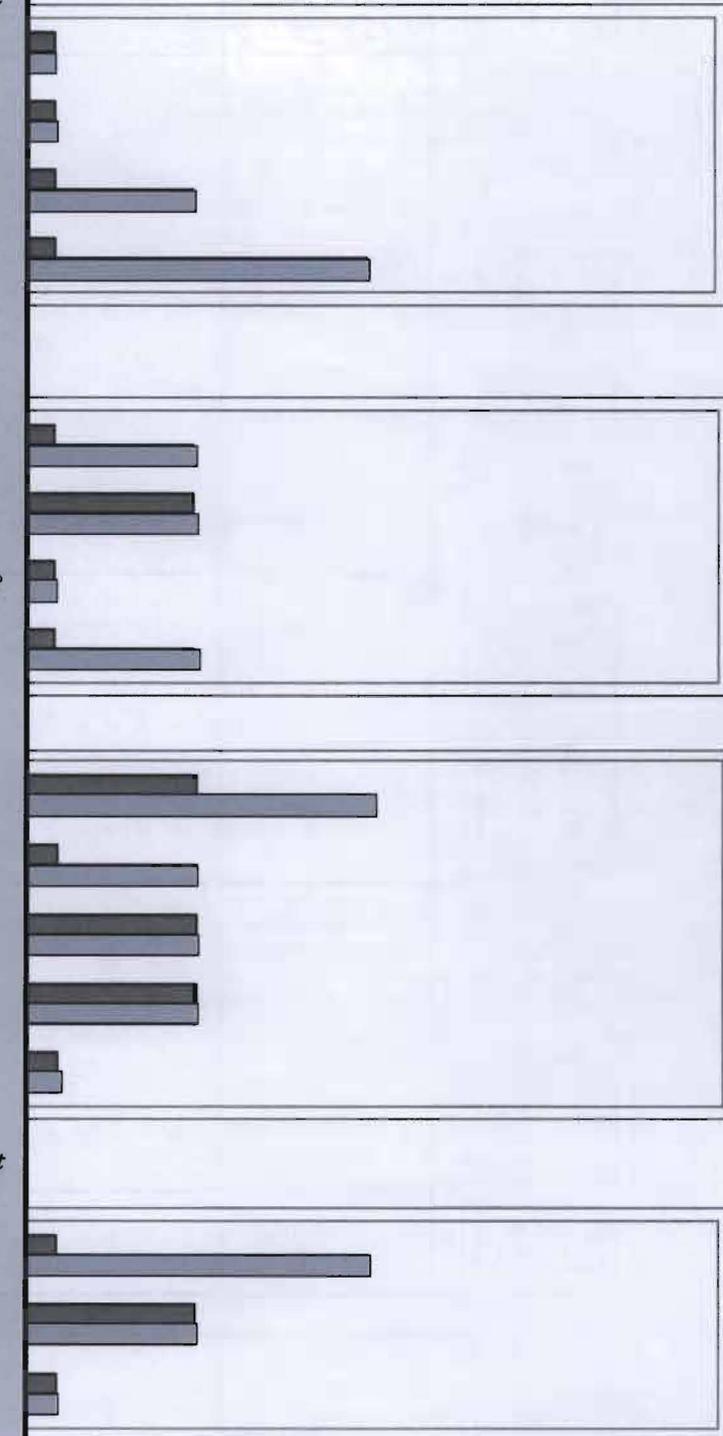
Are partners' operational practices harmonized?

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Little or No Action Elements Exist/Being Considered Action Being Taken Largely Developed Substantially in Place

June 2000

March 1999

Major Donors Per Sector in Pilots

Number of Major Donors per Sector in Pilot Countries (excluding UN agencies and civil society organizations)

Country	Macro	Structural			Human			Physical				Specific		
	Structural Adjustment	Government and Civil Society	Other Services	Banking and Financial Services	Education	Health	Population	Industry	Water & Sanitation	Transport	Communications	Energy	Agriculture	Privatization
Bolivia	1	9	4	3	5	8	2	7	6	1	1	3	12	1
Côte d'Ivoire	4	3	1	1	4	6	0	1	4	3	0	2	10	1
Dominican Rep	0	1	1	1	4	5	1	0	0	0	0	1	1	0
Eritrea	1	9	4	3	5	8	2	7	6	1	1	3	12	1
Ethiopia	1	9	4	3	5	8	2	7	6	1	1	3	12	1
Ghana	1	9	4	3	5	8	2	7	6	1	1	3	12	1
Kyrgyz Rep	1	3	2	2	1	3	0	0	0	3	0	3	4	2
Morocco	0	0	2	1	3	1	1	3	6	4	0	4	4	3
Romania	0	1	2	1	1	0	1	1	0	1	0	0	3	2
Uganda	5	5	6	1	8	9	3	1	8	5	1	3	7	2
Viet Nam	3	6	6	3	8	9	4	6	8	8	1	8	13	1
West Bank & Gaza	0	5	10	0	6	6	0	2	8	5	0	3	3	2

Activity defined in terms of new ODA commitments during period 1996-98.

Major donor defined as commitments of US\$ 1 million or more.

Source: DAC Database

Non-formal CDF Pilot Countries

Examples of non-formal CDF pilot countries implementing the CDF approach
(examples shown for low-income countries and middle-income countries)

	HOW ARE CDF PRINCIPLES APPLIED?	WHAT IS THE BANK'S ROLE?
Bhutan	<ul style="list-style-type: none"> Bhutan has a well-articulated long-term development strategy, following a balanced and holistic approach with emphasize on development as social transformation (Bhutan 2020 – A vision for Peace, Prosperity, and Happiness); the Five-year plans map into the long term strategy Bhutan is fully in the driver's seat of their development process National stakeholders are routinely consulted and form part of any planning and development process; strong commitment of all stakeholders Government has strong sense of comparative advantage of the various donors and determines where assistance is needed; strong government leadership in donor coordination 	<ul style="list-style-type: none"> CAS outlines the Bank's limited role in three main sectors Joint analytical work with government and other donors
Philippines	<ul style="list-style-type: none"> Medium Term Philippines Development Plan (MTPDP)1999-2004 is a holistic development framework, balancing macroeconomic, structural, and social interventions MTPDP entirely prepared by Government through a participatory process involving private sector and NGOs CG meeting 2000 held in country and chaired by the government 	<ul style="list-style-type: none"> CAS follows integrated approach of MTPDP CAS concentrates on few activities for programmatic lending through APLs over 10-12 years duration Actively reaching out for collaboration with other international partners Encouraging Government to continue on path to fully implement CDF approach with emphasize on increasing partnerships / coordination and adopting clear outcome indicators
Thailand	<ul style="list-style-type: none"> Thailand's Holistic Development Framework (HDF) adopts comprehensive approach, consistent with CDF principles HDF is government-driven and was formulated in a highly participatory process with strong involvement of private sector and civil society organizations The Ninth Plan will be built on HDF principles 	<ul style="list-style-type: none"> Next CAS will explicitly support the priorities set in HDF by the Government Because of limited need to borrow Bank is exploring a different approach, a Country Development Partnership (CDP), as an amalgam of elements of an adjustment loan, a technical assistance operation, and a knowledge management activity. The country-led CDP should support Government's programs in a true partnership mode, with private sector and civil society participation
Tanzania	<ul style="list-style-type: none"> Government has moved to take the lead in setting the country's policy agenda Government has strengthened the adoption of ownership and partnership and is making efforts at even more effective partnership with donors and civil society Government is developing the Tanzania Assistance Strategy (TAS), based on CDF principles Preparation of PRSP in a broad participatory manner, including a series of national and zonal level workshops. I-PRSP in advanced preparation 	<ul style="list-style-type: none"> In the context of a participatory Medium Term Expenditure Frame (MTEF) process government has identified a select number of priority areas Implementation of MTEF is monitored under the annual participatory public expenditure review (PER) process, jointly with donors and internal stakeholders
Zambia	<ul style="list-style-type: none"> Government has launched process for developing a shared, long term vision Government uses CDF as an organizing tool for coordinating activities among many players to support the country's long term vision CDF approach has strengthened internal and external partnerships Zambia was one of the first countries to present the I-PRSP 	<ul style="list-style-type: none"> The Bank's CAS played a catalytic role in stimulating CDF. During the first round of a broadly participatory CAS a process to develop Zambia's long term vision and priorities was launched Supporting Government in process for developing a shared long term vision

Instruments in CDF Pilots				
	ECONOMIC AND SECTOR WORK	I-PRSP/ PRSP ¹	CAS	NEW LENDING INSTRUMENTS ²
Bolivia	PER, NIR, PA	I-PRSP	10/2000 (Up-date)	2 APL, LIL
Cote d'Ivoire	PER, CEM	I-PRSP expected		APL, LIL
Dominican Republic		<i>NON-PRSP country</i>	7/1999	
Eritrea	CEM/PER		Transitional Support Strategy	APL, LIL
Ethiopia	PER, CEM; PA	I-PRSP expected	Transitional Support Strategy	LIL
Ghana	SS	I-PRSP	6/2000	3 APL, 2 SIMS
Kyrgyz Republic	PA	I-PRSP expected		
Morocco		<i>NON-PRSP country</i>		LIL
Romania	CEM	<i>NON-PRSP country</i>	10/2000 expected	2 APL
Uganda	PER, SS	PRSP		APL
Vietnam	CEM	PRSP expected	5/2000 (Progress Report)	APL
West Bank & Gaza				

¹(Interim) poverty reduction strategy paper completed or expected in calendar year 2000.

² New lending instruments applied in FY 1999-2000.

The Comprehensive Development Framework (CDF) and Poverty Reduction Strategy Papers (PRSP)

*Joint Note by James D. Wolfensohn and Stanley Fischer**

The Comprehensive Development Framework (CDF) was proposed by the World Bank in early 1999 as a means by which countries can manage knowledge and resources to design and implement effective strategies for economic development and poverty reduction. It brings together many current trends in development thinking and is centered on a long term vision — prepared by the country through a participatory national consultation process — that balances good macroeconomic and financial management with sound social, structural and human policies. The CDF, however, is not a blueprint. It is voluntary, and each country must decide on, and own, its priorities and programs. In order to ensure the most effective use of human and financial resources, the CDF emphasizes partnerships between government (at the national, and local levels), civil society, the private sector, and external assistance agencies. It encourages coordination to improve efficiency and coherence in the use of financial flows and services, and to take advantage of synergies among development partners. In addition, as the international community has increasingly come to recognize, partnership and coordination of efforts can enhance the capacity of governments to manage foreign development assistance.

The Poverty Reduction Strategy Paper (PRSP) is based on CDF principles. It integrates poverty reducing policies into a coherent, growth oriented macroeconomic framework. As with the CDF, national governments are responsible for the preparation of PRSPs with the participation of domestic and external partners. External partners are encouraged to assist governments in preparing PRSPs, and to link their development efforts to them.

A PRSP must be broadly endorsed by the Bank and Fund Boards to provide a basis for both institutions' programs in low income countries, and for countries to obtain debt relief under the HIPC Initiative. Thus, the PRSP is an operational vehicle - which can be a specific output of the CDF or of processes based on CDF principles - that is intended to translate a country's poverty reduction strategy into a focused action plan. Indeed, countries using the CDF (such as Ghana, Uganda and Bolivia) have been at the forefront of those successfully preparing PRSPs.

The CDF and PRSP should be mutually reinforcing. The PRSP process will focus the attention of a large number of governments on CDF principles. It will also ensure more effective collaboration between the Bank and the Fund in supporting countries, as specifically requested by their major shareholders. The PRSP inevitably brings with it some challenges. First, there is the challenge of allowing the time needed for the development of a fully participatory process while not delaying the delivery of debt relief or development assistance. Second, there is the need to ensure that all development partners are also included fully and early in the process. Third, care needs to be taken to ensure that country-led and owned processes are not weakened by the need to produce PRSPs or progress reports according to an annual timetable. We are committed to working together with countries and our development partners to meet these challenges and reduce poverty.

April 5, 2000

* Then Acting Managing Director of the International Monetary Fund.

Comprehensive Development Framework



CDF Proposal

*A Proposal for a
Comprehensive Development Framework
(a Discussion Draft)*

James D. Wolfensohn

January 21, 1999

The Comprehensive Development Framework

February 9, 2000

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 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 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
President,
The World Bank Group*

Introduction¹

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.

¹January 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)

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	The Prerequisites for Sustainable Growth and Poverty Alleviation						

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 aid 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.

A Prerequisite for Sustainable Growth and Poverty Alleviation

A Prerequisite for Sustainable Growth and Poverty Alleviation																
Structural					Human		Physical				Specific Strategies					
The Activities of Partners in the Development Process		(1) Good and Clean Govern- ance	(2) Justice System	(3) Finan- cial System	(4) Social Safety Net and Social Pro- grams	(5) Education and Knowledge Institutions	(6) Health and Popula- tion	(7) Water and Sewerage	(8) Energy	(9) Roads, Trans- portation and Tele- comuni- cations	(10) Environ- mental and Cultural Issues	(11) Rural Strategy	(12) Urban Strategy	(13) Private Sector Strategy	(14) (Country Specific Headings)	
	Government - National - Provincial - Local															
	Multilateral and Bilateral Institutions															
	Civil Society															
	Private Sector															

New Development Framework—Bolivia														
Poverty Alleviation														
OPPORTUNITY Higher Rates of Sustainable Economic Growth				EQUITY Improve Income Distribution and Inclusion				INSTITUTIONALITY Governability for Opportunity and Equity			DIGNITY Remove Itself from Coca Drug Trafficking Circuit			
	<i>Infrastructure</i>	<i>Regulatory Framework for PSP</i>	<i>Financial System</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>
World Bank Group	- 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			
IDB	- 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				
Other Donors	- 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	- USAID
Private Sector	- Telecoms - Water - Power		- Banks - Insurance Co.											
NGOs					- Local NGOs	- Local NGOs		- Local NGOs			- TI			

Comprehensive
Development
Framework



Questions and Answers

Questions and Answers
Update

June 1, 2000

This document responds to questions which have been raised inside and outside the World Bank on President Wolfensohn's Comprehensive Development Framework (CDF) proposal.¹ The implementation of the CDF has been tracked for over one year in twelve pilots, and during this period new questions have been posed, and original answers have been either confirmed or revised in the light of experience. It is also important to point out that the CDF principles have been widely endorsed, as reflected for example in the Development 1999: Development Cooperation Report prepared by the Development Assistance Committee of the Organization for Economic Cooperation.² As implementation experience accumulates new questions are likely to arise. We intend to continue to build on the original CDF proposal in consultation with all interested parties. Go to <http://www.worldbank.org/cdf/cdf-faq.htm> for online version.

Background and Origins

What Is The CDF?

The CDF puts forward a holistic approach to development. It seeks a better balance in policymaking and implementation by highlighting the interdependence of all elements of development—social, structural, human, governance, environmental, macroeconomic, and financial. This approach requires a transition from donor-led development assistance strategies to the development of a country strategy 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, through among other aspects, serving as a management tool to guide the actions of all actors. It is based on the principles of:

- *A long-term comprehensive vision of needs and solutions*
- *Ownership by the country*
- *Partnership with internal and external actors*
- *A focus on development results*

These principles themselves are interdependent and must be approached holistically. They are discussed in the section on CDF principles.

The CDF is meant to provide 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.

What Is The Origin of The CDF?

The CDF principles were foreshadowed in President Wolfensohn's 1997 and 1998 Annual Meetings Speeches, and in the Bank's Partnership Strategy³, together with external consultations.

The ideas in the CDF reflect direct observations 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 around which there has been a convergence among developing country governments, NGOs, the UN, members of the Development Assistance Committee (DAC) of the OECD, and others in the development community – as reflected for example in *On Common Ground*, a paper circulated by the DAC in Fall 1999. The CDF aims to bring many of these ideas together in a single place.

The CDF also involves a commitment to expanded partnership, 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.

Why Is This 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 a country's balance sheet—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.

Experience also shows the need to identify and plan development projects and programs within a comprehensive or holistic approach. 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 inevitably constrained 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 was to provoke discussion, experimentation, and action toward these objectives. In the last twelve months the development community has paid close attention to progress in the CDF pilot countries, and as a result there is today much greater convergence of views on the merits of implementing the CDF principles.

What Is The Value-Added Of The CDF?

While the term CDF can be viewed as "new", the principles which make it up can be seen as a 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 a CDF framework has become apparent.

In terms of value-added, the broader framework of the CDF can allow the participants of 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 complementarities and tradeoffs between, 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 there is greater policy consistency and that more can be done with available resources.

The Principles

Long-term, Holistic Vision

Addressing a country's development priorities requires a strong anchor in an appropriate, consistent, long-term vision of its needs and ways to address them. That vision also needs to be holistic—that is it needs to:

- Be balanced, by addressing simultaneously the key macroeconomic issues, structural requirements and social issues faced by the country; and,
- Cover the inter-linkages between sectors, since success in one sector is often linked integrally to progress in others.

Country Ownership

The country needs to be in the driver's seat, owning and directing the development agenda with the support of all other actors. The Government, therefore, needs to build consensus internally, and also consult widely—drawing on democratic structures as appropriate—with other parts of society, including civil society, the private sector and the country's external partners. The purpose of such consultation is to draw out ideas, knowledge and opinions and to promote consensus on the strategy expressed in the long-term, holistic vision.

Enabling such ownership will often require strengthening of capacity in government and elsewhere in society (see section on capacity building).

Partnership

Enabling the country to be in the driver's seat requires strong partnership among Government, civil society, the private sector, donors, international agencies and other development actors. Such partnership should:

- Bring together, within a single framework, under Government leadership, analytical and diagnostic work;
- Align donor actions to the national strategy and promote selectivity to avoid duplication;
- Reduce wasteful competition;
- Encourage common procedures amongst all development partners; and,
- Support the government's lead in managing aid coordination.

Development Results

A country's national vision needs to link its overall aims to concrete development results, in a way in which progress towards the aims of that vision can be assessed. These development results are those sought through a broad-based national dialogue process. Since a key aim of the CDF is more effective and sustainable poverty reduction, the specific development results sought should be guided and informed by the *International Development Goals* which have emerged, mostly from agreements in UN conferences, during the 1990s.

Issues to Which CDF Relates

Macroeconomics

The CDF proposal noted that:

"An appropriate macroeconomic framework is essential for our work, but... 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 CDF facilitates the integration of macroeconomic and financial issues with structural and social policies through 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? What are the linkages between growth processes and poverty reduction? How do policies, institutions, social, structural, sectoral and environmental conditions interact to affect growth? How are the benefits of growth distributed? How can the quality of growth be enhanced to maximize benefits for the poor? The holistic, long-run approach of the CDF naturally highlights these complex but critical questions.

The CDF also draws attention to other important macroeconomic and sector policy issues, such as ensuring the long-run fiscal sustainability of the country's development strategy; evaluating the medium-term 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 policy

in recent Bank analytical work, such as the pilot Social and Structural Reviews, increasingly focus on these kinds of long-run issues.

The World Bank works closely with national governments and other development partners, such as the IMF, to help countries better integrate macroeconomic, structural and social policies in country programs to achieve sustainable growth and development.

Structural and Institutional Issues

It is well established that institutions are at the core of sustainable development. Institutions which provide predictability and work reliably provide the foundation to make effective long-term decisions. At the country level, institutional structures which promote such reassurance include those which promote:

- Good and Clean Government;
- An Effective Legal and Justice System;
- A Well-Organized and Supervised Financial System; and
- A Social Safety Net and Social Programs.

The CDF principles place a particular emphasis both on the need to develop or strengthen these institutions and support their development.

Capacity Building

Governments need relatively well-developed organizational capacity to be able to "own" the development process. That is, they need organizations which are adequately managed and staffed to define development problems, consult with multiple stakeholders, identify appropriate strategic responses and orchestrate the actions needed for their implementation. This kind of capacity takes time to develop and in many countries there are difficult structural and institutional issues needing to be addressed simultaneously. Governments must be ready to manage the potential tension between capacity constraints and the need for structural reforms, and between the formulation of domestic policy choices and external policy advice.

Implementing the CDF approach is a promising way of addressing institutional and structural reforms, on one hand, and organizational capacity, on the other. Both these sets of issues must be integral to the country strategy process.

The Bank is ready to support capacity building under the CDF, and indeed sees it as a necessary ingredient, and it will look to individual governments to take the lead in defining the scope and pace of their development.

Where the country does not have adequate capacity, the international community should support and help the authorities to establish, own, and implement programs that fill the gaps. At the same time, capacity building activities themselves provide increasing opportunities for more effective donor coordination and for scaling up their impact. The positive news is that in all CDF pilot countries efforts are under way to strengthen capacity. However, in most cases, these efforts still are inadequate and special attention to capacity-building and knowledge transfer should continue.

Trade

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 allocated 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. A comprehensive framework for development facilitates this integrated view of trade policy and development strategy, as set out in Mr. Wolfensohn's

speech to *UNCTAD X* in Bangkok, and in the communiqué from the Development Committee meeting on April 17, 2000. The partnership dimension of the CDF can also facilitate a dialogue on mutuality in trade relations.

Labor Market

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 Labour Organization (ILO), the World Congress of Labor and the International Confederation of Free Trade Unions, on these labor issues.

Well functioning labor markets can contribute to economic growth and poverty reduction. 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 by creating a sense of dignity and self-worth to the individual and, at the aggregate level, contributing to social harmony. These benefits also depend on the quality of employment provided. The World Bank recognizes and supports the ILO's emphasis on Decent Work as an important component of social development. In the absence of a smooth functioning labor market, economic deprivation and social exclusion may result, which tends adversely to affect minorities, women and children in particular. Further, there is widespread recognition that labor-intensive growth is key to reducing poverty. Creating the conditions for achieving labor-intensive growth remains a challenge especially in low-income countries. The broad approach of the CDF is likely to be of assistance in addressing the complex, multi-dimensional issues raised by this challenge, and the participatory nature of CDF increases opportunities for labor to be consulted and heard.

Gender

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, and for all topics.

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 such 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.

The CDF process provides an opportunity to ensure that all interests are fully reflected in determining government priorities. Thus most of the pilots explicitly highlight gender issues in their strategies, both specifically, and as a cross cutting theme. Examples include Bolivia, where they have established indicators of progress which, especially for the Equity Pillar focus on improving the welfare of women and children. The Dominican Republic now aims to promote equitable access to justice for women and men. Eritrea's strategy recognizes that much needs to be done if women are to be fully empowered—and sets out specific measures to address this aim. In Morocco, a National Action Plan for the integration of women in development will be part of the National Development Plan for 2000-2005. Romania's new strategy specifically covers, among other things, increasing the number of women in key positions in the public and private sectors, strengthening the legal framework on violence against women, and the provision of workplace child care.

Global and Regional Issues

Global and Regional issues are of increasing importance in dealing with the challenges of development. From the environment (climate change, deforestation, water use and flood control) to health (vaccines, aids) to trade (market access, labor standards), issues that transcend the nation-state are now near the top of the development agenda.

The holistic nature of CDF, and the active dialogue between domestic and international partners, should assist developing country governments and donors formulate coherent responses to regional and global challenges—in particular, addressing how to anchor these responses in a local reality.

Opening avenues for partnership by developing countries in regional or global initiatives (such as the Special Program of Action for Africa (SPA) and the Global Alliance for Vaccines and Immunization (GAVI)) remains a challenge for the international community. An important element is information access and knowledge sharing. The Global Development Gateway, being promoted by the World Bank and a network of partners, is an important initiative, that supports CDF at the country level and has the potential to strengthen regional and global collaboration.

Roles under the CDF

Government

The means of arriving at consensus on a national development strategy or vision will vary from country to country, partly depending on the maturity of the country's governance processes and institutions. It is very important that the consensus building process in the country build as far as possible on the existing democratic institutions at local and national level. 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 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;
- 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 development assistance agencies' operational policies and procedures—to increase efficiency in the delivery of assistance and reduce the burden on the country of dealing with multiple procedures amongst donors and international agencies; and
- Supporting the development of country-based knowledge systems that would enhance government coordination efforts.

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

Parliament and other democratic institutions

The process of building a national consensus and ownership of a country's development strategy is vital to the CDF. It is essential that Parliaments and other democratic institutions in the country are fully involved in this process. In Bolivia, members of Parliament discussed and approved the National Action Plan. In Ghana, its national strategy, Vision 2020, originated as a report to Parliament, who provides a focus for policy debate. In Uganda, the Parliament is becoming increasingly involved in discussing development issues.

Poor and Minority Groups

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

ownership be expanded as broadly as possible, so that the poor and minority groups are fully involved, and are not disenfranchised. This emphasis, on giving a voice to the poor, will make it more likely that resources go where they are most needed—and that the benefits can be sustained. 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 meaningful exercises.

Civil Society (including NGOs)

Civil society involvement is central to the partnerships approach and consensus building essential for the success of the CDF. Civil society includes NGOs, Academia, Faiths and Labor organizations. The involvement of civil society in defining the national strategy and its priorities, represents a major shift in 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 engaging its representatives in the policy debate must be defined by country-specific circumstances and not be a substitute for, or undermine, local democratic institutions.

Even the choice of who should speak on behalf of civil society can pose certain challenges. In Ghana, Bolivia, Uganda and several other countries, conscious efforts to include civil society in policy discussions, as well as in policy implementation, have revealed the need to build both capacity and organizational structures that would allow for constructive engagement in the policy debate.

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. Although this remains largely a potential at present, it does hold promise for the future.

Private Sector

A significant change in the approach to promoting development is the increasingly important role of the private sector. The CDF recognizes this role and advo-

cates 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 involved for the first time in a CG in 1999, and a private sector forum has been established with the aim of identifying constraints to the more rapid expansion of its role. 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.

The Development Community

"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."

—J. D. Wolfensohn

The principles underlying the CDF reflect the principles espoused by the Development Assistance Committee of OECD, the EU, the UN, and bilateral donors. This convergence is reflected in a recent paper by the OECD's Development Assistance Committee (DAC) entitled *On Common Ground*.

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 their 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 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 culture and attitudes of all partners.

Bilateral Donors

Prior experience, and early experience from some of the CDF countries, shows that bilateral donors are prepared, and in many cases very 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 meetings held in Kampala, in December 1998 and March 2000, 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. These meetings are also part of a broader process of discussion on macro and sectoral issues, which has improved government interaction with donors, and helped better to define the sorts of programs that are needed.

The Regional Development Banks

The regional development banks are key actors in all the CDF countries, bringing a regional perspective that complements well the World Bank's global perspective. From the outset there have been regular consultations with the main regional development banks (African, Asian, Inter-american, European) on how to collaborate in support of countries piloting CDF. There are regular meetings between World Bank and regional bank operational managers in several of the pilot countries (Côte d'Ivoire, Ghana, Ethiopia, Uganda, Vietnam, Kyrgyz Republic, Bolivia). They also seek to identify synergies and resolve issues of potential duplication of interests at the country level. Joint team—building seminars, involving World Bank and regional bank staff, have taken place in some of the pilot countries.

Recently the World Bank has entered into specific agreements with the African and Asian Development Banks to foster closer collaboration at the country level, reflecting the principles of CDF. The World Bank and some of the regional banks have a different level of country presence in the CDF pilot countries, which

requires closer collaboration than ever before. The regional banks are in turn expanding and strengthening their field presence.

At the institutional level, the MDBs (World Bank and regional banks) have established working groups to harmonize various operational policies and procedures, that have an impact on the effectiveness of implementation of programs and projects at the country level (procurement, evaluations, environmental assessments). Through harmonization it is anticipated that scarce resources in client countries can be freed up for more productive work, and also reduce the transaction costs of aid delivery. The MDBs also are actively engaged in efforts to build coherence in analytical work and advice given to governments, addressing for example issues such as financial sector reform, governance and private provision of infrastructure.

The International Monetary Fund (IMF)

The Bank and the IMF have a long-standing partnership in assisting member governments 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 approach 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 (see section below on Poverty Reduction Strategy Papers (PRSP)).

The United Nations System

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. This approach has been endorsed by the heads of all the UN Funds and Programs. The UN Development Group leads on this work, at the request of the UN Deputy Secretary General.

Work is under way to better integrate frameworks such as the UN Development Assistance Framework (UNDAF), the UN Common Country Assessment (CCA) with the CDF, in the common interest of creating a coherent, integrated approach that supports a country-led national development strategy. UN Resident Coordinators have been encouraged to engage with the CDF based on the comparative advantages of the various UN agencies working locally.

UN agencies have also designated CDF Focal Points to provide useful feedback on pilot activities and as a way of identifying how to strengthen partnership with other players involved at the country level. These focal points—including from the World Bank—meet regularly to review progress.

Processes to Which CDF Relates

The Relationship Between The Processes

There are a variety of processes intended to support the efforts of developing countries to reduce poverty, which include, but are not limited to, those set out in subsequent answers. The CDF aims to be holistic by providing a framework through which all these processes can be related together in a coherent way which avoids wasteful competition. The CDF principles set out elements for the long-term and an overall approach to make progress sustainable in reducing poverty. Within that overall approach, Governments still need to set out their concrete plans for making progress in the short or medium term: such plans might typically be captured in a three to five year country strategy and in the medium-term expenditure framework. In turn, there needs to be a clear link between the country strategy and the specific activities pursued by each internal and external partner pursuing poverty reduction in that country. That link is typically captured in a country business plan for that partner. The aggregation of such business plans should in turn contribute to that partners overall aims for poverty reduction, and the achievement of other relevant agreed international development goals.

These relationships can also be set out graphically as in the CDF process diagram (see chart on page 32 in *Country Experience* section of this book).

Poverty Reduction Strategy Paper (PRSP)

The PRSP is to be prepared in accordance with the CDF principles. It integrates poverty reduction policies into a coherent, growth-oriented macroeconomic framework. As with the CDF, national governments are responsible for the preparation of PRSPs, with the participation of domestic and external partners. External partners are encouraged to assist governments in preparing PRSPs, and to link their development efforts to them. A PRSP must be broadly endorsed by the Bank and the Fund Boards to provide a basis for both institutions' concessional programs in low-income countries, and for countries to obtain debt relief under the HIPC initiative. Thus, the PRSP is an operational vehicle—which can be a specific output of a CDF or of processes based on CDF-principles—that is intended to translate a country's poverty reduction strategy into a focused and time-bounded action plan. Indeed, countries using the CDF (such as Ghana, Uganda, and Bolivia) have been at the forefront of those successfully preparing PRSPs.

The CDF and the PRSP should be mutually reinforcing. The PRSP process will focus the attention of a larger number of governments on CDF principles. It will also ensure more effective collaboration between the Bank and the Fund in supporting countries, as specifically requested by their major shareholders.

The preparation of a PRSP inevitably brings with it some challenges:

- First, time is needed to allow for the development of a fully country owned and participatory process, while not unduly delaying the delivery of debt relief or development assistance.
- Second, there is a need to ensure that all development partners are given an opportunity to be included fully and early in the process.

The Bank's Country Assistance Strategy (CAS) and other Development Agencies' Plans

The CDF and the Bank's CAS are fully complementary. The CDF covers the totality of a country's long-term development strategy. The CDF is especially useful in helping countries to design, sequence, and coordinate

their overall development programs. As set out in the Bank's 1999 CAS II Retrospective, the CDF provides an umbrella under which each agency can prepare its own CAS or business plan. In this context, the CDF provides a basis for continued CAS reform, by enabling some unpacking of the CAS assistance services from loans, to be refocused more sharply on the World Bank Group's program, within the broader context of the CDF, together with any medium term plan for taking CDF principles forward. An example of this approach is the latest Ghana CAS which is in two parts: the first part is a medium-term strategy for Ghana, written by the Ghanaian Government, and presented by them (via a video-link) to the World Bank's Board. The second part focuses specifically on the Bank's plans for supporting that Government strategy. As lessons are learned in the CDF pilots, they are being reflected in Bank CASs, programs, and operations.

With the central importance it attaches to country ownership of national development strategies, CDF can help marshal wider support for addressing a well-recognized problem—the proliferation of CAS-type documents among bilateral and multilateral donors—which is increasingly burdening clients. A country-owned CDF-based vision provides the basis for a medium-term development strategy which all the country's external partners should be ready to support, and on which they can focus their individual business plans.

International Development Association (IDA)

The CDF is fully consistent with IDA goals and objectives:

- First, in keeping with IDA's overarching goal of poverty reduction, CDF promotes broad-based growth, supports good governance, focuses on development outcomes favoring sustainable development and poverty reduction.
- Second, both IDA 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, IDA 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.

United Nations Common Country Assessment and Development Assistance Framework

The UN Common Country Assessment (CCA) and UN Development Assistance Framework (UNDAF) are both instruments intended to improve coordination at country level among the UN agencies, and the effectiveness of their support to Government. As such they are entirely consistent with the CDF, albeit within a more specific context. In developing a national vision, a government will be expected to draw on the widest possible sources of analysis and advice. It is therefore to be expected that the UN's assessment of their economic problems and prospects, as captured in the CCA, will make an important contribution in the formulation of country strategies. Equally, in assembling a better picture of the range of interventions contributing to the country's development, the UNDAF will helpfully articulate the UN's role. See also section above on the UN System.

Implementation

How is the CDF Being Implemented ?

Mr. Wolfensohn's proposal for a 'Comprehensive Development Framework' was launched on January 21, 1999. It was endorsed by the Development Committee of World Bank Governors at the 1999 Spring Meetings. Mr. Wolfensohn promised to report on progress to the World Bank Annual Meeting in September 2000.

Implementation of the CDF is currently being tracked in the following twelve pilots: Bolivia, Côte d'Ivoire, Dominican Republic, Ethiopia, Eritrea, Ghana, Kyrgyz Republic, Morocco, Romania, Uganda, Vietnam, and West Bank and Gaza. These are the selected pilots because the country authorities at the highest levels are aware of what the CDF offers, and have expressed interest in taking part. Their diversity emphasizes that the CDF approach is relevant to a broad range of countries and that there are no set criteria, other than that the government 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.

What does it mean to be a CDF Pilot?

The pilots are putting into practice a critical mass of the CDF principles. But in each one, the approach taken and the timing of progress will depend on country circumstances, including the interaction between the government and internal and external stakeholders. The Bank is not advocating a standard approach. In some pilot countries steps towards implementing the CDF principles have actually preceded the CDF proposal. As progress in implementation of the CDF is being tracked, the emphasis has not been in isolating the influence of the CDF proposal, but in capturing the implementation of the CDF principles.

Since Spring 1999, the Bank has followed the efforts of pilots with interest, and 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 (for details see section on UN Country Assessment and Development Assistance Framework below).

A first progress report was published in September 1999, and a second in May 2000. Another CDF report is being submitted to the World Bank Governors for the Annual Meetings 2000.

Individual Country Circumstances

There is no single model for the CDF. Over a period of experimentation on the ground and structured learning, the "pilot" countries are using the CDF to craft their programs and experiment with different ways of working—for example, greater partnership and stronger ownership. Different areas of initial emphasis clearly reflect different country circumstances, as no two pilot countries started from the same baseline. Disasters, such as floods in some pilot countries and droughts in others, and political events, also have an impact on country ability to focus on a longer term, holistic development agenda.

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.

What is the CDF Matrix? What Does it Contain?

The CDF matrix is intended as a management tool, to provide all players involved in a country's development, especially the national governments including parliamentary bodies, a shared framework of information, around which to coordinate efforts. The matrix can also be used for examining the roles of different stakeholders and for identifying inter-sectoral linkages and information gaps.

The way the matrix is used will vary from country to country depending on individual circumstances and country-specific priorities. It aims to provide a rational starting point for defining each nation's development essentials in relation to issues such as:

- *Macro and Financial:* a sound economic and financial framework for sustainable growth.
- *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.

Each country will have its own unique priorities that should be included and become the focus of the matrix, as it evolves 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 matrix will also provide a basis for discussing the impact of external global and regional issues in a given country as well as risks and vulnerabilities, such as natural disasters. In sum, the CDF focuses on each country's development essentials, including economic, social and human development and good governance.

The individual country concerned designs and "owns" the matrix, and several have already developed preliminary web sites. But, it takes time to build a consensus in countries and among the development agencies support-

ing 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.

What Progress Has Been Made in the First Year?

CDF principles have been widely accepted, and underscore the growing convergence of views in the international community, on a sustainable approach to poverty reduction. There has been progress across all thirteen pilot countries in implementing the principles, although the situation varies. Indeed, in some pilots, unforeseen events or external shocks have affected the pace of progress. In practically all the pilots, long-term development frameworks are already available or being prepared. Explicit efforts are being made to address the balance between the macroeconomic aspects and the structural/institutional issues. Country ownership of the development agenda is beginning to emerge as more countries demonstrate a willingness to lead. Stronger partnerships are emerging along with greater selectivity. Where the CDF matrix is already in place, it highlights existing duplications and gaps, and allows for more effective coordination.

Emerging Issues

• *Managing Dialogue:* The CDF advocates inclusion. However, in the efforts to engage civil society and the private sector, care must be taken not to undermine domestic democratic institutions, such as parliaments, which are often fragile in many countries. The involvement of such institutions, in the consultation processes, should help to address this concern. It will also help to ensure that dialogue is not ad hoc, but becomes a recurrent characteristic of the CDF process in-country.

• *Change Agents:* For most of the pilot countries, the change agents managing the CDF process tend to be few and over-stretched. This makes the continuity of the process relatively fragile. There is need, therefore, to find ways to expand and deepen the constituency for the changes advocated in the CDF approach.

• *Harmonization:* For the Bank's clients, a major benefit from closer collaboration among external partners would be to reduce the transaction costs and the burden on their

often already stretched capacity. Experience so far has strongly reconfirmed the urgent need for the Bank and its partners to make progress in harmonizing and rationalizing the procedures they require of countries.

•*Selectivity*: A key indicator of real progress in moving towards a more common approach by partners is evidence that they are focusing increasingly on selected areas of activity. While such divisions of labor are long-standing, they have not usually been based on any overall assessment of priorities, or on their relative comparative advantages. The CDF has enabled governments, in a number of pilots, to initiate steps towards a more systematic and analytically-based selectivity. This has already led the Bank to identify a number of areas in which it should be reducing its role, or withdrawing entirely. Reduced Bank leadership does not automatically translate into no Bank role. Also, in some pilots, mapping out a CDF or CDF-like matrix has made gaps apparent, leading to government requests for partner action which can encourage wider involvement.

How is Progress under the CDF Being Assessed?

The initial time frame for testing the CDF is 18 months, which is clearly too short a time for a definitive assessment of the developmental impact of the CDF. However, 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.

CDF and the World Bank

Will the Bank's Policies and Procedures Change under the CDF?

The ways in which Bank country teams support the CDF pilots complies 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, those country teams 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.

What Role is There for Non-pilot Countries?

The CDF principles emphasize country ownership and leadership. If any country wishes to adopt part or all of the CDF approach, they are free to do so. In many cases, the move towards adopting CDF principles in particular countries has started at a sectoral or regional level. Such a step-by-step approach may be particularly helpful for non-pilots. Indeed, some non-pilot countries have been pursuing elements of the approach since before the CDF was launched. And an increasing number of other countries are now either beginning to do so, or are recognizing the value of translating the CDF principles into their long-term strategy formulation processes. The Bank is also looking for signs that in addition to governments, other agencies and stakeholders are already starting to join in—taking into account its own knowledge of the country concerned. It has also been possible for some Bank country teams to support a number of non-pilot countries, to pursue elements of the CDF approach, particularly in the context of Bank Country Assistance Strategies.

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, over time, help all actors 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 long-run efficiency gains and savings.

World Bank country teams recognize that implementing the CDF should be budget-neutral, over time. Indeed, budget neutrality is a key concept underlying the CDF, and one which underscores the need for selectivity. This issue is being dealt with through the adoption of multi-year budget approaches, and making trade-offs, including in some cases shifting from projects to sectors. Some pilots are incurring up-front costs which are being financed through redeployment of resources, or in some cases through additional contributions of partners in the implementation effort.

The Bank will therefore fund any additional costs from supporting CDF implementation by reallocating resources away from other activities—within current operational budget envelopes. 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.

What are the Implications of Implementing the CDF for the Culture of the Bank and Other Development Agencies?

The CDF requires a change in the way the Bank's and other agencies' country teams approach their tasks, so that they take a broad, strategic view of their interventions, rather than concentrating on individual projects. While this is beginning to happen within the Bank, there is also a need for strengthening work relationships between country and sector staff.

A decision to mainstream the CDF within the Bank will need to be accompanied by the introduction of transparent and accountable mechanisms to assess progress, draw lessons and keep everyone informed about country-level action, as has been done in the case of the CDF pilots.

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 organizes the CDF Learning Group meetings—meetings between the World Bank's President and the country directors working on pilot countries, at which they exchange experiences. Sometimes Executive Directors also attend. It also has responsibility for keeping senior management and the Bank's Executive Board and staff fully briefed on progress. The Secretariat has 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, and for reporting.

Endnotes

¹ James D. Wolfensohn, *Proposal for a Comprehensive Development Framework*, World Bank, January 21, 1999 (see section two of this publication).

² OECD, *The DAC Journal, Development Co-operation*, 1999.

³ 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, available on the web at: www.worldbank.org/cdf/papers.htm.

The Comprehensive Development Framework (CDF) builds on the lessons of development experience. It is anchored on four key principles: developing a long-term, comprehensive policy framework through a process of national consultations; building stronger country ownership of the development agenda; promoting more effective partnerships; and a sharper focus on development results.

For more information on the CDF, visit our website at
www.worldbank.org/cdf/

To send comments, email us at CDF@worldbank.org

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