

Remarks on the Comprehensive Development Framework

by
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Thank you very much, Governer Le Duc Thuy,
Distinguished guests,
Ladies and gentlemen,

Let me start by making some remarks with a slightly broader perspective than the Comprehensive Development Framework (CDF), and let me perhaps find my way to the CDF further on in my speech.

Let me first stress how happy I am to make my second trip to Vietnam as the President of the World Bank, express my gratitude to the authorities for their tremendous welcome and say how delighted I am to meet my colleagues from other international institutions, friends from civil society and members of the private sector.

It has been a difficult two years since I was here last time. Vietnam has grappled with problems brought about by the crisis in the Asia region and with issues of development in general. In my job, I have to deal with the global issues of poverty and development and I would like to share with you the perspective that I bring to these concerns because it is a perspective that starts with the globe.

Of the 6 billion people who now inhabit our planet, 3 billion live on less than \$2 per day and 1.2 billion live on less than \$1 a day. So, using this internationally accepted definition of poverty, you have 1.2 billion people on this planet who are in poverty, and you have a large number - perhaps 2 billion people - who have no power, and a billion and a half who have no access to water.

And you have a growing difference between the rich and the poor. And this issue of equity is becoming an extraordinarily important issue- important even here in Vietnam. In fact the Deputy Prime Minister told me this morning that the difference between the income of the top 20% and the bottom 20% in this country is 6 times. This is high, but far from the highest. In Latin America, the top 20% broadly has somewhere between 55 to 60% of total income while the lowest 20% has only 4.5% of total income. But as I said to the deputy Prime Minister, this is a race you do not want to win, if you want to have social justice and if you want to have peace in the society.

And then we come to the next dimension which is of concern to me and, I believe, to all of us in the international community. The next dimension is the future. Over the next 25 years, we will have another 2 billion people inhabit the planet. And of these additional two billion, 97% will live in developing and transitional economies. So the existing 4.8 billion who live in developing countries will become 6.8 billion. And this poses an enormous challenge for us. Out of the 6.8 billion - or the additional two billion - what will their lives be like? Are they going to be less poor? Will they survive on less than \$1 a day? What will be the distribution of wealth, of income and of resources? What is our planet going to be like?

And this is not just a theoretical issue. The fact is that this overwhelming pressure on the planet is a concern that affects all of us. Although we are divided by national boundaries, many forces cut across these borders. The pressures on the environment - and on health, on trade, on crime, on growth, on drugs, on immigration - all bring us close together in one planetary context. And they bring competition among countries. Of course one should know that of the 4.8 billion people in developing countries, 2.2 are in just two countries: China and India. But we do have another 140-150 countries in that developing group of which Vietnam is one.

Vietnam is a country with an annual per capita income of US \$350; a country which has a particular history in terms of politics and in terms of conversion into a market economy; and a country which is part of Asia - where there has been over the last several years first a downturn and now an upturn. Vietnam finds itself in a situation where, having started with great promise, it is trying to enter a new world in terms of the market economy; and where it is trying to develop its infrastructure, its laws, its capacity, its experience and its approach to poverty alleviation all at the same time. This has not, historically, been an easy challenge for countries moving from being planned economies to market economies. Surely though they all share one issue which is growth. Growth is a pre-requisite for addressing the question of poverty. You need jobs to deal with the issue of poverty- and not just jobs. You need to provide the opportunities to lead lives in a better way, which enable the poor to lift their standard of living within the framework of a new market system.

And the Vietnamese economy is facing these issues as it tries to accommodate all these factors at the same time: the pressure of competition - competition for investment, the desire to relate the country to the international trading system and the desire to create an environment which is hospitable to domestic and foreign investors and which spreads the wealth throughout in an equitable way. It is a tough job to do overnight. And the Government is making every effort to try to address these challenges. For some, the Government is going at just the right pace. Others criticize the Government for not going fast enough. The current debates in Vietnamese society and among foreign investors about the appropriate speed of change are already familiar to those in this room. There are those that are very positive, those that are disappointed, those that want more and those that want less. I am sure many of these views are represented in this room.

But in talking with Vietnamese officials and in talking to friends in the society, I think everybody understands that there is a need not for one silver bullet to solve these problems, but rather a need for a balanced framework of development within the context of sound macroeconomic policies which lead to growth. And that is where the approach that we have suggested fits in. It is not very original but it is reasonably logical and it is an approach which we are trying to bring to our development efforts around the world.

This approach arises from our own perception of our own history at the World Bank. Fifty-five years ago we and the IMF were, I suppose, the two big guys in town. We were able to sit there and dole out money, dole out plans, tell people what they should do, demonstrate a certain degree of arrogance and go into whichever country with a pretty good solution. We were detested by civil society, who after 50 years decided that 50 years of the World Bank and its approach was enough. This is quite a recognition to get on your 50th birthday. And we got substantial recognition.

We have also faced criticism in recent times. There were the Seattle demonstrations where I guess it was the WTO first, the IMF second and the World Bank coming in as a pretty good third in being seen as agents for globalization, as agents of capitalist imperialism, as agents representing the rich and generally not doing much good for society. And I am told that at our Spring meetings in Washington there will be a number of people gathering to deliver this same message again.

But I must tell you that this message, while it may have had some elements of truth, is not representative of our organization today. We have an organization of about 10,000 plus people. We do not get up every day, and try to think how we can ruin the world or make people poorer. We do not have as our objective making our friends rich. We have come to the conclusion, first of all, that development is a very difficult business - that we do not have all the answers. If we did, we - and all bilateral and multilateral institutions and civil society organizations - would have done a better job so far. So we share in the opinion that development has not taken place at the pace that we would hope. But let me also add that we are not the main players. The main players in development are the Governments and the leaders of the countries in which we are operating: I may be President of the World Bank but I am surely not the President of Vietnam. Nor am I President of any of the other countries in which we are working. So the first realization for us is that we do not have all the answers and that we need to work with other people if we are going to address problems of the magnitude of 6-8 billion people.

We have also realized that the framework we operate in has changed. Fifty years ago it was just us and the Fund. Since that time there has been a plethora of bilateral institutions established, the development of the UN system itself and the development of multilateral organizations and regional banks. The number of people that are dealing with development at the official level is far, far greater than before. And all of us are suspicious of the others. I remember going to my first meeting at ECOSOC,

a UN agency. The head of the UNDP got up after I had made a very conciliatory speech and he said, " that is very good. Now we can coordinate you!" At which point I raised my hand and said " you cannot coordinate me, I would like to coordinate you." And so this question of "who coordinates whom" has become a key issue, and this accounts, in part, for the sensitivity surrounding the CDF itself.

Beyond the territory of official donors, you have civil society which has, of course, burgeoned in the last decade as increasing freedom and democracy in many countries have allowed local organizations to develop. Some civil society organizations are internationally based and some of them are locally based. You have, dare I say it, within civil society some good NGOs and some less effective NGOs, some efficient organizations and some less efficient ones. I say this with some hesitancy for fear of being criticized, though it is probably not untrue.

And then you have the private sector. Net private capital flows have grown from \$43 billion in 1990 to a level of US \$268 billion in 1998. During that time, official development assistance went from about US \$60 billion in 1990, almost one and a half times the size of the \$43 billion, to \$50 billion, which is one sixth of the size of private direct investment. So the role of the private sector has vastly changed in terms of any development agenda. I will not say it was irrelevant 10 years ago - it clearly was not - but now in terms of money and technology and in terms of scale, there is an absolute, definitive need for a new partnership between development institutions, civil society and the private sector.

And then of course there are the Governments of the countries themselves - Governments which themselves face different challenges. And one new challenge will be that over the next 25 years, two billion more people will move into cities and towns. In this area you will have over 25 megacities by 2020 of 10 million people or more, presenting vastly different challenges in terms of management than exist today. You have new forms of management within countries spanning a range from parliamentary systems to federal states and beyond. We ourselves are finding a constant need to readjust to new management setups in countries. And so the issue of interfacing with countries, states and cities is becoming a different issue, but a necessary one.

So I put it to you that the issue of players in development is no longer - if ever it was - a matter of the World Bank and the IMF. It is now a mix of people, with, crucially, little experience in terms of cooperation. And the challenge here is clear. If one of the players, namely civil society, has a vocal majority of its members saying that 50 years of the World Bank is enough and, at the same time, you have some people in the Bank having, shall we say, rather vigorous views about civil society, then you have a setup in terms of perceptions that does not provide a platform upon which to build cooperation. This is true even within the international community. You have great tension between members of the UN system, the Asian Development Bank, the World Bank, the Fund and with everybody protecting their turf and having a different view from the others- and maybe all of them having a different view from the private sector. So the first thing that you have to do is to recognize

that we are still all going to sink or swim together, and then make a few starts in terms of encouraging a cooperative and open spirit.

It was to this issue that the CDF was addressed in the first instance. And the second issue was, at least as far as the Bank is concerned and I would guess as far as many others are concerned, that too many of us are looking at development in terms of projects. There are many examples of successful projects: a bridge there, an education program here, a rural development program there. But development demands a momentum and an integral character in order to be effective and soundly-based, so that you do not build schools where there are no roads, where there is no water and where you cannot get the kids to school.

So what we are suggesting is that the country should lead the participants - the citizens, civil society, the private sector and the international institutions - to set up not a series of projects but programs. These programs would identify the issues to be addressed over the next 10 years or 15 years. First and foremost, on the left hand side, there is the need for growth and stable macroeconomic policies. But on the other side, take a look at governance, training of government officials, a legal system that works, an honest justice system (which does not exist in too many countries), financial supervision that works, a banking sector, a capital market sector, rules for accountants, a social framework - it does not have to be an official framework, it could be based on a tribal or village system - and a manifest attack against corruption which has only really been publicly debated in the last three or four years.

These are the issues of structure and in too many countries we have gone ahead without addressing them. Take a look at Russia: take a look at Ukraine. Where you do not have those systems, you find that projects simply collapse. This country is looking into the issues of structure, such as legal, judicial, banking and other reforms. And so it should, because such structural elements need to be in place in order to have strong and effective development.

And of course there are other issues: education, health, power, communications, water, a rural strategy. However, we divide them up when really these are issues which are interrelated, which all form part of the development process. And all of this, the CDF addresses in suggesting that the Government come up with some form of framework which can be called anything you like. Whatever it is, there needs to be some comprehensive form of review of process, of review of plans so that one can have an integrated approach, an approach that can be leveraged, that is participatory and that engages each sector of society.

We are trying this now in 13 countries but we are discovering that it goes beyond just 13 countries. It is becoming the new norm of our operations. And we are prepared to say that in any particular area, the Bank will either lead, or it will follow, or it will drop out. Because there is too much to do to try and be the only actor in every aspect of what is going on. It is simply impossible. We only have 10,000 people to deal with a population of 4.8 billion living in developing countries, so we are not able to lead in every sector in every country.

