

**NOTES****The Washington Consensus and Current Approaches to Development in Asia****THE WASHINGTON CONSENSUS: 10 PRINCIPLES**

1. Fiscal discipline.
2. Concentration of public expenditure on public goods (including education, health, and infrastructure).
3. Tax reform towards broadening the tax base with moderate to marginal tax rates.
4. Interest rates to be determined and positive.
5. Competitive exchange rates.
6. Trade liberalisation.
7. Openness to foreign investment.
8. Privatisation of state enterprises.
9. Deregulation or abolishment of regulations that impede entry to restrict competition, except for those justified on safety, environmental, and consumer protection grounds, and prudential oversight of financial institutions.
10. Legal security for property rights.

Source: Y. Hayami, "From the Washington Consensus to the Post-Washington Consensus: Retrospect and Prospect, Asian Development Review, 20 (2), 2003.

**THE INTERNATIONAL DEVELOPMENT AGENDA --THE NORTH AND SOUTH SEE THINGS DIFFERENTLY**

<b>Issue</b>	<b>Donors</b>	<b>Borrowers</b>
<b>Economic growth</b>	Quantity is important, but "we have now learned" that quality needs emphasis as well.	Quantity is extremely important. The emphasis on quality is an indulgence that many developing countries cannot afford.
<b>Investment</b>	Quantity is important, but so is quality. Developing countries need to do more to improve the domestic investment climate to attract FDI. Developing countries will get more international capital by attracting FDI than by hoping for more aid.	Quantity is extremely important. Levels of at least 25% of GDP (and preferably higher) are needed. FDI is useful, but domestic investment issues need at least as much attention. Don't overdo the importance of FDI.
<b>Infrastructure</b>	Infrastructure is needed of course, but we have made many mistakes in the past and now need to plan much more carefully.	"Careful planning" is an indulgence. Quantity remains the central issue. Eg, many rich countries consume 9,000 kwh per head of electricity per annum, while the norm in many developing countries is 300 kwh or less. At a ratio of 30:1, the emphasis needs to be on quantity. "Just build it!"
<b>Poverty</b>	Has become increasingly important on the international donor agenda during the 1990s. The Millennium Development Goals (MDGs) have been set. Interventions are needed to ensure that aid focuses on reaching the poor. MDBs need to focus on measures to promote direct poverty alleviation.	Donors might have discovered the issue of poverty in the 1990s but developing countries have been aware of the problem for centuries! Tackling poverty is the central goal of development. Broad economic growth is needed. Interventions are not very helpful when the problem is <u>mass</u> poverty.
<b>Environmental issues</b>	Emphasise the green and blue agenda. Want aid agencies and MDBs to give attention to the environment. Forests, indigenous peoples, coral reefs, wetlands, need attention.	Emphasise the brown agenda. Other priorities are important for aid and MDBs (eg., infrastructure, budget support, education).

<b>Good governance</b>	Of central importance. Leaders in developing countries should try harder. There is often too much self-indulgence and poor leadership in developing countries. Too often, there is a lack of commitment. Developing countries should try harder.	Yes ... but ... it isn't easy. The structures and institutions needed for "good governance" are very hard to build up. Rome wasn't built in a day.
<b>Democracy</b>	Of central importance. Since the end of the Cold War has become much more important on the international donor agenda.	"Democracy", whatever exactly it is, doesn't guarantee either good governance or reduction of poverty. Donors have a political agenda on this issue, not a poverty-oriented agenda,
<b>Rule of law</b>	A central issue. Sustained development is not possible while the rule of law is weak. Developing countries should try harder. Corruption, and a lack of will, are key problems holding back improvements.	Effective rule of law is very important but is expensive. Budgets are very limited (including from donors) so the truth is that for the foreseeable future, legal systems will inevitably remain weak in many developing countries for many decades to come.
<b>Corruption</b>	A central issue. Donors, MDBs, need to support projects to combat corruption. Developing countries need to demonstrate political will.	A key issue, but it is a complex problem which involves legal, economic, political, and social issues. There is no easy answer. Donor expectations that the problem can be solved quickly are unrealistic. Donors need to get real.
<b>Gender</b>	A central issue. Discrimination against women in developing countries is widespread. More action is needed.	Like many other social issues, this matter is complex. It is true that there much discrimination against women but there are very many problems of inequity in developing countries. This is but one dimension of the very complex issue of inequality in developing countries.
<b>Knowledge agenda (ICTs)</b>	Knowledge is one of the keys to development. There must be increasing emphasis on the "new international knowledge agenda."	Knowledge is important, but key issues in this area are requirements at the simpler end of the agenda -- basic education, literacy, and access to the new ICTs.

<b>Foreign aid</b>	An important tool in the global battle against poverty. It is true that aid is sometimes given to promote political goals but global aid represents a generous attempt by the donor community to respond to key global issues.	Not really an important tool because (a) volumes are too small to matter, and (b) aid programs usually reflect the priorities (including political) of donors.
<b>Role of MDBs</b>	MDBs should promote the new, complex international agenda.	MDBs are banks -- they should concentrate on providing loans for things like infrastructure. Donors should not use them to promote donor objectives.
<b>The international aid agenda overall</b>	Both policies and processes have become more sophisticated in recent years. This reflects an understanding of the complexity of the global development challenge, an increased emphasis on aid effectiveness, and the need to find ways to use limited aid funds efficiently to focus on the central development challenges.	Both policies and processes have become so complex that developing countries cannot cope. Given extremely limited resources in developing countries, it is just not possible for developing countries to engage in complex policy dialogue. Neither can they deal with onerous donor monitoring and reporting requirements.
<b>Market structures</b>	Improvements in institutions (laws, accounting standards, controls over governance) are urgently needed to facilitate the expansion of the modern sector in developing countries, both to facilitate foreign investment and to improve the environment for the local corporate sector.	Modernisation is needed, but attention is also needed to the problems facing the informal sector (often ignored by foreign institutions) as well. The mass of people work in the informal sector. Institutional reforms are needed to help this sector as well as the modern sector. In fact, reforms in the modern sector often benefit foreign firms and the rich, while the way to help the poor is to help the informal sector where the "ordinary people" work and live.