We commend the task team for a good document. We appreciate especially the significant involvement of the civil society in the CAS process, including consultations with over 50 national NGOs as well as 12 international NGOs, the private sector and the Government.

We appreciate the candid risk assessment, particularly with regard to the fragile consensus on peace. Eighteen months after the signing of the Peace Accords, Guatemala has not yet reached enough political stability to fully implement of the Accords. The support pledged by the international donor community at the January 1997 CG-Meeting for the Government’s four-year Peace Investment Programs has had relatively little success so far. The Government requested to change the dates for the next CG-Meeting from June to late September 1998. We hope that this decision is not a sign of giving low priority to development issues.

It is essential that external support be granted to the Government to continue focusing its energy on the peace process. We fully support therefore the proposed strategy of the World Bank Group and its core priorities, which correspond to the specific needs of Guatemala. We especially welcome the clear message of the CAS, that real growth alone will not be sufficient to reduce poverty and the various dimensions of inequity (rural, gender, indigenous people). The focus on complementary policies to broaden the basis of growth and on operations aiming at improving access of the poor to land, credit and social services is most appropriate to tackle the root causes of the conflict.

We support the proposed lending strategy related to poverty alleviation, especially with regard to the reduction of rural poverty. A leveling of the enormous social and economic disparities between the urban and rural sectors – as well as within the rural sector – is a crucial condition for sustainable peace and economic recovery. The planned support for land administration, cadastre work, improvement of land productivity and rural finance are all part of a coherent strategy to improve the position of the rural poor. However, with regard to land reform, the CAS highlights the technical aspects and does not well describe the difficult political and policy issues that ought to be resolved in the first place. According to the 1995 poverty
assessment, the high market price for land relative to the achievable agricultural profits is a major obstacle for any market-based approach to land reform. Preferential treatment of agricultural incomes, speculative use of land and the general reluctance of large landowners to sell land to smallholders because they fear an increased demand for land redistribution, are among the causes of high land prices. What has been the progress so far and what are the prospects to tackle such policy issues?

We welcome the various GEF supported operations and studies, as well as the ESMAP work on renewable rural energy. However, they should not remain isolated activities. The importance of agriculture as a source of economic growth, the land scarcity and the fact, that the agricultural frontier cannot be further expanded without high environmental costs, warrant a sustainable intensification strategy with a strong focus on integrated management of natural resources. Thus, we expect that the planned environmental operations will pave the way for mainstreaming natural resources issues in broader programs supported by the Bank.

We are pleased to see the emphasis given to tax collection and public expenditure reform. Like in the CAS of 1995, fiscal policy is the weak spot of the economy. Despite the modest increase in tax collection as a share of GDP, the rate is still widely inadequate to allow for the financing of the essential investment programs of the Peace Program and for sustained longer-term improvements of social conditions. The Government needs to take significant measures to enlarge the basis for tax collection, to eliminate tax evasion and to introduce direct taxes, e.g. by considering again raising a real estate tax. We agree with World Bank’s strategy to raise economic growth by maintaining stability and the complementary work of the agencies of the World Bank Group to support private sector development.

We fully support the priority given to building social cohesion, emphasizing decentralized decision making, strengthening communities and participatory processes. Nevertheless, with regard to the need of social cohesion would like to stress the importance of guaranteeing public security. The high level of civil violence has negative effects on the social as well as on the economic fabric. The climate of insecurity threatens social stability and drives off investments. Likewise, the respect of human rights is another important factor in Guatemala’s post-conflict context. We wonder how these aspects are dealt with in the design of projects.