Board Meeting of July 14, 1998
Statement by Pieter Stek

Guatemala: Country Assistance Strategy

I welcome this opportunity to discuss the CAS for Guatemala. The document presents a candid and high quality analysis of the legacy of years of conflict in Guatemala and suggests priority areas, on which to focus Bank activities in the next three years.

I can endorse the main thrust of the proposed strategy. I would only like to make four brief comments and ask some questions related to the proposed priorities, the monitoring of the program, the risks involved and the experience with donor coordination in the country.

Priorities

Guatemala development needs are daunting. The core priorities to be supported by this strategy respond to a certain degree to these needs. When seen as part of a package in which other players such as IDB, IMF and bilateral donors take the lead in some areas, the Bank can contribute significantly to furthering the development agenda in Guatemala. One question, the answer to which I could not find in the document, is how likely is it for the social programs to achieve sustainable results given that the Government will, most likely, not be able to raise expenditures on these programs to the targeted 9 per cent of GDP by 2001 (para 11 and para 16).

Program Monitoring

I found a detailed and convincing explanation of why the conventional benchmarking and monitoring of the program may be difficult under the circumstances (para 47). I am in agreement with the second best solution to that problem, namely to focus initially on project-related inputs and outputs, and to measure progress against the social targets of the Peace Accord. I wonder, however, whether it would not be possible, and indeed desirable, to judge progress and calibrate future Bank lending on the basis of improved governance as well. Staff reaction to this point would be appreciated.
Managing Risks

The situation in Guatemala will remain risky over the medium term. The commitment to peace may not have taken root yet. At the same time it is commendable that the Bank does not take a wait-and-see approach and the proposed CAS testifies to that. However, careful management of these risks is called for. It is in the context of managing the existing risks that I question the wisdom of front-loading the lending program in FY99. I take the point that tangible progress towards meeting the Peace Accord targets is important. Would it not be sensible for such progress to be signaled by the Bank by commitment rather than disbursement?

Donor Coordination

Finally, donor coordination seems to be less than perfect in Guatemala. It seems to occur rather ad hoc. Given some institutional weaknesses on the part of the authorities, it would seem desirable for the World Bank and IDB to take the initiative and encourage more systematic donor coordination with maximum involvement of the Guatemalan institutions. What is the opinion of Management?