I welcome the opportunity to discuss the CAS and the Forest Products Transport project for Uruguay before us today.

1. CAS

The document reports mixed results on the ground from the support provided by the Bank along the guidelines of the previous CAS. Similarly, I was left with mixed feelings after having read the present document. It is an excellent document in terms of background and analysis and an extremely weak CAS in terms of strategic content and focus. Let me elaborate.

Before having started to read the CAS, I expected to find a discussion about initiation of a graduation process for a country in income group V. I was forced to drop this type of question as I proceeded. Indeed, the document makes it crystal clear that notwithstanding Uruguay's relatively high per capita income, its growth rate (mainly due to low population growth) and its comparatively good overall human development, that a number of structural weaknesses persist and take their toll in terms of even higher growth rates forgone, low investment, undeveloped and uncompetitive private sector and deteriorating public education and health services. Thus it appears that a vast reform agenda is pending. Therefore, there may still, in principle, be a role for the World Bank to play.

I agree with the two factors that should dictate Bank's assistance to Uruguay, namely: “the Government's willingness and ability to act... and the Government's interest in our assistance...”(para 38). However, I do not see this criteria applied in the present CAS. For example, “the Bank is proposing an infrastructure project” discussed concomitantly with this CAS. My question is how interested are the authorities in this project? More generally, I have a difficulty to see the difference between the so called base and high case scenarios. Quantitatively they amount to only one operation. Should the Bank be so spread out in all sectors, as outlined in Annex B, or should it be more selective? Should all planned investment operations be lumped into the base-case scenario? And what does, in this case, the statement “All investment lending...”
would be associated with important policy changes and would be triggered by project performance...” (para 47), mean? I would appreciate further information from staff on the triggers for future investments as all, I was able to find, were vaguely formulated “progress benchmarks” in Annex B.

I cannot but conclude that the proposed lending program is more supply-pushed than demand-driven as the CAS asserts, and as it, indeed, should be. Another question that remains open to me, is whether there is a clear division of labour between the IBRD and IDB or they rather compete with each other in Uruguay.

I am afraid the Bank does not serve the country well with this CAS and it should support its analysis of the risks that the country faces, with its lending instruments, regardless of whether the Bank is a large or a small player.

To conclude on a general and positive note, I am glad that the next CAS is planned to coincide with the start of the next administration in Uruguay. The delays, experienced with the implementation of the previous CAS due largely to the fact that it was adopted at the “wrong” moment from the point of view of the domestic political cycle in the country should, perhaps, indicate that the Bank should introduce more flexibility into its CAS “calendar” to accommodate country-specific political and economic developments.

2. The project

The WB does not have a leading role in external assistance for Uruguay. The IDB with a lending program of $US 950 million (about 4 times larger than the Bank’s) remains the predominant external financier in financing the current reform program. The support by IDB is important but additional work will be important to ensure success in the first phase.

We support this project and we wish the Uruguay Government success in its endeavor to establish a robust economy and enhance Mercosur integration.