On behalf of my Nicaraguan authorities, I would like to thank the management and staff of IDA for preparing this Country Assistance Strategy.

The Nicaraguan Government has been closely involved in the development of this CAS, from the initial brainstorming sessions in the early months of the Government of President Arnoldo Alemán in 1997, to the final product. The process has been a constructive one, and helpful to the Government in preparing its own medium-term strategic development framework. The CAS summarizes well the Government’s own program, which is also set out in the Policy Framework Paper that was reviewed by the IMF Board on March 18th, and in the documents provided to the Consultative Group Meeting for Nicaragua, which took place on April 1-2, 1998.

The Government’s program seeks to complete the transition to a full market economy, in which the private sector serves as the engine of growth, facilitated and supported by a strong financial system, and a modernized and more efficient public sector. Achieving this will require concerted efforts to reactivate the rural economy, where development potential is significant because of the country’s good natural resource base and strong agricultural tradition. As poverty in Nicaragua is most acute in the countryside, this focus on rural development, complemented by an effective social policy, should also help to achieve sustainable inroads in improving the incomes and living conditions of the poorest and most vulnerable sectors of Nicaraguan society.

The Government of Nicaragua is in full agreement with the specific IDA assistance program proposed in the CAS, which will complement well the assistance which other multilateral and bilateral donors so generously offered last week at the Consultative Group Meeting. The Government is also pleased to note that the IDA program includes support from the various parts of the World Bank Group, including especially the IFC, EDI, External Affairs, MIGA and FIAS, and that the CAS itself lays out a comprehensive private sector development strategy which reflects very closely the Government’s own thinking and strategic priorities. Finally, the Government concurs with the emphasis in the CAS on broadening consultation and
participation in the design and implementation of development initiatives, and looks forward to working closely with IDA staff to bring this about.

My authorities have also requested that I draw the attention of the IDA Board of Directors to the importance which the Government of Nicaragua attaches to the earliest possible access to the HIPC initiative. Nicaragua’s achievements over the course of this decade, since the end of the civil war, have been impressive, in terms of stabilizing the macro-economy, undertaking a number of important structural reforms, and strengthening social safety net programs for the extreme poor. In its first year in office, the present Government has continued this trend, both strengthening the macro-economy and pursuing needed reforms, especially in the area of state banking, where it has received valuable technical advice and support from IDA. As a result, the IMF Board of Directors have approved a new three-year ESAF for Nicaragua, to which the Government attaches very high priority and is committed to implement fully in letter and spirit. At the same time, however, it is also clear that the burden of debt service is so severe, that Nicaragua will be seriously constrained in its efforts to achieve major progress in rural development and on the social front, unless some long-term solution can be achieved. The Government therefore appeals to the understanding of the international community, in supporting Nicaragua’s efforts to reach the HIPC decision and completion points in the shortest possible time. In the interim period, the Government is requesting support for a Supplementary Social Fund to finance recurrent expenditures in priority social programs.

In concluding, let me once again express Nicaragua’s appreciation for the technical and financial support which it has been receiving, and for the very collaborative working relationship between the Government and the World Bank Group. The authorities appreciate also the decision to re-open the Nicaragua Resident Mission, which will help both to strengthen donor coordination generally, and to support implementation of IDA’s own assistance program laid out in the CAS.