We welcome and fully support this CAS. It's holistic and thorough in the diagnostic of Mexico's significant development challenges, while being selective in the proposed World Bank Group interventions. Its analysis of the political economy of recent reform efforts in Mexico is commendable.

Following are some comments:

1. Over all we have the impression this CAS lacks a driving force and proactivity to advance in poverty reduction and sustained growth. Even though identification of the issues is accurate and thorough, there is a kind of "wait and see" attitude. This can be illustrated by the very cautious approach to the very delicate issue of domestic bank restructuring, which is barely supported by a Financial Technical Assistance Loan.

In the framework and challenges sections, we need the following clarifications:

2. On the political economy of reform, the diagnostic seems to imply political openness, and in particular that the opposition-led congress is slowing down the reform process. This is not always so. For example, political opening has accelerated decentralization. The Government of Mexico has always had a cautious and consultative approach to reform, which has turned out to be effective in the long run.
3. We would like to know if the accelerated decentralization of the Mexican public sector is having a positive outcome. We wonder what is the effect of this decentralization on the quality of the Bank portfolio and on fiscal balance.

4. On the macroeconomic front, in Paragraph 37 it is asserted that the expanding current account deficit is being increasingly financed by foreign borrowing. We wonder if this is more a reflection of the contraction of domestic financing due to the slow resolution of the domestic bank restructuring problem ("stock problem") than to a more permanent change in deficit financing.

5. On the World Bank program and mix of instruments we have one question. If Mexico has been a cautious reformer and is even more cautious in these times of political opening and presidential elections, why does IBRD allocate such a significant amount of resources to adjustment lending?

6. Finally, the proposed CAS clearly identifies the idiosyncratic, programmatic as well as exogenous risks, but it falls short in explaining how to manage them, with the exception of the case of domestic financial sector deterioration.

In sum, we support this CAS and wish the Government of Mexico and WBG the best in its implementation in these difficult and turbulent times.