Statement by Balmiki Prasad Singh  
Date of Meeting: December 14, 1999

**Republic of Honduras - Country Assistance Strategy**

We welcome the discussion on the Country Assistance Strategy of Honduras. We complement the Management and the Staff for this well written document. This gives a clear picture about the profound impact created by the unprecedented hurricane Mitch and the challenges ahead for the Government, World Bank Group, the donors and the Civil Society for reconstruction and reforms in Honduras.

2. The Mitch has brought disastrous effect on the economy and society. However, it is a matter of considerable satisfaction to know that the World Bank has quickly moved in not only in carrying out emergency operations but also in redefining and reformulating the CAS to meet the ground realities with a long term perspective. We have already extended our support for early assistance to Honduras under the extended HIPC initiative. The relief - estimated at US $676 million - will not only help reduce the debt burden to sustainable level but also enable the Government to utilise the additional resources towards reconstruction and poverty reduction.

3. Since 2/3rd of the population is living in poverty, it is appropriate to focus the main objective of the CAS on poverty reduction with equity. It is surprising as well as disappointing to note that in spite of excellent performance in primary education, the enrolment at secondary level is very low. Even in primary education the quality seems to be deteriorating. If we have to make education as a major tool in fighting poverty, school education with necessary imparting of skills to the youth should be given the highest priority. Though the Bank has recognized this challenge, the intervention on education has been...
planned only in the year 2001. We would like to know from the Staff why it cannot be advanced to the next year itself.

4. It is a welcome feature to note that international donor community has responded very positively and pledged US $ 2.8 billion for reconstruction works in Honduras for the next 5 years. This has posed enormous problems as well as challenges to the World Bank and to the Government in terms of donor coordination, prioritization and implementation of various development schemes. How the World Bank is placed in this regard has not come out clearly in the document? Though the proposed poverty reduction strategy paper will energize the national government agencies to adopt certain element of coordination with various donor agencies and civil societies, a multi-sectoral approach is very much needed for overall development of Honduras (beyond the massive reconstruction program taken up currently) in order to ensure sustainable development to coming generations of people as well. Besides, as the amount to be invested is large and activities to be carried out are numerous coupled with enthusiastic response from civil societies of several countries, we feel this is a fit case to be considered for being taken up under the Comprehensive Development Framework (CDF).

5. We are impressed by the Bank’s proposed lending as well as non-lending strategies. These indeed address the main issues but it also poses several ones. Does the Bank have adequate capacity to carry out these activities? Do the Government of Honduras have capacity and institutional mechanism to absorb all these assistance and at the same time seriously involve with the Bank in policy dialogue on various sectors? How we are going to mitigate the risk associated with this ambitious plan including induction of too much money? How are we going to ensure quality outcome and performance? We would like to know the Staff’s comments on these aspects as well.

6. As we have seen in many countries, the huge aid should not create a sense of complacency in the minds of Government agencies. The aid should be properly channeled to priority sectors which will have long term sustainability and development effect. This is possible with an extensive involvement of Government and people at large. Since the Government is pre-occupied with reconstruction works, the reform agenda should not be pushed back.

7. We also appreciate the IFC’s role in facilitating private investment in infrastructure and strengthening of the financial sector. The credit institutions in the rural areas are very fragile and have very little capacity to overcome the cyclical downturns. Strengthening these institutions should be given high priority as an efficient credit service to small farmers and rural entrepreneurs will have a high
leveraging effect in growth and reducing poverty. We would like IFC to throw light as to how they are
going to link up the informal rural credit groups with the formal financial systems.

8. On the whole, we support the strategies outlined in the CAS and the proposed lending scenario.