Board Meeting of June 10, 1997
Statement by Mr. Marc-Antoine Autheman

Guinea-Bissau - Country Assistance Strategy

I commend Mr. Ayub and his team for the proposed country assistance strategy for Guinea-Bissau which builds on a frank assessment of the previous CAS implementation --and from project experience as in the case of the proposed Basic Education Project--. This strategy is well focused, rightly emphasizes social development and tries to address the major capacity issue in Guinea-Bissau.

I would like to make three specific remarks:

1/ I welcome Guinea-Bissau's decision to join the CFA Zone. While I share the staff's cost benefit analysis ("benefits seem to outweigh costs"), I would prefer to rephrase it in the following way: to reap full benefits from its adhesion to the CFA Zone, Guinea-Bissau should strengthen significantly its structural adjustment program. Indeed, the adhesion to the CFA Zone represents a tremendous change which cannot accommodate current weak fiscal performance and weak commitment to undertake structural reforms. While some progress has been made since 1993, which deserves to be recognized, by and large, as pointed out in the CAS document, "reforms were not aggressive enough". Against this background, I find the CAS focus on adjustment to be most appropriate, both with a follow-up Economic Management Project and an adjustment operation. Improved policy performance would also secure the solid track record of adjustment required to benefit from the much-needed eligibility under the HIPC initiative; mid-1998 seems a reasonable target for a decision point.

2/ I appreciate the highly differentiated lending scenario proposed in the CAS, depending on performance, including social sector development performance. Triggers should, however, be limited to actions under the authorities' control, rather than include outcome indicators (such as school enrollment ratios). Such indicators should be seen as a way to monitor progress of CAS implementation.

3/ Management's decision to close the Resident Mission in Guinea-Bissau is cause for concern. This decision carries with it serious consequences and perhaps sends an unintended signal. It might be reconsidered in light of the following country conditions:

- Guinea-Bissau's institutional capacity is extremely fragile; and Bank project implementation needs constant monitoring;

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- effective donor coordination has been seriously missing;

- in this difficult juncture, our policy dialogue should be one of proximity to ensure a rapid policy decision-making process;

- the success of Bank support also relies on the mobilization of non-government organizations, the private sector with whom partnership cannot be built from Washington or even from Dakar.

I would like to quote the November report from the Personnel Committee and CODE on location of work. "Noting the assertion in the paper that cost was a major obstacle to decentralization, the Committees said that management should be seeking solutions, not setting out reasons why the aim of decentralization could not be achieved. While recognizing that there were immediate costs associated with decentralization, the Committees suggested that management look not only at the additional costs but the savings and benefits that could be achieved over the longer term, such as reduced travel expenses and improved implementation".

Has Management made such an assessment so as to reach the decision to close Guinea-Bissau's representation?