Board Meeting of Thursday, March 27, 1997
Statement by Mr. Joaquim Carvalho

PARAGUAY: COUNTRY ASSISTANCE STRATEGY

We welcome the opportunity to discuss this second Country Assistance Strategy for Paraguay and would like to commend staff for the candid discussion of the country’s reform efforts. We find the approach adopted in the preparation of this document quite pragmatic as it seeks to address the financing needs of Paraguay on the basis of agreements reached with the authorities. This approach is consistent with the current drive to increase member country participation in the formulation of the Bank’s assistance strategy.

We also find this document very well presented with an up-front summary discussion of what worked well and what did not work well in the implementation of the 1993 CAS for Paraguay. This should provide the Bank and Paraguay with a unique opportunity to build on past successes while avoiding the mistakes made during the last four years. In this regard, we believe that Paraguay’s history of strong community participation should provide a firm base for improved policy dialogue with the Bank and other development partners.

Having made these general remarks, I would like to comment briefly on a few specific issues.

We strongly endorse the emphasis of the Bank’s strategy on partnership, selectivity and opportunity. On the issue of partnership, we believe that broadening grass-root participation in the country’s reform agenda reduces the risk of abandoning the reform program in the event of a change in government. We would, therefore, urge management to broaden and deepen the dialogue with Paraguay in the next eighteen months following the adoption of this CAS with a view to providing a basis for continued dialogue against the background of a pending change in administration. On the issue of selectivity, this document presents, in my opinion, an appropriate interpretation of the notion as it is used in the context of the multi-donor dimensions of assistance in Paraguay. Details of the analysis in Table 1 show that the IDB is by far the largest external financier, accounting for about half of total multilateral and bilateral borrowing; with the Bank, OECF (Overseas Economic Cooperation Fund) and KfW also playing very significant roles. The Bank, being the third largest major donor in the country should interact more closely with the other major players in order to maximize resource utilization by both Paraguay and the donor community. In this regard, donor assistance
should be determined on the basis of each agency’s comparative advantage. I would agree, therefore, that the Bank’s program in the context of total donor participation should be guided by the notion of selectivity. In this connection, I would like to urge Paraguay’s leading development partners, the Bank and IDB, to step up efforts to improve aid coordination in various sectors of the economy as they have so successfully done in the education sector.

Poverty remains a major challenge for the Bank in both the rural and urban areas of Paraguay. Analysis of poverty issues on Page 7 of the CAS points to two areas of concern that the Bank should help to address: the poverty level that is directly correlated to the level of education of the household head; and the level of poverty associated with households that are located in rural areas and headed by women. It is imperative, therefore, that targeted measures for social services and rural productive activities be quickly undertaken by the government and its development partners as spelled out in Box 1. While we commend the Paraguayan authorities and the Bank for the measures outlined in Box 1 of the CAS, I would like to underscore the importance of gender issues which also remain a significant challenge in the alleviation of poverty in Paraguay. Gender targeting is particularly important in addressing rural poverty in the Paraguayan situation where women constitute a large proportion of the poor household heads.

Perhaps one of the most critical sectors for the development of Paraguay is agriculture which provides employment for a large proportion of the population and generates most of the country’s foreign earnings. While lending activities to this sector should be triggered by Paraguay’s needs and capacity to implement programs, we believe that more Bank non-lending activities should be carried out in this sector. Similarly, the Bank should also provide further non-lending services to Paraguay’s financial sector as it is a pre-requisite for private sector growth and the sustainability of the country’s macro-economic development.

In closing, we wish to endorse the proposed Bank assistance strategy for Paraguay and to commend the Bank staff for diligently working with Paraguay to develop an economic development program.