Board Meeting of June 10, 1997
Statement by Juanita D. Amatong

GUINEA-BISSAU Country Assistance Strategy

1. We welcome this CAS discussion and appreciate staff’s efforts in putting together a document that has benefited from extensive consultations. The CAS provides a clear assessment of the country’s development issues, both internal and external, and attempts to incorporate lessons of experience gained from the previous CAS implementation. We support the sound and pragmatic advise to use selectivity and priority setting as the essential criteria for Bank assistance, in the light of institutional and structural weaknesses.

2. Guinea-Bissau faces significant development challenges. It is one of the poorest countries in the world, rural poverty is widespread and social indicators are even lower than those in the SSA region. Social outcomes continue to suffer from low levels of social sector spending, estimated at one-half of that in the SSA region. The country also carries a huge debt burden of about 3.5 times the size of its GDP, making it one of the most heavily indebted countries in the world.

3. We, therefore, broadly endorse the pillars of the CAS, as described in para 39 page 12. Achieving sustainable macroeconomic growth is central to the country’s development agenda particularly in increasing the economic productivity of the poor. Thus, we welcome the close cooperation between the Bank and the IMF in providing assistance to Guinea-Bissau in the areas of tax and customs reform, public expenditure management and debt sustainability analysis. The Bank also has an important role to play in ensuring that adequate attention and resources are allocated to the social sectors in order to bring about immediate and long-lasting benefits to those who need them most.

4. We appreciate the timely effort in conducting a Country Portfolio Performance Review and consider this critical in addressing key implementation problems in the field. We would like to emphasize the importance of setting realistic benchmarks and urge the staff to work closely with the authorities in ensuring that such monitorable performance indicators are adequately met in the Bank’s future lending operations.

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5. Having said these, we would appreciate staff’s response to the following concerns and questions:

(i) **Agriculture as the main engine of growth** -- It is disappointing to see that the lending operation for the agriculture and rural development sector is proposed for a much later implementation schedule in 2001. Para 25 of the CAS highlights the importance and potential of the agriculture sector as the country’s major source of growth. It contributes more than half of the country’s GDP and provides employment for at least 85% of the population. We would appreciate staff elaboration on: (a) the status of the review of the country’s agriculture sector strategy and (b) components of the proposed Agriculture and Rural Development project.

(ii) **Private sector development** -- Does the staff consider the development of a “vibrant private sector” a realistic objective for this CAS implementation period? Can we really expect this “vibrant” private sector to materialize in three short years? The CAS matrix in Annex 1 shows that the country has yet to take action on some difficult reform areas particularly the completion of a public enterprise divestiture program and the adoption of legislative reforms involving legal and regulatory framework.

(iii) **Capacity building** -- Clearly, building institutional capacity is a fundamental and long-term concern in Guinea-Bissau which requires immediate, adequate and well-coordinated response from various development partners. Not only has capacity to be built, but so is broad consensus for sustained development reforms. In this regard, we wonder why EDI involvement has not been tapped, given its comparative advantage in dealing with these concerns.

(iv) **Donor coordination** -- We regret to note that donor involvement in Guinea-Bissau is becoming more of the problem rather than the solution. The proliferation of donor activity in the country as shown in Box 10 underscores the need for more coordinated efforts in order to avoid costly overlaps and unnecessary duplication of efforts. We, therefore, welcome the work of the UNDP-sponsored Roundtable. In this regard, we would like to know from staff how well this process is going, and whether the Bank should take a much more active and direct role in aid coordination.