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Statement by Godfrey Gaoseb

COLOMBIA: Country Assistance Strategy

Colombia's implementation of its economic program since the last CAS in 1993 has had mixed results, partly because of circumstances which were beyond the country's control, including a weather related shortfall in coffee production. In spite of this weaker-than-expected performance, the authorities are determined to place the economy on a stronger growth path and, together with the country's development partners, are putting in place strategies and relevant mechanisms that will assist them in meeting their development objectives.

We therefore have no problem in lending our strong support to this CAS which is candid (particularly in para 19 which discusses progress towards meeting the objectives of the last CAS), and has enough flexibility built into it to allow both the Bank and the Colombian authorities to make appropriate adjustments to a changing environment.

We also welcome the extensive consultative process that the Bank and the Colombian authorities have undertaken with the various stakeholders, the results of which are partly reflected in the current CAS. We believe that in an environment with divergent political and economic interests, especially with elections pending, the consultative process minimizes the chances of some stakeholders disowning the economic programs at a late date, since they have been party to the discussions. We encourage the Bank to continue with this process not only in context of the CAS, but also in relation to public expenditure reviews, if the authorities in a given country are willing to undertake the reviews in such a manner.

The six strategic priorities noted in para (iii) of the summary, as well as the lending scenarios are acceptable to us, and we can endorse them. However, we think that the Bank has to move cautiously on the issue of promoting peace and development through a focus on the socio-economic determinants of violence. This is in many ways an unchartered course for the Bank as it places it precariously on the political edge, while at the same time we realize that engaging in such activities would also help to address poverty reduction and social development issues. We would urge management to collaborate with those institutions, perhaps in the UN system, that have wider experience in dealing with these issues, or engage in pilot testing programs in this area by utilizing the Bank's new Learning and Innovation Loans (LIL) as noted in para 38. Additionally, since the



Bank has now decided to launch programs in this area, we would also encourage management to undertake similar operations in countries which may have similar conditions, provided that a consultative process, similar to that undertaken in Colombia, is conducted.

On the development of human capital, we commend both the Colombian authorities and the Bank for including this important issue in the CAS process. In an environment of high political and social tension, as well as high unemployment rates, particularly for the rural poor and the youth, instituting programs for human resources development would also help to address poverty issues. We hope, however, that the private sector will be involved in the setting of priorities in this area, especially in programs affecting vocational education since it is well placed to identify future skills requirements for the economy.

The changing role of the state as Colombia accelerates its decentralization program calls for capacity and institution building at the local level. We hope that the EDI will play a role in the training of local cadres, and that NGOs will also be afforded opportunities to make a contribution.

We agree with the CAS's position that reform of the financial sector is crucial to Colombia's development process, particularly if the private sector is to play its role as the engine of growth. In particular, enabling the small and medium scale enterprises to raise term financing at reasonable costs would afford this subsector to play a more active role than it has done in the past, thus contributing substantially to the national economy. As for the Bank Group, we believe that this is one area where Bank/IFC collaboration is already yielding substantial results.

Finally, the CAS places appropriate emphasis on the promotion of rural development. Given that there are still high poverty levels in the rural areas, we think that the strategy for the sector, as well as the instruments, such as the Agriculture Technology projects, selected to address the issues in the sector, are appropriate. However, we would have liked to see rural NGO groups play a greater role in this sector. We would appreciate receiving some comments on this issue.

