Statement to the Press in Russia

by
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I am pleased to be in Russia for the second time as President of the World Bank Group. It has been a short but productive visit. I would like to start by thanking my hosts Prime Minister Victor Chernomyrdin and First Deputy Prime Minister Vladimir Kadannikov for fruitful discussions on the current state of the World Bank’s program for Russia. I also had the privilege this morning to meet with President Boris Yeltsin to review with him the results of my meetings, and to discuss the future of our cooperation and support.

The primary purpose of my visit has been to fulfill the understanding that I reached with Prime Minister Chernomyrdin during my visit last October -- that we review our joint efforts to maximize the performance of the World Bank’s project portfolio in Russia. During my October visit, we noted that while our program for Russia had grown rapidly after membership in the World Bank Group, utilization of Bank loans was slower than either one of us would have wished and that many projects were performing below expectations.

In my discussions with the Government and with project implementing units, we reviewed progress initiated under a major Country Portfolio Performance Review (CPPR) undertaken in February. The CPPR established a program of actions, which I am pleased to report, has led to an improvement in the implementation of the Bank’s assistance program for Russia. I am confident that targets set for this summer on accelerating disbursements and improving project performance will be met. We established an ongoing implementation review process, which we regard as a most important management tool.

I also wish to congratulate the Government for its success in preparing a major restructuring program for the coal sector. The World Bank is pleased this week to have completed negotiations of two loans totalling $525 million to assist the Government’s coal reform program -- particularly to support the Government’s efforts to meet social needs in the coal mining communities. In addition, in the last month, the Bank approved projects for Community Social Infrastructure ($200 million) and Enterprise Housing Divestiture ($300 million). A project for Critical Medical Equipment ($270 million) will be considered by our Board shortly. Together these five projects, totalling nearly $1.3 billion, represent a strong commitment by the World Bank to help the Russian Government pursue its stated goal of addressing its most urgent social priorities. Moreover, preliminary discussions are underway for a $500 million Social
Sector Adjustment loan which would assist the Government’s efforts to strengthen Russia's social safety net.

We signed yesterday a $350 million Bridge Rehabilitation Loan. Together with a Legal Reform Project ($58 million) and a Capital Markets Project ($90 million) scheduled for Board approval next month, these projects illustrate the diversity of the Bank's assistance program for Russia in supporting developmental needs. By the end of June, we will have lent Russia about $6.5 billion for 28 projects.

Finally, I should emphasize that in addition to the Bank's projects, our on-going economic and sector work, IFC's support for the private sector and the expanded activities of our Economic Development Institute (EDI) for training are equally important aspects of our assistance for the Government's reform efforts. My visit has reconfirmed that the World Bank Group can and is playing an important role as a partner with the Government in supporting the major economic reforms which must be sustained for Russia to achieve transition to a market economy.