Board Meeting of August 26, 1997
Statement by Ilkka Niemi

Kazakhstan Country Assistance Strategy

1. I agree with the CAS assessments on Kazakhstan's favorable macroeconomic developments as well as the strong performance today in implementing the structural and policy reforms set out in the first CAS for the country in 1993.

2. The CAS for the next three years is designed to support key elements of Kazakhstan's transition strategy through two core themes - promoting private sector led growth and strengthening social protection. I welcome the overall strategic approach with significant shift to greater emphasis on policy advice and non-lending services and a narrowed focus on selected sector assistance. In particular, I welcome the integration of Bank Group instruments within a unified strategic framework for private sector development.

3. Regarding the poverty situation in Kazakhstan, the document notes that one third of all the Kazakhs were poor in July of 1996, with poverty rates being highest in southern and eastern regions of the country and high in the rural areas. Yet the document remains silent about the contribution of the Bank Group's assistance to poverty alleviation. Given the Strategic Compact's vision and framework for the Bank's intensified focus on poverty reduction, the CAS documents should not fail in framing the Bank's strategy to the basic mission of the institute.

4. Kazakhstan has a dreadful environmental legacy that dates back to the Soviet era. As the most heavily polluted regions in eastern Kazakhstan and the Aral and Caspian Sea regions have serious effects to the economy's productivity and pose serious health problems to the population, I support the Bank's assistance to rehabilitation of the environmental damages and underscore the need for a well coordinated further involvement of the international community. However, I would appreciate seeing a more comprehensive definition of a specific role of the World Bank and, in particular, of the comparative advantage the Bank Group envisages on the specific sector. Moreover, we would welcome a more detailed and up to date description on the environmental projects the Bank is currently focusing on.
5. Modernization of the state presents a key element in enhancing the fiscal discipline and improving the legal framework in Kazakhstan. Given the planned Bank involvement in the public sector restructuring and the clear need for capacity building, I feel that and stress the need for the critical issues related to good governance should have been analyzed and tackled in the CAS document.

Other Messages:

The CAS document spells out the regional disparities between the northern and southern areas of Kazakhstan. Staff comments on demographic aspects as well as possible tensions between the main ethnic groups in the country would be welcome.

The ECA region being the first vice-presidency to formulate a region-specific approach to gender issues, the CAS would have benefited greatly on a short assessment on gender issues in relation to the regional gender strategy.

With regard to the promises of gauging effectiveness and accountability under the Strategic Compact, assessing the development contribution of policy advice on non-lending services should be given high and urgent priority in the current and future evaluation work of the World Bank Group.