Statement by Mohamed Kamel Amr
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Turkey: Country Assistance Strategy; Financial Sector Adjustment Loan (FSAL); and Privatization Social Support Project

1. This is an important CAS, especially as the country has recently been embarking on more determined efforts to achieve sustained economic growth and tackle the long-standing macroeconomic and social weaknesses. This is taking place after nearly a decade of what the paper calls the “muddle-through” approach that characterized policy making. The CAS has rightly sought to focus on reducing the deep-seated economic vulnerability, which has been exposed few weeks ago by the financial crisis that required substantial external support. On the social field, there is a long way to go as the country lags far behind many middle-income countries in terms of human development indicators.

2. There have been many positive signs in recent economic performance measures and prospects can be bright. Performance under the previous 1998-2000 CAS has been encouraging as indicated in the paper and in the interesting and candid statement of Philippe Peeters/Emin Dedeoglu. The paper, however, also shows that unless reforms are sustained, prospects can be dim under what it calls the "truncated scenario".

3. To ensure that Turkey will meet its objectives of improving living standards and reducing economic vulnerability the CAS rightly focuses on the broad themes of growth, public sector management, social services, disaster mitigation and improving connectivity and technological capabilities. In looking at these themes one would attach particular urgency to disaster mitigation in light of recent unfortunate experiences. Deepening connectivity and expanding technological capabilities obviously have considerable potential and I would hope that this item be a standard theme in all CASs.

4. The benchmarks for judging the success of the CAS have been listed in para. 60 and seem quite comprehensive. But I am not sure that the task of managing the vulnerabilities of the financial system comes out clearly in the list. Recent events have again demonstrated the need for more focus and underscored the pervasive impact on the country's reform program. Alongside focusing on these broad themes, the CAS sought to exercise selectivity by focusing on seven areas as (Box 8). However, the list appears to be on the long side, which demonstrates again what has been witnessed in the cases of many other countries that it does.
not always make sense to confine Bank role to an excessively narrow scope of activities in any given country.

5. An innovative feature of this CAS is the design of investment projects that complements the adjustment loans. In this respect, we support the proposed FSAL and the Privatization Social Support Project. The FSAL can play an important role in enhancing the macroeconomic and banking reform efforts, especially in light of the recent crisis that showed that the Banking sector lacks the capacity to withstand external shocks. The Privatization Social Support Project addresses the social dimension of the accelerated privatization program by extending adequate coverage to workers who would be affected by privatization and restructuring of SOEs.

6. We wish the authorities well in tackling the challenges of reform that would enable Turkey to fulfill its developmental needs. We also thank staff for the good work that went into the preparation of the CAS and the two projects.