Russia Country Assistance Strategy and Structural Adjustment Loan

The agenda before us today is impressive. Together with the Country Assistance Strategy, the total loans for approval total almost $885 million. Russia is a very significant member of the Bank and the proposed projects cover many areas. We support the Bank Group playing an active part in assisting in the process of economic reform in Russia.

Rather than endeavour to cover the CAS and all the projects I would like to follow the lead of my predecessor in his farewell speech and focus on a few points.

First, we welcome the renewed commitment as expressed by the Russian Government to structural reforms. Reforming the Russian economy has not been an easy task, and will not be easy in the future. The recent signals from the Government are very encouraging. I particularly endorse the comments in Paragraphs 14 and 15 of the structural adjustment loan paper. Putting reform in the context of a 10 - 15 year time-frame is probably realistic. It does not mean, however, that difficult decisions should be left to the latter part of that time frame. Accordingly the SECAL’s emphasis on reforming monopolies, emphasising private sector development and banking reform is very appropriate.

The case for improved fiscal management and performance is well made. One aspect not emphasised, however, is the interplay between the so called “grey” or unofficial economy and the official economy. It is not clear from my reading of the documents before us, or from other media, the extent to which unofficial economic behaviour contributes to, or detracts from, the standards of living and the quality of life of Russian citizens. The CAS and the loan discussion could perhaps more clearly recognise that improvements in public sector performance (including financial performance, tax collection and quality of public sector services) will be essential to encourage people to concentrate their economic activity in the official economy.
Secondly, I would like to place the CAS and the proposed loans in the context of the Bank’s history in Russia. As I understand it, last year’s CAS update discussion recognised that the Bank could and should offer significant assistance to Russia. Equally, however, the Board stressed that portfolio performance had to improve and that policy dialogue and non-lending services were essential for the Bank to effectively work in partnership with the Russian Government. In this regard I would note that the progress report on the Coal Sector Adjustment Loan presents a mixture of positive but also sobering information. The loans before us today represent a high amount of lending, as would a proposed expanded assistance programme of $2-3 billion annually. This is a high figure and the emphasis in last year’s CAS discussion on implementation remains valid for this year and for the future.

My third and last point is not specific to the challenges facing the Russian authorities and the Bank Group. Rather, I would like to reiterate a concern that has been expressed before by this chair about the traditional bunching of Board papers. I think it is a little unfortunate that in a short space of time there are significant CASs and loan proposals for significant borrowing countries such as Romania and Russia this week, Egypt last week, and Brazil next week. I acknowledge that being “thrown in the deep end” can promote rapid learning. However, I am not sure that the bunching season is a tradition that should be maintained while the Bank endeavours to be more flexible and responsive to clients. One, admittedly rather weak, indicator of flexibility and responsiveness would be a more even flow of country assistance strategies and loans throughout the year.