Board Meeting of September 4, 1997
Statement by Juanita D. Amatong

TURKEY - Country Assistance Strategy

We welcome this discussion on the Turkey CAS and would like to thank the staff for its comprehensive and informative review of the country's current economic, social and political environment. We found the document's forthright assessment of the Bank's experience in implementing the lending program a useful backdrop in understanding the rationale for the proposed assistance strategy for the period FY98-00.

We endorse the CAS approach and the proposed elements as described in page 13 para 4.5. Clearly, the Bank's assistance strategy has done well in taking a pragmatic shift by focusing on increased development impact as its central thrust and in targeting limited resources in favor of social development and poverty alleviation activities.

Turkey continues to face serious challenges in maintaining a stable macroeconomic environment that can be best achieved through greater fiscal discipline and the implementation of broad structural reforms. It is encouraging to note from Luc Hubloue's circulated statement that the Government has undertaken key measures to step up efforts in reducing the fiscal deficit, and has engaged in IMF consultations on their planned program of stabilization, starting with the 1998 budget.

Given the current policy environment, political uncertainties and the operational difficulties in portfolio implementation, we are inclined to support the Base Case lending program of up to $1.5 billion for the next three years. While substantial progress has been made in turning around the Turkey portfolio, which in 1996 was still among the 20 worst portfolios in Bank, we anticipate that critical next steps in portfolio improvement, such as those described in page 21 para 4.39, will be pursued vigorously. In our view, the two areas that deserve unequivocal attention in this area revolve around ensuring borrower commitment and quality-at-entry.

At this point, we would like to seek staff clarification on the following observations:

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1. The Bank’s support for economic management calls for continued emphasis on technical and advisory services in pension reform, privatization, agriculture support policies, areas where broad consensus will be required to ensure a sustainable fiscal adjustment program. We recognize that consensus-building will be vital in this process as well as the public dissemination activities cited page 14 para 4.6. The CAS was explicit about developing partnerships with academics, NGOs and other interested groups (page 18 para 4.24) in this area as a response to the limited government capacity. EDI’s comparative advantage in engaging in these areas is well-recognized. We wonder about EDI is not involved in the CAS implementation.

2. The document highlights the serious malnutrition problem in Turkey, where one in five children are stunted. The health sector program does not seem to have included a separate nutrition intervention program, despite the seriousness of the problem. Moreover, in Attachment 1, page 4 of 10, we do not see any reference to a progress benchmark pertaining to improved nutritional status among children.

3. Attachment 3, page 3 of 4, cites agribusiness as part of the total investment program of IFC for FY97-99. However, agribusiness does not seem to figure in the subsequent description of the high priority investment areas.

4. Finally, we see ample opportunities for introducing the Bank’s adaptable lending program, since piloting activities are envisioned to be undertaken in a number of key development areas. How feasible would this be in a country like Turkey?