Board Meeting of January 27, 1998
Statement by Juanita D. Amatong

HUNGARY - Country Assistance Strategy

1. We welcome this opportunity to discuss the Country Assistance Strategy for Hungary. The staff has done a fine job of presenting in a concise manner the focus of the Bank’s program of assistance. In particular, we are pleased to see such a close convergence between the Bank’s lending and non-lending priorities with the Government’s twin objectives for the period 1998-2000: completion of public sector reform initiated in 1995 and the successful accession to the European Union. We commend the authorities for their sustained commitment to the reform process and the pursuit of higher economic growth.

2. We especially appreciate the transparent analysis of the Bank’s comparative advantage. In particular, we note the staff’s candid recognition of the perceived impact of the Bank’s pricing policies including the uncertainties and implicit administrative costs of doing business with the Bank. As the document pointed out, “with regard to lending, the perceived high direct and indirect costs of World Bank funding will need to be addressed”.

3. While we consider that the proposed strategy adequately reflects the Bank’s comparative advantage, there is one issue we wish to seek staff clarification: What is the specific program of assistance provided by EU institutions such as the EIB, EBRD, the EU Commission, etc. to help Hungary comply with accession requirements especially in the area of capacity-building?

4. The portfolio currently under implementation is said to be performing well (para 58). However, we note from Annex B2 that disbursement ratios are on a declining trend, from 22.6 percent in 1995, 19 percent in 1996 and 14.3% in 1997. Moreover, data from Annex B8 indicate that of the total lending commitments of US$721.36 million covering projects since 1989, a total of US $535.89 million (74%) remain undisbursed. We would appreciate staff’s comments on these.

5. Finally, we note that the CAS is silent on gender. In particular, we would like to hear from staff about the impact of the reform process from a gender perspective.