Statement by Andrei Bugrov  
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Turkmenistan: Country Assistance Strategy

We regret that as a result of a discouraging prior experience the new CAS scales back the extent of Bank support to a very limited level. The prevailing circumstances may not be favorable for new lending, and a certain lapse in time and steps are necessary to improve this situation. In view of this, a phased approach to planning of Bank assistance over the CAS period seems to be relevant. However, we are not convinced that the proposed design is appropriate in terms of content of phases and lending triggers.

The initial phase which is currently expected to take 1-3 years, limits Bank activity to (i) strengthening the implementation of the three existing projects and (ii) providing a modest amount of non-lending services. Although this phase is called initial, the CAS paper leaves an impression that in fact it is considered as the most probable base case. We would prefer to see a set of specific and realistic measures which, if resolutely taken by the Government and strongly supported by the Bank, would allow the completion of this phase in one, rather than three years.

As regards the status of the existing portfolio of IBRD projects, this indeed remains a matter of serious concern. The portfolio supervision rating as of 12/07/2000 presented in CAS Table B8 is very disappointing. Furthermore, disbursements on the Urban Transport Loan has been suspended as of 12/31/2000. (By the way, the actual cause of the suspension is not clear. The CAS paper (p.34) and the circulated notice (SecM2000-728) explain it differently.) We agree that new Bank lending can be resumed only on the condition that significant improvement in the portfolio performance takes place. Therefore, all project implementation issues need to be urgently addressed within the framework of a comprehensive plan for joint Bank-Government action which so far seems to be missing.

We agree with the primary emphasis of the planned non-lending assistance on improving public resource management and governance, living standards monitoring and social support targeting. We also welcome Bank assistance in designing national environmental, water and energy strategies. Taking into account that previous Bank attempts to facilitate reforms through major policy papers appear to have had little effect, we would encourage a shift in favor of other non-lending activities which at the present time may produce better results. The Government seems to be very interested in more practical policy advice and a more in-depth, "on the go"
dialogue with the Bank. In this respect, strengthening Bank field presence would be very helpful. We also agree with Mr. Meyer that the upgrading of the Liaison Office to a Resident Representative Office is essential to create trusting relationship between the Bank and the Turkmen authorities.