Board Meeting of February 20, 1997
Statement by Enzo Del Bufalo

Cambodia: Country Assistance Strategy

I would like to commend the staff for their excellent work in the preparation of this CAS. It addresses the main challenges that the Cambodian economy must face in the future: external debt, post-conflict reconstruction, economic reform, poverty alleviation and the environment.

The Cambodian external debt remains one of the overriding problems of the economy. We encourage the remaining creditor countries to reach a debt agreement that will help the country reach a path of economic growth. It will be important to achieve some progress on Cambodia's ruble debt to the Russian Federation and to provide Cambodia with an adequate treatment in the framework of the HIPC initiative.

The post-conflict situation of this country requires special measures, as it was discussed during an informal meeting earlier this week. Financing infrastructure rehabilitation is important. Nevertheless, in order to ensure a lasting peace, troop demobilization, the creation of employment, etc. are also vital. Microcredit development in this country would also be relevant to both private sector development and the creation of employment; namely, in the rural areas and in connection with the agricultural sector. Economic reforms are crucial, as well.

The Cambodian Government has made considerable efforts toward stabilizing the economy. Nevertheless, as it is mentioned in the document, additional steps should be taken in order to liberalize the economy, thus fostering private sector development.

Regarding poverty alleviation, this chair certainly agrees with the policies and projects already implemented in the social sector (water sewerage for the poorest, education, etc). Special attention should be paid to programs geared to eliminate the population imbalance provoked by the war. Taking into consideration that most of the population is under the age of fifteen, the country's poverty level, and the necessity to employ young people, special measures must be taken to provide the youngest with the highest level of education.

Finally, we agree with staff that non-lending programs are crucial to deal with the current challenges that Cambodia must face in the medium-term. We think that EDI could play a major role in this country and, perhaps, (as it is mentioned in the compact strategy paper
already distributed) a reinforcement of this department bringing people from the operations department would be a useful way to obtain the highest benefit of Bank resources. I believe that taking into account the potential of growth of Cambodia's neighboring countries, economic policy reforms together with foreign assistance will enable the country to achieve the economic growth envisaged in the CAS for the most optimistic scenario.

I support EDI's involvement to strengthen the institutional capacity for the decision-making process; but I would like to see this EDI involvement extended to some Latin American countries, as well.