Statement by Andrei Bugrov
Date of Meeting: February 29, 2000

Cambodia: Country Assistance Strategy

We welcome and support the proposed Country Assistance Strategy of the World Bank Group for the Kingdom of Cambodia.

In my view, the Staff is presenting a very good document. It captures well the recent political and economic developments in the country and the key challenges before it, namely the challenge of governance and the challenge of access to social services and economic opportunities. The suggested Bank Group Strategy adequately mirrors the priorities of the Government’s development agenda. It also responds appropriately to the main recommendations of the OED’s Country Assistance Review which covers the period of the first two CASes for Cambodia. It is advantageous that the preparation and implementation period of the new CAS coincides with the present government’s term in office.

The country team deserves commendation for the highly participatory manner of the CAS preparation. The most extensive in-country consultations to date involved a wide spectrum of stakeholders and partners. Particularly commendable, in my view, is the carrying out of serious discussions with poor communities that are well documented in Annex C. I also appreciate very much specific comments on how and in which areas CAS consultations have enriched the Bank’s understanding of Cambodia’s development needs and priorities.

Cambodia has an enormous development agenda and limited institutional capacity, on the one hand, and a very active and numerous donor and NGO community, on the other. Hence, there is a pressing need for better aid coordination and management. In response to that, the CAS proposes a strategic partnership approach which would bring about a far greater collaboration among development partners based on shared objectives of reforms and poverty reduction. The potential benefits of this proposal seem obvious, and one can easily support it in general.
At the same time the CAS recognizes that the transition from an individual project-based to a more concerted program-based approach will not be simple. The latter implies preparation of joint sector or cross-sector strategies, development of shared expenditure programs, and harmonization of procedures. Therefore, it would be unrealistic to expect during the CAS period more than an initial phase of the implementation of this sector-wide approach (SWAP). Nevertheless, we welcome the initiative and are pleased to note that the SWAP process is already in progress in several areas, and the Bank Group’s indicative sectoral and cross-sectoral support has been reflected in the proposed CAS program.

The Private Sector Assessment (Annex E) prepared jointly with IFC contains a very useful analysis of the potential for, and constraints to, private sector development in Cambodia. One of its major conclusions is that the existing business environment is not conducive to rapid and sound private sector growth. Overcoming a broad range of legal, regulatory, security, infrastructure and other constraints requires strong commitment of the government and support of its development partners. We are pleased to note that the Bank Group’s assistance extends to almost all these areas.

In light of the recent developments in Cambodia I would like to emphasize the importance of the private sector as an engine of employment creation. The country is facing a very serious challenge of absorbing the rising employment demand. The mounting pressure on the labor market is inevitable given the increase in the number of young new entrants, on the one hand, and the anticipated substantial downsizing of the civil service and armed forces, on the other. Therefore, I would like to be reassured that the Bank Group’s approach to facilitating private sector development in Cambodia fully takes into account these circumstances.

Cambodia’s unsustainable external debt situation remains a matter of big concern. The achievement of debt sustainability depends critically on how the debt to Russia -- the largest share of the current external debt of Cambodia -- will be handled. Therefore, we urge the Royal Government to pay close attention to this important issue. Meanwhile I regret to state that for several years no significant progress has been made in addressing this issue. The Russian Federation stands ready for constructive bilateral negotiations that would lead to a successful resolution of Cambodia’s debt situation.

We agree with the volume, composition and triggers of the proposed assistance program, and we support its base-case lending scenario. We also approve the Structural Adjustment Credit which is under consideration along with the CAS document.