Cambodia: Country Assistance Strategy

Cambodia remains one of the poorest countries in the Bank’s membership. A post-conflict country, its 11 million citizens have an average per capita income of $290, and 36 percent of them live below the poverty line. Poverty in rural areas is especially severe, being four times higher than in the capital. Rural areas lack serviceable roads, irrigation systems, and agricultural extension facilities. High transport costs, erratic power supply and poor telecommunications facilities are major obstacles to the development of industry and trade.

The destruction of the education system and low levels of public expenditure on education have had debilitating effects. One-third of the population over five have no education, only 20 percent have had schooling beyond the primary level and only 4 percent have completed lower secondary education. The health infrastructure remains too weak to cope with the high burden of disease. The infant mortality rate of 103 per 1,000 live births, is one of the highest among the countries in the region. HIV/AIDS is the most prevalent in the region, with 4 percent of the adult population aged 15 to 45 infected.

Recognizing these challenges my Cambodian authorities have pledged to improve the lives of the people: to attack poverty and restore social and economic infrastructure. They are working to build a stable macroeconomic framework and have made encouraging progress on raising revenues. They have launched difficult reforms in the public sector – fiscal management, civil service restructuring, and military demobilization- and have agreed to have these reforms closely monitored by local and international donors. With stronger confidence and renewed policy reforms, growth in 1999 was revived to four percent, compared with 1 per cent in 1997 and 1998. An IMF Poverty Reduction and Growth Facility (PRGF) was approved last October to support these reforms. A complementary IDA Structural Adjustment Credit (SAC) is now being presented to the Board with this CAS.
The CAS has been prepared through a wide-ranging participatory approach with all segments of Cambodian society: the Government, the legislative bodies, the private sector, the large donor community, the NGO community and civil society at large. This process has been quite exemplary and is an extraordinary achievement for a country in Cambodia's circumstances. The CAS emphasises partnership including through the use of Sector-Wide Approaches (SWAPs) in the coordination of programs, with the Government firmly in the leadership role. At the same time, the traditional project-based approach may continue in some sectors where it is working well. The SWAP approach is demanding in the capacities it requires from the Government. In this regard, it is important that the Bank be pro-active in helping build the capacities of ministries and agencies and of the Government at large.

The CAS strikes an appropriate balance between growth oriented and socially oriented projects. Rebuilding the basic economic and physical infrastructure is vital to sustaining economic growth, to unifying physically the country that was fragmented by the prolonged internal conflict, and consequently to reducing poverty. The Government believes that the balanced approach in the CAS will help Cambodia move forward in a properly sequenced manner, laying the foundation for building a strong fiscal system instrumental to the development of the country. The Government is fully supportive of and committed to the program, while recognising that its ambitious objectives will require strong implementation capacity.

My authorities have been encouraged by the Bank's decision to expand its field presence in Cambodia. An enlarged office will increase its capacity for coordination, policy advice, monitoring and collaboration with development partners. This decision should be implemented as quickly as practicable.

Finally, on behalf of my Cambodian authorities, I would like to express appreciation to the Bank team in charge of the preparation of the CAS and the strong support received from member countries.