Board Meeting of February 20, 1997
Statement by Ruth Jacoby

Cambodia: Country Assistance Strategy

I agree with the basic analysis of Cambodia’s problems contained in the Country Assistance Strategy and the main thrust of the objectives for the World Bank Group.

I also find it encouraging that the Bank's active portfolio has a satisfactory rating in the latest ARPP supervision report. Ownership is crucial in this context and will become an even more prominent issue in the next few years as the portfolio grows.

Cambodia is today already singularly aid dependent. There are a large number of donors and NGOs involved in many areas and in particular in rural development, largely through technical assistance. This poses both problems and risks e.g. incoherent and conflicting sector policies advocated by different donors' technical assistance when they "take over" policy formulation.

For this reason I would have liked to see the Bank place greater emphasis on institution-building and legal and regulatory reform. Support of the central administration - notably through advisory TA, non-lending services, civil service and legal reform - including the establishment of a National Audit Office - should be given high priority. Central ministries need to be strengthened in order to improve their capacity to direct rural entities as well as donors and NGOs to follow centrally decided joint policies. It is essential that all actors, NGOs included, go in tandem with government policies in order not to risk the creation of a too disparate system. And technical assistance should rapidly be shifted into advisory functions in order to increase Cambodian ownership, even if this might imply somewhat slower disbursements. To facilitate coordination and reduce duplication, Sector Investment Programs should be established as soon as possible, perhaps under the CDC/UNDP led in-country aid coordination framework.

Likewise, I would find it important to seek sustainable financing for operation and maintenance costs in the infrastructure sector. Previously rehabilitated infrastructure has been rapidly decaying due to lack of attention to this area. It should be considered to carry out a public expenditure review as soon as possible, not least in light of the disproportional sums still being spent for security and military purposes.
Governance, transparency and the environment remain major issues for Cambodia's development and, as pointed out in the CAS document, good forestry management is key to all of them. The Bank should seek to ensure that calculations with respect to future concessions fully incorporate environmental assessments and that the concessions be transparently awarded with all revenue accruing to the Treasury through the budget. I welcome the work on the National Environmental Action Plan and urge the Bank to ensure that EIAs are integrated into all investment plans.

Cambodia is unfortunately also a country infested with land mines which continue to constrain rural development. I would be interested in hearing if the Bank envisages engaging itself in this area.

Gender issues also remain a challenge for Cambodia's development. Gender analyses are, in my view, important not only in the context of poverty assessments and rural development, but increasingly also in relation to industrialization. Recent labor strikes concerning difference of compensation between men and women illustrate this need.

Given the complexity of the development agenda in Cambodia and the difficult political situation, I strongly believe that the Resident Mission should be given an increasingly active role in forming and monitoring the Bank's cooperation.

Finally I have two questions:

I would appreciate some more detailed information on the current status of the relationship between Cambodia and the IMF and any possible implications thereof for Bank operations.

I would also appreciate up-to-date information on the present status of discussions between the Government of Cambodia and the Russian Federation on debt owed to Russia. It is my understanding that a speedy solution is necessary in order for Cambodia to reach a sustainable external debt situation.