CAMBODIA: CAS

1. My Cambodian authorities have been fully consulted in the preparation of this Country Assistance Strategy paper (CAS) and they broadly support the analysis contained in it and the priorities it sets for the future. In particular, they strongly agree with the proposed focus on rural development, education and infrastructure. They would like me to pass on their thanks to the Bank generally, and to Mr. Shirazi and his team in particular, for the strong and cooperative relationship that has been developed.

2. As the CAS document acknowledges, the Cambodian Government has made impressive progress on the macro-economic front in just the past three years. Their budget for 1997 will set them further firmly on their chosen course of fiscal discipline, macro-economic stability and growth oriented economic and social investments. The Cambodian government realises the considerable degree of international support it has received has helped it to make this progress. They would like to thank the World Bank and the Government of Japan for their role in coordinating this international assistance.

3. The forestry issues that caused considerable difficulties in 1996 have all been satisfactorily resolved. A ban on export of all logs is effectively in place since 1 January 1997 and their immediate neighbors are fully cooperating with them in this matter. The World Bank played an important role in ensuring there was a satisfactory resolution to these difficulties.

4. My Cambodian authorities would like to thank the Bank also for opening up a liaison office in Phnom Penh. The person appointed, Mr. Natarajan, as Mr. Peters said, is very experienced, knows the country very well and has a very good working relationship with the Cambodian Government. Of course, at some stage, they would like the Bank to upgrade the office to a full Resident Mission.

5. The Minister of Finance, the Honourable Keat Chhon, has asked me to try and put the political issues in Cambodia in context for my fellow Board members. The political situation in
Cambodia does get a lot of media attention and it is, as the CAS explicitly acknowledges, one of the risks to the Bank’s program in Cambodia. But we need to remember where they have come from. Given the recent history of Cambodia, they have made extraordinary progress on the political front - at least as much as they have made on the macro-economic front. The Minister believes that the differences between the two major parties and coalition partners in the Royal Government should be seen as part of the adjustment processes in a new democracy.

6. Minister Keat Chhon asked me to urge this Board to support three propositions:

   (i) The high-level lending scenario is the option they would like to be adopted. He says any other option would send unintended negative impressions about Cambodia. They are aware that this will require a continuation of sound policies by them and this is what they intend to do.

   (ii) Unfortunately, the Bank’s pipeline of projects in Cambodia is still very small. If the high lending scenario is to be implemented, more energetic efforts will be needed to build up a pipe-line of more production oriented projects in rural development, agriculture, education and infrastructure.

   (iii) The budget support so far approved by the Bank has been exhausted. They have repeatedly requested the Bank authorities to commence a Structural Adjustment Credit to be effective preferably before 30 June 1997. They need this support to tide over their budget deficits in the short-term before their tax reform measures take hold and provide them with the sustained levels of domestic revenue. They are well aware of the need to increase domestic revenue and they are working on policies to do this but the process will take time.

7. I have noted the offer made by my colleague, Andrei Bugrov, relating to the important issue of ruble debt and I thank him for it. I will convey that information to the Royal Government of Cambodia.

8. Finally, I would like to thank my other colleagues for their generally positive support for Cambodia. A number of my colleagues have asked in their written statements about the degree of government ownership of the strategy set out in the CAS. I can assure them that the CAS strategy is also the Cambodian Government’s strategy.