Statement by Murilo Portugal  
Date of Meeting: February 29, 2000

Cambodia: Country Assistance Strategy

We welcome the discussion on this country assistance strategy for Cambodia which was developed jointly by the IDA and IFC. We also commend the staff for the very clear presentation of the situation in Cambodia. We think that the document has argued well the enormous task of continued rebuilding of Cambodia and the rationale for a more involved assistance strategy, greater field presence of staff in Cambodia, and a more strategic donor co-ordination task for IDA. In fact, in view of the enormity of the task and the need to motivate all stakeholders to stay the course, we believe that staff could have justified a higher case credit scenario which we could support.

We are encouraged to note that the present CAS can now talk about sustaining development over the medium-term, a clear improvement from the post-conflict rehab that characterized the last one. Rightly so, this CAS can now focus more on developing institutions in support of recovering lost opportunity for human resource development, of strengthening legal, judicial and accounting frameworks to foster private sector-led economic progress, and of nurturing local capacity to ensure true ownership by the authorities of the country's development program. We are also encouraged by statements of the Cambodian authorities that the CAS is consistent with their own development agenda.

Given the history of conflict and unfortunate policies leading to the depletion of human and physical capital in Cambodia, the role of IDA and other donors is crucial to Cambodia's future. If the desire of the donor community is to see Cambodia finally break away from its unfortunate past, then there is very limited room for error. History should instruct us to give equal stress not only on economic development, but also on the political as well as the social facets of progress.

Donor assistance appear not to be in short supply. In fact, as the staff document has admitted, it can be the proliferation of donor activities (uncoordinated) and diverse interest that...
can prevent a more effective intervention. The fact that the Cambodian authorities have asked IDA to coordinate donor activities should not be taken lightly. It behooves IDA to ensure that it is well equipped with the resources and right skills mix to take on what we feel is a big job. We would like to be assured that in proposing what it calls a new approach of far greater collaboration among development partners, IDA is not veering away too much from what it does best.

On lending scenarios and triggers, as we have stated earlier, we would support a high case scenario if only to demonstrate to the donor community IDA's readiness to meet the challenges confronting a small, poor, post conflict member. We think the triggers are appropriate; we would not want to see more conditions for release of resources. We also believe that the use of intermediate milestones are useful in this case, especially as they are designed to be flexible.

On the risks associated with the program, we agree that the threat of disruption of the development program. The hard decisions regarding demilitarization and also the reduction in the size of the civil service are almost certain to elicit even violent resistance. In this regard a gradual but determined effort should mitigate the risks somewhat. Again, in this area, a well coordinated donor assistance is important in ensuring that labor displacement can be minimized and that resources are available for alternative activities.

We pray that donors will have Cambodia's interest at heart and we wish the Cambodian authorities well.