

Growth in the World Bank's active client countries in the East Asia and Pacific region accelerated from 9 percent in 2005 to 9.5 percent in 2006. The most rapidly growing country in the region is China, which grew 10.7 percent in 2006—the fourth consecutive year it has grown more than 10 percent. Cambodia, the Lao People's Democratic Republic, Mongolia, and Vietnam also grew rapidly, increasing their output by 7.5–10.5 percent. Indonesia, Malaysia, the Philippines, and Thailand grew at more moderate but still healthy annual rates of 5–6 percent. Papua New Guinea and some of the Pacific Islands also saw a pickup in growth, in part as a result of higher commodity prices. Political or civil unrest undermined the outlook in Timor-Leste and Tonga.

Poverty continued to decline in the region, with the number of people living on less than \$2 a day falling to 550 million in 2006, or less than 30 percent of the region's population. Since 2001, the number of people living below the \$2-a-day line has been reduced by some 225 million, an even larger reduction than in the previous "boom" of 1991–96.

The Bank's strategy in the region is to support broad-based economic growth, promote trade and integration,

enhance the environment for good governance, increase social stability, and help countries achieve the MDGs. To meet these goals, the Bank approved \$4 billion for the region in fiscal 2007, including \$2.8 billion in IBRD loans and \$1.2 billion in IDA credits and grants. Carbon Finance contracts totaling \$29 million were signed in 2007.

IMPROVING GOVERNANCE AND THE CLIMATE FOR INVESTMENT

Groundbreaking work on governance and corruption continues in the East Asia and Pacific region, with an emphasis placed on building country capacity and strengthening public institutions. A \$600 million development policy loan to Indonesia is allowing the government to deepen reforms in four main areas: macroeconomic stability and creditworthiness, public financial management and governance, the investment climate, and services for the poor. The operation brings together the World Bank, the government of Japan, and the Asian Development Bank around a common policy framework.

In the Philippines, a \$250 million development policy loan supports the country's significant achievements and further

EAST ASIA AND PACIFIC FAST FACTS

Total population:	1.9 billion
Population growth:	0.8%
Life expectancy at birth:	71 years
Infant mortality per 1,000 births:	26
Female youth literacy:	98%
2006 GNI per capita:	\$1,863
Number of people living with HIV/AIDS:	2.4 million

TOTAL FISCAL 2007

New Commitments
IBRD \$2,807 million
IDA \$1,237 million

TOTAL FISCAL 2007

Disbursements
IBRD \$2,358 million
IDA \$853 million

Portfolio of projects under implementation as of June 30, 2007: \$18.9 billion

Note: Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2005; HIV/AIDS data are from the May UNAIDS 2006 Report on the Global AIDS Epidemic; other indicators are for 2006 from the World Development Indicators Database.

COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Cambodia	Kiribati	Malaysia	Mongolia	Philippines	Timor-Leste
China	Korea, Republic of	Marshall Islands	Myanmar	Samoa	Tonga
Fiji	Lao People's Democratic Republic	Micronesia, Federated States of	Palau	Solomon Islands	Vanuatu
Indonesia			Papua New Guinea	Thailand	Vietnam

actions in reducing public sector deficit and debt by strengthening tax administration, improving budget execution and fiduciary performance, and strengthening the finances of the power sector. This is the first development policy operation for the Philippines in eight years.

In Indonesia, a second generation of measures is being developed to combat corruption at the sectoral and project levels. Under the Strategic Roads Improvement Project, the Bank is working with the government to strengthen fiduciary safeguards; enhance coordination with government agencies, including the supreme audit and national anticorruption agencies; and introduce oversight by civil society groups.

In China, an Investment Climate Assessment of 120 cities found that cities vary widely in local governance, investment climate, and progress toward achieving a “harmonious society”—the objective of China’s 11th National Five-Year Plan. The report concluded that cities with the weakest investment climates stand to gain most by making their local governments more efficient, transparent, and investor friendly.

INVESTING IN HEALTH AND HUMAN DEVELOPMENT

The emergence of avian influenza in Southeast Asia in 2003 placed the region at the forefront of a global response to the disease. Vietnam, where the Bank assisted in developing the first Avian Influenza Emergency Response Project, continues to inform global practice with a second operation, the Avian and Human Influenza Control and Preparedness Project. In fiscal 2007, avian flu projects were delivered for Indonesia and China using the Avian and Human Influenza Facility. Similar projects have been proposed for Cambodia and Mongolia.

The region is making good progress toward meeting the challenge of increasing access to basic education. In more rapidly growing Asian economies, such as Vietnam, the focus is on expanding tertiary education, which can increase competitiveness in the global economy.

PROMOTING SUSTAINABLE DEVELOPMENT

The creation of the new Sustainable Development Vice Presidency underscores the Bank’s commitment to responding to client demand for more integrated assistance in

support of infrastructure, rural, and social development projects.

In natural resource management, the Guangxi Integrated Forestry Project in China aims to introduce sustainable management of forestry resources to a country that has significantly increased forest cover but continues to face

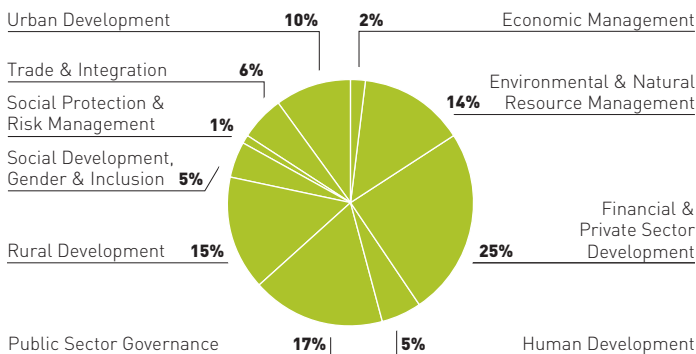


FIGURE 2.3

EAST ASIA AND PACIFIC

IBRD AND IDA LENDING BY THEME | FISCAL 2007

SHARE OF TOTAL OF \$4 BILLION



growing demand for timber. The Renewable Energy for Rural Access Project will help provide off-grid rural herders in Mongolia with access to regular and affordable electricity.

On climate change, the Carbon Finance portfolio, which grew rapidly in the past two years as a result of China's participation, is supporting research and policy work across the region. One of the portfolio's projects is in Kiribati—a low-lying Pacific Island state—where the Bank is working with the government to adapt to risks from storm surges and a rise in sea level. On a larger scale, the study *Sustainable Energy in China: The Closing Window of Opportunity* proposes a path toward a comprehensive energy policy as the Chinese economy continues to grow and energy demand surges.

BUILDING PARTNERSHIPS

The Bank has strong relationships with other regional donors, including the Asian Development Bank, the Australian Agency for International Development, the Japan Bank for International Cooperation, the government of the Netherlands, and the U.K. Department for International Development. East Asia and Pacific is the largest regional user of trust funds in the World Bank, with a portfolio of \$2.6 billion in fiscal 2007.

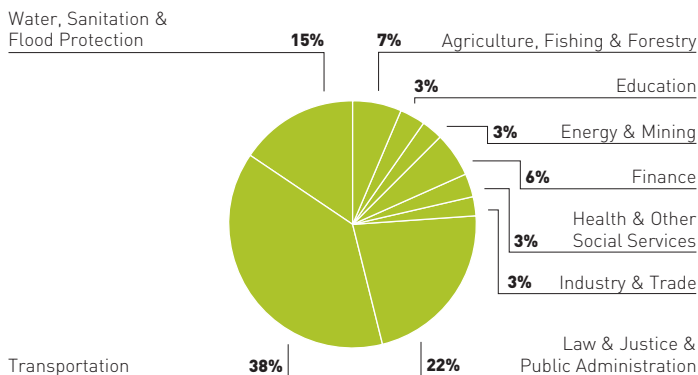
Multidonor trust funds have been successfully used to support reconstruction in Aceh following the 2004 tsunami, to

FIGURE 2.4

EAST ASIA AND PACIFIC

IBRD AND IDA LENDING BY SECTOR | FISCAL 2007

SHARE OF TOTAL OF \$4 BILLION



take measures against the spread of avian flu, and to provide emergency relief and reconstruction assistance following the 2006 earthquake in Yogyakarta.

FOSTERING PARTICIPATION IN DEVELOPMENT

In an innovative study released in August 2006, the World Bank highlighted the need to allow unskilled workers from the Pacific Islands greater access to seasonal employment in neighboring developed economies. The report advocates greater labor mobility in the Pacific Islands to help overcome the challenges of small economies, remoteness, growing youth populations, and low job growth. Following publication of the report, the government of New Zealand announced a temporary pilot labor mobility scheme with a number of Pacific Island countries.

To better involve youth in the development agenda, the Bank and more than 30 development partners—including UNICEF, local civil society organizations, and relevant government ministries—held Youth Open Space dialogue sessions across the region. Forums in Lao PDR, Mongolia, Papua New Guinea, Singapore, Thailand, and Timor-Leste allowed young people, many of them from marginalized groups, to articulate their concerns and suggest approaches to development that they see as relevant and workable. (See www.worldbank.org/eap.)

TABLE 2.2

WORLD BANK LENDING TO BORROWERS IN EAST ASIA AND PACIFIC BY THEME AND SECTOR | FISCAL 2002–2007

MILLIONS OF DOLLARS

THEME	2002	2003	2004	2005	2006	2007
Economic Management	4.8	29.7	0.0	87.0	78.7	82.5
Environmental and Natural Resource Management	102.3	232.3	432.2	446.9	396.4	565.0
Financial and Private Sector Development	512.8	458.8	553.9	340.6	720.7	999.1
Human Development	226.4	152.7	164.6	184.6	543.7	213.4
Public Sector Governance	127.4	341.5	299.0	344.5	385.9	705.4
Rule of Law	20.3	7.3	67.3	45.8	13.4	0.0
Rural Development	360.9	411.7	400.9	484.1	465.7	608.2
Social Development, Gender, and Inclusion	173.0	143.7	167.2	241.1	83.3	189.9
Social Protection and Risk Management	138.7	161.5	5.5	88.7	144.9	43.8
Trade and Integration	43.3	138.0	82.9	126.5	112.1	233.0
Urban Development	63.6	233.6	399.2	493.5	456.9	403.7
Theme Total	1,773.6	2,310.8	2,572.7	2,883.3	3,401.6	4,043.9
SECTOR						
Agriculture, Fishing, and Forestry	151.2	106.7	290.4	207.9	373.3	268.6
Education	134.6	225.7	118.6	228.0	287.9	125.3
Energy and Mining	314.5	254.3	67.2	359.1	425.2	118.5
Finance	219.2	22.7	49.0	213.1	197.6	230.1
Health and Other Social Services	243.8	184.1	84.3	204.3	160.6	132.7
Industry and Trade	9.4	32.5	78.7	159.1	29.3	102.0
Information and Communication	11.1	6.6	0.0	5.0	5.3	0.0
Law and Justice and Public Administration	115.2	385.1	257.5	436.6	693.6	887.7
Transportation	540.2	684.3	1,209.9	306.7	652.3	1,554.7
Water, Sanitation, and Flood Protection	34.4	408.7	417.1	763.7	576.5	624.3
Sector Total	1,773.6	2,310.8	2,572.7	2,883.3	3,401.6	4,043.9
Of which IBRD	982.4	1,767.1	1,665.5	1,809.8	2,344.3	2,806.6
Of which IDA	791.2	543.7	907.2	1,073.6	1,057.2	1,237.4

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities.