

# EAST ASIA AND PACIFIC



Cambodia	Korea, Republic of	Micronesia, Federated States of
China	Lao People's Democratic Republic	Mongolia
Fiji	Malaysia	Myanmar
Indonesia	Marshall Islands	Palau
Kiribati		

As a result of the global financial crisis, growth in the low- and middle-income countries of the East Asia and Pacific region slowed sharply during 2009, falling for the first time since 2001. Real economic growth in the region is projected to reach just 5.3 percent in 2009, down from 8.0 percent in 2008 and 11.4 percent in 2007.

Although this level of growth still compares favorably with that of other regions, the people of East Asia and Pacific—especially the poorest and most vulnerable—have been deeply affected by the worst global economic and financial crisis in generations. Prospects may be better than those in other developing regions, but concerns remain that a return to higher growth will be slow to materialize, with negative implications for employment generation, living standards, and poverty reduction.

The region's middle-income countries—China, Indonesia, the Philippines, and Thailand—were able to withstand the initial wave of impacts because of the structural reforms implemented after the 1997–98 Asian financial crisis. But the collapse in global demand and the sharp contraction in exports and industrial production now have affected every country in the region. Especially hard hit have been countries that depend heavily on the manufacture and export of electronics (the Philippines), commodities (Indonesia, the Lao People's Democratic Republic, Mongolia, Papua New Guinea, and Timor-Leste), and garments (Cambodia and the Pacific Island economies).

With jobs being shed and remittance inflows falling, the pace of poverty reduction across the region is slowing. More than 10 million people who would otherwise have moved out of poverty are

expected to remain below the poverty line as a result of the financial crisis.

East Asian governments responded quickly to the crisis. All middle-income countries adopted fiscal stimulus packages and low-income countries sought additional support from their development partners. A number of countries acted early to strengthen social protection measures. China made a one-time cash payment to 74 million poor people, including millions of rural residents, and introduced a major health reform package aimed at increasing poor people's access to health care. Indonesia strengthened a targeted cash assistance program for the poor, and the Philippines put a conditional cash transfer program in place.

## WORLD BANK ASSISTANCE

To address the impacts of the global financial crisis, the World Bank adjusted its strategy in East Asia and Pacific in fiscal 2009. While long-term priorities remain unchanged, emphasis was placed on managing the social and economic impacts of the crisis in the short term by helping governments stimulate their economies and maintain essential social and infrastructure investments. The Bank also lent its analytical expertise by providing detailed analysis of the potential social and economic impacts of the crisis.

The Bank approved \$8.2 billion for East Asia and Pacific in fiscal 2009 for 40 development projects, almost twice the \$4.5 billion financed in fiscal 2008. Support included \$6.9 billion in IBRD loans and \$1.2 billion in IDA commitments, including \$36.4 million in grants.

## EAST ASIA AND PACIFIC REGIONAL SNAPSHOT

Total population:	1.9 billion
Population growth:	0.8%
Life expectancy at birth:	72 years
Infant mortality per 1,000 births:	22
Female youth literacy:	98%
Number of people living with HIV/AIDS:	2.4 million
2008 GNI per capita:	\$2,515
GDP per capita index (1998=100):	207

## TOTAL FISCAL 2009

<b>New Commitments</b>
IBRD \$6,905 million
IDA \$1,247 million

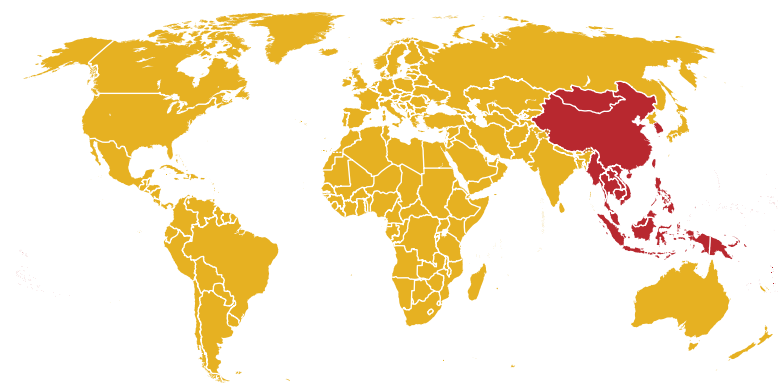
## TOTAL FISCAL 2009

<b>Disbursements</b>
IBRD \$3,275 million
IDA \$1,254 million

Portfolio of projects under implementation as of June 30, 2009: \$26 billion

**Note:** Life expectancy at birth, infant mortality rate per 1,000 live births, female youth literacy, and people living with HIV/AIDS are for 2007; other indicators are for 2008 from the World Development Indicators database. HIV/AIDS data are from UNAIDS/WHO's 2008 Report on the Global AIDS Epidemic.

Papua New Guinea	Timor-Leste
Philippines	Tonga
Samoa	Vanuatu
Solomon Islands	Vietnam
Thailand	



### RESPONDING TO GLOBAL CRISES

Many countries in the East Asia and Pacific region were just beginning to recover from the catastrophic rise in fuel and food prices in 2008 when the global financial crisis hit. To help them weather both crises, the Bank increased its support throughout the region in fiscal 2009.

In Indonesia, the Bank is helping support poor communities in urban and rural areas through \$415 million in additional block grant financing for community-level activities such as local infrastructure projects, improvements to school facilities, and direct support to poor families to help them send their children to school. This financing builds on Indonesia's well-performing, decade-long National Community Empowerment Program.

The Bank also approved a \$600 million loan in support of an innovative school grants program called School Operational Assistance–Knowledge Improvement for Transparency and Accountability. The program aims to increase access to quality education for all children ages 7–15 and to strengthen community participation in school management. It is also being used as a way to increase direct support to families hit by job losses resulting from the financial crisis.

In the Philippines, a \$200 million development policy loan is helping the country address the emergency created by high food prices. The loan supports measures that strengthen social protection and safety nets for poor and vulnerable households, including a new conditional cash transfer program.

In Lao PDR, a \$3 million Global Food Crisis Response Program grant is helping reduce seasonal and natural disaster–related food shortages by bolstering rice production from small farms. The Bank is also piloting a conditional cash transfer scheme designed to increase the use of maternal and child health services. In Vietnam, the Bank is helping the government finance its fiscal stimulus package, which emphasizes investment in infrastructure.

In Mongolia, which has been hit hard by plummeting commodity prices, the government has put in place a program of reforms aimed at cushioning the impacts of the crisis and reducing the effects of boom and bust cycles on its minerals-based economy. The Bank and other development partners are supporting the government's policy reform agenda, including through a planned series of development policy credits.

Much-expanded Bank work in the Pacific, including the doubling of staff and a new office in the Solomon Islands, is helping meet demand from Pacific Island countries, Papua New Guinea, and Timor-Leste. These

countries are seeking the Bank's technical support in developing employment-generating programs targeting youth.

On a much larger scale, the Bank has been working with the Asian Development Bank and the governments of Australia and Japan to put in place a contingent financing support program for Indonesia that can be used if economic conditions worsen. The Bank's support of \$2 billion constitutes the largest component of this public expenditure facility. The Indonesian government can access the funds to finance important social and infrastructure programs if needed, allowing critical public services and investments to continue despite the economic downturn.

### RESPONDING TO NATURAL DISASTERS

Exactly a month after the devastating May 2008 earthquake in Wenchuan, which killed almost 70,000 people, the government of China and the Bank organized an international workshop on international good practice in reconstruction. These efforts laid the groundwork for a \$710 million emergency recovery loan, approved by the Board in fiscal 2009. The loan is helping to finance new infrastructure in quake-hit areas and rebuild health and education facilities in Sichuan and Gansu Provinces.

Cyclone Nargis, which killed about 146,000 people in Myanmar in May 2008, destroyed or damaged some 800,000 homes and laid waste to vast areas of the country's farmland. In fiscal 2009, the Bank worked with the United Nations and bilateral donors to help the Association of Southeast Asian Nations build its capacity to respond to future natural disasters and humanitarian crises.

### ADDRESSING THE CHALLENGES OF CLIMATE CHANGE

Groundbreaking work on the dual challenges of reducing carbon emissions and mitigating the impacts of climate change continues across the East Asia and Pacific region. In China, a \$120 million eco-farming project is helping farm households integrate biogas into their production systems and channel carbon credits back to households. Lessons from the project will help guide the country's national rural biogas program. A \$19.7 million Global Environment Facility grant is supporting the closure of inefficient coal-fired power generation units in Shanxi, Shandong, and Guangdong Provinces. In Vietnam, a \$202 million IDA credit is helping the country increase the amount of electricity it generates from renewable sources.

In the Philippines, the Bank is using the Clean Development Mechanism to help energy providers such as wind farms and other

FIGURE 2.3

**EAST ASIA AND PACIFIC**

IBRD AND IDA LENDING BY THEME | FISCAL 2009  
SHARE OF TOTAL OF \$8.2 BILLION

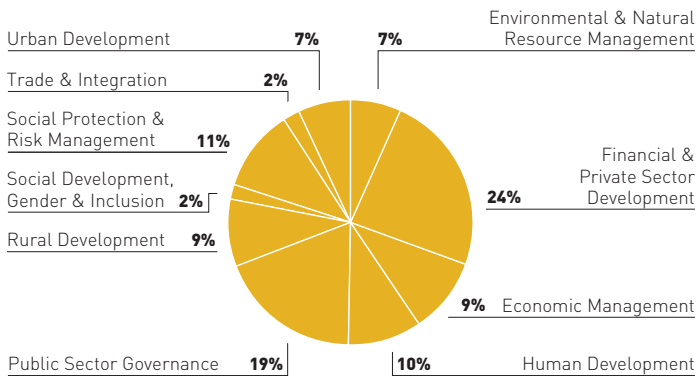
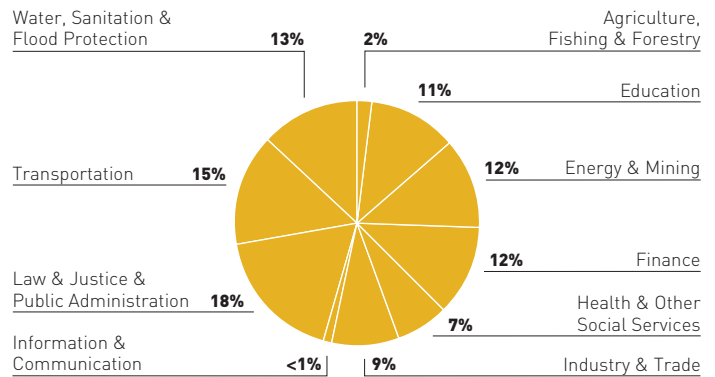


FIGURE 2.4

**EAST ASIA AND PACIFIC**

IBRD AND IDA LENDING BY SECTOR | FISCAL 2009  
SHARE OF TOTAL OF \$8.2 BILLION



industries benefit from the market for greenhouse gas emission reductions. The Bank helped the Philippines reduce greenhouse emissions by purchasing emission reductions from companies and public authorities through the various carbon finance facilities that the Bank manages.

To help the region's cities identify their vulnerabilities to climate change, the Bank joined the United Nations' International Strategy for Disaster Risk Reduction and the Global Facility for Disaster Reduction and Recovery to produce the *Climate-Resilient Cities* primer. This "how to" guide for local governments helps them identify vulnerabilities and develop plans to mitigate the consequences of natural disasters and climate events.

**BUILDING PARTNERSHIPS**

The Bank places great emphasis on building partnerships to expand its knowledge base and extend the reach of its development outcomes

across the East Asia and Pacific region. A partnership with the University of Southern California (USC) established in 2009 combines USC's urban and social planning expertise with the Bank's skills in sustainable development. The new World Bank–Singapore urban hub, which will provide advice and assistance on practical solutions to major urban challenges facing developing countries builds on both institutions' expertise in finding workable solutions to urban problems.

And the Bank's new Bangkok-based governance hub, which started work in January 2009, is reaching out to academic institutions, civil society organizations, and governments across the region to find the most effective ways to address governance and anticorruption challenges. It is connecting the Bank with leading research, professional, and civil society organizations to strengthen its operations and increase its understanding of changes under way across the region. (See <http://www.worldbank.org/eap>.)

**SPOTLIGHT ON RESULTS**

**VOICES FROM THE FIELD**

**Turning on the Lights—Creating Opportunities in a Rural Province in the Philippines**

For Cosme Duberte, 45, resident of a small rural town in the Philippine province of Bohol, life started to change just after he switched on his first fluorescent light in early 2009 (see photo, page 34). It was confirmation that, at last, electricity had reached his remote mountainous village, courtesy of a community-driven project funded by the Bank.

"The children can now work on their assignments at night, and their grades have improved," says the proud father of seven. His wife, he explains, has started a small business preparing cassava cakes and ice candy for sale at the village and town centers. A farmer and carpenter with entrepreneurial inclinations, he has also started accepting orders for his furniture-making business. "With electricity, I can work into the night," he says, adding that he is gradually saving money to buy power tools for his business.

Pointing to the nearby concrete pylons that bring electricity into the village, Cosme explains that it took 24 people from the community to haul them up the hills and then set them in place with their bare hands. Their labor was the community's contribution

to the electrification project, the bulk of the money for which came from a grant from KALAHI-CIDSS, a community-driven development program being implemented by the government of the Philippines and funded by the Bank.

KALAHI is an acronym for the Filipino phrase *Kapitbisig Laban Sa Kahirapan*, which means "linking arms against poverty." CIDSS stands for the Comprehensive and Integrated Delivery of Social Services. The project aims to strengthen local communities' participation in *barangay* (local district) governance and develop local capacity to design, implement, and manage development activities that reduce poverty.

KALAHI-CIDSS trains villagers in project planning, technical design, and financial management and procurement, building a cadre of future leaders at the local level. The project provides villagers with structured opportunities for accessing information, expressing their opinions, and influencing local governance, placing emphasis on transparency. The use of funds is announced at public meetings, and information about community projects is posted on community notice boards.

TABLE 2.2

**WORLD BANK LENDING TO BORROWERS IN EAST ASIA AND PACIFIC** BY THEME AND SECTOR | FISCAL 2004–2009  
 MILLIONS OF DOLLARS

THEME	2004	2005	2006	2007	2008	2009
Economic Management	0.0	87.0	78.7	82.5	0.0	784.1
Environmental and Natural Resource Management	432.2	446.9	396.4	565.0	746.0	550.0
Financial and Private Sector Development	553.9	340.6	720.7	999.1	1,132.9	1,927.5
Human Development	164.6	184.6	543.7	213.4	229.0	818.7
Public Sector Governance	299.0	344.5	385.9	705.4	644.4	1,568.1
Rule of Law	67.3	45.8	13.4	0.0	23.5	0.0
Rural Development	400.9	484.1	465.7	608.2	555.4	717.8
Social Development, Gender, and Inclusion	167.2	241.1	83.3	189.9	197.1	178.0
Social Protection and Risk Management	5.5	88.7	144.9	43.8	99.3	888.2
Trade and Integration	82.9	126.5	112.1	233.0	177.3	175.9
Urban Development	399.2	493.5	456.9	403.7	663.2	544.4
<b>Theme Total</b>	<b>2,572.7</b>	<b>2,883.3</b>	<b>3,401.6</b>	<b>4,043.9</b>	<b>4,468.1</b>	<b>8,152.7</b>
<b>SECTOR</b>						
Agriculture, Fishing, and Forestry	290.4	207.9	373.3	268.6	112.8	200.8
Education	118.6	228.0	287.9	125.3	234.3	941.3
Energy and Mining	67.2	359.1	425.2	118.5	666.1	946.0
Finance	49.0	213.1	197.6	230.1	263.0	1,009.4
Health and Other Social Services	84.3	204.3	160.6	132.7	213.0	581.5
Industry and Trade	78.7	159.1	29.3	102.0	189.5	753.6
Information and Communication	0.0	5.0	5.3	0.0	10.0	11.0
Law and Justice and Public Administration	257.5	436.6	693.6	887.7	888.8	1,474.2
Transportation	1,209.9	306.7	652.3	1,554.7	1,531.7	1,204.9
Water, Sanitation, and Flood Protection	417.1	763.7	576.5	624.3	359.0	1,030.2
<b>Sector Total</b>	<b>2,572.7</b>	<b>2,883.3</b>	<b>3,401.6</b>	<b>4,043.9</b>	<b>4,468.1</b>	<b>8,152.7</b>
Of which IBRD	1,665.5	1,809.8	2,344.3	2,806.6	2,676.7	6,905.4
Of which IDA	907.2	1,073.6	1,057.2	1,237.4	1,791.4	1,247.4

Note: Effective fiscal 2005, lending includes guarantees and guarantee facilities. Numbers may not add to totals because of rounding.