



# EAST ASIA AND PACIFIC

The economy of the East Asia and Pacific region is growing rapidly, and income poverty is falling. The region grew at 8.5 percent in 2004 and accounted for a third of the growth in world trade. The number of East Asians living on less than \$2 a day declined by about 250 million between 1999 and 2004—at a time when the population grew by 80 million. Countries in the region are on track to meet the Millennium Development Goal for poverty reduction, although there is wide variation in the pace of progress across and within countries.

China continues to exert strong economic influence, through trade and cross-border production networks. Its growth has helped strengthen economic integration within East Asia and has increased the region's integration into the global economy. Many countries are considering how to maximize the opportunity China presents while managing the challenges.

High prices for natural resources, especially oil, likely will slow growth in the year ahead. Several other risks also threaten to reduce the rate of growth. In some countries, corruption is impeding investment—and imposing a heavy

burden on poor and vulnerable people. If rapid growth is to continue, more attention needs to be paid to preserving the environment, managing natural resources, providing more and better infrastructure, improving capital markets, and continuing to strengthen institutions responsible for managing the economy. As the devastating earthquake and tsunami in December 2004 demonstrated, the region is also vulnerable to sudden natural or external shocks, adding to the challenge of maintaining stability and growth.

## WORLD BANK ASSISTANCE

The Bank's overall strategy for the region aims to support broad-based economic growth, promote higher levels of trade and integration within the region and with the global economy, enhance the environment for governance at both the national and subnational levels, increase social stability, and achieve the Millennium Development Goals. To help reach those goals, the Bank approved \$2.9 billion for the region in fiscal 2005, \$1.1 billion in IDA grants and credits and \$1.8

### EAST ASIA AND PACIFIC FAST FACTS

Total population:	1.9 billion
Population growth:	0.8%
Life expectancy at birth:	70 years
Infant mortality per 1,000 births:	32
Female youth literacy:	98%
2004 GNI per capita:	\$1,280
Number of people living with HIV/AIDS:	2.3 million

#### TOTAL FISCAL 2005

<b>New Commitments</b>
IBRD \$1,809.8 million
IDA \$1,073.5 million

#### TOTAL FISCAL 2005

<b>Disbursements</b>
IBRD \$1,837.4 million
IDA \$685.0 million

Portfolio of projects under implementation as of June 30, 2005: \$19.9 billion

Note: Life expectancy at birth and infant mortality rate per 1,000 births are for 2003; female youth literacy is for the most recent year available from 2000 to 2002; HIV/AIDS data are from the June 2004 UNAIDS Report on the Global AIDS Epidemic; other indicators are for 2004 from the World Development Indicators Database.

## COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

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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

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billion in IBRD loans. Carbon trust fund contracts in the amount of \$33.1 million were signed this year, bringing the regional total committed for reducing global greenhouse gas emissions to \$44.9 million.

To support the new Indonesian government's efforts to better manage public finances and fight corruption, the Bank approved a \$300 million development policy loan and a \$60 million financial management reform program just months after the new administration took office. The Bank also approved new assistance strategies for Cambodia, the Lao People's Democratic Republic, the Pacific Island states, and the Philippines. Following the December 26, 2004, tsunami and earthquake, the Bank established a new multidonor trust fund at the Indonesian government's request to help coordinate some \$500 million in grant funding contributed for reconstruction. Also, \$20 million from previous Bank financing was redirected toward the tsunami reconstruction effort, and a \$25 million grant was made. An additional \$19 million in IDA credits was approved for this purpose in fiscal 2005.

To tailor its approach to individual countries, the Bank is increasingly working in partnership with other organizations (see box 2.1). This fiscal year it began preparing a joint assistance strategy for Cambodia with the United Kingdom's Department for International Development and the Asian Development Bank. In Thailand the Bank entered into a partnership with the Thai government, the Japan Bank for International Cooperation, the United States–Asia Environment Partnership, and the United Nations Development Programme to strengthen environmental management. Fiscal 2005 also saw the publication of the first joint study on infrastructure by the Asian Development Bank, the Japan Bank for International Cooperation, and the World Bank.

(See also the IFC and MIGA annual reports.)

### **BUILDING THE CLIMATE FOR INVESTMENT**

The Bank completed four investment climate assessments in the region in fiscal 2005, and another four are under way. In China city leaders are focusing on problems identified in the 23-city investment climate survey. The Harbin city government is working to reduce, from 400, the number of court days

needed to resolve commercial disputes. With Bank support, the Indonesian government is proposing to replace its system of licensing and approval of investments with one of registration and investment promotion. Efforts are focusing on streamlining procedures required to start a business—a process that currently takes 151 days.

The Bank is helping Cambodia develop a strategy for economic growth by promoting private sector development following the end of its preferential quotas on garments. In China the Bank is supporting efforts to improve cross-border links with Mongolia and the Russian Federation and to modernize the banking system. In Vietnam the Bank is helping to strengthen the customs system and modernize the banking system. In the Pacific Island states and the Philippines, measures to strengthen remittance and labor migration systems are being developed with the Bank's support and advice.

Governance continues to be a major emphasis for the Bank in East Asia. In fiscal 2005 the Bank conducted a regional study on decentralization that focuses on ways frontline officials can make local governments more effective. The findings were published by the Bank in *East Asia Decentralizes: Making Local Government Work*. In selected countries the Bank sought ways to identify and minimize fraud and corruption at various stages of the Bank project cycle. It is supporting judicial reform at the local level in Indonesia and systemic reform in the Philippines. Governance is also a cornerstone of the Country Assistance Strategies for Cambodia and the Philippines.

### **FOSTERING PARTICIPATION IN DEVELOPMENT**

Community development initiatives are at the core of the Bank's work to increase social stability in the region. In Aceh, Indonesia, where tsunami reconstruction work is being carried out alongside efforts to bring peace and stability to the region, the Kecamatan Development Program is bringing communities together to plan for the future with the help of trained local facilitators.

Fighting communicable diseases, increasing access to education, and improving the environment are the focus of Bank efforts to help countries in the region achieve the

FIGURE 2.3

**EA T A IA AND PACIFIC**

IBRD AND IDA LENDING BY THEME | FISCAL 2005  
SHARE OF TOTAL OF \$2.9 BILLION

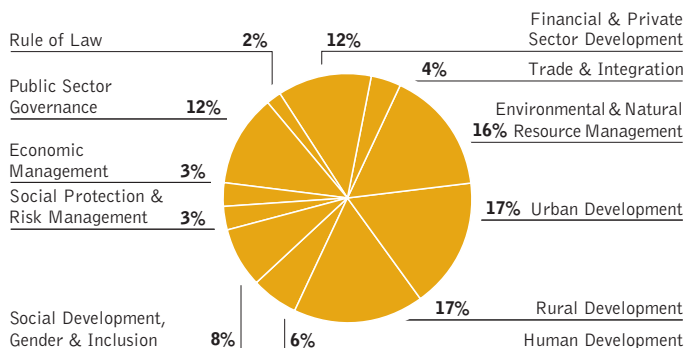
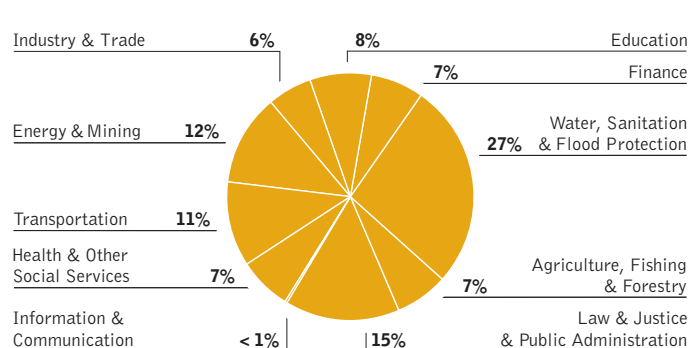


FIGURE 2.4

**EA T A IA AND PACIFIC**

IBRD AND IDA LENDING BY SECTOR | FISCAL 2005  
SHARE OF TOTAL OF \$2.9 BILLION



Millennium Development Goals. In Papua New Guinea and Vietnam, the Bank is working to arrest the spread of HIV/AIDS. In the Philippines it is helping the government improve access to clean water and sanitation with an IFC investment for drinking water and a World Bank project for wastewater treatment in Manila.

As countries comply with the Kyoto Protocol, the demand for carbon finance is growing, particularly in China but also in the Philippines, Vietnam, and other countries in the region. In China the Bank and the Global Environment Facility are cofinancing a Renewable Energy Scale-Up Program, and the Bank is financing the China Heat Reform and Building Energy Efficiency Project, which will improve indoor and outdoor air quality.



**BOX 2.1**

**CONNECTING EAST ASIA: ADDRESSING THE INFRASTRUCTURE CHALLENGE**

“Connecting East Asia: A New Framework for Infrastructure,” the first joint study by the World Bank, the Asian Development Bank, and the Japan Bank for International Cooperation, proposes a new framework for infrastructure development. The approach seeks to ensure that infrastructure development allows more people to share in the benefits of economic growth. It promotes accountability and manages risks, particularly the risk of corruption. Launched in Tokyo this year, the study is being discussed throughout the region in consultations with policy makers, companies, official financiers, and other stakeholders.

The Nam Theun 2 Hydropower Project was approved in fiscal 2005 after more than a decade of study. It will provide the Lao People’s Democratic Republic with much-needed revenues for poverty reduction programs. The private sector project, which is being guaranteed by the World Bank and MIGA and supported by the Asian Development Bank, the European Investment Bank, the Agence Française de Développement, and the Nordic Investment Bank, will enable Lao PDR to sell electricity to Thailand.

TABLE 2.2

**WORLD BANK LENDING TO BORROWERS IN EAST ASIA AND PACIFIC** BY THEME AND SECTOR | FISCAL 2000–2005  
 MILLIONS OF DOLLARS

<b>THEME</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Economic Management	0.0	0.0	4.8	29.7	0.0	87.0
Environmental and Natural Resource Management	880.4	399.3	102.3	232.3	432.2	446.9
Financial and Private Sector Development	627.6	310.9	512.8	458.8	553.9	340.6
Human Development	81.1	52.6	226.4	152.7	164.6	184.6
Public Sector Governance	556.2	65.1	127.4	341.5	299.0	344.5
Rule of Law	9.3	3.8	20.3	7.3	67.3	45.8
Rural Development	430.3	341.6	360.9	411.7	400.9	484.1
Social Development, Gender, and Inclusion	72.1	248.0	173.0	143.7	167.2	241.1
Social Protection and Risk Management	55.2	239.4	138.7	161.5	5.5	88.7
Trade and Integration	36.2	40.0	43.3	138.0	82.9	126.5
Urban Development	230.6	433.1	63.6	233.6	399.2	493.5
<b>Theme Total</b>	<b>2,979.1</b>	<b>2,133.8</b>	<b>1,773.6</b>	<b>2,310.8</b>	<b>2,572.7</b>	<b>2,883.3</b>
<b>SECTOR</b>						
Agriculture, Fishing, and Forestry	118.4	109.7	151.2	106.7	290.4	207.9
Education	84.4	14.8	134.6	225.7	118.6	228.0
Energy and Mining	640.5	142.2	314.5	254.3	67.2	359.1
Finance	34.4	87.5	219.2	22.7	49.0	213.1
Health and Other Social Services	118.4	217.3	243.8	184.1	84.3	204.3
Industry and Trade	28.8	151.8	9.4	32.5	78.7	159.1
Information and Communication	20.0	12.5	11.1	6.6	0.0	5.0
Law and Justice and Public Administration	592.2	257.4	115.2	385.1	257.5	436.6
Transportation	584.4	729.7	540.2	684.3	1,209.9	306.7
Water, Sanitation, and Flood Protection	757.7	410.8	34.4	408.7	417.1	763.6
<b>Sector Total</b>	<b>2,979.1</b>	<b>2,133.8</b>	<b>1,773.6</b>	<b>2,310.8</b>	<b>2,572.7</b>	<b>2,883.3</b>
Of which IBRD	2,495.3	1,136.1	982.4	1,767.1	1,665.5	1,809.8
Of which IDA	483.8	997.7	791.2	543.7	907.2	1,073.5

Note: Fiscal 2005 includes Guarantees and Guarantee Facilities. Numbers may not add to totals due to rounding.