



SOUTH ASIA

South Asia has the opportunity to reduce poverty significantly in the coming decades. Gross domestic product in the region grew an average of 5.6 percent a year between 1995 and 2004 and is expected to grow 6.2 percent in 2005.

With increased foreign reserves and stable macroeconomic policies, prospects for continued growth in the region remain strong. Bangladesh, Sri Lanka, and some states in South India have already made substantial progress in human development. But South Asia still faces enormous challenges. Of the region's 1.4 billion people, 500 million live on less than \$1 a day—about half the world's poor. Human deprivation is severe, particularly for disadvantaged populations and children. The rate of illiteracy, at 44 percent, is the highest in the world, and the region accounts for one-third of all maternal deaths.

Extraordinary events took place in South Asia in late 2004 and early 2005. Sri Lanka, southern India, and the Maldives were devastated by the tsunami (see box 2.2); Bangladesh was plagued by floods and a rise in political

violence; and Nepal continues to face a volatile political situation. At the same time, elections in Afghanistan created conditions for improved governance and development, changes in elected governments in India and Sri Lanka resulted in a shift toward policies that benefit the rural poor, and Pakistan enjoyed significant growth for the fourth consecutive year.

Dialogue among members of the South Asian Association for Regional Cooperation is providing new opportunities for economic integration—together with new challenges. Infrastructure needs to be developed within and between countries, and a private sector that can respond to new demands needs to be fostered.

WORLD BANK ASSISTANCE

The World Bank approved lending of nearly \$5 billion to South Asia in fiscal 2005, \$2.1 billion from IBRD and \$2.9 billion from IDA. This assistance seeks to help meet the region's vast urban and rural infrastructure needs and address the deficiencies in its investment climate. Bank

SOUTH ASIA FAST FACTS

Total population:	1.4 billion
Population growth:	1.6%
Life expectancy at birth:	63 years
Infant mortality per 1,000 births:	66
Female youth literacy:	62%
2004 GNI per capita:	\$590
Number of people living with HIV/AIDS:	5.2 million

TOTAL FISCAL 2005

New Commitments

IBRD \$2,095.9 million

IDA \$2,897.4 million

TOTAL FISCAL 2005

Disbursements

IBRD \$1,067.3 million

IDA \$3,034.6 million

Portfolio of projects under implementation as of June 30, 2005: \$18.2 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

Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
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support fosters accelerated human development in the region by focusing on four cross-cutting issues: equity and inclusion, public accountability, HIV/AIDS, and regional integration.

A strong component of the Bank's strategy is its analytic and advisory work (see chapter 3). A recent report on fiscal decentralization to rural governments in India reviewed panchayat council finances and made recommendations for improving the system. The Bank discussed a poverty and vulnerability study on Afghanistan, completed a study on persistent malnutrition in India, and completed a gender assessment of Pakistan, which is under discussion with the government. (See www.worldbank.org/sar.)

Partnerships with other development agencies are playing an increasing role in the Bank's assistance in the region. Support for human development is strong. Sectorwide approaches, as well as development policy loans, are becoming the norm for health and education operations in Bangladesh, India, Nepal, and Pakistan.

A new Country Assistance Strategy for India was discussed by the Bank in fiscal 2005. The strategy underscores equity and inclusion by signaling a shift in emphasis toward lagging regions, such as Orissa, one of the country's poorest states.

(See also the IFC and MIGA annual reports.)

BUILDING THE CLIMATE FOR INVESTMENT

The Bank completed several investment climate assessments in South Asia in fiscal 2005. These included the Bank's first postconflict assessment of Afghanistan, a third assessment of India, the first subnational assessment (for the Indian state of Orissa), and a rural and urban assessment of Sri Lanka. Together with IFC and MIGA, the Bank held workshops for stakeholders on this work throughout the region.

The Bank approved \$100 million to support the reform of tax administration and \$300 million to support banking sector reforms in Pakistan. It also approved a \$400 million loan to support India's rural roads program and a \$620 million loan to improve part of the national highway system in the states of Uttar Pradesh and Bihar. It approved a \$120 million loan to India to support the development of small and medium enterprises and a \$53 million credit to Sri Lanka

to develop information technology that will improve public service delivery, increase private sector competitiveness, and bridge the digital divide.



FIGURE 2.5

O T H A I A

IBRD AND IDA LENDING BY THEME | FISCAL 2005
SHARE OF TOTAL OF \$5 BILLION

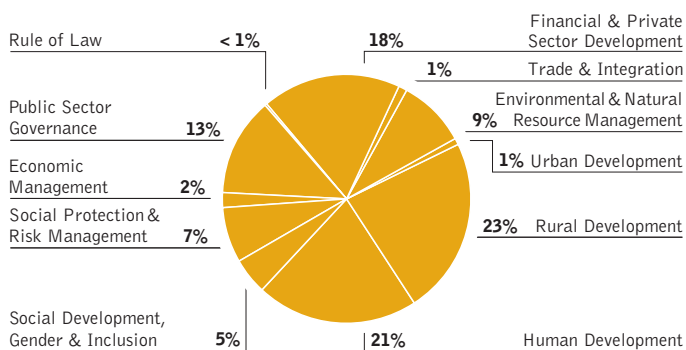
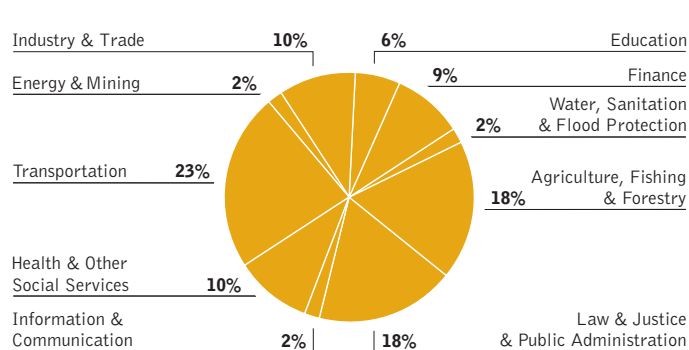


FIGURE 2.6

O T H A I A

IBRD AND IDA LENDING BY SECTOR | FISCAL 2005
SHARE OF TOTAL OF \$5 BILLION



FOSTERING PARTICIPATION IN DEVELOPMENT

Central to the Bank's strategy in the region is the principle that South Asia's main resource is its people. Bank assistance is geared toward helping improve the standard of living across all tiers of society and removing obstacles that prevent people from participating in development and sharing in its benefits.

During fiscal 2005 the Bank increased its support to rural development, education, and health, with an emphasis on improving the delivery of social services. In Afghanistan the Bank provided a \$35 million credit to improve the quality of education and a \$40 million grant to fund higher education. In Bangladesh it provided \$100 million to improve access to and the quality of secondary education. In Nepal it approved a \$50 million credit in support of the country's Education for All goals. In health the Bank provided \$50 million to fund essential health care services for underserved populations in Nepal, \$21.5 million to help Pakistan fight polio, \$110 million

to the Indian state of Tamil Nadu to support development of its health system, and \$300 million to Bangladesh to improve the quality of and access to health care.

In India the Bank approved a \$125 million loan to support development in Orissa. The credit will help reduce fiscal stress and debt, freeing up resources for poverty reduction. The Bank approved a \$200 million Development Support Credit to help Bangladesh pursue broad reforms to accelerate growth and reduce poverty. A similar operation was approved for Pakistan, making \$300 million available to support that country's poverty reduction strategy.

An area of ongoing concern is HIV/AIDS, which has infected about 5 million people in South Asia. The Bank has stepped up its assistance to national programs to prevent the spread of the disease among highly vulnerable population groups, youth, and the general population. It is also facilitating dialogue between countries to share lessons learned and effective intervention practices.

BOX 2.2

RESPONDING TO THE TSUNAMI DISASTER IN THE INDIAN OCEAN

The tsunami in the Indian Ocean in December 2004 was one of the worst natural disasters in modern times. In Sri Lanka the tsunami killed more than 31,000 people and destroyed almost 100,000 homes. In parts of India the tsunami caused enormous loss of assets along some 2,260 kilometers of coastline and widespread loss of livelihoods, especially from fishing. In the Maldives the tsunami inflicted severe damage on the entire country, equal to nearly two-thirds of the annual domestic economic output of the country.

The Bank, in collaboration with the Asian Development Bank, the Japan Bank for International Cooperation, and the United Nations, helped to rapidly prepare assessments of damage and reconstruction needs and provide substantial analytical and advisory support for preparation of reconstruction and recovery programs.

The Maldives received emergency support of \$14 million (a \$5.6 million IDA grant and an \$8.4 million IDA credit), and the program requires an estimated \$188 million of additional financing. In Sri Lanka and India sufficient resources have been mobilized to sustain the initial phases of reconstruction and recovery. The Bank provided emergency support of \$150 million to Sri Lanka, including a \$30 million IDA grant, a \$45 million IDA credit, and a reallocation of \$75 million under ongoing IDA-financed projects. Bank assistance approved for tsunami recovery in India was \$528.5 million, including a \$465 million emergency IDA credit. To help reduce future losses, the Bank will continue to fund projects that improve disaster preparedness and risk mitigation in the region.

TABLE 2.3

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

THEME	2000	2001	2002	2003	2004	2005
Economic Management	35.2	47.4	232.5	123.5	7.7	87.5
Environmental and Natural Resource Management	80.8	587.8	295.2	94.2	94.8	433.9
Financial and Private Sector Development	265.4	865.9	381.6	689.1	689.9	923.0
Human Development	276.2	124.8	30.2	546.9	760.6	1,041.6
Public Sector Governance	212.7	261.0	678.0	467.3	669.8	639.5
Rule of Law	56.5	36.1	59.3	12.5	2.9	10.5
Rural Development	426.1	379.5	417.2	403.7	314.1	1,132.5
Social Development, Gender, and Inclusion	261.5	240.5	414.2	197.3	642.8	265.3
Social Protection and Risk Management	168.0	118.4	164.0	184.4	98.6	337.0
Trade and Integration	29.4	398.3	70.0	197.3	52.7	63.7
Urban Development	300.7	186.8	766.2	2.6	87.8	59.0
Theme Total	2,112.4	3,246.6	3,508.4	2,918.7	3,421.6	4,993.3
SECTOR						
Agriculture, Fishing, and Forestry	65.0	116.1	328.1	212.6	251.9	940.8
Education	171.4	206.4	95.9	364.6	665.8	286.4
Energy and Mining	277.8	746.2	504.8	150.6	130.8	83.6
Finance	46.0	209.7	310.0	185.8	331.4	461.8
Health and Other Social Services	393.3	188.1	278.7	369.0	334.6	493.2
Industry and Trade	85.3	34.0	443.1	144.9	46.1	485.2
Information and Communication	54.6	17.7	12.4	11.5	16.9	91.9
Law and Justice and Public Administration	407.0	377.4	632.5	372.3	925.5	885.7
Transportation	590.6	1,294.3	758.1	1,067.6	444.8	1,181.0
Water, Sanitation, and Flood Protection	21.4	56.8	144.9	40.0	273.7	83.7
Sector Total	2,112.4	3,246.6	3,508.4	2,918.7	3,421.6	4,993.3
Of which IBRD	934.3	2,035.0	893.0	836.0	439.5	2,095.9
Of which IDA	1,178.1	1,211.6	2,615.4	2,082.7	2,982.1	2,897.4

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