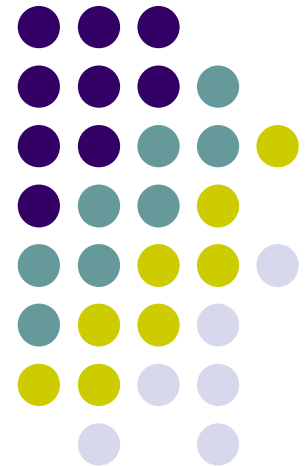
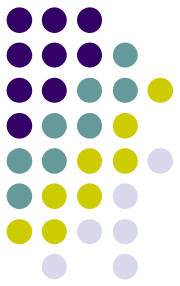


EASSD Urban Operations State of the Urban Sector

March 10, 2009
Keshav Varma

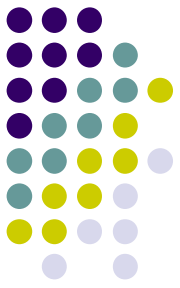


EAP Urban Sector Background



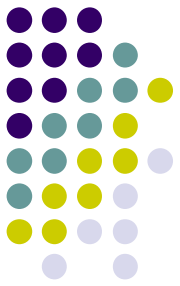
- Urban population to increase by 600 million by 2025
- Rise of mega cities
- Rapidly growing number of medium and small cities in peripheral
- Importance of cities—growth center generating 70% of GDP
- Ongoing fiscal and administrative decentralization
- Deteriorating urban environment (water, air, soil)
- Diverse conditions of the clients—from Cambodia to China
- Income disparities between urban and rural
- Expanding slums and urban poverty (half of the world's urban poor live in East Asia) / Impact of Financial Crisis on Urban Poor
- Intensifying frequency and severity of natural disasters
- Climate change matters (Cities contribute to 85% of GHG and Sea level rise threatening coastal cities)

Bank's Role in Urban Development in EAP



- EASSD annually delivers US\$1 billion of loans and grants in the urban sector (about 20% of urban sector portfolio of the Bank).
FY2009: US\$1.715 billion (China ERL included)
- Decentralized operations (56% of staff in the field, including SD managers), providing strong support to the clients in the field
- China accounts for 60% of lending followed by Vietnam, Indonesia, and the Philippines
- Environment (water, wastewater, solid waste management), urban upgrading, and community-based urban poverty reduction projects are the major business lines

Bank's Role in Urban Development in EAP (cont.)

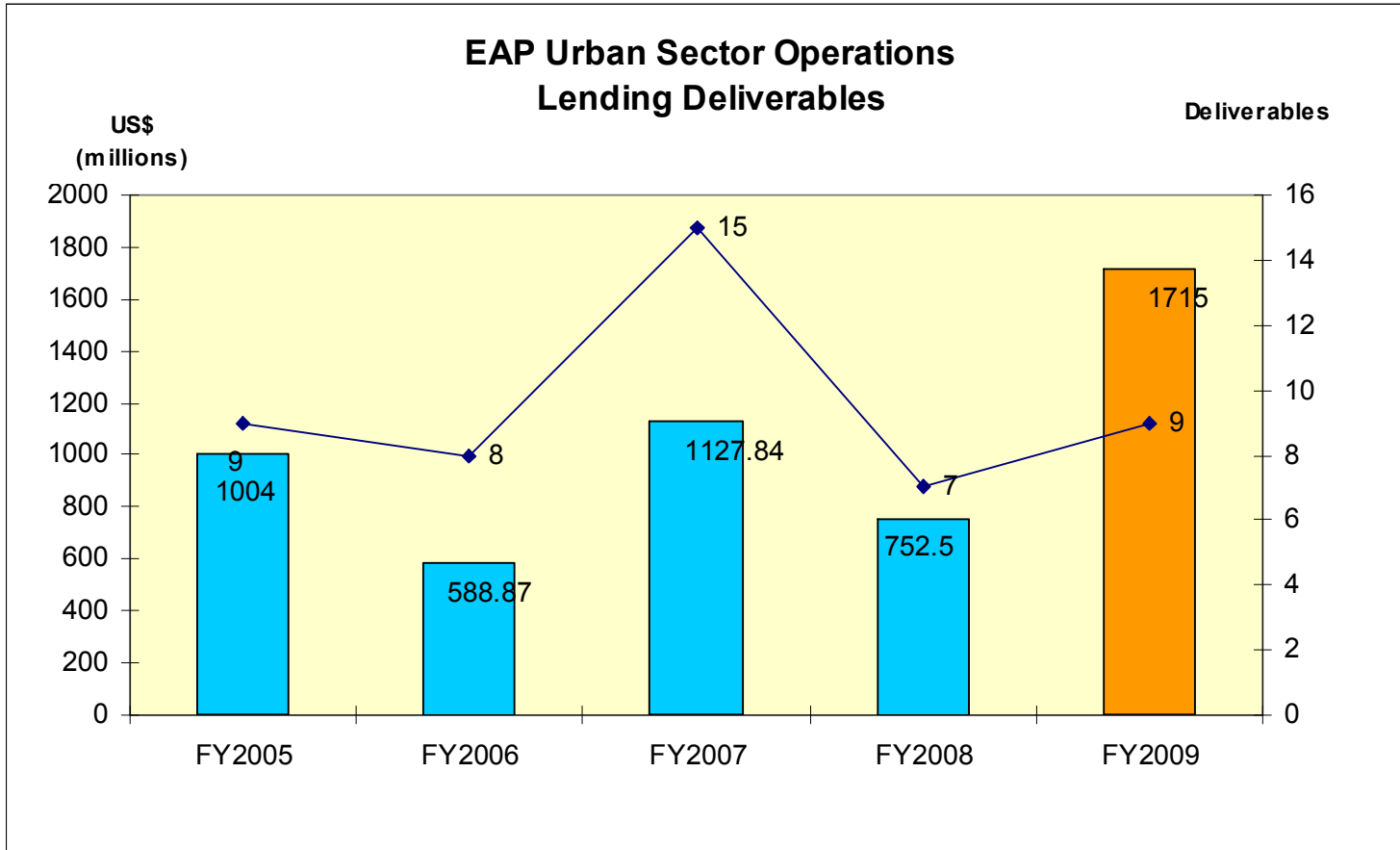


- Implementing sizeable MDF-funded disaster mitigation grant operations in Indonesia - Aceh
- New business lines include land management/spatial development, municipal finance, cultural heritage and tourism development, and **Climate Change Initiative (Mitigation: ECO2 Cities: Ecological City as Economic City / Adaptation: Primer Resilient City) and Disaster Risk Management** (Ex. Aceh, China ERL)

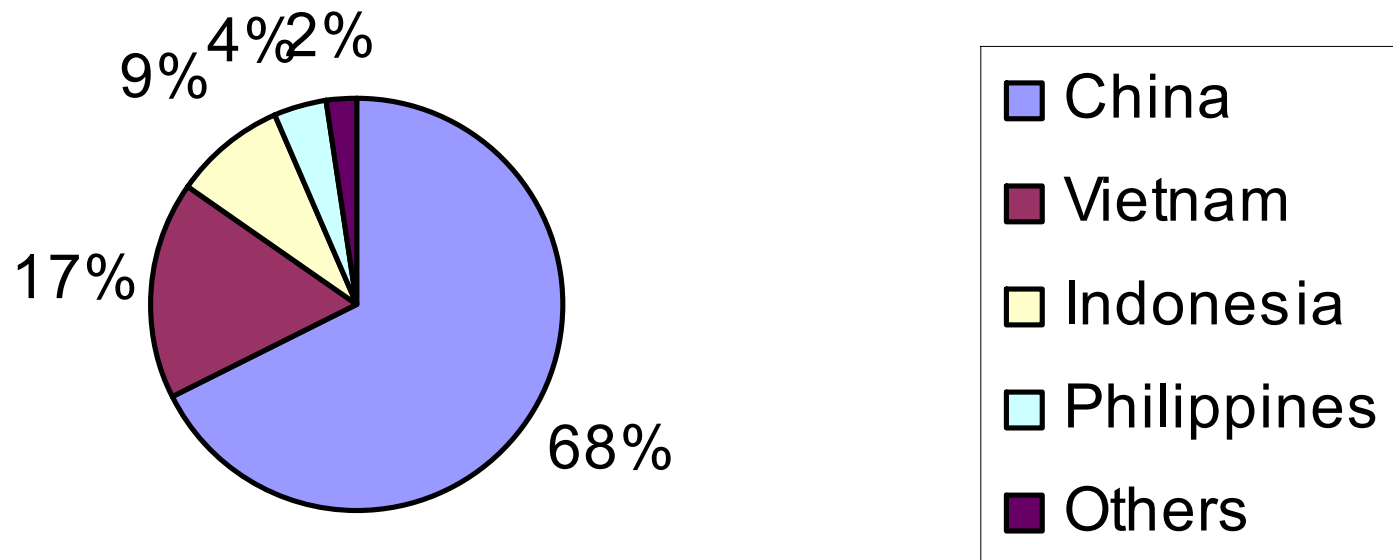
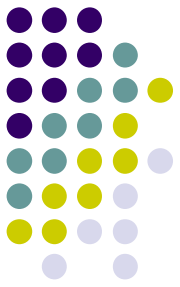
Platforms and Partnerships

- Singapore Urban Hub (MOU signed in December 2008)
- Collaboration with AUSAID and JBIC
- University of Southern California
- Cities Alliance

EASSD Urban Operations



Country Break Down Commitment Basis Feb 2008



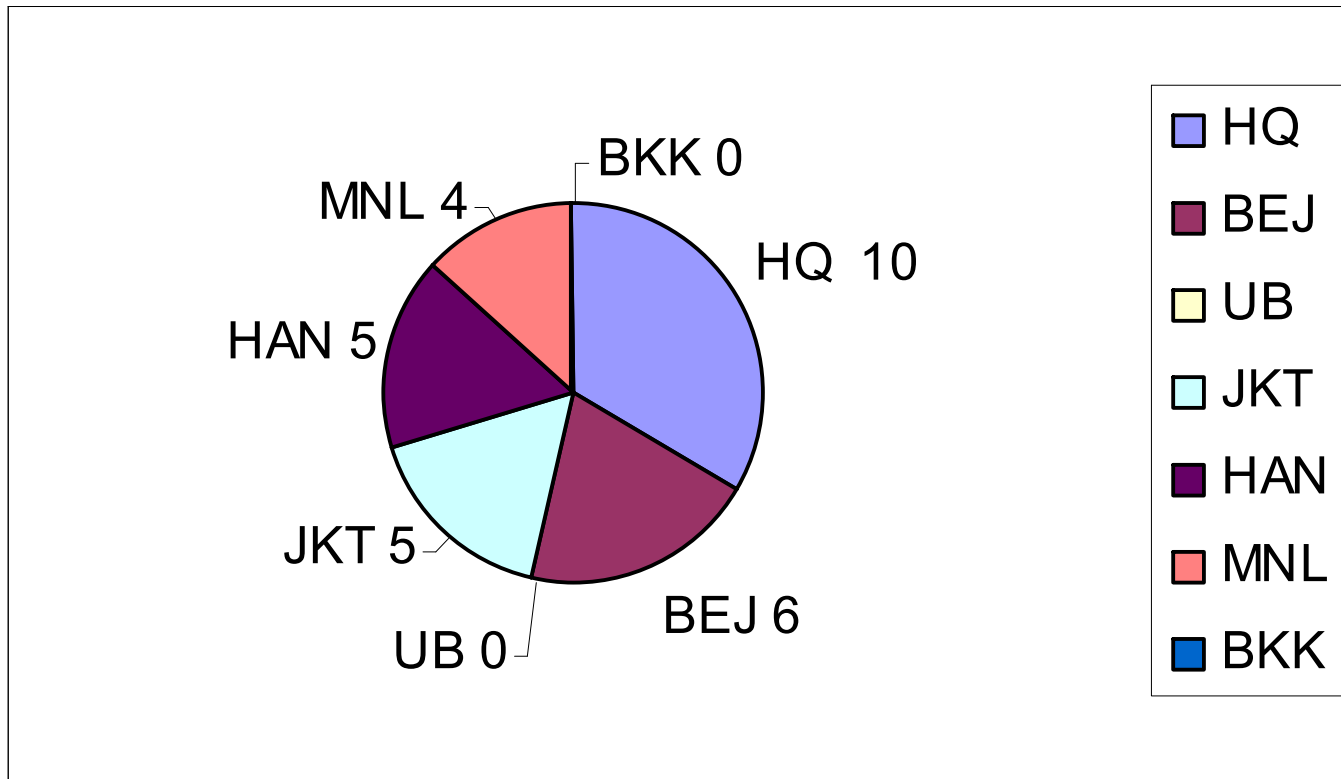
EAP Urban Sector Staff Location



Region Total 36

HQ 16 IRS 20

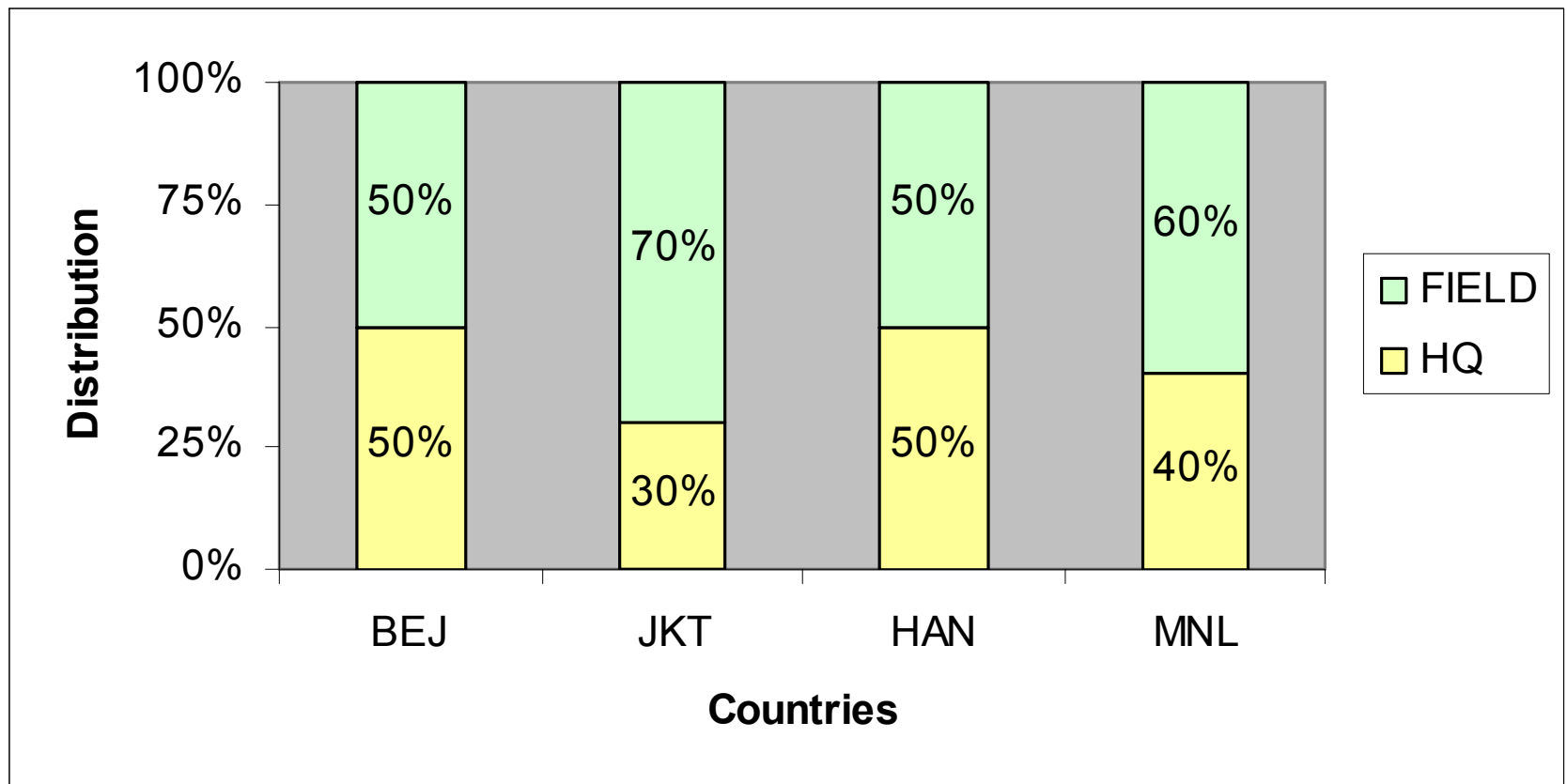
Field 20: BEJ 6, JKT 5, HAN5, MNL4

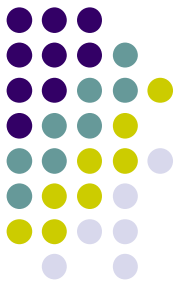


EAP Task /Staff Allocation



Current Task Distribution Green=HQ, Yellow=Field

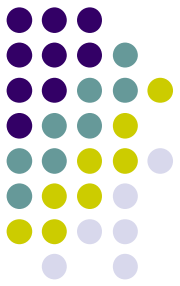




Key Challenges – Country Programs (1)

Country programs in transition

- CHINA – investment – knowledge – excellence
ERL/UR Linkage-Small Town/Eco2/Shanghai Expo 2010
- VIETNAM – transition from IDA to IBRD – almost similar development trajectory as China – need new product lines
- SOUTH EAST ASIA – lack of clear framework for on-lending – decentralization in fragmentation and lack of consequential investments in the sector – urban poverty and slums



Key Challenges – Sector (2)

Urban Sectors

- Resettlement
- Capacity Building of City Managers
- Infrastructure Financing Mechanism for scaling up
- Urban Poverty

Water/Wastewater Sector

- Coverage (especially wastewater and sanitation)
- Cost recovery and financial sustainability
- Institutional weakness in both Regulators and Public Utilities
- PPI Mode

Key Challenges - Generic (3)



- New Paradigm
- Business Models
- Innovation
- Quality of Engagement
- Communication
- Skills – City Management