

**South Asia**

# **REGIONAL STRATEGY UPDATE 2011**

**Transforming the face of global poverty through  
strong, inclusive and sustainable growth**



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UPDATE*

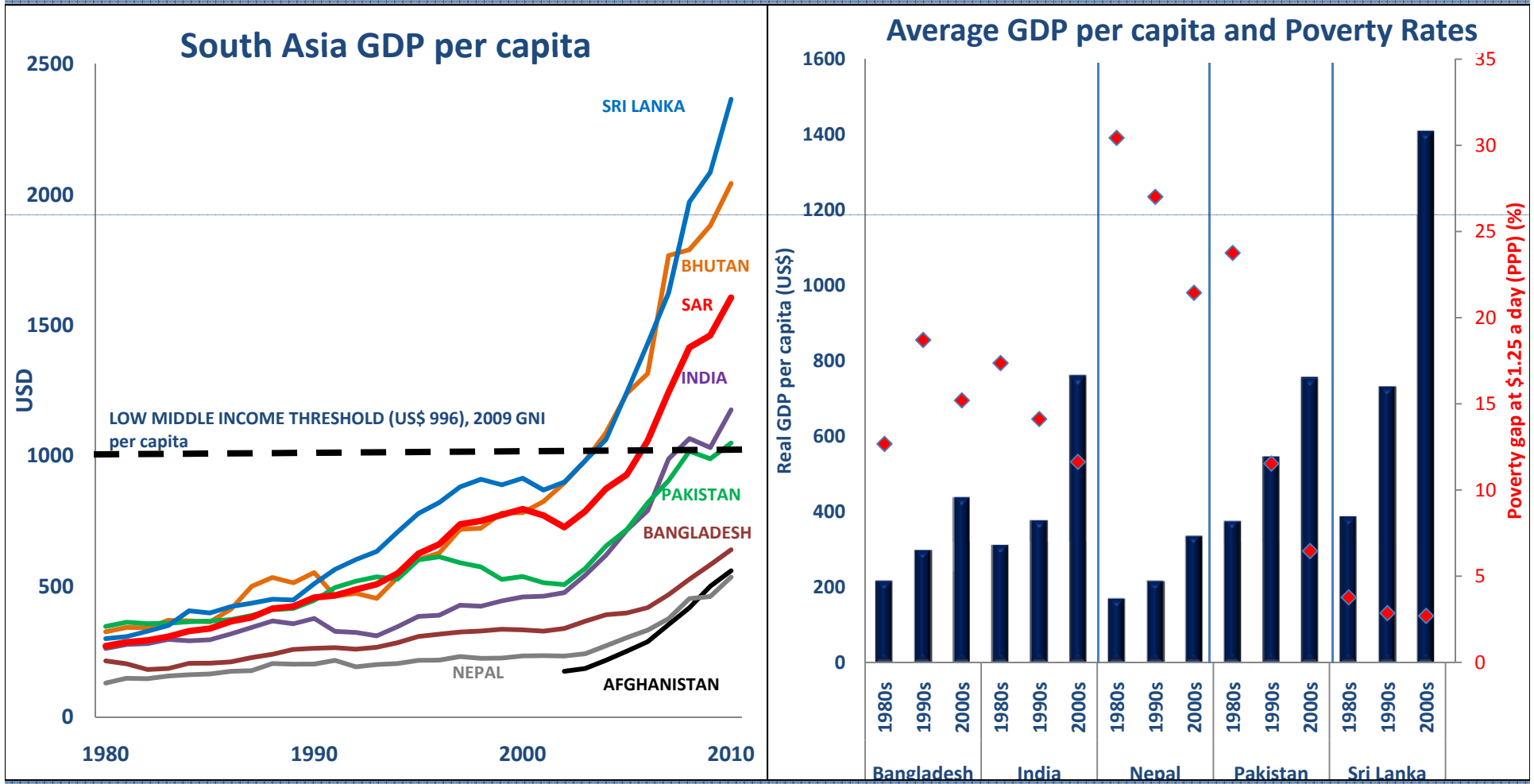


# I. REGIONAL OUTLOOK

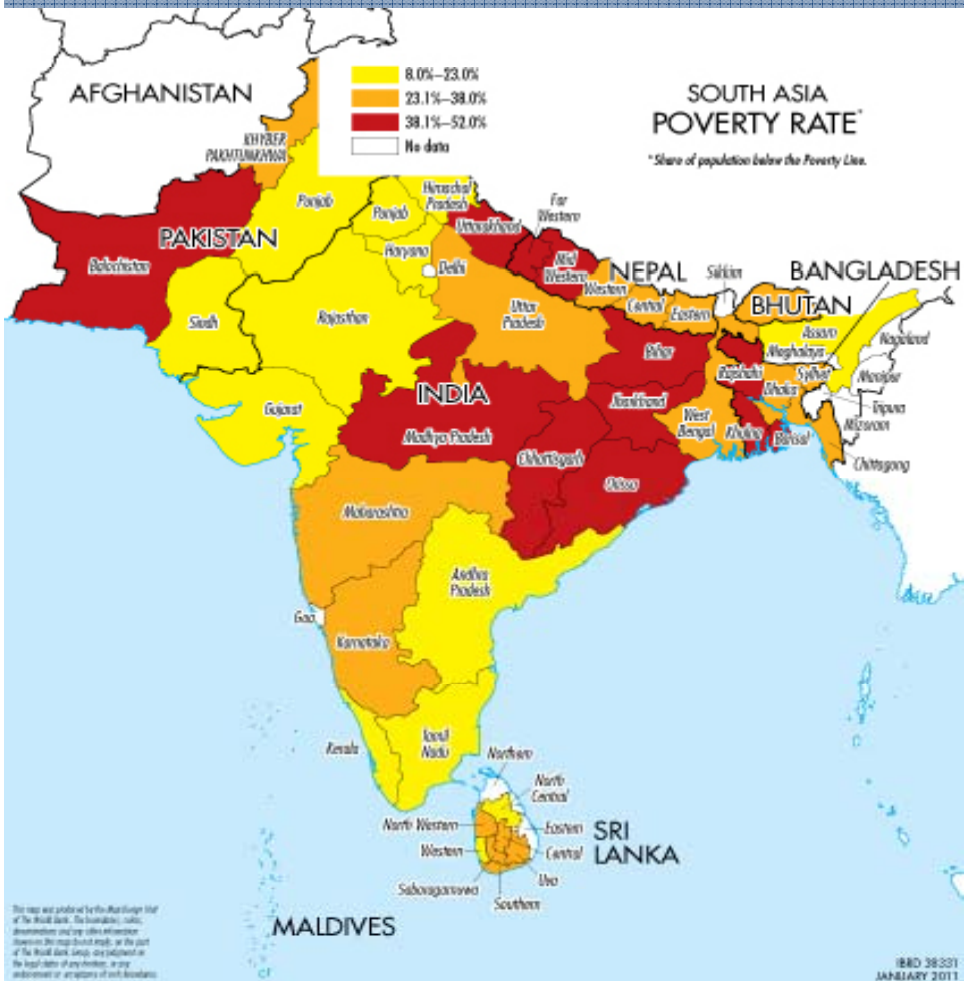


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# A DYNAMIC RAPIDLY GROWING REGION, WITH BIG REDUCTIONS IN POVERTY IN LAST TWO DECADES

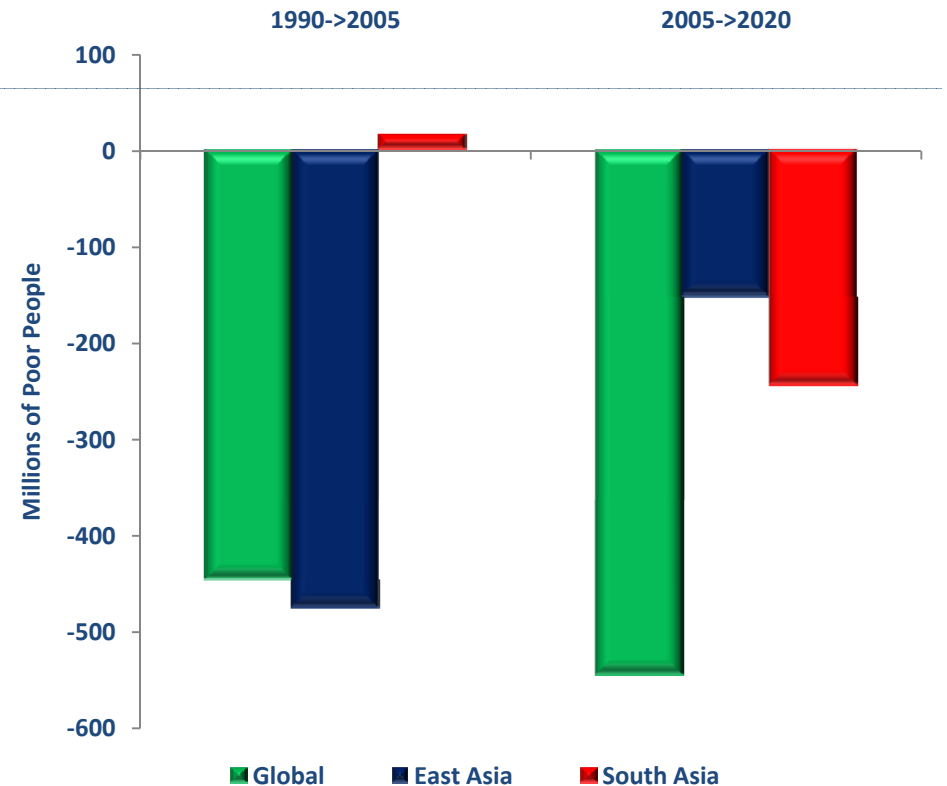


# BUT STILL HOME TO MORE THAN ½ BILLION POOR PEOPLE; THUS POTENTIAL TO CHANGE THE FACE OF GLOBAL POVERTY



## SAR's turn to contribute

### Change in number of poor people



# PROGRESS

# MDGs IN SAR

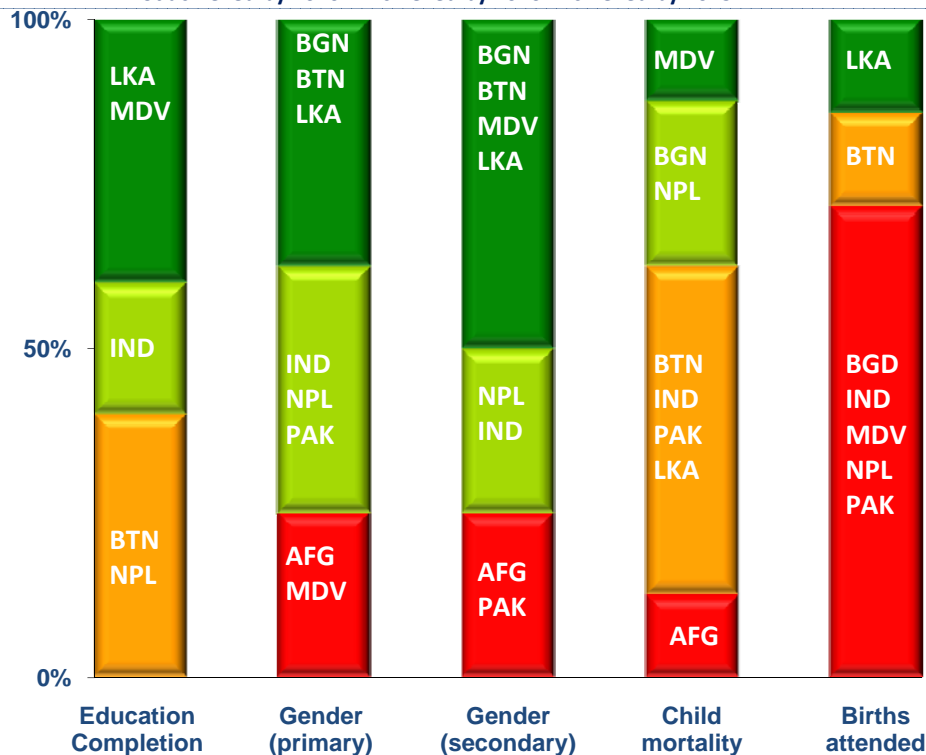
# CHALLENGES

- ❖ On track in **Gender Parity** in Primary and Secondary Schooling in 6 countries.
- ❖ Increase in SAR's **Net Enrollment Rates to 85%**.
- ❖ On track to **decrease child mortality by 66%** in Bangladesh, Nepal and Maldives.

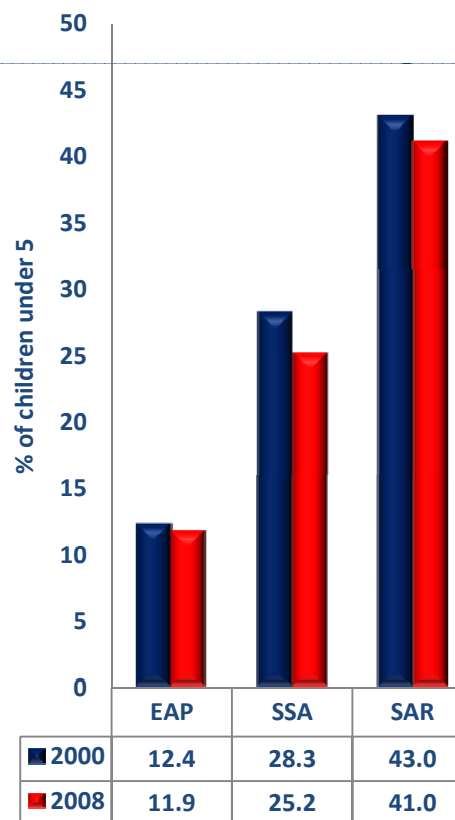
- ❖ Nutrition
- ❖ Maternal Mortality
- ❖ Female Labor Force Participation

**Progress in MDGs: Human Development**  
Proportion of countries by progress assessment

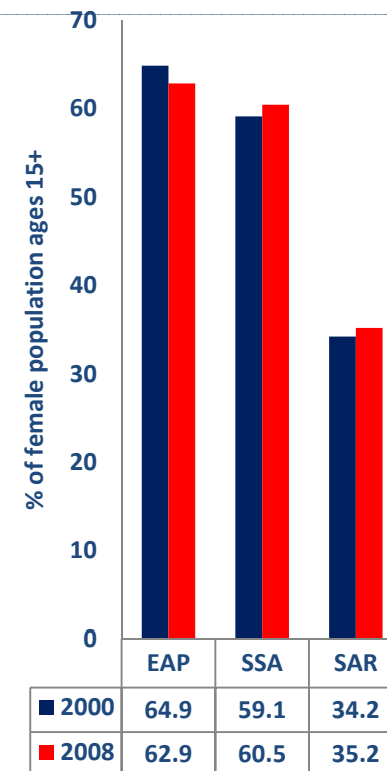
■ Seriously Off Track Not achieved by 2040  
■ Off Track Achieved by 2040  
■ On Track Achieved by 2015  
■ Achieved



**Malnutrition prevalence, weight for age**

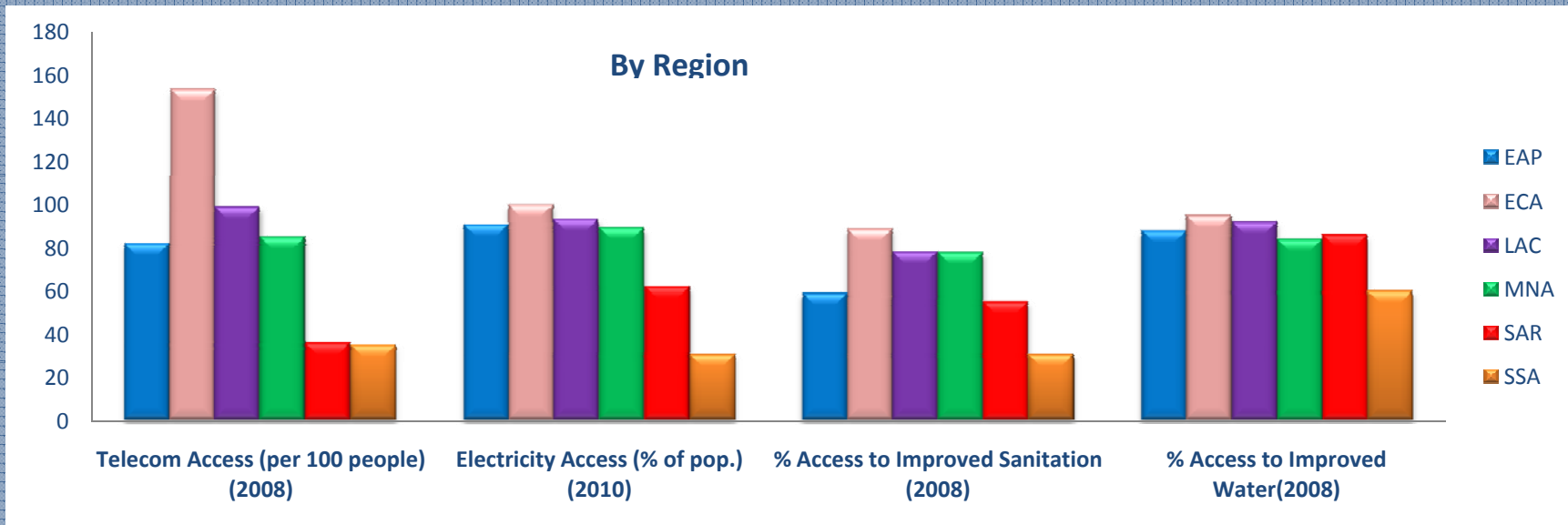


**Labor Force Participation Rate: Female**



Source: SAS HD based on UN MDG data

# LARGE INVESTMENT NEEDS IN INFRASTRUCTURE



## Comparison of Asian Infrastructure Quality with World - Quality of Infrastructure Index 2008

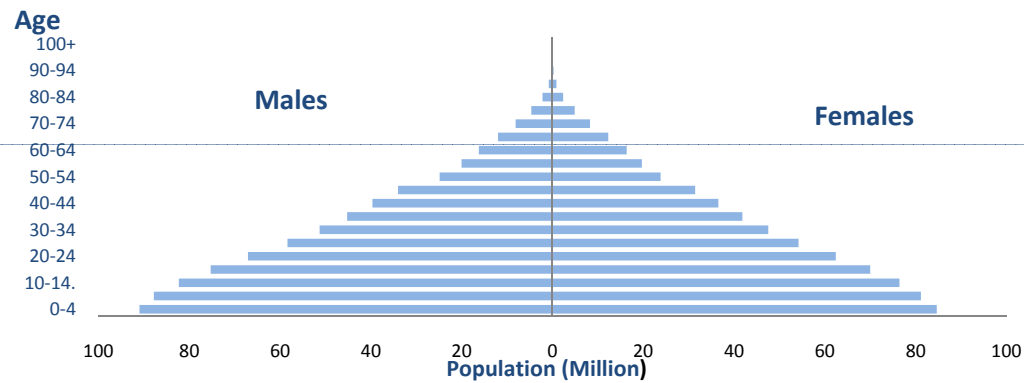
	Overall Infrastructure	Road	Railroad	Air Transport	Electricity Supply
World Average	3.8	3.8	3.0	4.7	4.6
G7 Countries Average	5.7	5.7	5.4	5.8	6.4
Asia Average	3.8	3.7	3.6	4.6	4.1
<b>South Asia Average</b>	<b>2.9</b>	<b>3.1</b>	<b>2.8</b>	<b>4.2</b>	<b>2.8</b>
Bangladesh	2.2	2.8	2.3	3.4	1.9
India	2.9	2.9	4.4	4.7	3.2
Nepal	1.9	1.9	1.3	3.5	1.7
Pakistan	3.1	3.5	3.0	4.2	2.5

SOURCE: World Economic Forum (2008)

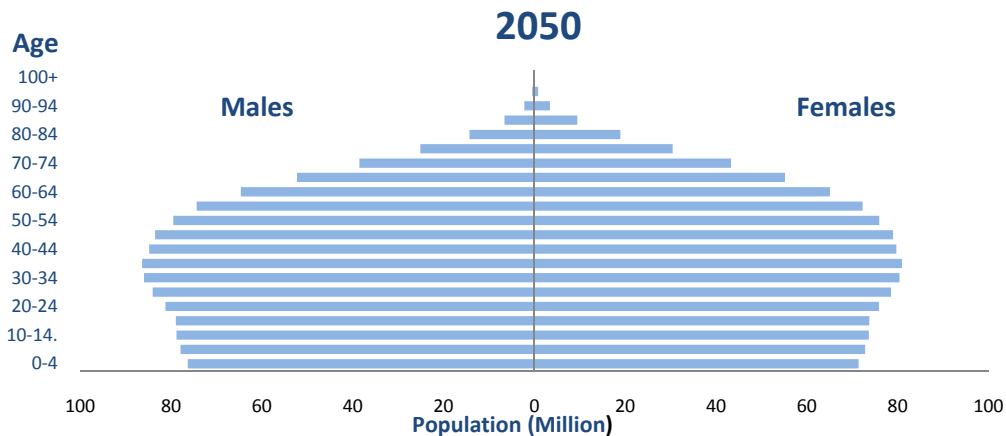
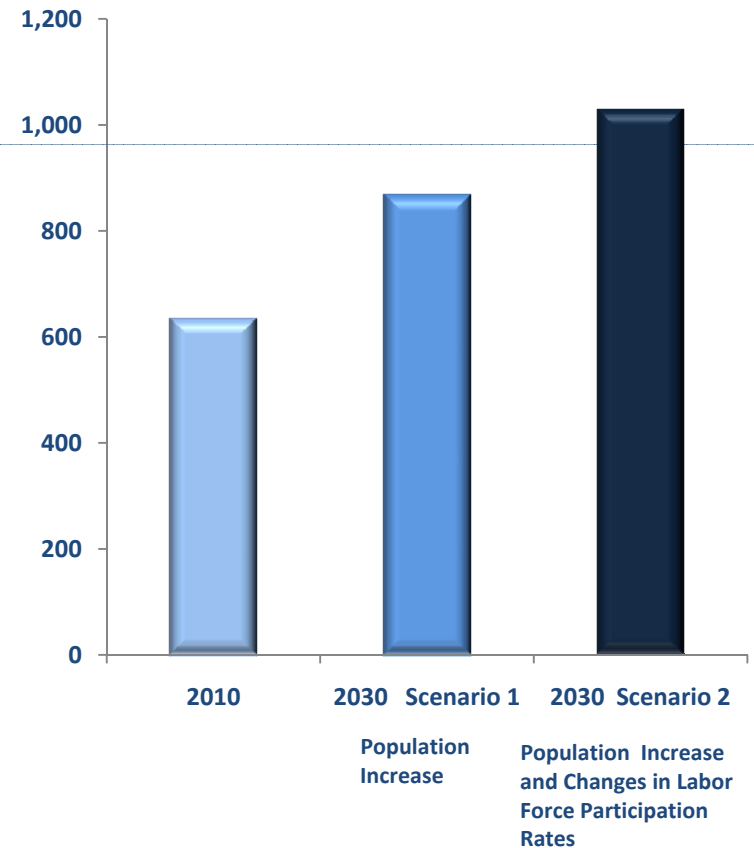
# NEED TO CREATE QUALITY JOBS:

**1 MILLION PEOPLE** EXPECTED TO JOIN THE LABOR FORCE  
**EACH MONTH** FOR THE NEXT TWO DECADES

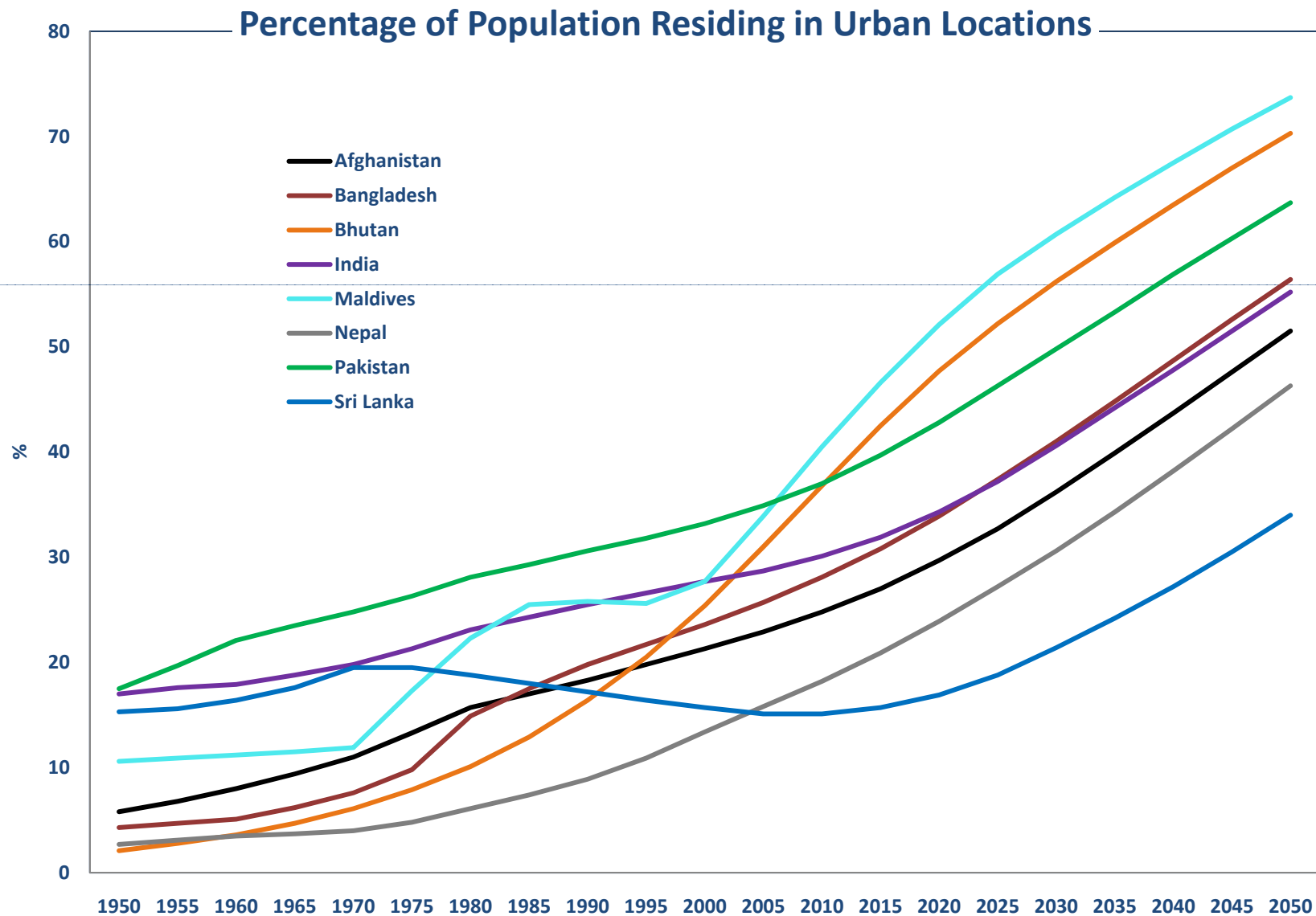
### Population Pyramid in South Asia 2000



### South Asia Labor Force (in millions) 2010 & 2 Scenarios for 2030



# ...AND MANY OF THESE PEOPLE WILL LIVE IN URBAN AREAS



# SAR is the Least Integrated Region in the World

## Gains from trade in goods and services

Regional trade is **less than 2 percent** of GDP in South Asia compared with **40 percent for East Asia**.

## Gains from trade in electricity

**Less than 1 percent** of Afghanistan and Nepal's hydropower capacity of over 100 GW is actually used due to lack of regional cooperation.

## Significant Potential Gains from Regional Cooperation

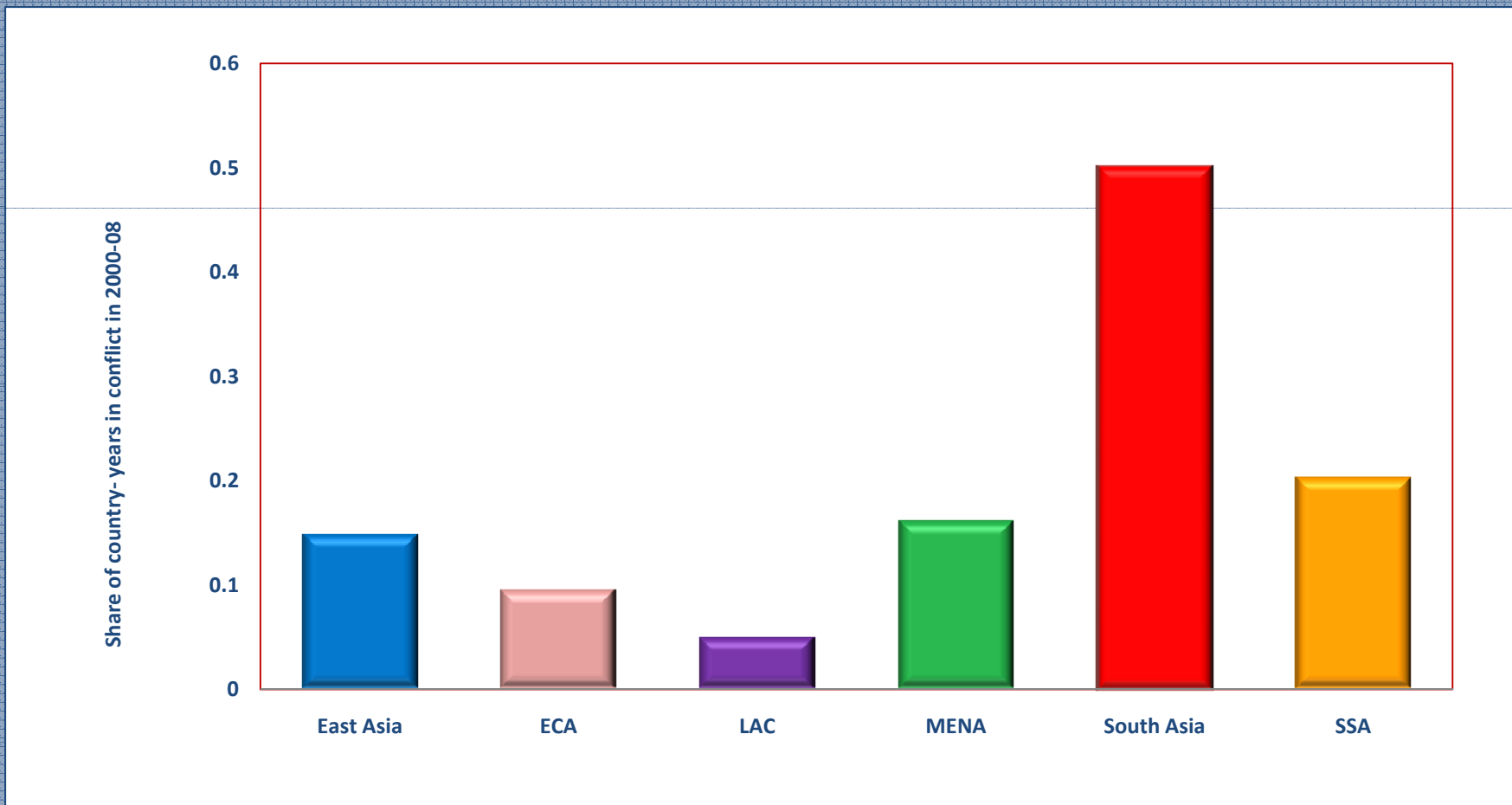
## Potential to reduce poverty and inequality

Lagging, landlocked/border regions are home to **an estimated 50 percent** of South Asia's poor. Greater connectivity and integrating markets best strategy for growth and equality.

## Potential to reduce vulnerability to natural disasters

Cross-border cooperation on water between India, Bangladesh, and Nepal offers the only **long-term solution** to flood control and water shortages in Bihar, UP and Bangladesh

# FOR THE FIRST TIME, ALL COUNTRIES HAVE ELECTED GOVERNMENTS, BUT CONFLICT, INSURGENCIES, AND CIVIL STRIFE ARE LARGEST OF ALL REGIONS



# SAR IS EXCEPTIONALLY VULNERABLE TO NATURAL DISASTERS AND POTENTIAL CLIMATE RISKS

	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Sea-level rise	N/A	√	N/A	√	√	N/A	√	√
Glacier retreat	√	√	√	√	N/A	√	√	N/A
Temperature increase	√	√	√	√	√	√	√	√
Frequent floods	--	√	√	√	√	√	√	√
Frequent droughts	√	√ (some areas)	--	√	--	--	√	--

Likely: √

Source: World Bank. 2009 "South Asia: Shared Views on Development and Climate Change"

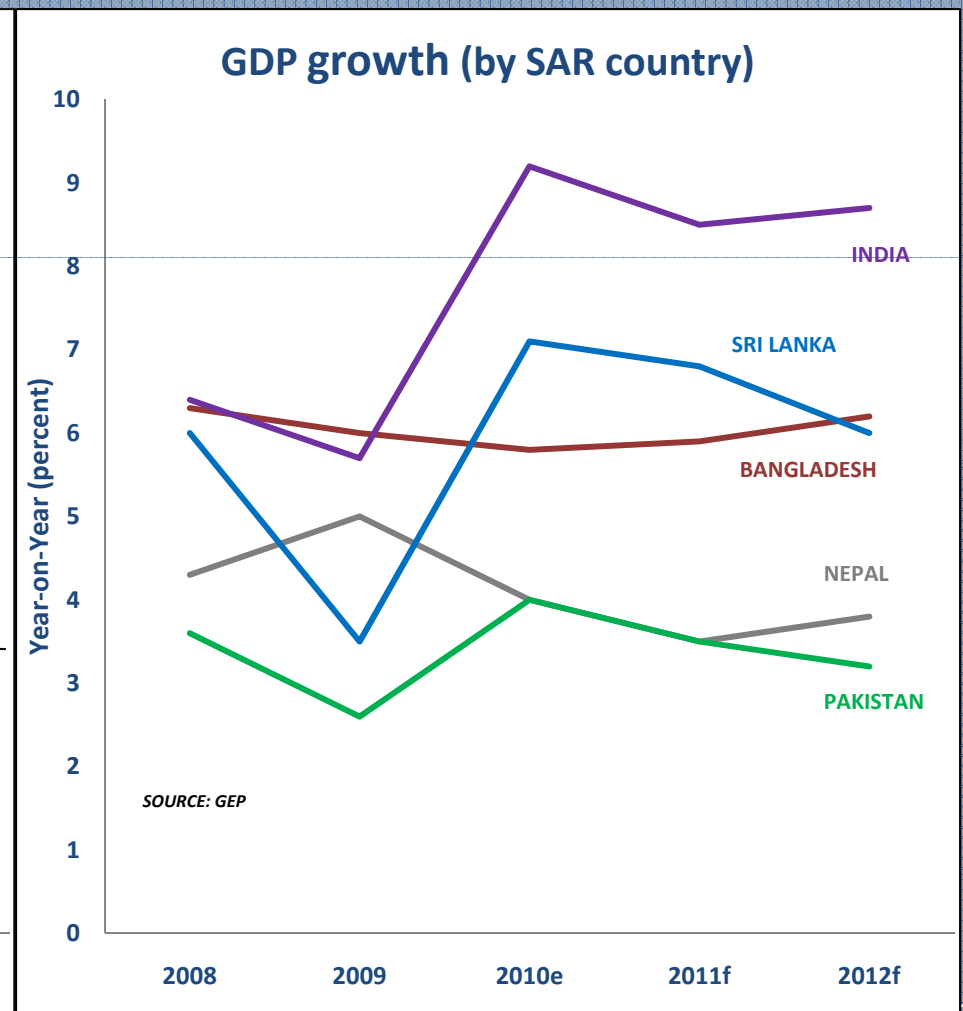
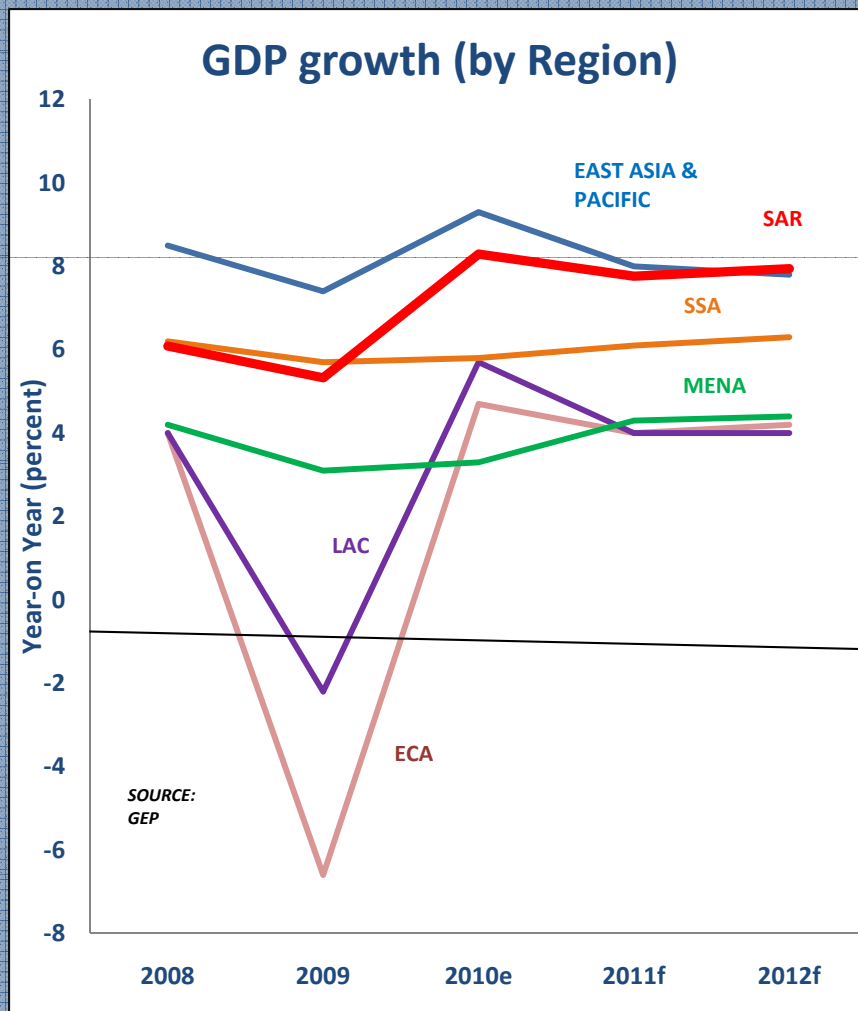


## II. POST-FINANCIAL CRISIS DEVELOPMENT CHALLENGES

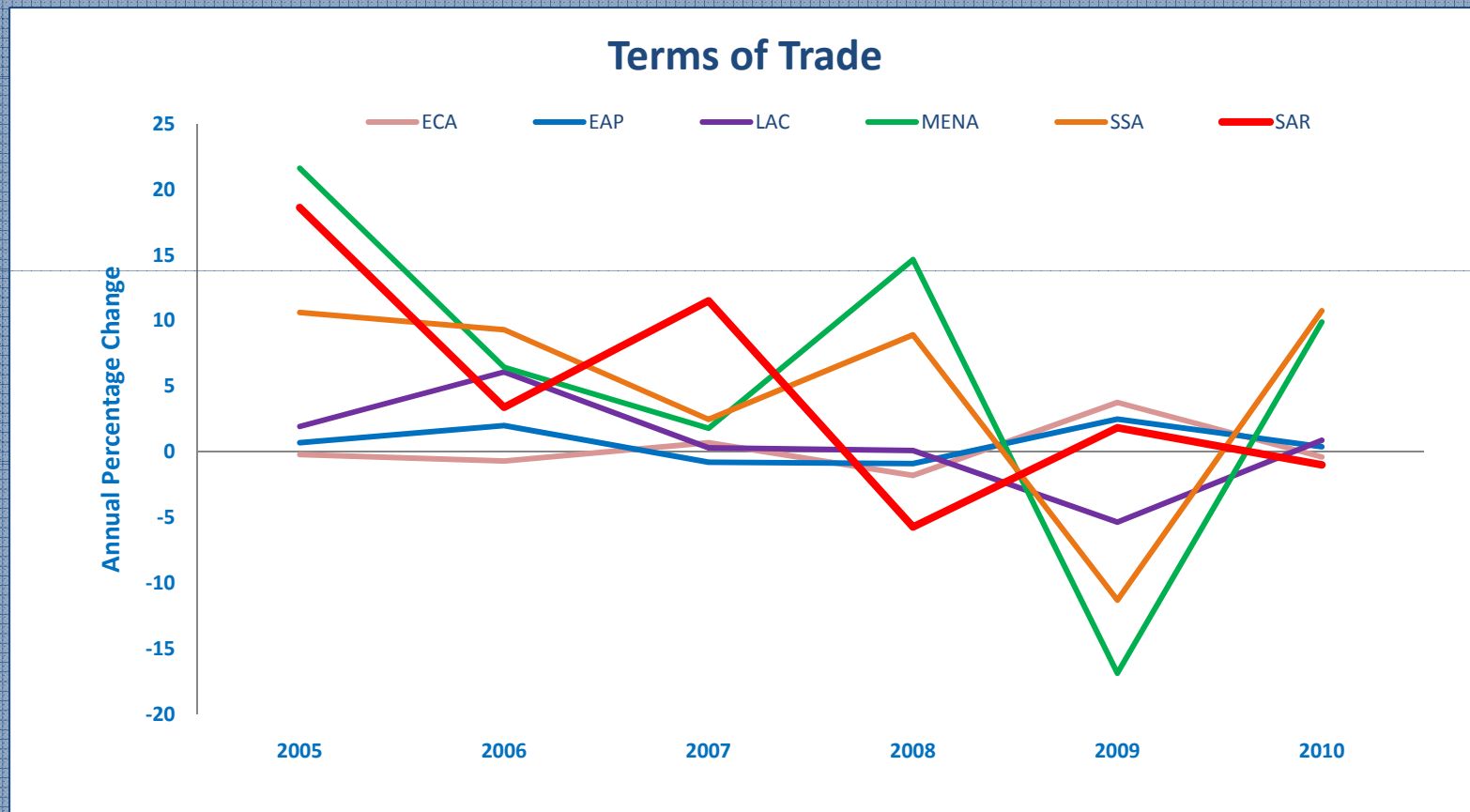


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# SAR COUNTRIES NAVIGATED THE FINANCIAL CRISIS BETTER THAN MOST REGIONS



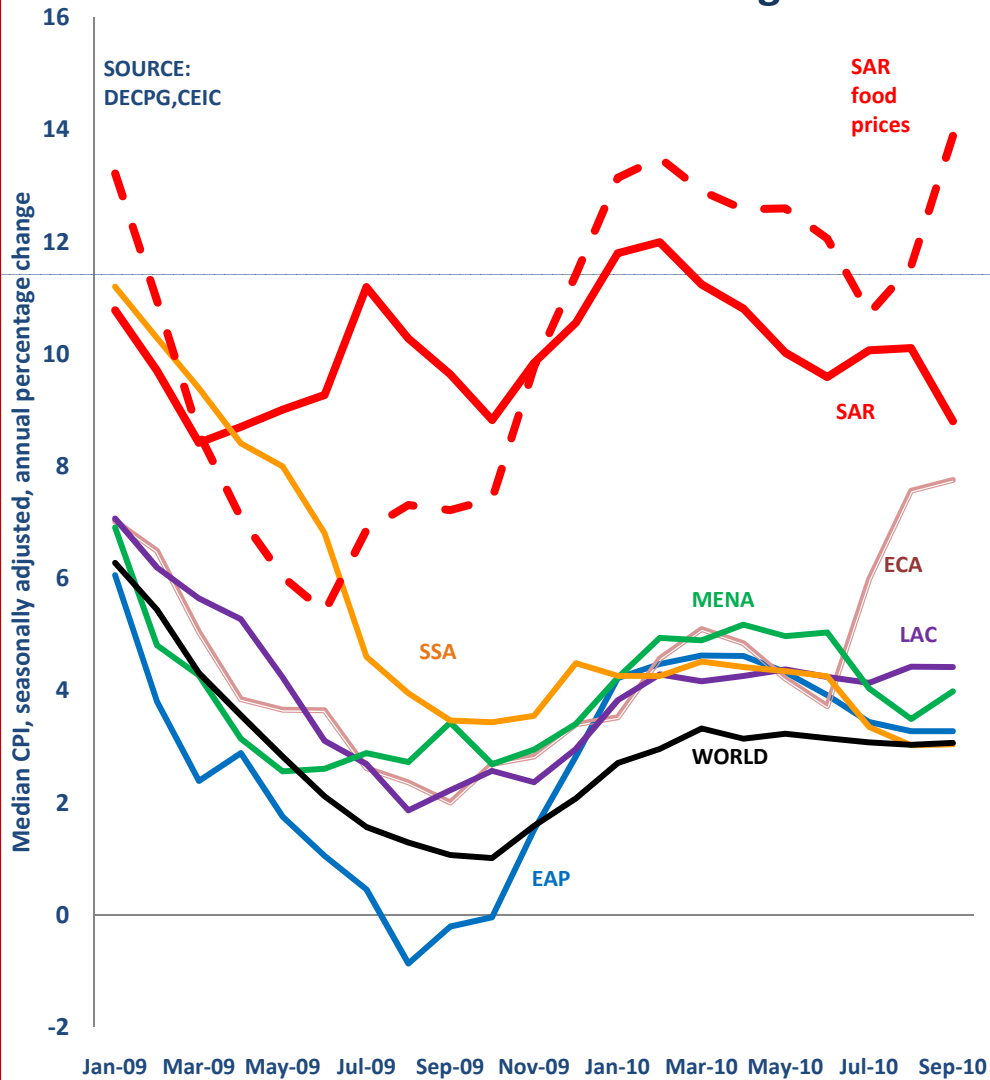
## BUT SAR SUFFERED THE WORST TERMS OF TRADE DETERIORATION DURING PREVIOUS FOOD AND FUEL CRISIS



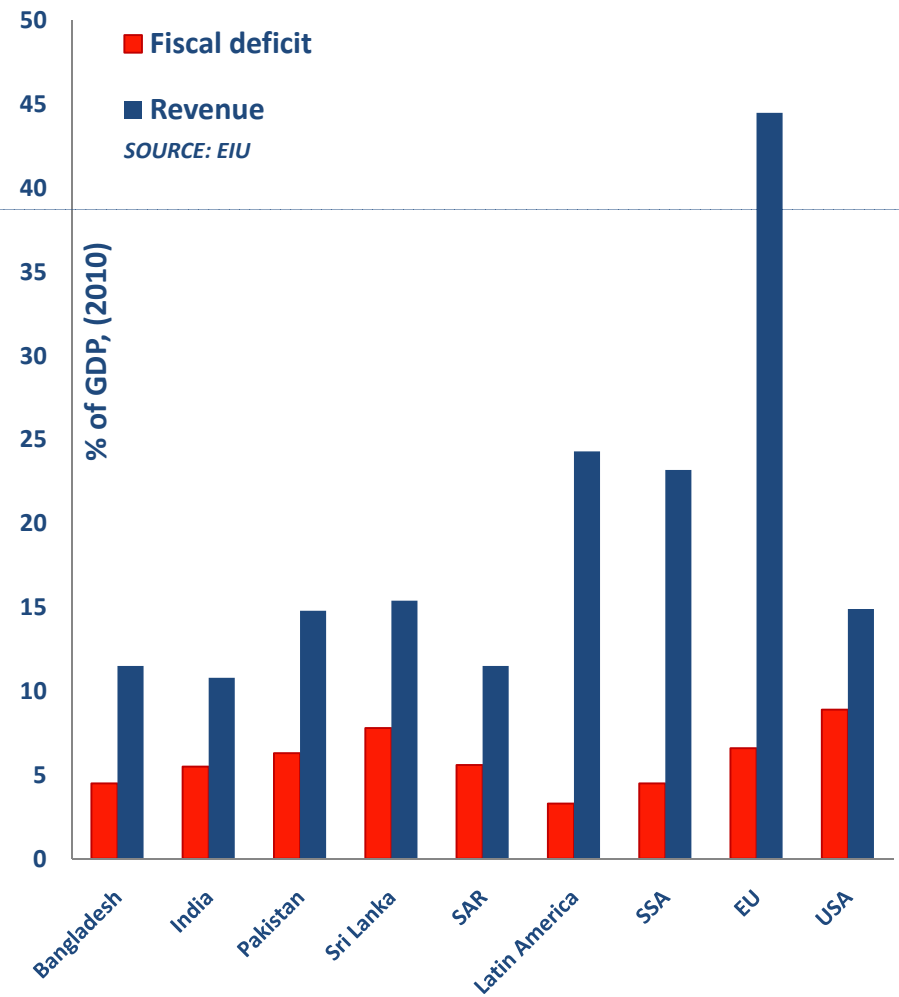
**WITH GLOBAL FOOD AND FUEL PRICES RISING,  
SAR WILL BE HIT DISPROPORTIONALLY**

# INFLATION IS ALREADY ON THE RISE, AND COUNTRIES HAVE LIMITED FISCAL SPACE

## Inflation in SAR remains high



## .... and Public Finances are weak





# III. OPERATIONAL RESPONSES TO SAR'S CHALLENGES



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# ALIGNING PRIORITIES TO DELIVERY STRATEGY

## WBG PRIORITIES

## SAR REALITIES

## SAR STRATEGY

**Create opportunities for employment and growth**



**Labor force will double by 2050**



- Promote private sector as growth driver
- Improve business environment
- Invest in high impact infrastructure, including in urban areas
- Invest in skills development, with a focus on gender equality
- Increase agricultural productivity

**Target the poor and vulnerable**



**Home to ½ billion poor**



- Better targeted social protection and safety nets
- Support lagging regions
- Focus on female nutrition, education, MDGs

**Strengthen governance**



**Fragile states, Weak service delivery, Weak governance**



- Strengthen institutions for economic management and business investment
- Improve institutions for public accountability and service delivery

**Promote global and collective action**



**Least integrated region, global challenges like climate change have big impacts in SAR**



- Address environmental health and pollution, and improve management of natural resources
- Reduce vulnerability to climate change and support adaptation and mitigation efforts
- Strengthen regional cooperation in trade, water, electricity, transport

**Manage risk and prepare for crises**



**Food security concerns, limited fiscal space, proclivity for natural disasters and conflict**



- Advise on building fiscal space and strengthening safety nets to face shocks
- Risk appraisal and mitigation strategies for natural disasters, shocks from the impact of climate change and from civil strife and insurgencies

# SELECTIVITY AND TRADEOFFS IN DELIVERY STRATEGY

## Most trade-offs decided at the country level given:

- Strong client demand and shifting priorities
- Projects that leverage results, experience and knowledge
- Opportunistic response to demand for projects with potential to integrate markets in the region

### ↑ More ↑

- **Leverage** greater development impact, by using programmatic approach
- **Consolidate** stand-alone projects into larger sector projects
- **Regional transformative** projects
- **Public private partnerships** for infrastructure
- **Innovative** results-based projects focused on MDGs

### ↓ Less ↓

- In sectors where **weak fiduciary environment** carries large risks to the Bank
- Areas where **IFC, and other MDBs have a comparative advantage**
- **Transaction intensive** Projects
- Projects that focus on **inputs**
- In areas where **lack of reforms** makes investments less profitable

## Strategies in all countries focus on:

Improving Skills      Governance and Institutions      Inclusion      Gender Equality  
Promoting Regional Integration      Environmental Sustainability      Disaster Management

# FROM GENERAL PRINCIPLES TO TRADE-OFFS ON THE GROUND

		More	Less	
Low Income/ Fragile	Afghanistan	Core programs in NSP, rural access, irrigation, basic health, education and capacity building	Large infrastructure projects (being done by ADB)	
	Nepal	Regional transformative projects in power, trade and transport, climate change adaptation programs, nutrition and skills development.	PSD topics (taken up by IFC), fast disbursing DPL type budget support, and large AAA.	
	Low Income	Bangladesh	Education and health, PPP for infrastructure, renewable energy	Road and railways owing to fiduciary and implementation risks
		Pakistan	Performance based financing in education and social safety, energy, revenue mobilization, agricultural productivity	Transport and mining owing to fiduciary risks
	Middle Income	Bhutan	Urban development, rural access, and PSD	Investment lending for HD reflecting success in establishing education infrastructure and leveling enrolment rates
India		Transformative projects, typically large; innovative, pilots with lessons for important development challenges and projects with high leverage potential	Small and fragmented projects at the state level	
Maldives		Crisis response budget support operations, pensions project, leveraging trust funds for work on climate change, AAA on public sector employment and wages	Small investment projects with high transaction costs	
Sri Lanka		Health and secondary and tertiary education with private sector participation, regional highways and Colombo area urban development	Agriculture, rural development, energy and water other than for urban development	

# WITH SPECIAL EMPHASIS ON: GENDER EQUALITY

## Recent Achievements

### Gender Specific Projects

**India – Livelihoods Projects** benefited **13million women from about 90,000 villages** through Self-Help Groups in past decade

**Bangladesh – Northern Areas Reduction of Poverty Initiative (NARI)** will increase poor women's access to paid work

### Mainstreaming Gender in Projects

- **Nepal:** Gender Equality and Social Inclusion (GESI) framework to mainstream gender in projects (e.g., Enhanced Vocational and Training (EVENT) and Rani Jamara Kulariya Irrigation Project ).
- **Pakistan, Afghanistan, and India:** Gender mainstreamed in projects on rural water supply, CDD, NRM, and rural livelihoods.
- Used **GAP funding to en-gender project activities** in FY09-10 in suburban transport, adaptation to climate change, employment, health and education.

### Informing Policy

- Carried out strategic AAA on gender (country gender assessments or gender sensitive poverty assessments in 5 countries)
- Supporting regional initiative to **understand men' and women's attitudes towards gender equality**

## Spotlight on Results

### Education

- In Bangladesh, girls' enrollment in secondary schools jumped from 1.1 to **3.9 m.**
- In Punjab, Pakistan, girls' primary school enrollment has increased from 43 to **59 percent**, from 175,000 to **280,000.**
- In Afghanistan, girls' enrollment doubled to more than **2.5 million.**

### Health

- In Afghanistan, more than **5,000 women health workers** have been trained to increase childhood vaccination. The proportion of health facilities with female staff has increased from 24.8% in 2003 to **72%** in mid-2010.

### Water and Sanitation

- In Maharashtra-India, **2 million women** with access to sanitation facilities. Also, women save more than **2 hours a day** on average from having access to clean drinking water.

### Labor Markets and Political /Economic Empowerment

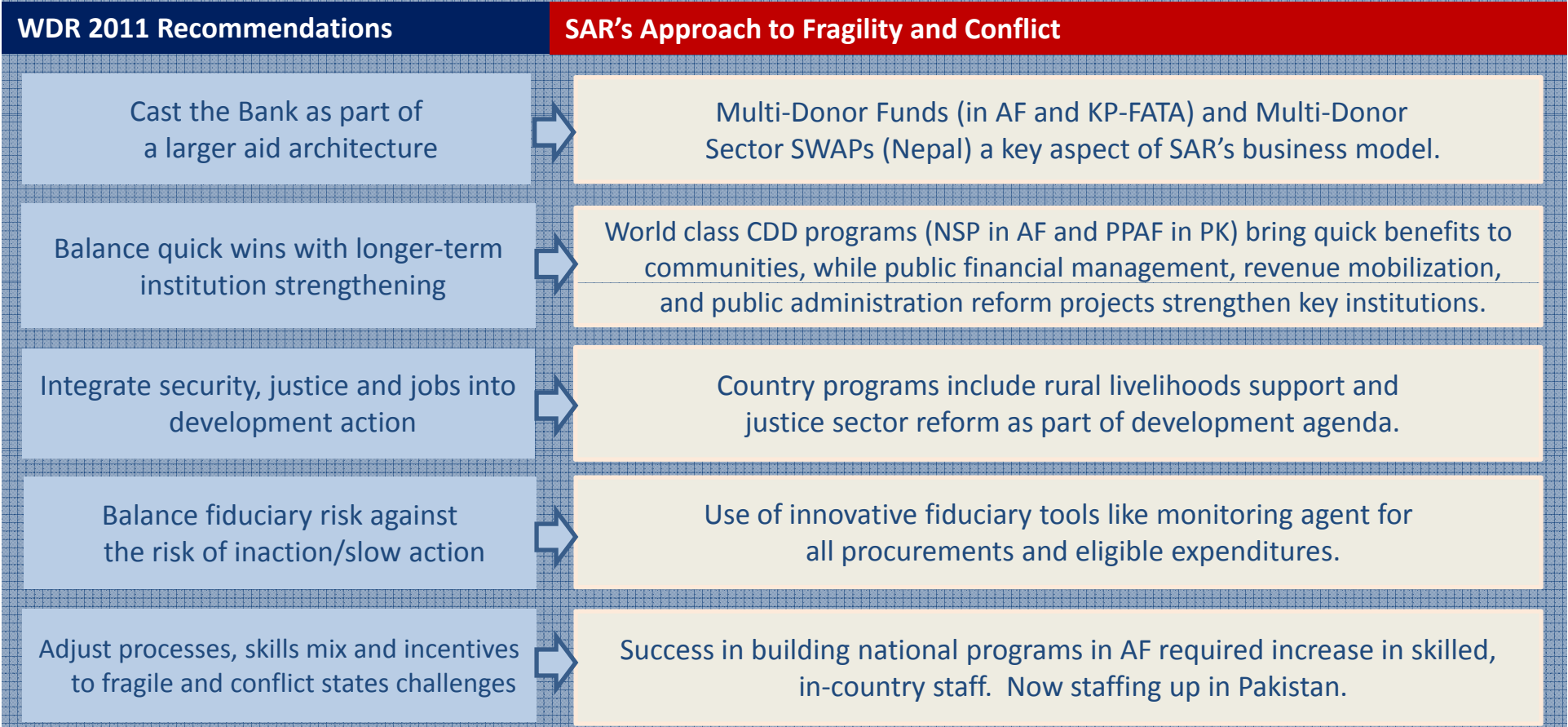
- In Andhra Pradesh – India,
  - **4,000 members** of Self Help Groups were elected to local government at the village and higher levels of government;
  - **19%** of members of Water Users' Association are women.
  - **49%** of members of Forest Protection Committees are women.



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# WITH SPECIAL EMPHASIS ON: FRAGILITY AND CONFLICT

With the global focus on AF-PK, SAR is at the forefront of finding practical solutions to the challenges of conflict and fragility. Much of the new WDR 2011 framework is already in place.



Afghanistan, Pakistan, and Nepal count for 25% of field staff with HQ compensation in 35 fragile countries



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# WITH SPECIAL EMPHASIS ON: CLIMATE CHANGE

## Highlights of Assistance

### Focus on adaptation

- **Bangladesh:** MDTF for climate change resilience (\$110m) and Pilot Program for Climate Resilience (PPCR) (\$110m) from Climate Investment Fund (CIF)
- **Nepal:** Ongoing preparation for Pilot Program for Climate Resilience (PPCR)
- **Bangladesh:** Projects to address emergency needs and prevent damage from natural disasters (Rivers Information and Conservation, National Coastal Embankment Improvement)

### Focus on mitigation

- **Maldives and Nepal:** Program for scaling up renewable energy (CIF-SREP)
- **India:** Low carbon growth study to help India move towards clean and low-carbon emitting technologies

## Spotlight on Results

- **21 Carbon Offset operations** in Bangladesh, India, Nepal and Pakistan, with Emission Reduction Purchase Agreements (ERPA) signed (or to be signed by 2012) for the total greenhouse gas (GHG) reduction of **51 million tons**
- **Joint Study on Climate Risks and Adaptation in Asian Coastal Megacities** (ADB, JICA, WB). Analysis such as flood-prone areas in the future are given to cities for their urban planning
- Bank contributed consensus building process of India's **new Law for Protection and Management of Coastal Zones** (effective Jan. 7, 2011)



# WITH SPECIAL EMPHASIS ON: **REGIONAL INTEGRATION**

## Regional infrastructure and trade, cross-border public goods , and cross-country learning

Projects/ Activities	Description
<b>Strengthening Cooperation in Wildlife Protection</b>	Build shared capacity, institutions, knowledge and incentives to protect regional wildlife. Bangladesh and Nepal (APL1), Bhutan (APL2), Laos and Vietnam (APL3), India
<b>Northeast Electricity Transmission and Trade</b>	Facilitate power trade between Nepal, India and Bangladesh to address power shortages.
<b>Northeast Trade and Transport Facilitation Program</b>	Ease transport congestion at Bangladesh-India and India-Nepal border crossings (in collaboration with ADB). Precursor to boosting regional trade in subsequent phases of the program.
<b>Central Asia-South Asia (CASA) Electricity Transmission Project</b>	Support (with IFC) the preparation of this project to supply 1300 MW of surplus power in Tajikistan and Kyrgyz Republic to Afghanistan and Pakistan.
<b>Asia University for Women</b>	Forming women leaders across SAR. Start with Bangladesh and Afghanistan, with other countries like Pakistan and Sri Lanka coming in later.
<b>Ongoing AAA</b>	South Asia Trade and Transit Facilitation AAA and TA Program
	South Asia Water Initiative (SAWI) and associated Abu Dhabi Dialogue
	South Asia Food Security and Nutrition Initiative
	Regional Electricity Trade: Trading Arrangements and Risk Management
	Cross Border Labor Mobility, Remittances & Economic Dev. in South Asia
	South Asia Biodiversity Conservation and the Tiger Initiative

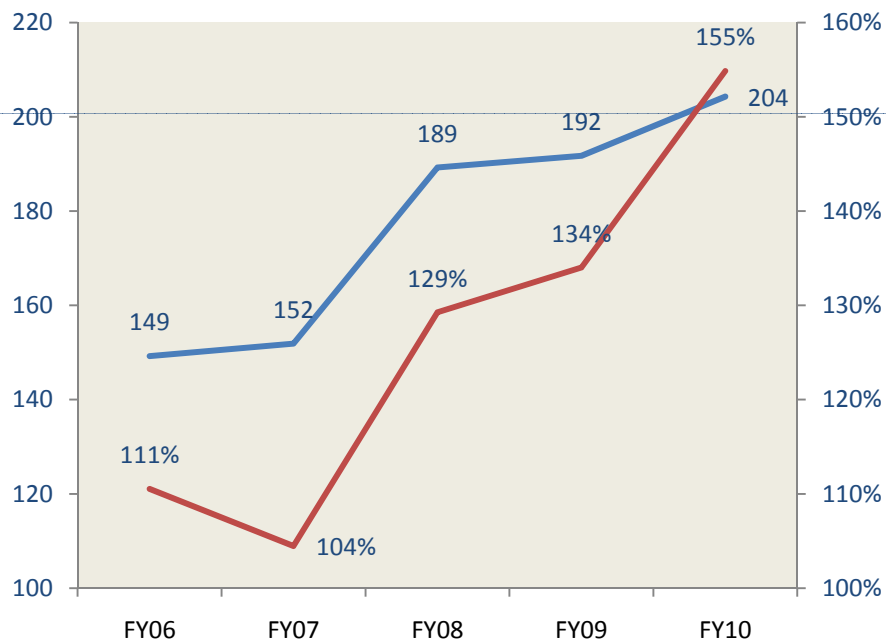
# WITH SPECIAL EMPHASIS ON: GOVERNANCE

New demand driven business to strengthen country systems

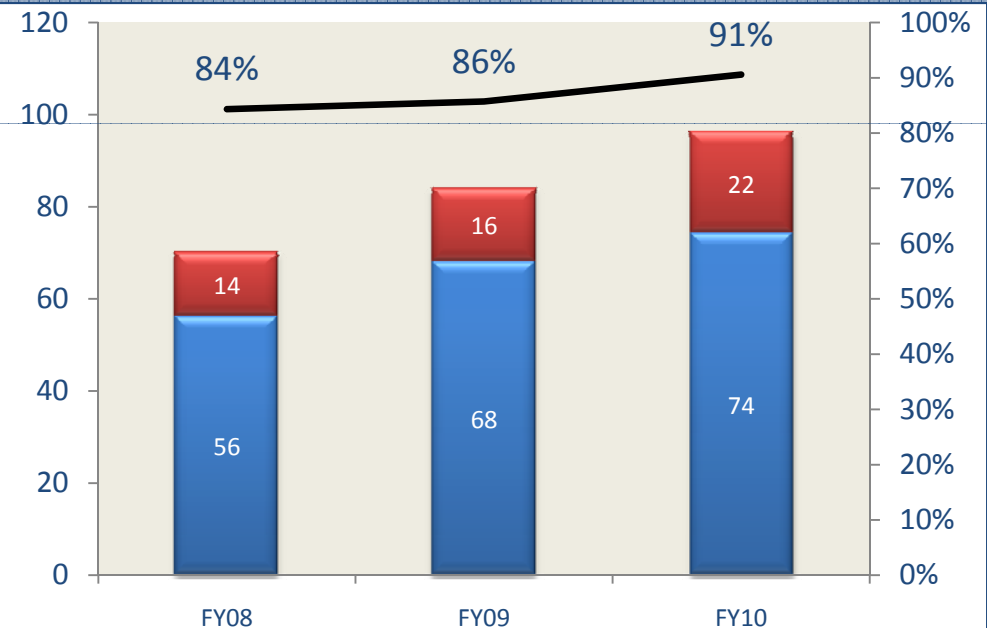
Integrate governance analytics at all stages of project

Increase GAC resources and staffing in the field

Culture change to promote frank GAC discussions



— Project Supervision per Project (\$k)  
 — Supervision Budget / Lending Budget (%)

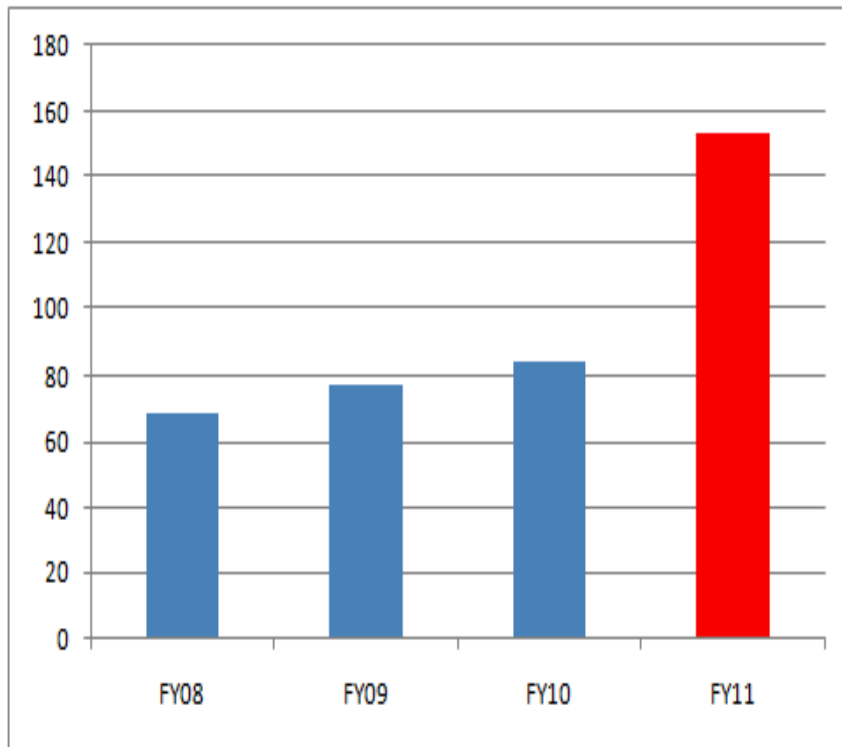


■ Total Fiduciary Staff (GE+)  
 ■ Total Governance & Public Sector Staff (GE+)  
 — Proportion of Fiduciary & Governance Staff in Field

**Post Procurement Reviews 100% in FY08 -**

# AAA – CREATING AND SHARING KNOWLEDGE

## Number of ESW and TA



## Flagship Report

### “More Productive Jobs in South Asia”

#### Main diagnostics

- Employment rates are low in SAR except in Bhutan and Nepal, mainly due to low female labor force participation
- Employment growth has just about kept pace with labor force but a lot more new entrants in the future
- Large share of informal employment and attendant vulnerability
- Rural nonfarm employment growth has been slow

- Armed conflict has major impact on job creation

#### Main implications

- Focus on manufacturing sector and rural nonfarm sector for greatest potential to absorb new entrants to labor force
- Focus on improving business environment, regulations, institutions, and infrastructure
- Focus on developing appropriate skills
- Protect people not jobs—promote greater labor market flexibility coupled with stronger safety nets for unemployed

## AAA STRATEGY

- Chief Economist to **pull regional work program together across SAR.**
- Strategic approach to AAA based on **country-by-country reviews to ensure alignment with CAS priorities, coherence by area of engagement, and clarity of desired outcomes.**
- Develop **monitoring tools to keep track of the broadest definition of AAA including those that fall in the gray area between operational support and research.**



## IV. ORGANIZATIONAL SET-UP TO DELIVER

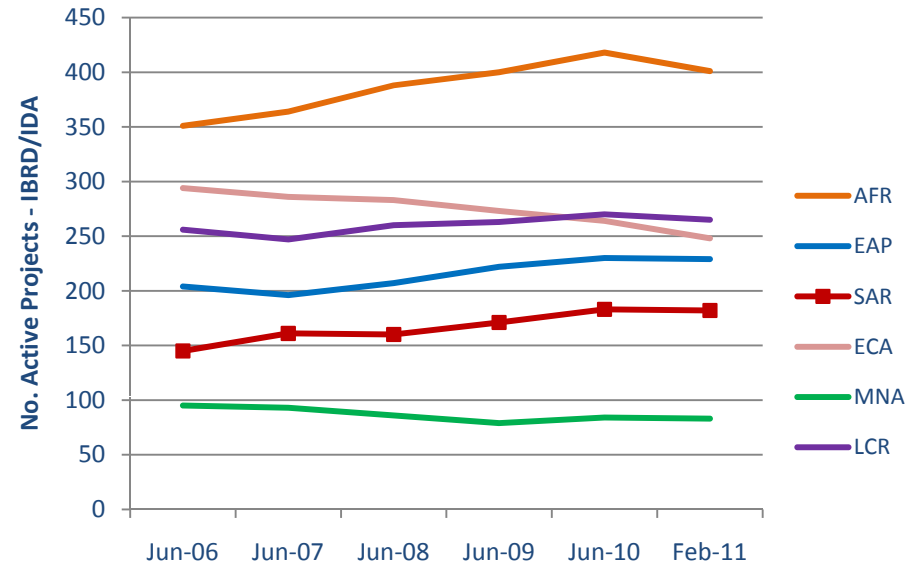
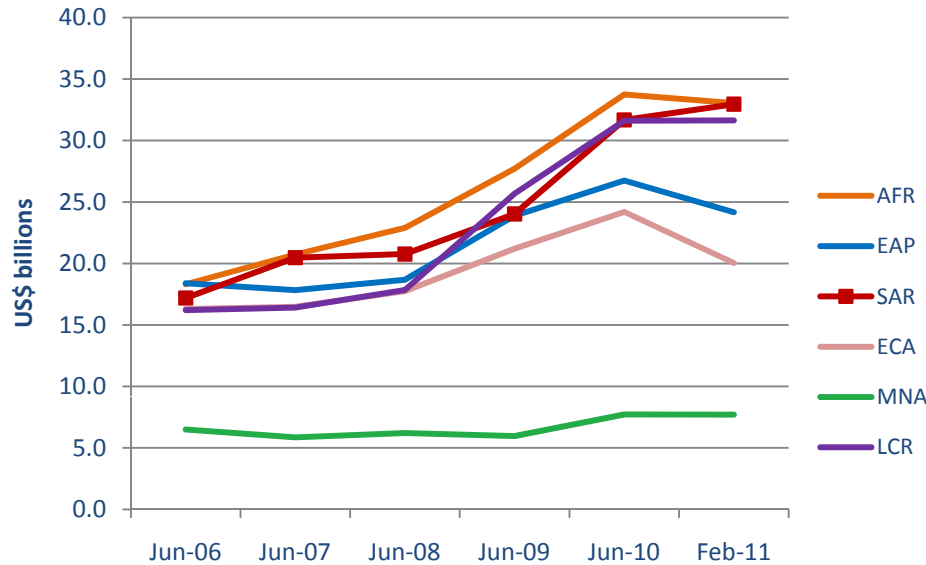


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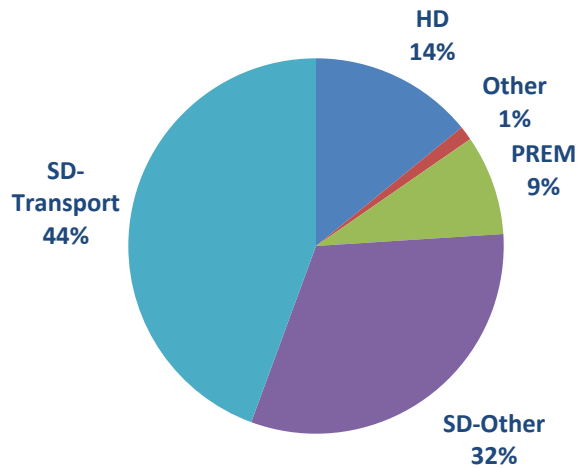
# RESPONDING TO CLIENT DEMAND

SAR same as AFR's Net Commitments

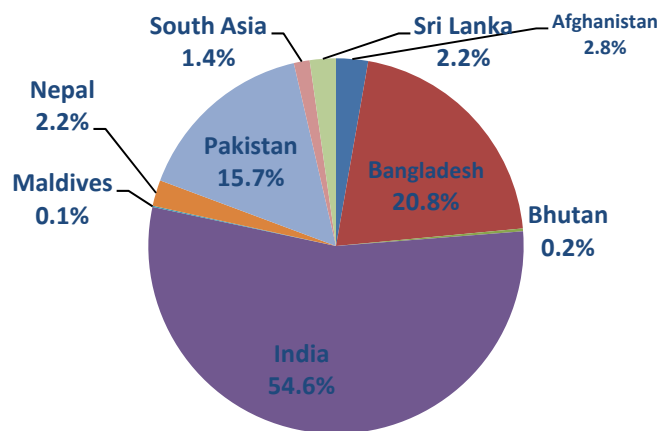
But has half number of Active Projects



IBRD/IDA Lending by Unit, FY11

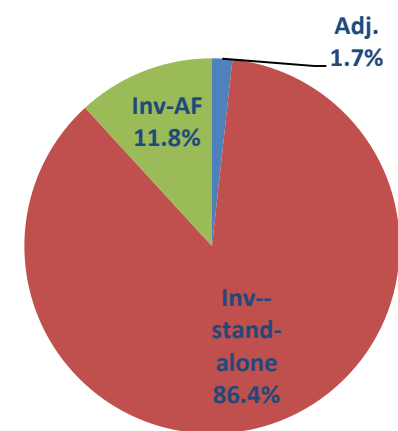


IBRD/IDA Lending by Country, FY11



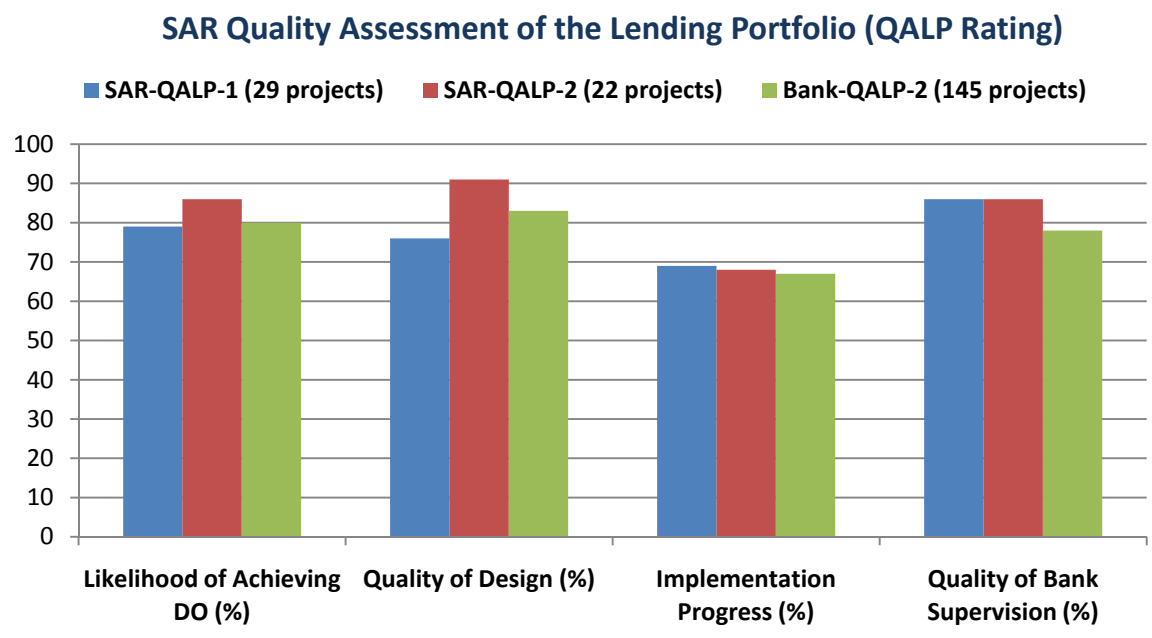
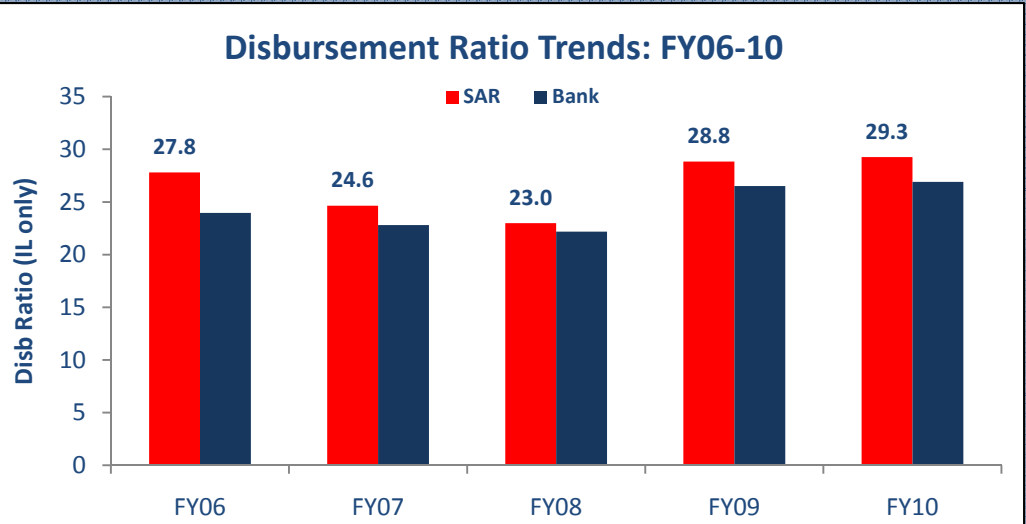
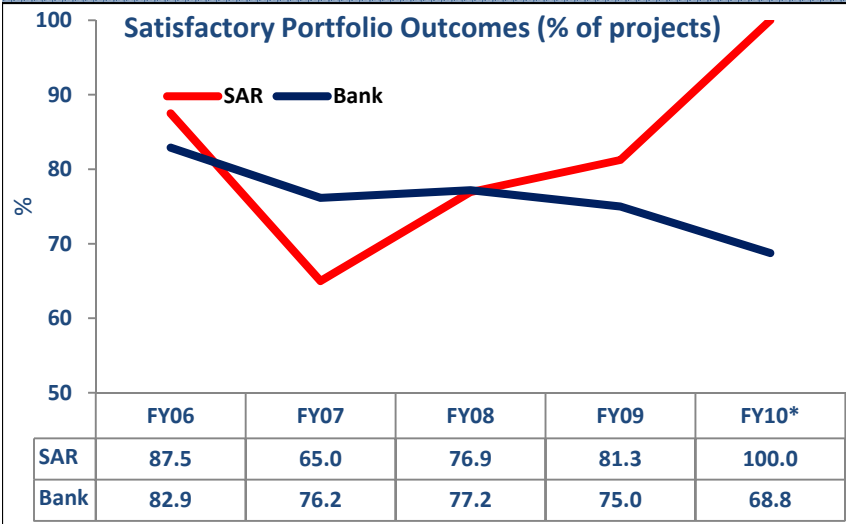
Lending \$10 billion in FY11

IBRD/IDA Lending by Instrument, FY11



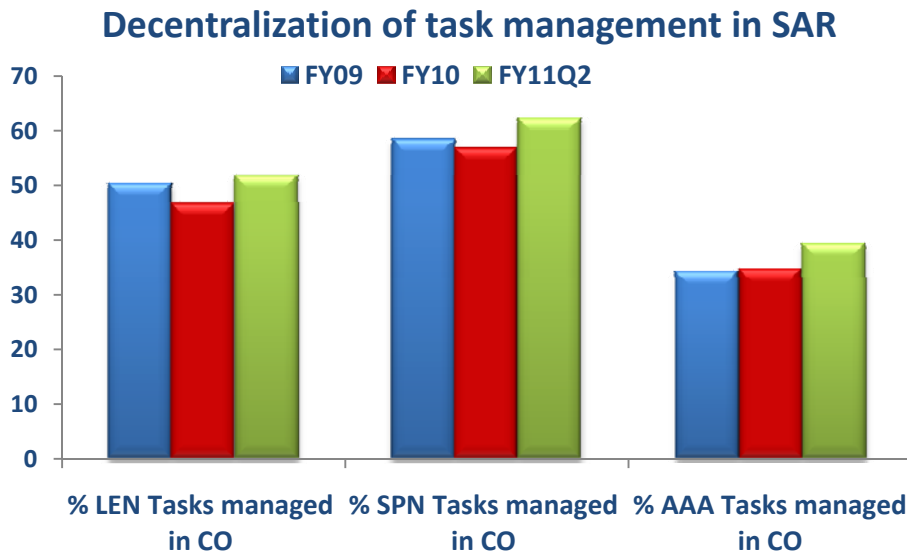
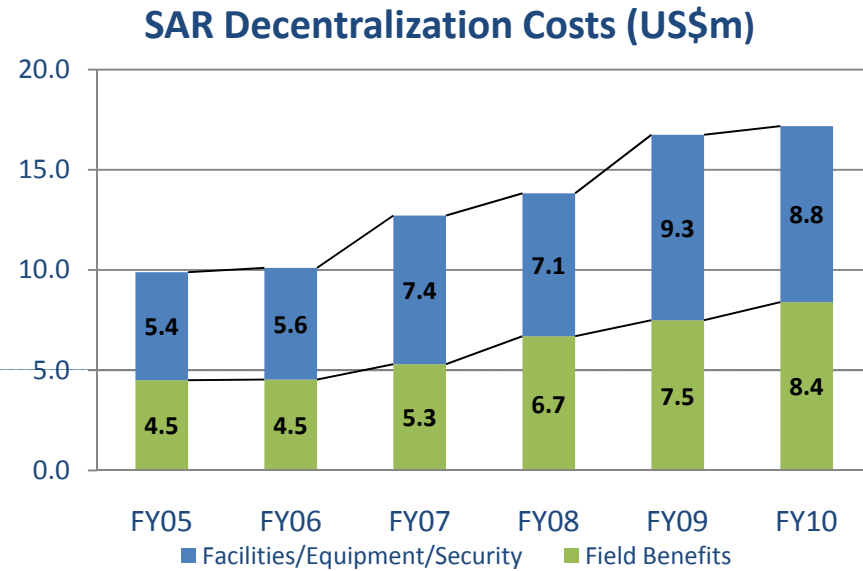
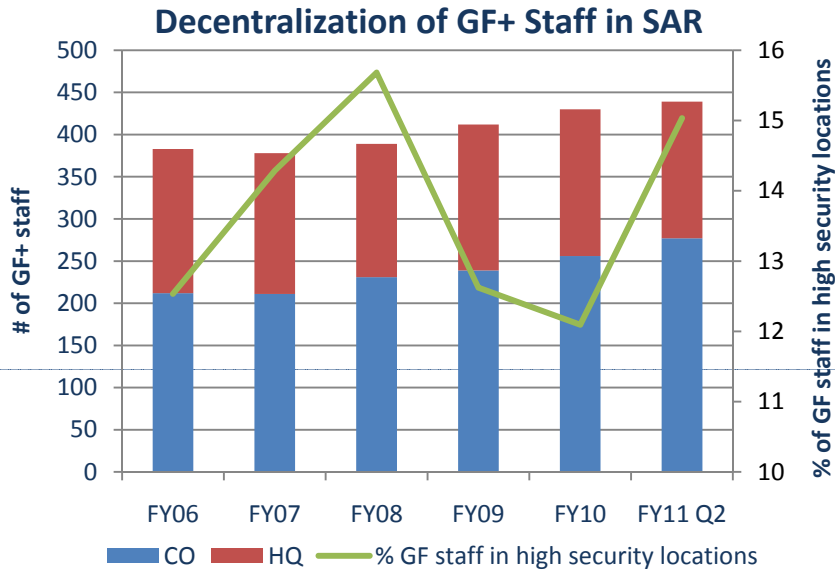
SAR Primarily Investment Lending Region

# MAINTAINING FOCUS ON RESULTS AND QUALITY



# STAFFING AND DECENTRALIZATION

Staff Decentralization in high security areas, resulted in increasing costs



**Priority in FY 12**  
Continue to move sector management closer to decentralized staff

# PARTNERING WITH IFC & MIGA

**IFC** – focusing on Inclusive Growth, Climate Change, Global/regional Integration and Access to Basic Services

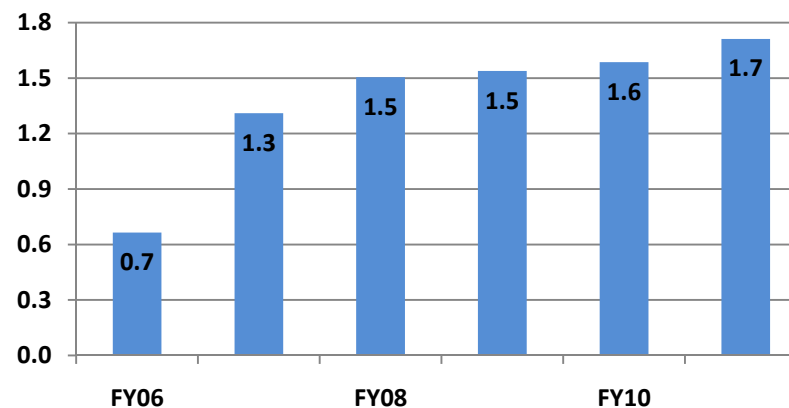
Joint Strategies	Joint Investments	Joint Advisory Activities
<ul style="list-style-type: none"> <li>• Joint Country Strategies in               <ul style="list-style-type: none"> <li>- India</li> <li>- Bangladesh</li> <li>- Nepal</li> <li>- Sri Lanka</li> <li>- Maldives</li> <li>- Bhutan</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Maharashtra State Electricity Transmission Company Ltd (MSETCL), India</li> <li>• Power sector (e.g. Butwal, Bhote Koshi), Nepal</li> <li>• Joint Solar Mission, India</li> <li>• Karachi Port Trust, Pakistan</li> <li>• Micro Finance, India</li> <li>• E-waste Recycling (Attero), India</li> <li>• Tourism (e.g. Universal, Taj), Maldives</li> <li>• Climate Change support (e.g. Risk Share Facility), SL/Maldives</li> <li>• WaterHealth, India</li> <li>• Jain Irrigation, India</li> </ul>	<ul style="list-style-type: none"> <li>• Special Economic Zones, Bangladesh</li> <li>• Housing Finance, India</li> <li>• KP Economic Revitalization Project, Pakistan</li> <li>• Financial Sector Strengthening Project, Afghanistan</li> <li>• Land Modernization, Bangladesh</li> <li>• Investment Climate (FDI) support, Bhutan</li> <li>• Tax Administration Reform, Bangladesh</li> <li>• Tourism, Sri Lanka</li> <li>• Doing Business Support</li> <li>• Thimpu Waste management and Bus Service PPPs, Bhutan</li> <li>• Investment Climate support, Nepal</li> </ul>

**And Complementary activities in India's Low Income States and Pakistan**

## MIGA

- MIGA has \$183m gross exposure in South Asia (mostly Pakistan and Afghanistan)
- Promoting **south-south investments**: to cover \$20m of investment from India into Africa or TF facility in Afghanistan, allowing MIGA to cover key investments, such as with MTN (a South Africa cellphone Company)
- Providing **political risk assurance for foreign investors**: joint IDA/MIGA project "Afghanistan Investment Guarantee Facility"

**IFC Annual Commitments (\$billion)**



# LEVERAGING OUR RESOURCES THROUGH PARTNERSHIPS

## TRUST FUNDS

- **Integrated in overall work program to support key areas:** disaster reduction and recovery, financial crisis, climate change, gender and governance and anti-corruption.
- **Substantial in size.** In FY10, RETF resources available to scale up the use of IDA in SAR amounted to US\$ 4 billion or about 35% of the new IBRD/IDA commitments. Most trust funds are recipient executed.
- **Focusing on countries with conflict** (Afghanistan and Pakistan). In Pakistan, the Bank established in FY11 a new 10 donor MDTF for conflict affected areas.

### Example: Afghanistan Reconstruction Trust Fund (ARTF)

- The ARTF has raised US\$4.1 billion from 32 donors since 2002.
- It is now the largest source of on-budget financing for GoA, providing one quarter of the total budget, and is an important platform for donor coordination.
- The fee income of the ARTF meets about 40 % of our cost of the work program.

## ASIAN DEVELOPMENT BANK

### Collaboration on policy dialogue and Partnering implementation of development activities

- In Education and infrastructure (e.g., PADMA bridge in Bangladesh) as well as climate change (e.g., Bangladesh)
- A pass-through arrangement is being established to channel ARTF resources to the ADB to finance larger infrastructure projects in Afghanistan
- Co-authoring analytical work (e.g., Pakistan – Flood Damage and Needs Assessments)
- Exploring options on joint social safeguards work in Nepal.

## BILATERAL DONORS

Leverage resources by partnering with:

- AUSAID
- CIDA
- DFID
- EC
- Japan
- Netherlands
- SIDA
- Spain
- USAID
- among others

# CONCLUSIONS

## BECOMING TOMORROW'S CENTER OF GLOBAL ECONOMIC GROWTH AND POVERTY REDUCTION

**1** For the next few decades, what happens in South Asia will significantly impact what will happen in the world.

Home to the largest number of poor in the world

Home to one of the largest consumer markets

Home to key fragile states in a geopolitically important part of the world

Home to the largest work force by 2050

**2** The WBG strategy in SAR will build on the unprecedented access to client governments, and strong momentum of demand for Bank services and lending to enable:

A dynamic private sector to drive growth

A skilled labor force to respond to new demands

World class rural and urban infrastructure

Greater gender equality

Better governance and service delivery

Regional integration

Protecting the environment and mitigate impact of climate change