



*“We are happy that the World Bank has come to talk directly to us. We know what we need and we know how to solve our problems better than any one else. Come back again and keep talking to us.”*

Local farmer speaking during Country Assistance Strategy consultations in Kohat district, Pakistan.

## South Asia

### REGIONAL CONTEXT: GROWING STEADILY, BUT BELOW POTENTIAL

At 5.8 percent, growth in South Asia in 2000 continued to be robust and sustained compared to the rest of the world. Long-term growth continues to be well below potential, however, and the 2000 outcome was also affected by drought that undermined agricultural output in some parts of the region. India's GDP growth led the region at 6 percent, while Bangladesh's remained steady, at 5.2 percent. Strength in manufacturing and exports raised Pakistan's growth slightly, to 3.8 percent.

The stability of South Asia's growth is impressive, given recurrent natural disasters and continuing political instability in some areas. Drought struck northern India, Afghanistan, and Pakistan; a massive earthquake killed thousands in India. Other more chronic obstacles to growth were poor governance, civil conflict, and insufficient economic reforms. The pace of India's economic reforms has been slowed by political challenges at the state level. Pakistan continues to face pervasive, inherited governance problems and economic distortions; confronting them effectively will be crucial to the success of its Economic Revival Program introduced in 2000. In Bangladesh, a sharply polarized political environment prior to 2001 elections slowed implementation of second-generation reforms necessary to accelerate growth and reduce poverty. Over the year, political instability continued in Nepal, and in June 2001 the country suffered the tragedy of the royal assassinations; Sri Lanka saw a combination of a deepening of its 18-year conflict, a fragile ceasefire, and political volatility; and intense fighting continued in Afghanistan.

South Asia's poverty continues to present a profound development challenge. Half a billion people live on less than \$1 a day, accounting for 44 percent of the world's poor. The illiteracy rate is the world's highest, and women have only about half as many years of education as men. Lack of access to health care, the continuing acceleration of HIV infection, and environmental degradation are only a few of the problems that threaten the region's prosperity and undermine the quality of life for all, especially poor people.

### WORLD BANK ASSISTANCE: STRENGTHENING PROSPECTS FOR LASTING DEVELOPMENT

The Bank's central goal in South Asia is reduction of poverty and vulnerability, which it pursues by promoting country and community ownership of development efforts; responding quickly to crises; supporting increased investment in human development, especially for marginalized groups; and encouraging private sector-led and equitably shared economic growth.

Table 4.3 shows the value and sectoral distribution of total Bank lending to the South Asia region in the fiscal 1992–2001 period. Table 8.4 (see About the World Bank) compares commitments, disbursements, and net transfers to the region for fiscal 1996–2001, and table 8.10 (see About the World Bank) shows operations approved in fiscal 2001, by country. Figure 4.3 shows IBRD and IDA lending by sector.

#### *Promoting ownership and empowering communities*

In fiscal 2001 the Bank consulted extensively with local communities, civil society, and government officials in preparing its Country Assistance Strategies (CASs) for India, Bangladesh, Sri Lanka, and Pakistan (box 4.5). It also engaged in civil society

#### Countries Eligible for World Bank Borrowing:

Afghanistan  
Bangladesh  
Bhutan  
India  
Maldives  
Nepal  
Pakistan  
Sri Lanka

## South Asia Fast Facts

Total population: 1.4 billion  
 Population growth: 1.9%  
 Life expectancy at birth: 63 years  
 Infant mortality per 1,000 births: 74  
 Female youth illiteracy: 40%  
 2000 GNI per capita: \$460

**Number of persons living with HIV/AIDS: 5.8 million**

*Note: Life expectancy at birth and infant mortality rate per 1,000 births are for 1999, other indicators are for 2000, from the World Development Indicators database. The term gross national income (GNI) is now used instead of gross national product (GNP).*

### Total FY01 New Commitments

IBRD \$2,035.0 million  
 IDA \$1,211.5 million

### Total FY01 Disbursements

IBRD \$756.0 million  
 IDA \$1,935.3 million

Portfolio of projects under implementation as of June 30, 2001:  
 \$17.7 billion



*Girls raise their hands to indicate that they are in school, during World Bank consultations in rural Pakistan. The consultations were among several held with numerous stakeholders to inform the Bank's Country Assistance Strategy for Pakistan.*

### Box 4.5 Deepening the Development Dialogue in Pakistan

In preparing a new CAS, the Bank's Pakistan team conducted consultations from the village to the national level, talking to farmers, women's groups, NGOs, trade unions, academia, media, government officials, and politicians. The team heard voices of deep concern about widespread corruption, and despair about the lack of economic opportunities, fair access to justice, education, and health services. But it also heard creative ideas from people with a great desire to make a difference in their own lives.

The CAS consultations helped the Bank identify local development needs and priorities as determined by the citizens themselves. It is hoped that the opening of this dialogue will lead to a more inclusive development process in Pakistan.

consultations and interactive workshops that allowed the Bank to bring its global development experience to client countries while seeking local perspectives on development priorities:

- In India, over 300 politicians, civil servants, and nongovernmental organizations (NGOs) met at a workshop on state-level reforms in December 2000—sponsored by the Bank, other donors, and the Ministry of Finance—to exchange ideas with global fiscal and governance experts, while a number of large workshops at the federal level also helped to examine fiscal, privatization, and business-climate issues.
- Support for sector-level dialogue included a workshop in Pakistan on the sustainable provision of water and sewerage services in Karachi, and a series of consultations to help national and provincial authorities and other stakeholders better understand the needs and concerns of road users.
- Two journalism workshops aimed at strengthening the media were sponsored by the World Bank Institute: one on economic reporting and one, offered with support from the Commonwealth Press Union, on corruption and journalism ethics.

The Bank is helping increase local ownership of development efforts by empowering communities to design and implement projects. For example, India's District Poverty Initiatives projects (in Andhra Pradesh, Madhya Pradesh, and Rajasthan) and Rural Water Supply and Environmental Sanitation Project closely involve rural communities in efforts to increase their access to resources and improved serv-

ices. Sri Lanka's pilot Village Self-Help Learning Initiative, meanwhile, includes a Village Community Telecenter that relies on information technology and communications to help reduce poverty in remote villages. The project is funded by a Japanese Social Development Fund Grant administered by the Bank.

### *Working together to respond to crises*

Bank assistance in fiscal 2001 helped address needs arising from natural disaster- and conflict-related crises, recognizing their devastating impact on poor people. Response to India's earthquake was quick, collaborative, and multidimensional (box 4.6). In drought- and conflict-ridden Afghanistan, the Bank is helping the efforts of the United Nations and other agencies to alleviate famine and malnutrition among an estimated 12 million Afghans (including those in refugee centers in neighboring Pakistan).

In Sri Lanka, the Bank-financed North-East Irrigated Agricultural Lands Project continues to make progress amid the challenges of conflict. The project aims to re-establish at least a subsistence level of production and basic community services through agricultural and small-scale reconstruction activities. Partners include the government of Sri Lanka, the focal communities, local NGOs, the United Nations High Commission for Refugees, and the International Committee of the Red Cross. Both parties to the conflict have been appreciative of this work to assist some half a million people in the conflict zone.

### *Investing in people*

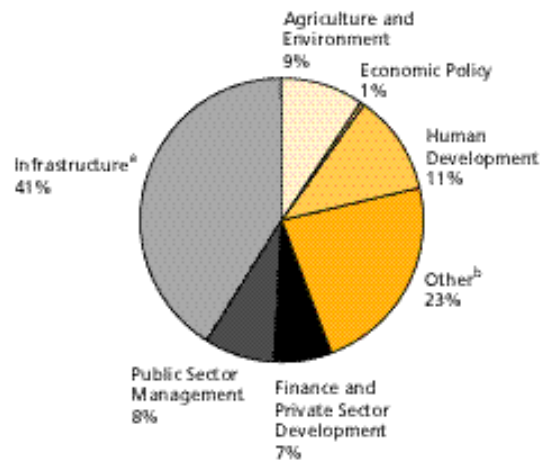
The Bank's support to South Asia recognizes the centrality of education and health in poverty reduction. A new project in Bangladesh will strengthen literacy programs and help the newly literate utilize their skills, benefiting some 1.6 million of the country's poorest people, half of them women. Also in Bangladesh, a new Legal and Judicial Capacity Building Project will help improve access to justice, especially for the poor and women (see page 62). A distance-learning project—the first of its kind in South Asia—offers videoconference and Internet-based training opportunities to political and business leaders in Sri Lanka, expanding their

access to global development knowledge. In Pakistan, Bank participation in policy dialogue has helped the government prepare a national education sector strategy.

In fiscal 2001 the Bank continued its strong support for the region's health programs—which are showing results. A second project to deepen HIV/AIDS prevention efforts is under way in India; the first helped to launch a national control program, increase blood safety from 30 percent to nearly 100 percent, significantly reduce risky behavior, and raise condom use in high-risk groups. Another follow-up project in India, this one approved in fiscal 2001 to fight leprosy, will help move India toward elimination of this disease; under the first project, 4.4 million patients received treatment, and registered leprosy cases fell from over 1 million in 1993 to 500,000 in 2000. In fiscal 2001 the Bank also approved an HIV/AIDS Prevention Project in Bangladesh, targeting high-risk groups.

In addition, the Bank is helping combat tuberculosis (TB) in South Asia, which has 3 of the 10 countries with the world's highest TB incidence. In India the Bank supports a revised national TB control program, which treated 1.1 million patients in 1999 and rising in 2000 under DOTS (Directly Observed Treatment, Short-course—a cost-effective strategy that reduces illness, deaths, and transmis-

**Figure 4.3 South Asia: IBRD and IDA Lending by Sector, Fiscal 2001**  
Share of total of \$3.2 billion



Note: Sector classification is on a loan component basis. See table 1.1, page 26.  
a. Includes transportation, telecommunications, and water supply and sanitation.  
b. Includes electric power and other energy.



*A woman shares the story of her loss with World Bank team members following the devastating earthquake in Gujarat.*

#### **Box 4.6 Disaster Response: Multidimensional Assistance, Partnership, and Participation**

On January 26, 2001, a severe earthquake hit India's Gujarat state, leaving over 20,000 people dead, nearly a million families homeless, social infrastructure destroyed, and a government suddenly faced with an immense challenge. The Bank quickly made \$400 million available for emergency rehabilitation and partnered with counterparts from the Asian Development Bank to prepare a comprehensive damage assessment (<http://www.worldbank.org/gujarat>), crucial to shaping a recovery plan and guiding cooperation among all parties.

Reconstruction needs are estimated at a staggering \$2.3 billion. The Bank's emergency assistance of \$400 million provides short-term financing for temporary shelter, rubble removal, health and education services, rehabilitation of basic infrastructure, community capacity building, and establishment of disaster management capabilities. A longer-term reconstruction credit is under preparation. In close consultation with Indian authorities, the Bank is urging the active participation of affected communities in all reconstruction efforts.

sion). The Bank is also supporting efforts to expand DOTS in Pakistan and Bangladesh.

#### *Promoting private sector growth*

A dynamic private sector is crucial for growth—and thus central to the Bank's country programs. India's Rajasthan Power Sector Restructuring Project, approved in fiscal 2001, continues the Bank's support for private provision of infrastructure in the region. It will help advance the privatization of distribution firms and promote small-scale power generation as well as renewable energy production for remote locales. The Pakistan Trade and Transport Facilitation Project, also approved in fiscal 2001, will help the country modernize and reform its transport sector. Lower transport costs will help Pakistan's industries become more competitive in international markets.

In fiscal 2001 the IFC, the Bank Group's private investment–promotion arm, continued to complement Bank assistance for the region's private sector development. IFC is helping South Asia accelerate private participation in the provision of infrastructure, tourism, health, and education services, and is providing support for countries' financial sectors and capital markets.

Table 4.3 **World Bank Lending to Borrowers in South Asia, by Sector, Fiscal 1992–2001**  
(millions of dollars)

Sector	Classified on a Loan-by-Loan Basis				Classified on a Loan Component Basis	
	FY92–97 <i>Annual average</i>	FY98–99 <i>Annual average</i>	FY00	FY01 <i>original</i>	FY00	FY01
Agriculture	405.1	610.9	271.5	231.8	61.0	297.3
Economic policy	138.4	275.0	45.0	350.0	45.0	15.0
Education	271.4	408.2	200.0	192.6	200.0	269.6
Electric power and other energy	507.1	252.5	280.0	630.0	280.0	745.5
Environment	94.9	91.8	-	5.0	7.8	7.4
Finance	185.9	184.5	65.1	181.3	65.1	163.3
Mining	12.5	266.0	-	-	-	-
Multisector	41.7	271.6	-	-	-	-
Oil and gas	50.1	-	-	-	-	-
Health, nutrition, and population	357.8	475.7	344.6	70.0	344.6	70.0
Private sector development	107.9	16.0	-	-	-	51.0
Public sector management	79.8	-	251.3	182.6	251.3	259.1
Social protection	86.6	-	-	-	231.5	33.0
Telecommunications	15.0	-	62.0	-	62.0	-
Transportation	244.8	292.4	582.1	1,333.0	556.3	1,332.9
Urban development	51.1	52.5	10.8	4.7	7.8	2.4
Water supply and sanitation	139.0	16.2	-	65.5	-	-
<b>Total</b>	<b>2,789.1</b>	<b>3,213.3</b>	<b>2,112.4</b>	<b>3,246.5</b>	<b>2,112.4</b>	<b>3,246.5</b>
Of which						
IBRD	1,056.7	1,034.0	934.3	2,035.0		
IDA	1,732.4	2,179.3	1,178.1	1,211.5		

Note: See table 1.1, page 26. Numbers may not add to totals because of rounding.