

Topic Brief



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Economic growth has been accompanied by rising disparities in transport access and services.

Challenges and Opportunities

Sustained growth in the East Asia Pacific (EAP) region of over 7 percent annually over the past 15 years has steadily raised transport demand in most countries, although this demand has varied in magnitude and nature depending on the evolving structure and rates of growth of economies. It is estimated that over the next five years some US\$37 billion annually will be required for investing in transport.



With trade driving the region's economic performance (EAP has the highest trade to GDP ratio in the developing world – almost 75 percent, excluding Japan), the lowering of transport and logistics costs remains the key challenge for countries to stay competitive.

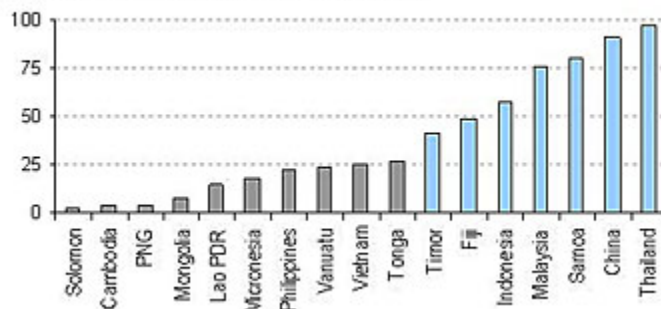
Cities account for some 70 percent of the region's GDP growth, and this trend is likely to continue. By 2025 East Asia will absorb almost 500 million new urban residents, and achieve urbanization rates of over 50 percent. Increases in population, and the pace of motorization, coupled with a rise in income (particularly in cities), and accelerating and unplanned peri-urban growth, will all further worsen congestion, pollution, petroleum use, and safety levels. This will disproportionately affect the mobility and living conditions of poor, who are often rural migrants, and have no access to cars.

The management of increasing demand for transport services, for both people and goods, will require new infrastructure, but most importantly, capable institutions which are responsive to local dynamics and fiscal conditions.

The transport sector response to the above situation has varied enormously. For instance, between 1990 and 2000, road networks expanded by about 23 percent in **Indonesia**, and over 100 percent in **Vietnam**.

In terms of the current condition of the region's road networks, 4 percent of roads are paved in **Cambodia**, while 97 percent are paved in Thailand (see chart). Similarly, capacity of the container fleet on East Asian routes increased 20 percent annually, but capacity of container berths increased by less than 8 percent per year.

Proportion of Paved Roads by Country



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In spite of these expansions, there has been rising disparities in transport access and services. Around 1.1 billion people, representing 60 percent of the region, are still in rural areas. Low income and poor transport services are often correlated across countries, with the rural poor, and the poor in urban areas enjoying least transport access. Connecting rural economies to cities and transport hubs is essential to integrate domestic markets and spread the benefits of trade led growth.



Provision of rural access in low income countries (**Cambodia, Vietnam**), land locked and island states **Lao PDR, Mongolia, Pacific Islands**), and in large poverty pockets in fast growing

countries (western **China**, eastern **Indonesia**, the central and northern highlands of **Vietnam**, northeast **Thailand** and Mindanao in the **Philippines**), poses both fiscal and institutional challenge.

Another consideration in EAP is the way the economies have undergone significant decentralization, with sub-national share of total public expenditure ranging from 10 percent in **Thailand** to 70 percent in **China**. Decentralization has brought with it a new set of issues relating to coordination, planning and financing between central and local levels, and across local institutions. Previously centralized states like Indonesia and the Philippines face a particular challenge in coordinating infrastructure that crosses local government boundaries, such as roads and services (buses, rail etc.) – the so-called problem of the 'missing middle' (i.e., a level between national and local government).

Since the 1997 financial crisis, it has also become evident that governments must foster a framework to manage risks associated with national and sub-national borrowings, and with private concessions. These actions will assist the ongoing recovery of private investments in transport – from a low point of US\$1.9 billion in 2002, to US\$3.1 in 2003 (a level, however, far below its peak in 1998 of US\$6.6 billion).

Reforms in sector governance will be crucial to sustain sector performance, and to reduce corruption, which is still an endemic problem.

In transitional economies, like **China**, **Vietnam** and **Mongolia** addressing sector issues relating to transport state-owned enterprises, commercialization of services (rail, bus, toll roads) and tariff reform, are critical to reduce inefficiencies, attract private capital and enhance market responsiveness of services.



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Bank's Response to the Challenges

The Bank's response is organized around five themes, is executed at five levels, and differentiated by country characteristics.



The Bank's activities are organized along the following five themes: (i) promotion of sustainable transport access; (ii) trade facilitation; (iii) urban mobility management; (iv) private sector deliveries and financing; and (v) sector governance including inclusive planning, regulation and externality management (air pollution, safety, HIV/AIDS, environment and social dimensions).

Transport solutions in many cases are multi-modal, and frequently require cross-sector synergies, particularly in the areas of trade, rural and urban infrastructure, private participation in infrastructure, environment, HIV/AIDS and safety. The private participation in infrastructure program increasingly brings together IFC, MIGA and Bank products, with use made of both risk mitigation and financial instruments (guarantees, new financial products, etc.). In each client country the Bank's activities are coordinated with major sector donors, including [ADB](#), [JBIC](#), [Dfid](#) and [AusAid](#), and seek to achieve consensus on sector strategy, mode of operation and comparative strengths.

Bank interventions are implemented at five levels: (i) global, (ii) regional, (iii) country/sovereign, (iv) sub-sovereign and (v) community level.

At the global level our program focuses on environment ([Global Environment Facility](#), [Prototype Carbon Fund](#)), health (HIV/AIDS, global road safety) and the knowledge agenda.



To support growing sub-regional initiatives ([ASEAN](#), [Boao](#)), and trade in particular within Greater Mekong Sub-region (GMS), the Bank has deepened its engagement in GMS transport initiatives, a multi-country GEF operation (the Marine Electronic Highway in the Malacca Strait, including **Indonesia**, **Singapore** and **Malaysia**) and several country specific programs linked to trade promotion between neighbor states (**China-Russia** or central Asia, **Vietnam-Lao PDR-Cambodia**).

Addressing HIV/AIDS in the Transport Sector



The World Bank's transport sector is committed to addressing the HIV/AIDS epidemic. While the overall prevalence of HIV among most countries in the East Asia and Pacific region is relatively low, there is a clear need to focus on this issue now. The transport sector, for example, has been shown to be one of the main "transmitters" for HIV/AIDS. A clear focus is on the roads, which carry the majority of goods and people, targeting truckers, construction workers, migrant laborers, and sex workers at truck-stops. The Bank's transport program in East Asia and Pacific reviewed its projects to identify opportunities to address HIV/AIDS issues with an initial focus on new projects under preparation or recently started.

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National level lending and analytical work remains the dominant Bank activity, with urban and provincial transport/infrastructure activities focused at the sub-sovereign level. At the community level sustainable rural transport agenda is promoted with strong emphasis on poverty targeting.

Finally, the role that the Bank plays in transport development varies by country circumstances, across the following broad categories:

- **In savings rich fast growing countries(China, Vietnam and Thailand)** the Bank's focus is on supporting government programs through a combination of lending and high value added services and knowledge transfer (for instance, in railway commercialization, performance based contracting, programmatic rural roads development, private participation in infrastructure advice on urban rail/BRT and toll roads, service regulation, etc.).
- **In countries facing fiscal constraints(Indonesia, Philippines)** the Bank focuses on supporting strategic infrastructure, sector management and reforms while leveraging private sector financing though analytical and advisory work and lending (toll roads).
- **In IDA countries(Lao PDR, Cambodia, Vietnam, Mongolia and Pacific Islands)** the Bank's focus is on lending linked to poverty reduction strategy papers, millenium development goals and emergency response (for instance, provincial and regional infrastructure, rural roads, disaster mitigation in **Pacific Islands and Indonesia**).



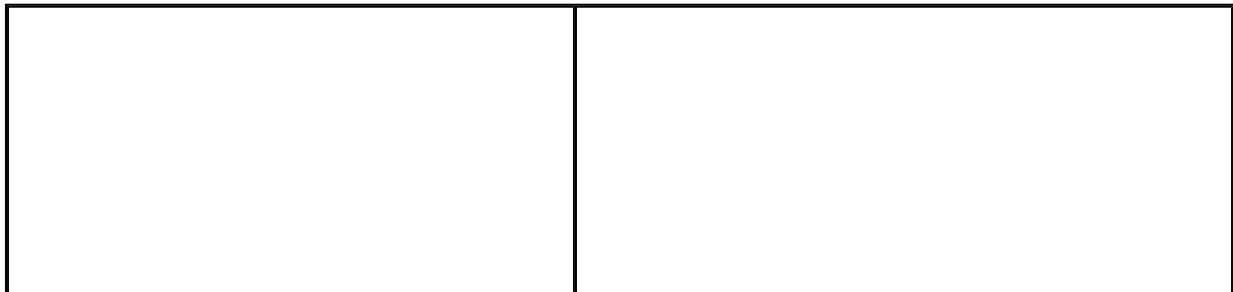
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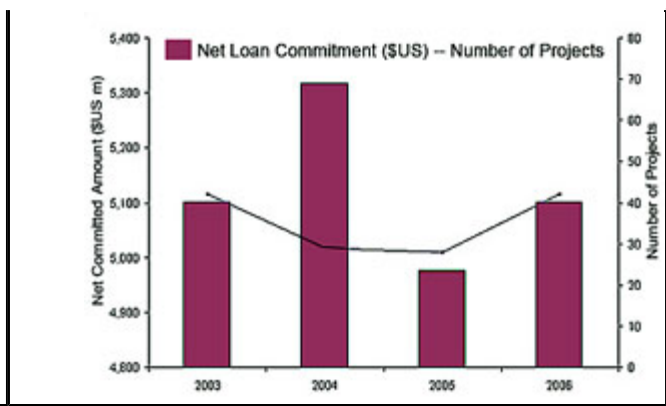
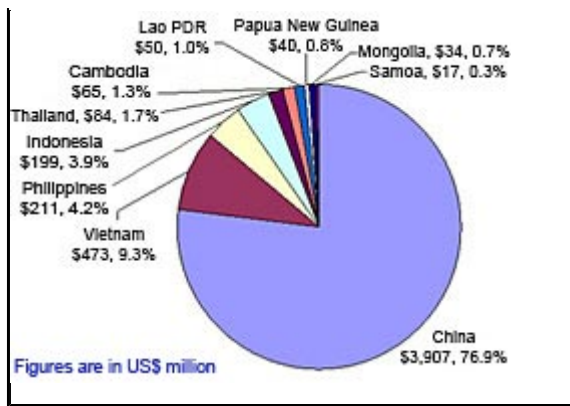
World Bank Lending

The Bank's 2006 EAP transport lending portfolio of over US\$5.1 billion is predominantly focused in **China** (76.9 percent by value), with **Vietnam**, the **Philippines** and **Indonesia** the next three largest countries. This is the same order in terms of the number of projects.

The total portfolio size, and the number of projects, varies over time, as shown in the figure below.

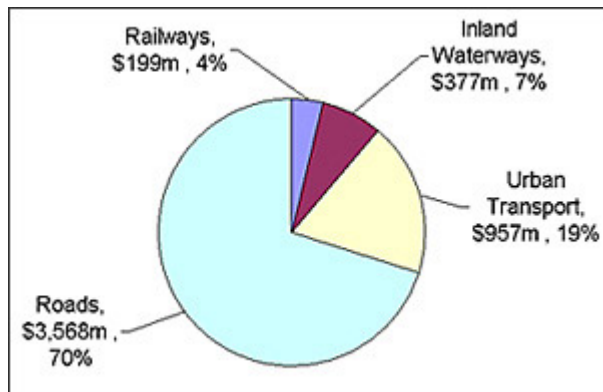
One of the challenges the Bank faces is in countries such as **Cambodia**, **Lao PDR**, and **Vietnam** which are recipients of IDA funding which is relatively scarce. This has limited the scope for new projects in **Cambodia** and **Lao PDR**.





The investments are made into four sectors:

- Roads:** Roads and highways constitute the bulk (70 percent by value) of the Bank's portfolio in the region. The activities range from supporting the establishment of **China's** national expressway system to local road upgrading in **Cambodia**. At the same time the Bank invests in the physical infrastructure, we also support institutional strengthening and development. This includes activities such as supporting performance based maintenance contracting, transparency in procurement, anti-corruption action plans, the introduction of anti-HIV/AIDS education programs, improved road traffic safety considerations.
- Urban Transport:** With the rapid urbanization in countries such as **China**, the urban transport component of our portfolio is increasing in importance. The Bank is strongly supporting activities such as improved traffic management and bus rapid transit to improve the efficiency of urban transport.
- Inland Waterways:** For the movement of bulk goods and as transport links, inland waterways are an important component of the transport infrastructure. There are several projects underway in **China** which are improving inland waterway communications. The Bank is also supporting the establishment of a "Marine Electronic Highway" in the Malacca straits.
- Railways:** There is an increased demand for railways, specifically in **China**, and the Bank supports a number of projects aimed at improving the railway network.



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More information:

- ▶ [Country-Specific Priorities and Challenges](#)
- ▶ [Key Regional Indicators](#)
- ▶ [Regional Transport Infrastructure Financing - Presentation](#) (184kb pdf)

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[Regional Sector Strategy](#)



[How the World Bank Assists Transport](#)



[Results: Ongoing Progress in the Transport Program in East Asia and Pacific](#)