
WORLD DEVELOPMENT REPORT 2003

Sustainable Development in a Dynamic World

Transforming Institutions,
Growth, and Quality of Life



THE WORLD BANK

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About the cover:

A montage of two satellite sensor products, the cover image shows the lights of human settlements and (on May 14, 2002) variation in sea surface temperatures. The image illustrates several *World Development Report 2003* themes: the link between growth and environment (higher income correlated with greater energy use), the continuing socioeconomic challenge of inequality and poverty reduction (vast disparity in the energy use of industrial countries and that of developing countries), the interconnectedness and impact of human activity (fossil fuel-based energy use raising sea surface temperatures), and the need to gather information (such as that provided by satellite sensors) to anticipate and monitor problems if the world is to shift to a more sustainable development.

For more information on the concepts in this report, please visit
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1818 H Street, NW
Washington, DC 20433

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1 2 3 4 04 03 02

A copublication of the World Bank and Oxford University Press.

Oxford University Press
198 Madison Avenue
New York, NY 10016

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ISBN 0-8213-5151-6 (clothbound)
ISBN 0-8213-5150-8 (paperback)
ISSN 0163-5085

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ACKNOWLEDGMENTS

This Report has been prepared by a team led by Zmarak Shalizi and comprising Kenneth Chomitz, Christian Eigen-Zucchi, Gunnar Eskeland, Swati Ghosh, Christine Kessides, Linda Likar, and Robert Schneider. The team was assisted by Leena Datwani, Claudio E. Montenegro, and B. Bulent Ozbilgin. Valuable contributions were made by Matthew Stilwell and Paul Steinberg. Bruce Ross-Larson was the principal editor. The work was carried out under the general direction of Nicholas H. Stern.

The Report received useful advice from a three-person steering committee consisting of Nicholas Stern, Ian Johnson, and Vinod Thomas, and a six-person internal consultative group consisting of Michele DeNevers, Ian Goldin, Kristalina Georgieva, Steen Jorgensen, Odin Knudsen, and John Shilling.

Many others inside and outside the World Bank provided helpful comments, wrote background papers, and made other contributions, and participated in consultation meetings. These contributors and participants are listed in the Bibliographical Note.

The team undertook a wide range of consultations for this Report, from the initial outline to the final draft. These consultations included workshops in Berlin, Oslo, Paris, Washington,

and San Jose (Costa Rica) and a series of video conferences with East Asia, Africa, and Europe. The participants in these workshops and video conferences included policymakers, academics, and nongovernmental organizations. The team participated in the United Nations' WSSD-related prepcoms in New York. In addition, it organized e-conferences with the help of the World Bank Institute. The Development Data Group contributed to the data appendix and was responsible for the Selected World Development Indicators. Much of the background research and external consultations were supported by a generous grant from the Norwegian government.

Rebecca Sugui served as executive assistant to the team; Leila Search, as program assistant and technical support; and Endy Shri Djonokusomo, Shannon Hendrickson, Joanna Kata-Blackman, Olivia Kurtz, and Ofelia Valladolid, as team assistants. Evangeline Santo Domingo served as resource management assistant.

Book design, editing, and production were coordinated by the Production Services Unit of the World Bank's Office of the Publisher, under the supervision of Susan Graham, Melissa Edeburn, and Ilma Kramer.

Foreword

This year's Report, the twenty-fifth, is about the growth in income and productivity required in developing countries to eliminate poverty in a way that is environmentally and socially sustainable. The core development challenge is to ensure productive work and a much better quality of life for the almost 3 billion poor people today earning less than \$2 per day and for the 2–3 billion people to be added to the world's population over the next 30–50 years. To achieve this goal, while taking better care of our environmental and social assets, will require a global development process that does better than the one followed in the past.

Even though the world's population increased by 2 billion people in the last 30 years, there have been significant gains in human welfare in developing countries as measured by average human development indicators. But the development path has left a legacy of accumulated environmental and social problems that cannot be repeated. There are many drivers of today's socioeconomic and cultural transformations. Some are ongoing and continuous (such as technological innovation and income growth). Others are onetime and transitional, such as the demographic and urban transitions, which should be completed within this century—largely within the next 50 years. These historic transitions define the temporal and spatial context for managing sustainability. How it will be managed is critical.

Environmental and social assets matter greatly for well-being and productivity, but they are often neglected. That is why we need to think about managing a broader portfolio of assets. The 1992 World Development Report identified many policies to deal

with environmental problems, but it underestimated the capacity of institutions to implement even policies that seemed on the surface to be win-win options. The failure to implement them is most often due to the social and political problems associated with distributing costs and benefits within and between groups and generations.

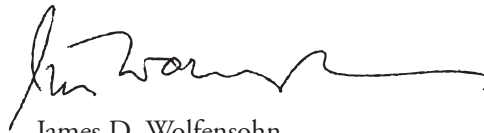
This Report integrates the findings of the last few WDRs into a broader and longer term framework to identify some elements of a process that might do better:

- **The interaction between economic, social, and environmental problems and opportunities are manifested spatially—where people live.** For this reason, the report takes a spatial perspective on the social transformations and the opportunities for growth and poverty reduction—in fragile lands, in more favored agricultural lands, in urban areas. Some of the local problems can be handled locally—but others must be dealt with nationally or globally.
- **Problems that require lasting solutions often are not susceptible to quick fixes.** Everyone could be better off if cooperative solutions were agreed on and implemented. But often the rules and organizations to coordinate human behavior do not yet exist, are undeveloped, faulty, or weak—especially for problems with high transaction costs and longer time horizons. To be able to coordinate well requires institutions that:
 - Pick up signals about needs and problems, especially from the fringes.
 - Balance competing interests.

- Ensure credible commitments and accountability in executing agreed decisions.
- **Institutions need to be improved at many levels—from the local to the global—to promote growth in ways that protect environmental and social assets.** The institutions to manage and protect environmental and social assets are not emerging rapidly enough to address the consequences of the growing scale and interconnectedness of human activity. Action is required now—even for problems that will unfold over a longer period. Societies need to ensure an enabling environment for creativity, initiative, and learning. These initiatives can come from the public sector, the private sector, or civil society. Partnerships among these various actors are needed within and across countries. Many innovative institutions are emerging which need to be strengthened. The key is to find ways to scale up these initiatives.

- **Strengthening the foundations for better institutions requires overcoming the inequitable access to assets and the pervasive barriers to inclusion.** The needed institutions (and the solutions to tough problems) do not emerge when some interests are dispersed or when some groups in society are poor or in other ways disenfranchised. This affects the evolution and quality of institutions and their ability to solve problems over the longer term. The reciprocal relationship between the quality of institutions and the distribution of assets can get countries locked into vicious cycles that require a special effort to break out.

Inclusive societies, within and across countries, ensure that signals of emerging economic, social, or environmental problems are picked up from all groups, and that they can cooperate to solve tough problems. Put another way, empowering poor people and the disenfranchised—the people “at the fringes”—and giving them a real stake in society is the key to building the stronger institutions required for longer term sustainable development.



James D. Wolfensohn

ACRONYMS AND ABBREVIATIONS

ANC	African National Congress	IUCN	Global Conservation Union
BRAC	Bangladesh Rural Advancement Committee	IWMI	The International Water Management Institute
BSE	Bovine spongiform encephalopathy (“mad cow disease”)	MDG	Millennium Development Goals
CCAMLR	Convention on the Conservation of Antarctic Marine Living Resources	MSC	Marine Stewardship Council
CCD	Convention to Combat Desertification	NEP	New Economic Policy
CDF	Comprehensive Development Framework	NEPAD	New Partnership for Africa’s Development
CGIAR	Consultative Group on International Agricultural Research	NGOs	Nongovernmental organizations
CIDA	Canadian International Development Agency	NIC	Newly industrializing country
CIESIN	Center for International Earth Science Information Network	NOAA	U.S. National Oceanic and Atmospheric Administration
CITES	Convention on International Trade in Endangered Species	NSDF	National Slum Dwellers Federation (India)
CLRTAP	Convention on Long-Range Transboundary Air Pollution	ODESYPANO	Sylvo-Pastoral Development Authority (Tunisia)
CSOs	Civil society organizations	OECD	Organisation for Economic Co-operation and Development
EDUCO	El Salvador’s Community-Managed Schools Program	ORNL	Oak Ridge National Lab
EPA	U.S. Environmental Protection Agency	PAN	Pesticides Action Network
EROS	Earth Resources Observation System	PPP	Purchasing power parity
EU	European Union	PRSP	Poverty Reduction Strategy Paper
EWG	Environmental Working Group	RSDF	Railway Slum Dwellers Federation (India)
FAO	Food and Agriculture Organization of the United Nations	SINAMOS	National System for Social Mobilization (Peru)
FDA	U.S. Food and Drug Administration	SPARC	Society for the Promotion of Area Resource Centers (India)
FONAFIFO	National forestry fund (Costa Rica)	TI	Transparency International
FRA	Forest Resources Assessment	TRIPs	Trade-Related Aspects of Intellectual Property Rights
GEF	Global Environment Facility	UCCI	Union of Capital Cities of Ibero-America
GHG	Greenhouse gas	UNDP/GEF	United Nations Development Programme/Global Environment Facility
GIS	Geographic information system	UNEP	United Nations Environment Programme
GMO	Genetically modified organism	UNFCCC	United Nations Framework Convention on Climate Change
HIPC	Heavily Indebted Poor Countries	UNSO	United Nations Statistical Office
ICRG	International Country Risk Guide	USDA	U.S. Department of Agriculture
IIED	International Institute for Environment and Development	USGS	U.S. Geological Survey
IISA	International Institute of Applied Systems Analysis	WCD	World Commission on Dams
IPCC	Intergovernmental Panel on Climate Change	WHO	World Health Organization
IRRI	International Rice Research Institute	WRI	World Resources Institute
		WTO	World Trade Organization
		WWF	World Wildlife Fund
		ZIES	Special residential zones of social interest