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## **WORLD BANK URGES MORE BALANCED GLOBAL APPROACH TO DEVELOPMENT**

*World Development Report Warns Environmental Problems and Social Unrest Threaten  
International Poverty Reduction Goals in Asia and Elsewhere*

**WASHINGTON, August 21, 2002--**The next 50 years could see a fourfold increase in the size of the global economy and significant reductions in poverty, provided that governments in Asia and around the world act now to avert a growing risk of severe damage to the environment and profound social unrest, according to a new World Bank report.

In nearly 50 years, the world could have a gross domestic product of \$140 trillion and a total population of nine billion people, up from six billion today. Without better policies and institutions, social and environmental strains may derail development progress, leading to higher poverty levels and a decline in the quality of life for everybody, according to the **World Development Report 2003**.

The World Bank is calling on heads of state, ministers, private sector leaders, and civil society representatives at next week's World Summit on Sustainable Development in Johannesburg to reach agreement on steps that can be taken now to ensure that poverty-reducing growth does not come at great cost to future generations.

Misguided policies and weak governance in past decades have contributed to environmental disasters, income inequality, and social upheaval in some countries, often resulting in deep deprivation, riots, or refugees fleeing famine or civil wars.

Today, many poor people depend on fragile natural resources to survive. Similarly, trust between individuals, which can be eroded or destroyed by civic unrest, is a social asset with important economic benefits, since it enables people to make agreements and undertake transactions that would otherwise not be possible. Development policies need to be more sharply focused on protecting these natural and social assets, the report said.

The World Development Report 2003 suggests new alliances are needed at the local, national and global levels to better address these problems. The burden for development must be shared more widely. Rich countries must further open their markets and cut agricultural

#### **Agriculture: How Africa Can Learn From Asia**

The current pessimism about a continent's ability to feed itself has been seen before—in Asia. The pessimists were proved wrong about Asia. But it took a long-term, coordinated commitment to agricultural research, extension, and agricultural higher education. These are the lessons to be learned from the Green Revolution in Asia.

Asia's development experience reveals that a bleak economic future for Africa in the 21st century is not foreordained. There are scores of cracked crystal balls in economic forecasting. Even Nobel Laureates such as Gunnar Myrdal can widely miss the mark. Myrdal was pessimistic about Asia's development prospects in the late 1960s because of corruption, 'soft states,' rapid population growth, and the gloomy prospects for agriculture. But Myrdal failed to anticipate Asia's Green Revolution, which was taking root at the same time that his book, *Asian Drama*, was rolling off the press in 1968. The rapid spread of Green Revolution wheat and rice varieties in Asia in the late 1960s and early 1970s, and China achieving the fastest rate of agricultural growth in the world from 1980 to 1995, highlight the perils of economic forecasting

subsidies that depress incomes of third world farmers, and they must increase the flow of aid, medicines, and new technologies to developing countries. Governments in the developing world, in turn, must become more accountable and transparent, and ensure that poor people are able to obtain secure land tenure, as well as access to education, health care, and other basic services.

The report says that the next few years offer the opportunity to shape investment patterns to make more efficient use of natural resources, to protect the environment, and to bring deep reductions in poverty. The Bank is urging world leaders to take advantage of the spirit behind such recent milestones as the Monterrey Consensus, the compact adopted by the United Nations at the March 2002 International Conference on Financing for Development; and the New Partnership for Africa's Development, an initiative by African leaders; to establish a global effort for attaining sustainable development.

*“Low income countries will need to grow at 3.6 percent per capita to meet the United Nations’ Millennium Development Goal of halving poverty by 2015, but this growth must be achieved in a manner that preserves our future,”* said Ian Johnson, Vice President of the World Bank's Environmentally and Socially Sustainable Development Network. *“It would be reckless of us to successfully reach the Millennium Development Goals in 2015, only to be confronted by dysfunctional cities, dwindling water supplies, more inequality and conflict, and even less cropland to sustain us than we have now.”*

The latest World Development Report (WDR 2003) stresses that the burden of guaranteeing sustainable development must be shared locally, nationally, and globally:

- *Developing countries* need to promote participation and substantive democracy, inclusiveness and transparency as they build the institutions needed to manage their resources.
- *Rich countries* need to increase aid, cut poor country debts, open their markets to developing country exporters, and help transfer technologies needed to prevent diseases, increase energy efficiency and bolster agricultural productivity.
- *Civil society* organizations contribute when they serve as a voice for dispersed interests and provide independent verification of public, private and nongovernmental performance.

- *Private firms* contribute when they commit to sustainability in their daily operations, and also create incentives to pursue their interests while advancing environmental and social objectives.

*“The world must act to help its poorest people manage their own resources and build their productivity and incomes now, to empower these communities and help them prepare for the demands of the decades ahead,”* said Nicholas Stern, World Bank Chief Economist and Senior Vice President. *“Rich countries can take such a step by opening their markets to developing world exports, and by abandoning agricultural subsidies and other barriers to trade that depress prices and limit market opportunities for the very goods that poor people produce most competitively.”*

The WDR 2003 estimates that the global population will reach nine billion people by 2050, and stabilize by the end of the century at 10 billion or less. By mid-century, two-thirds of the world’s population will live in cities. The demands for energy, water, housing and education will be enormous.

Yet these trends also offer windows of opportunity, according to the report. Most of the capital stock – apartments, shops, factories, and roads – that will be needed by the growing population in coming decades does not yet exist. Better standards, increased efficiency, and new, more inclusive means of decision-making could mean that this new capital stock could be built in ways that puts fewer strains on society and the environment.

Similarly, as population growth slows, economic growth will translate more readily into lower poverty and higher incomes per capita – provided that economic and population growth over the next few decades has been handled in a way that does not destroy the natural resources that underpin growth or erode critical social values, such as trust.

*“The \$140 trillion world of five decades time simply cannot be sustained on current production and consumption patterns,”* Stern said. *“A major transformation - beginning in the rich countries - will be needed to ensure that poor people have an opportunity to participate, and that the environment is not damaged in a way that undermines their opportunities for the future.”*

Coordinating globally and acting locally will be critical to ensuring that gains in social indicators - such as incomes, literacy rates, or access to sanitation - of the past 20 years are not reversed by population growth pressures and unsustainable economic expansion.

The challenges are daunting. The average income in the richest 20 countries is already 37 times that in the poorest 20 nations. Globally, 1.3 billion people live on fragile lands – arid zones, slopes, wetlands, and forests – that cannot sustain them. Both the gap between rich and poor countries and the number of people living on fragile lands have doubled in the past 40 years.

The issue of fragile lands is especially critical for Asia, as East and South Asia have the most people on fragile land. Many of the ways of expanding agricultural production in the drylands—shifting cultivation to other areas, reducing fallow periods, switching farming

practices, overgrazing pasture areas, cutting trees for fuel wood—result in great environmental degradation.

Population pressure on arable land in Asia is considerable—and growing. Severe land degradation affects some 35 percent of productive land. The result has been to put more population pressure on the Inner Asian drylands. Most affected include China, and Inner Asia's high steppe, the largest remaining pastureland in the world, which includes the Republic of Mongolia and northwestern China. Over thousands of years, these grasslands have been home to nomadic herders of horses, camels, goats, sheep, and cattle, practicing elaborate systems of seasonal pasture rotation across wide stretches of land in response to climate fluctuations.

Around half of the world's wetlands disappeared in the last century. Water use is expected to jump 50 percent over the next 30 years and yet pollution and climate changes are already threatening water supplies. By 2025, it is likely that three quarters of the world's population will live within 100 kilometers of the sea, placing huge strains on coastal ecosystems.

Since the 1950s, nearly two million hectares of land worldwide – representing 23 percent of all cropland, pastures, forest, and woodland – have been degraded, and tropical forests are disappearing at the rate of five percent a decade.

In the latest World Development Report, the World Bank notes that the Earth Summit in Rio de Janeiro 10 years ago did much to heighten awareness of the policy challenges necessary to achieve sustainable development. Since then, the need for more effective local, national and international institutions to design and implement these policies has become increasingly evident, the report says.

The 2003 report describes promising innovations around the globe that address these problems. It argues that rich and developing countries build upon these efforts to make sustainable development a reality and enable poor people to participate in economic growth.

*“In the next 50 years, the world's population will begin to stabilize and the majority of people will live in cities for the first time in history,”* said Zmarak Shalizi, lead author of the WDR 2003. *“By thinking long term and acting now, we can take advantage of these windows of opportunity to shift development to a more inclusive and sustainable path, and achieve steep reductions in poverty in the decades ahead.”*

The WDR 2003 suggests that sustainable development will require:

- Achieving substantial growth in income and productivity in developing countries.
- Managing the social, economic and environmental transitions to a predominantly urban world.

#### **The Perils of Deforestation: China's Yangtze Valley**

As an illustration of what can happen when the complementary role of environmental assets is ignored and certain thresholds are breached, consider the Yangtze Valley in 1998. Although China has always been susceptible to flood and drought, the 1998 floods were some of the most severe in its history. Rainfall from June to August that year was 38 percent above normal, but later analysis found that these unusually high levels could only partly explain the floods. The rest was perceived to be due to logging of the river's watershed, which eroded the soil. Deforestation had been so great (forest cover had decreased by more than half since the 1950s) that the watershed could no longer stabilize the water flow. The resulting floods had very high costs in human lives—tens of thousands dead—and in lost production in the area.

- Attending to the needs of hundreds of millions of people living on environmentally fragile lands.
- Reaping the “demographic dividends” seen in declining dependency rates and slowing population growth.
- And avoiding the social and environmental stresses – at local and global levels – likely to emerge on the path to a \$140 trillion world economy.

Across the developing world, new rules, organizations, and other institutional innovations are already leading to better environmental outcomes. For example, air pollution in China is a serious problem. Thousands of city-dwellers die prematurely from it every year, and millions more are ill with pollution-related diseases. But it is declining in some Chinese cities. There have been successes, and new tools are being developed to improve the process. These tools are based on experience gained with information disclosure programs about firms’ environmental performance, which have been characterized as the ‘third wave’ of environmental regulation, after command-and-control and market-based approaches.

In addition, all but a handful of countries have eliminated lead from gasoline. In Vietnam, the phasing out of leaded gasoline is a good example of how access to information can improve environmental outcomes. Initial attempts to phase out lead in gasoline began in 1995, but were resisted due to concerns about the cost of switching and the impact on older vehicles. A workshop was held in December 1999, which included representatives from government, the military, police, industry, academia, and the media, as well as experts from neighboring countries with fresh experience and from other countries with earlier experience. Following the meeting, the government of Vietnam started re-evaluating more carefully the costs of switching, and launched a program to raise public awareness. Consultations with various stakeholders indicated that a rapid switch would be technically feasible and cost-effective, and Vietnam switched virtually overnight to unleaded gasoline on July 1, 2001.

Countries as different as China, Morocco and Cameroon are experimenting with new institutional approaches to problems, often involving increased participation of the private sector and civil society. For instance, in Indonesia, civil society is monitoring and ensuring compliance with environmental regulations. The country’s PROPER program, which discloses the noncompliance of polluting firms to the public (while rewarding compliance), encourages local communities to put pressure on companies that score poorly. The program focused initially on water pollution. It ranked companies by their emissions, and disclosed the results in stages, recognizing good performers first and giving the bad ones six months to clean up. Within 18 months, half of the noncomplying firms were observing the legally established standards.

The WDR stresses that poor people must have a greater say in the process that will shape their lives in the decades ahead. Decisions need to be taken in an inclusive and consultative manner that recognizes the views of poor people while also empowering them with greater control of their own resources.

**UN Millennium Development Goals For 2015**

1. Eradicate extreme poverty and hunger
  - Halve the proportion of people with less than one dollar a day.
  - Halve the proportion of people who suffer from hunger.
2. Achieve universal primary education
  - Ensure that boys and girls alike complete primary schooling.
3. Promote gender equality and empower women
  - Eliminate gender disparity at all levels of education.
4. Reduce child mortality
  - Reduce by two thirds the under-five mortality rate.
5. Improve maternal health
  - Reduce by three quarters the maternal mortality ratio.
6. Combat HIV/AIDS, malaria and other diseases
  - Reverse the spread of HIV/AIDS.
7. Ensure environmental sustainability
  - Integrate sustainable development into country policies and reverse loss of environmental resources.
  - Halve the proportion of people without access to potable water.
  - Significantly improve the lives of at least 100 million slum dwellers.
8. Develop a global partnership for development
  - Raise official development assistance.
  - Expand market access.

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