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# The World Bank



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**Contact:** Damian Milverton (202) 473-6735

Cell: (202) 288-9029

[dmilverton@worldbank.org](mailto:dmilverton@worldbank.org)

Ana E. Luna (202) 473-2907

[alunabarros@worldbank.org](mailto:alunabarros@worldbank.org)

Cynthia Case McMahon (TV/Radio) (202) 473-2243

[Ccasemcmahon@worldbank.org](mailto:Ccasemcmahon@worldbank.org)

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

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

**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 act now to avert a growing risk of severe damage to the environment and profound social unrest, according to a new World Bank report.

According to the World Development Report 2003, 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.

In the Middle East and North Africa (MENA) region, the need to address social and environmental pressures in the coming years is particularly urgent. With many countries in the region maintaining population growth rates that are among the highest in the world, MENA's population is expected to nearly double from 295 million today to about 560 million in 2050.

Rapid expansion of the population in MENA is further aggravated by the lack of water security, which is manifested through water scarcity, inequitable distribution of water resources, and degradation of water quality. Water availability per capita is one of the lowest in the world, at approximately 1,200 cubic meters per year. More importantly, with the region's rapid population growth, per capita availability of water is expected to halve over the next 30 years.

As a result, managing water usage and allocation in a sustainable manner is critical to MENA's economic and social development. Moreover, the pressure on all natural resources generated by demographic growth threatens further development unless economic and social trends can be redirected onto a more environmentally sustainable path.

*"In the Middle East and North Africa region, the strains on natural resources, especially water and fragile lands, are probably greatest compared with other regions," said **Mustapha Nabli, World Bank Chief Economist for Middle East and North Africa.** "The region's*

*greatest development priority is that of creating better employment opportunities for the fastest growing labor force in the world, so output growth will have to be substantially higher than what the region has experienced over the last several decades. That exceptional growth challenge means even greater strain put upon scarce and fragile natural resources.”*

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, some 1.3 billion people live in fragile and often remote rural ecosystems – semi-arid areas, mountains, and forests, and their numbers are growing faster than populations in more favored rural areas. Determining how these people will be able to overcome poverty, adapt to new opportunities, or where necessary, migrate out of these fragile ecosystems is a major challenge to sustainable development. This issue is particularly relevant to the MENA economies, where more than a third of the region's population and 70% of the region's poor live in rural, predominantly fragile ecosystems.

In addition to the challenge of natural resource assets, the report points to the importance of social assets in sustainable development. 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 (see box below).

#### **Building Social Capital in a Moroccan Village**

In the village of Ait Iktel, nestled in the Atlas Mountains of Morocco, three consecutive years of drought led villagers to pool their efforts to construct a well with the help of remittances from migrants. The success of the water project set off a development dynamic that continues today.

The villagers established an association, Ait Iktel pour Développement, that functioned under the authority of the village assembly. The assembly brings together all the *chefs de familles*, manages village affairs, resolves disagreements, and makes decisions on the basis of unanimous agreement.

The association mobilized the migrants' remittances for community development projects and set up a village work bank. Today, each family contributes five labor-days a year to projects.

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. In MENA, the expected increase in demand for these assets is perhaps the highest, given the region’s past and present population growth. As a result, MENA countries face the challenge of strengthening their institutions to manage these demands efficiently.

Yet the population 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.”*

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.

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, particularly in Africa, the Middle East and South Asia. 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,

### **Managing Water For All**

The World Commission on Water estimates that water use will jump 50 percent over the next 30 years.

As much as half the world’s population- largely in Africa, the Middle East and South Asia – will face severe water shortages by 2025.

Effectively managing the world’s water resources and ensuring delivery to rapidly-growing urban areas, rural communities, and industries will increasingly require internationally coordinated efforts.

Many developing countries will need to make sizeable investments in water infrastructure. In the past, inappropriate pricing policies have led to massive waste, and have not provided benefits to poor people, who often lack access to water connections.

Water supply is an essential element in many other poverty reduction efforts, such as nutrition, and disease prevention programs.

Next week’s Summit in Johannesburg will consider ways to ensure poor people have wider and continuous access to clean water. The World Bank is ready to support any new alliances or programs that emerge at these meetings.

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, including women, to participate in economic growth. Sustainable development requires that the many voices affected by the development process be heard, so that the preservation and allocation of scarce natural assets reflect the needs of current and future populations. Within the MENA region, enhancing that voice is key to engaging men and women in the development process (see box below).

### Reaching Subsistence Families in Tunisia

In 1995, one of Tunisia's public agencies, the Sylvo-Pastoral Development Authority, adopted a participatory approach to integrate women into community development efforts, with financing from the German aid agency, GTZ.

Female outreach workers were recruited to accompany male outreach workers to remote villages to teach women about animal hygiene, better milking methods, cheese production and other income-generating activities. After initial resistance by the village men, a development dynamic emerged, removing social barriers that excluded women from economic decision making, and instead encouraged partnerships between husbands and wives.

Family incomes in these remote, poor villages increased from 7 percent a year between 1996 and 2000. Community-driven development also promoted social cohesiveness among families who are starting to pool resources to create larger commercial activities.

*"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.
- 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.

The sustainable development challenge requires actions on several fronts. In MENA, perverse subsidies that exist in sectors such as energy, water management and roads can encourage activities that are not sustainable, and lock up scarce resources vital to the development process. In Iran, for example, the distortion of the economy stems in part from petroleum prices that are 10 percent of world prices, with an implicit subsidy that amounts to more than 18 percent of GDP. Removal of this subsidy would release vast resources to be redirected toward environmental and social investments, and other expenditures underpinning sustainable development.

Across the developing world, new rules, organizations, and other institutional innovations are already leading to better environmental outcomes. All but a handful of countries have eliminated lead from gasoline. In the past 10 years, the percentage of people in low and middle-income countries with access to sanitation has climbed to 52 percent, from 44 percent.

Most importantly, 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

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*Media outlets are encouraged to include this Web address in their coverage of the report.*

*For more information on the Middle East and North Africa region, please visit:  
<http://lnweb18.worldbank.org/mna/mena.nsf>*

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