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# The World Bank



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## **WORLD BANK URGES MORE BALANCED GLOBAL APPROACH TO DEVELOPMENT IN SOUTH ASIA**

*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.

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 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

## Action on Agriculture

Developing countries depend on their agricultural sectors for around one quarter of their total output. However, farmers in these regions are faced with many hurdles to boosting their living standards in the years ahead.

Rich country subsidies depress agricultural prices and stifle opportunities for exporters in the poorest countries.

Poor roads, a scarcity of finance, lack of access to new technologies, and growing environmental degradation also threaten the livelihoods of poor farmers in many parts of the world.

To help the poorest in the developing world rapidly boost their incomes, the World Bank is urging rich countries to stop spending \$1 billion a day on agricultural subsidies, to accelerate the transfer of new technologies, and to provide more aid, particularly to Sub-Saharan Africa, which is struggling to raise agricultural productivity in the face of rapid population growth.

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. In the state of West Bengal, India, the share of crop output increased from 50 percent to 75 percent when the a new state government administration stressed a law giving security of tenure to the sharecroppers. As a result, annual growth in the production of food grains in West Bengal rose from 0.4 percent to 5.1 percent, while elsewhere in India, they rose only from 1.9 percent to 3.1 percent.

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. For example, the Ramakrishna Mission works with youth clubs in 1,500 villages in the state of West Bengal, India, and conducts needs assessments for development projects and identifies funding. Through this work, the Mission provides a voice for the poor, identifying and expressing development needs as seen by the community itself.
- **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. Trust between agricultural extension agents and farmers has led to significant improvement in the management of watersheds in the state of Rajasthan, India, leading in turn to increased agricultural production and rising community incomes.

*“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 goal for the World Summit in Johannesburg should be to establish truly global alliances, with partners from all sectors, that will transparently and fairly work towards ensuring that development gains do not exhaust our environment and its resources, or threaten social upheaval because they exclude poor people,”* **Johnson** said. *“In the quest to deliver a better life for poor people, we must plan for better management of critical public resources: water, energy, health, agriculture and biodiversity.”*

The challenges are daunting. The average income in the richest 20 countries is already 37 times that in the poorest 20 nations. In South Asia, 330 million people, or nearly one quarter of the 1.3 billion

## **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.

people globally, 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.

More than a third of terrestrial biodiversity is squeezed into habitats that altogether represent just 1.4 percent of the Earth’s surface.

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 report finds that as populations migrate to the cities, people often find themselves better off than their neighbors back home because of better access to education, health care, drinking water, and sanitary facilities. Although often believed otherwise, migrants in Punjab State in India are not necessarily constrained to marginal jobs, nor are they disproportionately unemployed. Migrants frequently find work, housing, and urban services through the informal sector. These migrants also rely on supportive social networks to assist them.

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.

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.

New institutional approaches to the challenge of sustainable development, often involving increased participation of the private sector and civil society, are being tried around the world. In Mumbai, India, in a project to improve the city's traffic and transportation system, an NGO alliance of slum dweller groups worked together to resettle 10,000 families who lived near the railway tracks by giving assurances of secure tenure and basic amenities of water, sanitation, and electricity, which they had not previously had. The NGO alliance was able to succeed in this because the Mumbai Metropolitan Regional Development Authority agreed to give up some of its normally held powers relating to resettlement and rehabilitation. This effort succeeded because the NGO alliance had worked long before the project started to collect information on the railway dwellers and had built trust with them. Similarly, in Pune, India, a residents' organization used self assessment and community mobilization to secure long-neglected sanitation facilities in just a few years, serving about half of the city's 1 million slum dwellers. Many developing countries find that movement from highly insecure tenure to de facto tenure (more secure though not fully legal) shows significant benefits for poor households and communities. With security of tenure and the establishment of trust, even poor people are able to invest to improve their homes or their businesses.

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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