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**Developing countries need to harness urbanization to achieve the MDGs: IMF-World Bank report**

**WASHINGTON, April 17, 2013** – Urbanization helps pull people out of poverty and advances progress towards the Millennium Development Goals (MDGs), but, if not managed well, can also lead to burgeoning growth of slums, pollution, and crime, says the *Global Monitoring Report* (GMR) 2013, released today by the World Bank and International Monetary Fund (IMF).

Urbanization has been a major force behind poverty reduction and progress towards other MDGs. With over 80 percent of global goods and services produced in cities, countries with relatively higher levels of urbanization, such as China, and many others in East Asia and Latin America, have played a major role in lowering extreme poverty[[1]](#footnote-1) worldwide. In contrast, the two least urbanized regions, South Asia and Sub-Saharan Africa, have significantly higher rates of poverty and continue to lag behind on most MDGs.

*GMR 2013: Rural-Urban Dynamics and the Millennium Development Goals* starkly compares the well-being in the countryside versus the city. Urban infant mortality rates range from 8-9 percentage points lower than the rural rates in Latin America and Central Asia; to 10-16 percentage points in the Middle East and North Africa, South Asia, and Sub-Saharan Africa and highest in East Asia (21 percentage points).

In South Asia, 60 percent of urban dwellers have access to sanitation facilities, compared with 28 percent in rural areas. In Sub-Saharan Africa, 42 percent of the urban population has access, compared with 23 percent of rural residents. Access to safe water in urban areas in developing countries was almost complete in 2010, with 96 percent coverage, compared with 81 percent of the rural population having access.

*“The rural-urban divide is quite evident. Megacities and large cities are the richest and have far better access to basic public services; smaller towns, secondary cities, and areas on the perimeter of urban centers are less rich; and rural areas are the poorest,”* said **Kaushik Basu**, the World Bank’s Chief Economist and Senior Vice President for Development Economics. *“But this does not mean unfettered urbanization is a cure-all – the urban poor in many places urgently need better services as well as infrastructure that will keep them connected to schools, jobs and decent health care.”*

The GMR, which is also an annual report card on MDG attainment, finds that progress continues to lag on reducing maternal and child mortality and providing sanitation facilities, targets which will not be met by the MDGs 2015 deadline. However, progress has been stellar on reducing extreme poverty, providing access to safe drinking water and eliminating gender disparity in primary education, with these targets already achieved several years ahead of the MDGs deadline.

Though extreme poverty has declined rapidly in many countries, the World Bank estimates that by 2015 there will be 970 million people living on $1.25 a day. Therefore, continued concerted efforts to get extreme poverty as close to zero as possible are needed.

*“Emerging market and developing countries are growing robustly notwithstanding slow growth in advanced economies. Sustaining this growth – by continuing to maintain prudent macro policies and strengthening the capacity to manage risks, including through a rebuilding of depleted policy buffers – is key to continued progress in poverty reduction as we approach 2015,”* said **Hugh Bredenkamp**, Deputy Director of the IMF’s Strategy, Policy and Review Department.

As the report points out, the challenge of fighting poverty and improving the living conditions of the poor, lies in both urban and rural areas.

Large cities and smaller towns are fast becoming home to the world’s largest slums[[2]](#footnote-2), with Asia home to 61 percent of the world’s 828 million slum dwellers, Africa 25.5 percent and Latin America 13.4 percent. The developing world’s urban centers are expected to burgeon, drawing 96 percent of the additional 1.4 billion people by 2030. To cope with urban growth, a coordinated package of essential infrastructure and services is needed. Only by meeting essential needs related to transportation, housing, water and sanitation as well as education and healthcare can cities avoid becoming hubs of poverty and squalor, the report says.

*“Agglomeration, or the clustering of people and economic activity, is an important driver of development and evidence suggests that it can have high pay offs, particularly for countries on the lower rungs of development,”* said **Lynge Nielsen**, Senior Economist in IMF’s Strategy, Policy and Review Department and co-author of the GMR.

At the same time, stepped up efforts are also needed to improve development in rural areas, where 76 percent of the developing world’s 1.2 billion poor live, with inadequate access to the basic amenities defined by the MDGs.

Rural poverty rates far exceed those of urban areas across all regions of the world. The report further finds that rural women are hurt the most by poor infrastructure, because they perform most of the domestic chores and often walk long distances to have access to clean water, and lower levels of education attainment.

Although tackling rural development challenges will not be easy, it can be done with complementary rural-urban development policies and actions by governments to facilitate a healthy move toward cities without short-changing rural areas, says the report.

*“Urbanization does matter. However, in order to harness the economic and social benefits of urbanization, policy-makers must plan for efficient land-use, match population densities with the required needs for transport, housing and other infrastructure, and arrange the financing needed for such urban development programs,”* said **Jos Verbeek**, Lead Economist at the World Bank and lead author of the GMR.

The full report, progress charts, and country information are available at [www.worldbank.org/gmr2013](http://www.worldbank.org/gmr2013)

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**News Release**

2013/334/DEC

1. People living on less than US$1.25 a day (2005 purchasing power parity) [↑](#footnote-ref-1)
2. A slum is a deprived area within a city, lacking adequate access to water, sanitation and proper housing, and often characterized by high levels of poverty and overcrowding. [↑](#footnote-ref-2)