**The MDGs Report Card**

1. At the regional level, ECA[[1]](#footnote-1) has either met or is making sufficient progress to achieve by 2015, five (halving extreme poverty, reducing infant, child and maternal mortality and access to safe drinking water) of the nine MDG targets (Figure 1). ECA s’ performance in attaining almost all health-related MDG’s is impressive.
2. ECA’s starting position was very close to the goals, hence little progress was required to meet most of the MDGs. However, ECA is lagging on the MDG’s related with undernourishment, primary completion, gender parity in primary and secondary education and access to basic sanitation services, mostly because progress has been very slow even though they are very close to the MDG targets.
3. At the level of individual countries, accelerated implementation can help 5-6 countries to achieve the infant and child mortality related MDGs (Table 1). Acceleration will also help Moldova to achieve the sanitation related MDG. However, progress on the primary completion, gender parity in education, and undernourishment-related goals is so slow that between 14 to 20 of the ECA countries (in a set of 23 countries) might miss the 2015 targets by a very low margin given that they are already close to meet the goals.

**Rural-Urban Disparities**

1. ECA is a prime example of a region that is highly urbanized and has been successful in reducing the share of the population below $1.25 a day from 2% in 1990 to 0.7% in 2010. 3 million people lived in extreme poverty in the region in 2010. From a comparative perspective, ECA had less extreme poverty than other regions.
2. In 2008, the extreme poverty rate was 1.2% in rural and 0.2% in urban areas. People and poverty in ECA are located along a spatial spectrum with sparsely populated rural areas and dense urban areas at the ends and smaller towns in-between. In Albania 42% of the population is urban but it resides almost entirely in extra small, small and medium size towns. The share of the poor in urban areas is 31%, and nearly all of the poor reside in similar size towns. Similarly in Kazakhstan, urban areas account for 57% of the population and 43% of the poor. Extra large cities house only 8% of the population and 1% of the poor. The remainder of the population and poor are concentrated in medium and smaller size towns. According to the World Development Report 2012, wage differences by gender are as high as 80% in Latvia and the Slovak Republic.

**Rural-Urban Dynamics and Policy implications**

* Urbanization is occurring at a rapid pace in developing countries. In the past two decades, the population in urban settlements has increased from 1.5 billion in 1990 to 3.6 billion in 2011 when 50% percent of the world’s population lived in urban areas. In 2011, about 64 % of ECA’s population lived in urban areas. 96% of the additional 1.4 billion people in the developing world in 2030 will live in urban areas. In ECA, nearly all are projected to live in urban areas.
* Generally, urbanization can be a force that helps in the achievement of the MDGs but the slums in the Kyrgyz Republic show that it can also worsen poverty. The failure of rural migrants to find better paying urban jobs forces them to live in slums where without proof of residence they cannot have access to health services.
1. Because the MDGs reflect the basic needs of all citizens, governments in ECA should aim to attain them fully in both urban and rural areas. In the ECA countries that have small rural sectors but with large agricultural potential, any MDG attainment strategy must include policies that increase rural productivity through the introduction of new farm technologies and investment in the human capital development of rural residents; removal of land market distortions; improved connectivity with urban markets; and fostering of nonfarm activity.
2. As all of the rural poor cannot migrate to urban areas at once, the MDG-related services delivery challenge in ECA is to bridge the rural-urban differentials. The first best policy solution is to equalize services across rural and urban areas, and indeed, for more prosperous countries in ECA, the first best solution may be feasible.
3. In areas where migration is significant, boosting urbanization through better service delivery in cities would make them more attractive, and spur rural to urban migration. As rural migrants are likely to find better paying urban jobs if they have basic education, public investment in education and health care should be directed to the poor in urban and rural areas. This approach seems relevant for sparsely populated countries with low urbanization rates as in Sub-Saharan Africa.
4. In countries where migration is limited and reclassification and natural population growth dominate the expansion of urban boundaries, and population density is high, the poverty differentials between poorly served rural areas and cities are unlikely to shrink sufficiently to foster the attainment of the MDGs. In these situations, policies that encourage migration will help. Progress toward the MDGs would be accelerated by delivering services - education, health care, and piped services (access to safe drinking water and sanitation)- wherever the poor are concentrated. Else both rural and urban poverty will worsen. This situation seems suitable for densely populated countries in Europe and Central Asia.
5. In situations where people are concentrated in small towns with little prospect of moving on, policies should focus on improving connectivity with other urban centers. Measures to better connect the activities in small towns with the economies of larger cities become paramount for the creation of nonfarm jobs.
6. In all three cases, investment in portable services (education and health care) would optimally be provided wherever the poor are. But in countries with high migration and low population density in rural areas, delivery of non-portable infrastructure services in cities would be more cost-effective and more supportive of urbanization and industrialization and could be prioritized as such. Countries in Sub-Saharan Africa and ECA would typically fall in this group.
7. A reduction in the number of slum dwellers is a dedicated MDG that needs (i) land tenure policies for slums consistent with the city’s land use/pricing policies; (ii) connectivity of residential and commercial urban space; (iii) given low unit costs in a city, improved access to basic health and education services for slum dwellers. (iii) expand the supply of public toilets and water to slum dwellers in creative ways (such as putting water fountains in public places) in the short term, and (iv) since slum dwellers are willing to pay a small fee to access basic services.
8. Governments can leverage the suite of macroeconomic policy instruments to spur urbanization through a coordinated approach that includes planning, connecting, and financing.
	1. *Planning—*charting a course for cities by setting the terms of urbanization, especially policies for using urban land use and expanding basic infrastructure and public services. Strengthening the institutions for land management is key. A successful model is Bogotá (Colombia).
	2. *Connecting—*making a city’s markets (labor, goods, and services) accessible to other neighborhoods in the city, to other cities, and to outside export markets. Connecting firms and people with markets can only be successful if public transport is affordable. An example of a successful model of affordable public transport is Curitiba (Brazil).
	3. *Financing—*finding sources for large capital outlays needed to provide infrastructure and services as cities grow and urbanization picks up speed is an ongoing challenge for policy makers. The provision of infrastructure and services requires large capital outlays before the city’s tax base expands to partly pay for them. In the absence of bond markets, revenue bonds have been successfully used by governments in Romania, Russia and the Slovak Republic. Other examples are Malaysia, Colombia and South Africa. The BRICS provide some inspiring examples of how urbanization can be leveraged for the MDGs.

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| **Figure 1. Europe and Central Asia Region\*** |
| **Developing countries, weighted by population** |

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Note: The countries covered in this figure are Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, TFYR Macedonia, Republic of Moldova, Montenegro, Romania, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan.

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| **Table 1. Europe and Central Asia: where the country-specific Report Card shows that many countries will miss the 2015 targets** |
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1. Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, TFYR Macedonia, Republic of Moldova, Montenegro, Romania, Russian Federation, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan. [↑](#footnote-ref-1)