Addressing Spatial Poverty Traps

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UNECA Expert Group Meeting on Eradicating Rural Poverty to Implement the 2030 Agenda for Sustainable Development

Addis Ababa, 27 February – 1 March, 2019
Remoteness, poverty and intersectionality

- People who live in remote rural areas are more likely to
  - be poor
  - severely and chronically poor and
  - experience intersectionality (intersecting drivers of inequality and exclusion due to disability, ethno-linguistic group/ race, gender, religion)

- Remote Rural Areas (RRAs) can function as spatial poverty traps (SPTs)
Factors driving the emergence of SPTs

- Agro-ecology
- Institutional, political and governance failures
  - the ‘contract’ between central government and citizens in remote, marginal and less favoured areas can be weak
- Stigma and exclusion (e.g. based on ethnicity, race, religion, culture)
- Physical isolation and inadequate infrastructure
  - Distance plus low population densities result in additional costs of delivering services per head of population and can drive down provision & quality
Spatial poverty traps: evidence

- **China (Jalan and Ravallion, 1996)**
  - Low geographic capital in RRAs drives low returns to business investments & human capital

- **Zimbabwe (Bird and Shepherd, 2003)**
  - Remoteness, low public and private investment the incidence of chronic poverty is linked

- **Cross-Africa (Christiansen et al., 2005)**
  - Link between economic growth and poverty reduction limited in remote areas with poor infrastructure

- **Peru (Escobal and Torero, 2005)**
  - Strong association between spatial inequality and variations in public and private assets

- **Viet Nam (Minot et al., 2003)**
  - Agro climatic and market access variables explain 75% of poverty in rural Viet Nam.
  - Interventions have been unable to address these

- **Indonesia (Daimon, 2001)**
  - Quality of public goods, remoteness and living in a rural area are linked with income poverty

- **Madagascar (Fafchamps and Moser, 2004)**
  - Isolated areas have more ‘banditry’, ‘armed terrorist and insurgent groups’ than better connected areas
Challenges to policy responses

• Spatial poverty traps may result from existing policy - may need radical change
  • e.g. structure of FDI and exports in China has benefited the coastal fringe – but not inland areas

• Drivers of SPTs = heterogeneous
  • Context specific policy responses needed
Why do SPTs deserve attention? (1)

- Significant scale of problem
  - Spatial factors drive the poverty of a large proportion of the poorest people

- SPTs still exist despite aggregate economic growth and poverty reduction – tackling SPTs = crucial for equity and poverty eradication

- SPTs may be more responsive to policy than household or intrahousehold drivers of poverty

- Poor people in SPTs experience compound disadvantage:
  - Low returns on all investments
  - Partial integration into fragmented markets
  - Social and political exclusion (or adverse incorporation)
  - Inadequate access to public services
  - Often income poor (headcount poverty), severely poor (poverty gap) AND chronically poor (poverty duration)
Why do SPTs deserve attention? (1)

- ‘Bad neighbourhood effect’ (Jalan and Ravallion, 1996)
  - Constrains opportunities
  - Limits poverty escapes
  - Lower returns on investment in SPTs - than comparable investments elsewhere, other things being equal
    - Investment in enterprise/ agriculture
    - Investment in human capital formation

- So..... policy and investments needed to reverse SPTs to enable sustained poverty escapes and equity
Policies to reduce inequality and eradicate SPTs

• Requires a multi-pronged approach incorporating investments in
  • Hard and soft infrastructure – including roads ICTs, power supply, WATSAN, schools & clinics
  • Human capital formation (health, education)
  • Enabling pro-poorest growth (social protection, agricultural and rural development policy, market information, fiscal policy and the enabling environment)
Extraordinary progress in power supply

- 1990 – 14% had electricity
- 2010 – 97%

Key drivers of progress:

- Consistent leadership from central government – high level policy statements & progressive ratcheting up of targets
- Devolution of responsibility to local government – flexible modes of delivery, innovation and adaptability to local conditions
- Appropriate donor support
- Flexible approach to energy sources
- Flexible approach to connection costs and unit pricing
- Later, introduction of subsidies for both connection and unit pricing for poor households
Pro-poorest growth: agriculture

• Enable particularly small holder agriculture
• Create healthy conditions for informal non-farm economy
• Reduce effective distance to market
  • Invest in infrastructure (including roads, ICTs, power)
  • Enable poor households in SPTs to access ICTs and power - regulation, subsidies
  • Support market development
  • *Where markets function well:* improve market access, enable poor farmers negotiate on good terms (e.g. market information, farmer associations, localised/ accessible storage, cool chain & agro-processing)
  • *Where market functioning is not competitive:* ensure disadvantaged groups have access to market information (see paper – Box 3, Kenya example), increase accessible intermediate transport, improve local road and footpath networks
Human Capital Formation: education – Ghana and Uganda

**Ghana**
- Model Secondary School programme to equalise education opportunities between regions
- High regional inequality remains – universal programme is insufficient to bring the poorest districts in line with the richest

**Uganda**
- UPE increased enrolment and retention of boys and girls, including in rural areas
- invest in soft and hard education infrastructure in post conflict Northern Uganda
- drive up and equalise quality between areas
- support post primary progression, particularly of the poorest girls

**Universal provision only a starting point. Need equalising interventions to address an area’s binding constraints**
Poverty eradication: combined and sequenced policy

- Poverty eradication requires that we:
  - Tackle chronic poverty (enable poverty escapes)
  - Stop impoverishment (downward mobility, including by supporting resilience)
  - Sustain poverty escapes (once people move out of poverty, help them to stay out)
Tackling chronic poverty and enabling poverty escapes (1)

- Chronically poor people experience intersecting inequalities
- Context specific, tailored, sequenced and combined measures are needed
- Key measures to enable poverty exits, stop impoverishment and sustain poverty escapes
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<tr>
<th>Objective</th>
<th>Enable upward mobility and poverty exits</th>
<th>Support resilience and stop impoverishment</th>
<th>Sustain poverty escapes</th>
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<td>Cross-cutting policies</td>
<td>Social protection</td>
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<td>Education, including pre- and post-primary and links to labour markets</td>
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<td>Pro-poorest growth measures, including employment quality measures, financial services, access to financial services, infrastructure – especially energy – and support for internal migrants</td>
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<td>Universal access to reproductive and sexual health services</td>
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<td>Gender equality – generic and context-specific measures</td>
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<td>Objective-specific policies</td>
<td>Anti-discrimination measures</td>
<td>Conflict prevention measures</td>
<td>Land policy reforms enabling mobility (renting in/out)</td>
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<td>Affirmative actions</td>
<td>Disaster risk management</td>
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<td>Access to justice</td>
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<td>Agricultural market improvements</td>
<td>Insure against other major risks – asset loss, ill-health, deaths</td>
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Vulnerability to risk drives downward mobility, e.g. from:

- Agricultural risk
- Asset theft
- Ill-health
- Adverse gender norms
- Conflict
- Disasters

Managing risks is central to preventing downward mobility – makes poverty reduction faster