

Addressing Spatial Poverty Traps

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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)

Infrastructure: power supply - Vietnam

- 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

Table 1: Cross-cutting and dedicated policies to tackle chronic poverty, stop impoverishment and sustain escapes from extreme poverty

Objective	Enable upward mobility and poverty exits	Support resilience and stop impoverishment	Sustain poverty escapes
Cross-cutting policies	Social protection		
	Education, including pre- and post-primary and links to labour markets		
	Pro-poorest growth measures, including employment quality measures, financial services, access to financial services, infrastructure – especially energy – and support for internal migrants		
	Universal access to reproductive and sexual health services		
	Gender equality – generic and context-specific measures		
Objective-specific policies	Anti-discrimination measures	Conflict prevention measures	Land policy reforms enabling mobility (renting in/out)
	Affirmative actions	Disaster risk management	Strong regional development policies
	Access to justice	Universal health coverage	
	Agricultural market improvements	Insure against other major risks – asset loss, ill-health, deaths	

Source: CPAN (2014).

Tackling chronic poverty and enabling poverty escapes (2)

- 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