

Policy responses to the spatial dimensions of poverty

Kate Higgins, Kate Bird and Dan Harris

ODI Working Paper 328
CPRC Working Paper 168

Results of ODI research presented
in preliminary form for discussion
and critical comment

ODI Working Paper 328
CPRC Working Paper 168

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December 2010



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Research Centre

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Acknowledgements

This paper is one of a series on spatial poverty traps that has been published jointly by the Overseas Development Institute and the Chronic Poverty Research Centre. The series has been edited by Kate Bird and Kate Higgins, with support from Tari Masamvu and Dan Harris. It draws largely on papers produced for an international workshop on Understanding and Addressing Spatial Poverty Traps, which took place on 29 March 2007 in Stellenbosch, South Africa. The workshop was co-hosted by the Overseas Development Institute and the Chronic Poverty Research Centre and jointly funded by the Overseas Development Institute, the Chronic Poverty Research Centre, Trocaire and the Swiss Agency for Development and Cooperation (SDC).

ISBN 978 1 907288 13 5
Working Paper (Print) ISSN 1759 2909
ODI Working Papers (Online) ISSN 1759 2917

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This document is also an output from the Chronic Poverty Research Centre (CPRC) which is funded by UKaid from the UK Department for International Development (DFID) for the benefit of developing countries. The CPRC gratefully acknowledges DFID's support.

The analysis and views presented in this paper are those of the authors and do not necessarily represent the views of ODI, CPRC, DFID or any other funders.

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Acronyms

ADB	Asian Development Bank
AIDS	Acquired Immune Deficiency Syndrome
AusAID	Australian Agency for International Development
BADP	Border Area Development Programme (India)
BRGF	Backward Regions Grant Fund (India)
CIDA	Canadian International Development Agency
CPRC	Chronic Poverty Research Centre
CSS	Centrally Sponsored Scheme (India)
DFID	Department for International Development (UK)
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoG	Government of Ghana
GoL	Government of Lao PDR
GoU	Government of Uganda
GoV	Government of Vietnam
GPRS	Ghana Poverty Reduction Strategy
HADP	Hill Area Development Programme (India)
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IDA	International Development Association
IDP	Internally Displaced Person
IDT	Presidential Instruction Programme for Less Developed Villages (<i>Instruksi Presiden Desa Tertinggal</i>) (Indonesia)
IMF	International Monetary Fund
MDG	Millennium Development Goal
MOLISA	Ministry of Labour, Invalids and Social Affairs (Vietnam)
NDP	National Development Plan
NDRC	National Development and Reform Commission (China)
NGO	Non-Governmental Organisation
NGPES	National Growth and Poverty Eradication Strategy (Lao PDR)
NSC	National Statistics Centre (Lao PDR)
NUPER	Northern Uganda Public Expenditure Review
NUSAF	Northern Uganda Social Action Fund
ODI	Overseas Development Institute
P135	Programme 135 (Programme for Socioeconomic Development in Communes Faced with Extreme Difficulties) (Vietnam)
PDR	People's Democratic Republic (Lao PDR)
PEAP	Poverty Eradication Action Plan
PLE	Primary Leaving Examinations (Uganda)
PPP	Purchasing Power Parity
PROGRESA	National Programme for Education, Health and Nutrition (<i>Programa Nacional de Educación, Salud y Alimentación</i>) (Mexico)
PRONASOL	National Solidarity Programme (<i>Programa Nacional de Solidaridad</i>) (Mexico)
PRSP	Poverty Reduction Strategy Paper
SC	Scheduled Caste
SSSCE	Senior Secondary School Certificate Examination (Ghana)
ST	Scheduled Tribe

UBOS	Uganda Bureau of Statistics
UK	United Kingdom
UN	United Nations
UNDP	UN Development Programme
UNICEF	UN Children's Fund
UPE	Universal Primary Education
US	United States
USAID	US Agency for International Development
WDR	World Development Report
WGDP	Western Ghats Development Programme (India)

1. Introduction

The spatial dimensions of poverty should matter to policymakers. Why? First, because large numbers of people live in spatially disadvantaged areas. Second, because geography and location have been found to have considerable explanatory power when it comes to understanding this disadvantage.¹ What, then, should policymakers do? How can and should public policy address the spatial dimensions of poverty?

This Overseas Development Institute/Chronic Poverty Research Centre (ODI/CPRC) Working Paper discusses policy responses to the spatial dimensions of poverty. Following this introduction, Section 2 examines spatiality in development discourse and policy. It does this by looking at policy documents from a number of developing country and donors, as well as the World Bank's 2009 World Development Report, *Reshaping Economic Geography*. Section 3 of the paper outlines eight policy attempts to address spatial disparity, by looking at the policy problem, response and impact. Section 4 identifies lessons for policy and practice and Section 5 concludes.

¹ See Bird et al. (2010a) for a discussion of the evidence on, and the definition and relevance of, the spatial dimensions of poverty and spatial poverty traps.

2. Spatiality in development discourse and policy

How do development discourse and policy respond to the spatial dimensions of poverty? Below we examine the World Bank's response – the 2009 World Development Report *Reshaping Economic Geography* (World Bank, 2008). We then review key policy documents of Southern governments and donors to identify how the spatial dimensions of poverty are reflected in development policies.

2.1 World Development Report 2009: *Reshaping Economic Geography*

2.1.1 An overview

The spatial dimensions of poverty and development were put in the policy spotlight by the World Bank's 2009 World Development Report, *Reshaping Economic Geography* (World Bank, 2008, referred to hereafter as the 2009 WDR).

The 2009 WDR highlights uneven economic development at local, national and international levels, which is associated with major disparities in well-being. It recognises the large number of poor people living in disadvantaged areas, and cites the 1 billion slum dwellers in the cities of the developing world, the 1 billion people in fragile regions that lag behind and the 1 billion people living in regions that are divided, distant from markets and lack a large local economy as posing today's biggest development challenges.

The obvious solution would seem to be to spread economic development as far as possible to reach those who are currently excluded. And this is what a number of developing countries have tried to do in the past, through the development of growth poles in lagging regions, for example. But the World Bank, controversially, turns this argument on its head. It argues that economic growth will always be unbalanced and that efforts to redress spatial inequalities will only discourage further economic development and poverty reduction. Drawing on the historical experience of 'developers,' such as Europe, East Asia and the US, the 2009 WDR argues that successful development requires the spatial concentration of production coupled with economic integration.

The 2009 WDR is based on three sets of three notions. The first set includes *density*, *distance* and *divisions*, arguing that places do well, or 'develop,' because of transformations in these three dimensions. According to the report, development requires a greater density of population to facilitate economic integration, as seen in the growth of cities; shorter distances (through transport infrastructure, for example), to encourage businesses and workers to migrate towards dense areas; and fewer divisions, through thinner economic borders and greater access to world markets.

The second set of notions comprises the strategies to facilitate these transformations: these are *urbanisation*, *territorial development* and *regional integration*. Put simply, the 2009 WDR argues that urbanisation can facilitate higher population density; territorial development can integrate nations (and shorten distances); and regional integration can lead to fewer inter-country divisions, through greater access to global markets.

The third set of notions the 2009 WDR proposes is made up of policy instruments available for economic integration: these are *institutions*, *infrastructure* and *interventions*. 'Institutions' is shorthand for policies that are spatially blind in their design and universal in their coverage. Examples include policies to deliver social services such as health, education and water and sanitation, and regulations affecting land, international trade and labour. 'Infrastructure' is shorthand for investments and policies that connect geographic spaces, such as roads, airports, railways and communication systems that move goods, people, services and ideas. 'Interventions' is shorthand for programmes that are targeted

at particular spaces, such as slum clearance, fiscal incentives for manufacturing investment and preferential trade access for developing countries. Importantly, it is argued that ‘interventions’ too often dominate policy discussions on spatial disparities. The 2009 WDR calls for a ‘rebalancing’ of debates to include all three groups of instruments to achieve successful economic integration and genuine development results.

2.1.2 A response

The spatial orientation of the 2009 WDR is a welcome addition to the development discourse. The report encourages policymakers and development professionals to look at ‘space’ and ‘place’ and to think through how and why areas or regions are lagging, and how these areas relate to more prosperous places. We agree with World Bank President Robert Zoellick who, in the foreword to the 2009 WDR says he expects the report to ‘stimulate a much-needed discussion on the desirability of “balanced growth,” which has proved elusive.’ However, our view of balanced growth differs from that of the 2009 WDR on some points. We are uncomfortable with some of the report’s analysis and conclusions, which view spatial inequality as an inevitable, and even beneficial, corollary of economic development. We think a more nuanced understanding is called for on a number of points, three of which are discussed below.

The implications of accepting the inevitability of spatial disparity

First, the report argues that ‘geographic unevenness – the first attribute of development – implies that governments generally cannot simultaneously foster economic production and spread it out smoothly.’ While this may be true in an absolute sense – it may be impossible for governments to intervene to deliver totally smooth development – it would be worrying if this statement implied that governments were absolved of any responsibility to spread economic development, and that striving to achieve equity (or at least to reduce inequalities) was pointless, if not damaging. The default position of many governments and business elites is already to support ‘quick wins’ and high returns to investment. These are likely to result in divergence and inequality, both within and between areas. Such growth strategies tend to benefit the already wealthy; their proponents downplay the negative effects relating to social, economic and political exclusion, discrimination and exploitation, and ignore the implications that between-area inequality might have for national cohesion, conflict, well-being and rights. Where serious policy attention and careful programming are required is in the realm of the sustainability and equitability of growth. This is necessary in order to maintain horizontal and vertical social and political solidarity, as well as to prevent the kind of inequality that undermines growth and economic performance over the long term.

The dangers of encouraging spatial disparities in the context of path-dependent growth patterns

Second, the suggestion that ‘efforts to spread [economic growth] prematurely will jeopardise progress’ entails dangerous assumptions about sequencing. The 2009 WDR appears to suggest that first economic growth should be achieved, and then efforts should be made to spread the benefits. However, evidence from the Operationalising Pro-Poor Growth project (IBRD and World Bank, 2005) shows that growth trajectories both are path-dependent and rely on historical windows of opportunity. If uneven growth is encouraged, spatially or sectorally, it can influence the later structure of the economy in a way that is difficult to reverse. Evidence from numerous low-income developing countries suggests that such bimodal patterns can become entrenched, with negative consequences.

The unique dynamics of late development

Third, the analysis in the 2009 WDR fails to fully appreciate the importance of context and of the world in which today’s developing countries exist. The suggestion that incomes diverge as a country develops, but then converge again later in the development process, is widely accepted. But this notion is derived largely from evidence from the development experiences of Europe, the US and East Asia. It appears to disregard the importance of particular processes and moments in the history of these countries and of the global economy which, when coupled with the strong implementation of policies by effective institutions and administrations, made their development paths possible. The

2009 WDR's reading of the lessons from history inevitably emphasises the role of urban agglomeration. We think the claim that this can be replicated in low-income countries today needs interrogation.

Work on growth diagnostics in a number of countries suggests that *rural* development will play an important role in driving economic growth in the short to medium term. This is particularly true in sub-Saharan Africa, where the hope of finding comparative and competitive advantage in manufacturing now and potentially in the future, given the dominance of China and East Asia, is questionable. The urban hierarchy is limited in most sub-Saharan African countries (and in many other low-income developing countries for that matter). Where the urban hierarchy has elements missing, one might see a capital city dominating national development. Agglomeration in and around the capital can become so dominant that it is the only serious location option for enterprise and industry, attracting investment and the best talent the country has to offer. This can contribute to greater inter-area disparities, the growth of a single mega-city with few dispersed growth poles and limited backward and forward linkages with national hinterlands. This makes the emergence of spatial poverty traps containing residual populations – from which the best and the brightest, the better connected and the young and the mobile have migrated – almost inevitable.

2.2 Government policy

2.2.1 Poverty reduction strategy papers

To discern how the development policies of governments in developing countries integrate spatial dimensions of poverty, we have reviewed the poverty reduction strategy papers (PRSPs) of 14 countries. We purposively selected PRSPs from a range of geographical locations (including sub-Saharan Africa, Latin America and the Caribbean, Southeast Asia and Central Asia) and income levels.

We do not attempt a comprehensive discourse analysis of these policies, but focus very specifically on identifying whether the language of spatial poverty has penetrated policy discourse. We chose key words, or search terms, as indicators of integration into a country's development plan of a concern for inter-area difference; spatial inequality and poverty; and geographic exclusion. These search terms were: spatial, inequality, geographic, lagging and disparity. Table 1 presents the results, showing the number of times the search terms appear in each document, and the spatial, or geographic, nature of the reference. The table's notes provide more detailed information on the nature of the search term references.

Table 1: Spatial poverty keyword search results for recent PRSPs²

Search term	2008			2009										
	Côte d'Ivoire	Djibouti	Tajikistan	Afghanistan	Albania	Armenia	Benin	Haiti	Lao PDR	Liberia	Mali	Niger	Rwanda	Uzbekistan
Spatial	5	2 ⁴	0	1 ⁹	14	17	19	7	3	0	6	0	1	0
Inequality	20 ₁	5	3	16	4 ¹²	35 ¹⁵	15	42 ²⁰	2	6 ²⁵	5 ²⁷	46 ³⁰	15 ³³	5 ³⁴
Geographic	4 ²	7 ⁵	4 ⁸	10 ¹⁰	7 ¹³	5 ¹⁶	4 ¹⁸	5 ²¹	7 ²³	5 ²⁶	14 ²⁸	16 ³¹	9	4
Lagging	0	1 ⁶	1	0	0	1	1	1	1	0	0	0	1	2
Disparity	19 ³	24 ⁷	0	7 ¹¹	1 ¹⁴	18 ¹⁷	12 ¹⁹	4 ²²	13 ²⁴	3	9 ²⁹	28 ³²	8	0

Note: Searches included both singular and plural versions of the search terms (i.e. inequality and inequalities).

Numbered notes:

¹ 1 to spatial inequality ² 3 to regional accessibility issues, 1 to national geographic setting ³ 18 to regional/distributional disparities ⁴ 1 to spatial disparity, 1 to 'spatialized management' ⁵ 3 to geographical disparities, 2 to geographical distribution of wealth creation ⁶ 1 to rural areas ⁷ 9 with a spatial/geographic or regional dimension ⁸ 1 to regional variation in poverty reduction, 1 to isolation ⁹ 1 to the creation of a 'national spatial development plan' ¹⁰ 3 to regional geographic constraints on supply and infrastructure ¹¹ 4 with a spatial element ¹² 1 with a spatial element ¹³ 3 with reference to distribution of social and economic services ¹⁴ Specifically spatial ¹⁵ 2 with a spatial element ¹⁶ 2 referring to intra-national variation in geographic characteristics	¹⁷ 15 with a spatial element ¹⁸ 1 to geographic distribution of project clusters ¹⁹ 9 with a spatial element ²⁰ 4 with a spatial element ²¹ 1 to geographic disparities ²² 2 with a spatial element ²³ 6 with reference to intra-national geographic variation ²⁴ 8 with a spatial element ²⁵ 1 with a spatial element ²⁶ 5 with reference to geographically disadvantaged areas and variation in access to services ²⁷ 1 with a spatial element ²⁸ 5 with reference to intra-national geographical issues including accessibility ²⁹ 4 with a spatial element ³⁰ 2 with a spatial element ³¹ 8 referring to intra-national variation in poverty and access to services ³² 7 with a spatial element ³³ 3 with a spatial element ³⁴ 2 with a spatial element
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2.2.2 National development plans

Past concerns about the limited country ownership of some first generation PRSPs (for more detail see Piron and Evans, 2004; Stewart and Wang, 2003) led to a shift in emphasis in second generation PRSPs. The need to place developing country governments at the heart of the development process, alongside increased concern for aid effectiveness, saw a greater emphasis on country ownership and also donor harmonisation and alignment. Greater emphasis on country ownership around policy formation and budget formulation and delivery generated interesting changes in focus, with, for example, greater attention to policies that enable economic growth. For this reason, we have also examined recent national development plans (NDPs) from two key developing countries whose major policy documents are created outside the PRSP framework: China (the 11th Five-Year Plan 2006-2010 and the annual Economic and Social Development Plan) and India (the 11th Five-Year Plan 2007-2012).

The goal of promoting balanced development among regions is a central theme of China's 11th Five-Year Plan 2006-2010, with specific attention to 'improving the mechanism of regional balance and interaction' (NDRC, 2007). The most recent report on China's Economic and Social Development Plan clearly states the goal of 'mak[ing] development among different regions more balanced' (Government of China, 2008). While the plan does discuss the implementation of specific policies for each region, it gives special attention to policies and programmes to support the development of the western region:

² References for these policy documents are included in this paper's reference list.

'The master plan for the large-scale development of the western region in the Eleventh Five-Year Plan period will be implemented, and work will begin on a number of key projects. Follow-up policies will be implemented to build on the results of previous efforts to return farmland to forests, policy measures for returning livestock pastures to grasslands will be improved and work will continue on key ecological projects such as those to protect virgin forests, develop the system of shelterbelts and control the spread of stony deserts and desertification. In addition, we will promote the accelerated development of industries to take advantage of local characteristics and strengths and of key development areas. We will support the establishment of permanent, stable channels to fund development of the region. We will formulate and implement policy measures to promote economic and social development in economically underdeveloped regions' (Government of China, 2008).

Additionally, the report envisions a strong role for the state in ensuring economic and social development in old revolutionary areas, ethnic minority areas, border areas and economically depressed areas, through increased transfer payments from the state and other unspecified forms of 'strong support' (Government of China, 2008).

India's 11th Five-Year Plan 2007-2012 devotes an entire chapter to spatial disparity. A chapter entitled 'Spatial Development and Regional Imbalances' acknowledges the challenges presented by a pattern of growth and poverty reduction where 'high growth rates have led to a spiral of commercial and service sector activity in the already developed regions, [while] the backward areas continue to lack even basic amenities such as education, health, housing, rural roads, drinking water and electricity' (Government of India Planning Commission, 2008). At the inter-state level, the importance of India's national project provides the impetus for central government action:

'Redressing regional disparities is not only a goal in itself but is essential for maintaining the integrated social and economic fabric of the country, without which the country may be faced with a situation of discontent, anarchy and breakdown of law and order' (Government of India Planning Commission, 2008).

The plan suggests that the 'development efforts of the States have to be supplemented in order to minimise certain distinct geo-physical and historical constraints' (Government of India Planning Commission, 2008). These supplementary policies include General Purpose Resource Transfers; transfers under Centrally Sponsored Schemes (CSSs) and additional central assistance; the Backward Regions Grant Fund (BRGF); the Hill Area Development Programme (HADP); the Western Ghats Development Programme (WGDP); and the Border Area Development Programme (BADP).

2.2.3 Analysis

As Table 1 shows, the spatial dimensions of inequality receive significant attention in PRSPs. Indeed, the PRSPs reviewed, as well as the NDPs of China and India, reveal that governments recognise that spatial disparities damages development performance, and that they highlight such issues as serious policy concerns. For example, the 2009 Côte d'Ivoire PRSP states that:

'Regional disparities persist because of the lack of local development plans, unequal distribution, the inadequacy and degradation of the development infrastructure' (Republic of Côte d'Ivoire, 2009).

Of course, the use of specific language in national policy documents does not tell us anything about effectiveness in implementation, and there may in fact be a divergence between rhetoric and practice. Programmes seeking to deliver on policy pronouncements may be hampered by a range of obstacles – budgetary, institutional or political. Conversely, practice may be ahead of policy directives. What our analysis does reveal, however, is that spatial disparities are a policy concern for governments.

2.3 Donor policy analysis

Table 2 presents a review of donor policies. As with the review of government policies, here we have surveyed major policy papers from a range of donors and identified the prevalence of specified search terms.

Table 2: Spatial poverty keyword search results for selected major donor policy papers

Search term	DFID 2009 White Paper	AusAID 2006 White Paper	EU 2005 Consensus on Development	USAID 2004 White Paper	UNICEF 2008 State of the World's Children	Irish Aid 2006 White Paper	CIDA Sustainable Development Strategy 2007-2009
Spatial	0	0	0	0	0	0	0
Inequality	4 ¹	0	5 ⁵	0	2 ⁷	7 ¹¹	6 ¹⁴
Geographic	0	3 ³	3 ⁶	0	3 ⁸	3 ¹²	1
Lagging	0	6 ⁴	0	0	2 ⁹	0	0
Disparity	2 ²	0	0	0	14 ¹⁰	1 ¹³	2 ¹⁵

Note: Searches included both singular and plural versions of the search terms (i.e. inequality and inequalities).

Numbered notes:

<p>¹ 1 reference to gender inequality, 1 to 'urban inequalities' and 2 to inequality between developed and developing nations</p> <p>² 1 reference to gender disparity, 1 to disparity between developed and developing nations</p> <p>³ Use of the term here limited to identifying the Asia-Pacific region</p> <p>⁴ Used here to identify lagging and vulnerable regions, especially in the Philippines and Indonesia, these references are a direct response to spatial inequality</p> <p>⁵ 2 references to general trends, 2 to gender inequality and 1 to educational inequality</p> <p>⁶ All 3 references are to geographic 'programmes'</p>	<p>⁷ References to general trends</p> <p>⁸ 0 poverty specific references</p> <p>⁹ Refer to country performance</p> <p>¹⁰ Of which 4 refer to a spatial element</p> <p>¹¹ Of which 2 refer to global inequality, 4 to gender inequality and 1 to the capacity of information and communication technology (ICT) to combat inequality (generally)</p> <p>¹² All 3 references describe Irish Aid's focus on Africa</p> <p>¹³ Refers to gender disparities</p> <p>¹⁴ Of which 5 refer to gender inequality and 1 to HIV/AIDS inequality</p> <p>¹⁵ Both of which refer to gender disparities</p>
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Among the five organisations included in the survey, only the Australian Agency for International Development (AusAID) specifically and directly refers to issues of spatial poverty. Using the language of 'lagging and vulnerable regions,' AusAID's 2006 White Paper links spatial poverty traps in the southern Philippines and eastern Indonesia to regional growth and infrastructure (AusAID, 2006). This illustrates that the spatial dimensions of poverty are not high on the agenda of these agencies, at least when it comes to the articulation of their policy priorities. This is quite a contrast with what we found in the survey of government policy documents. Although our analysis is relatively superficial, and we must take care with the type of conclusions we draw from it, it does appear to indicate that national governments give greater weight to spatial concerns than their international development partners do.

The reasons for this are not clear in this analysis, but we can speculate. Sectoral or thematic programmes could subsume donor efforts to address spatial poverty and inter-area inequality. Alternatively, differences in the weight given to inter-area inequality and spatial variations in poverty may reflect different sources of accountability. Southern governments experience pressure to limit inequality associated with conflict or opposition. The domestic state-citizen contract means that Southern governments should be held to account, providing them with an incentive to react to spatial poverty traps. In contrast, international donors are ultimately accountable to their own parliaments or to their own resource base in developed countries. As a result, they may be more inclined to frame issues in ways that gain political – or fundraising – traction at home. Their obligation to deliver measurable results and evidence of efficiency may distort programmatic design and spending behaviour. For example, investments may be made in areas closest to the poverty line or in places where dramatic results can be expected, rather than in the most difficult or least-favoured areas.

3. Policy attempts to address spatial poverty traps: a series of case studies

In our opinion, policies to address spatial poverty traps should recognise the need for a mixed economy, whereby efficient market functioning is enabled and supported alongside the delivery of social and development interventions and a raft of static and dynamic redistributive policies and programmes.

This approach would include three major policy types: macro and enabling policies; sectoral policies; and spatially targeted policies.³

1. **Macro and enabling policies** generally set the framework and enabling environment for, or contribute to, the effectiveness of other policy actions.
2. **Sectoral policies** are aimed at including and benefiting poor people, but generally are not exclusively targeted at them.
3. **Spatially targeted policies** are specifically targeted using spatial (usually geographic) criteria.

The remainder of this section presents a series of case studies assembled to demonstrate policy attempts to address spatial poverty traps. Table 3 outlines these policies.

Table 3: Policy attempts to address spatial poverty

	Country	Policy/issue	Policy type
1	Lao PDR	'Voluntary' migration	Spatially targeted policy
2	India	Circular migration	Macro and enabling policy
3	Ghana	Model secondary school	Spatially targeted policy
4	Uganda	Universal primary education	Sectoral policy
5	China	Lagging regions	Spatially targeted policy
6	Indonesia	Less-developed villages	Spatially targeted policy
7	Vietnam	Communes faced with extreme difficulties	Spatially targeted policy
8	Mexico	Rising economic and social inequality	Spatially targeted policy

Case study 1: Regional inequality and 'voluntary' migration in the Lao People's Democratic Republic

Issue: Poverty has a regional dimension in Lao People's Democratic Republic (PDR), with poverty concentrated heavily in remote upland areas inhabited largely by ethnic minority communities. In these areas, living conditions are poor and human capabilities are low – particularly in the more isolated locations (UN, 2007). These areas correspond with the 72 districts that the government has identified as poor and the 47 it has identified as being the poorest (Bechstedt et al., 2007).⁴

Educational outcomes are particularly low in remote, upland areas. There is a complex set of reasons for this. Some parents do not see the advantage of educating their children – it means losing the income they generate. In addition, quality of education is low, there are language barriers and the cost of school supplies is unaffordable for some families. The government policy of focusing on 'priority districts' has not been able to reduce wide variations in primary and secondary enrolment rates between and among priority and non-priority districts.

³ This is based on a conceptual framework proposed in the *Chronic Poverty Report 2008-09* (CPRC, 2008).

⁴ 80% of the poorest 47 districts in ethnic minority areas.

When it comes to health, there is a shortage of qualified health staff and resources, particularly in priority districts. Under-five mortality rates are much higher among ethnic minority groups (when compared with the national average) (Bechstedt et al., 2007).

Policy response: The Government of Lao PDR (GoL) recognises that regional inequalities exist across human development dimensions. Focal Area Development is one of the policies in the GoL's National Growth and Poverty Eradication Strategy (NGPES) to reduce rural poverty and, as a result, lessen regional inequalities (GoL, 2003).⁵ It is the GoL's main strategy for rural upland development. This policy involves 'consolidating' and/or moving dispersed villages to areas identified for development. The aim is to improve service delivery to the rural population (including education, health, water and sanitation, agricultural services, electricity, roads, institutional capacity building and market access). The policy also seeks, by relocating upland villages to lowland areas, to help 'stabilise' shifting cultivation, eradicate opium production, extend administrative control (by consolidating villages into larger units), foster the cultural integration of ethnic minorities into Lao society and resettle villagers with a history of armed rebellion (Bechstedt et al., 2007).

Impact: All resettlement in Lao PDR is nominally voluntary rather than forced. But banning shifting and opium cultivation and destroying forests reduce the livelihood options of upland communities, which are left with little choice but to move. Voluntary relocation is encouraged by 'resettlement agents' who visit villages and stay until the village agrees to move. To put pressure on communities to move, membership of 'mass organisations' is withheld, the village head is no longer recognised and public infrastructure (e.g. schools and health centres) is dismantled. Communities are not involved in identifying Focal Area sites: district and provisional authorities choose these (Bechstedt et al., 2007).

Upland communities are moved to lowland areas, alongside roads, but below 80% of the 'receiving' sites have sufficient land for production and housing, road access to markets and/or an area for school construction. Some sites are in poor, politically 'sensitive' areas, with low development potential (Bechstedt et al., 2007).

Communities rarely receive compensation, advice or support to help them adjust to their new environment. Relocation without compensation or support, along with the paucity of the new locations, has had adverse consequences. The first participatory poverty assessment in Lao PDR found that, in many cases, rural people described themselves as newly poor and explained that their worsening situation was a result of village relocation and land and forest allocation (State Planning Committee et al., 2001, in Bechstedt et al., 2007). The adverse consequences and impacts of relocation include:

- **Loss of assets:** This included loss of land, forest resources and livestock (though disease).
- **Increased poverty, food insecurity and vulnerability:** Resettled households found that the abrupt change in livelihood strategy, from semi-subsistence to cash crop production, increased their vulnerability. People had a poor understanding of their new context and production systems, and this led to low levels of productivity and food security. The change from upland to lowland rice production reduced total rice production and extended the 'hungry season' poor producers experienced (Goudineau, 1997, in Bechstedt et al., 2007). A drop in farm-gate prices for maize and soybean and seasonal price variability exacerbated this (Bechstedt et al., 2007). The second round of the Lao PDR participatory poverty assessment found that women who had experienced impoverishment from relocation hired out their labour to domestic employers; migrated to Thailand in search of work; and were drawn into prostitution (NSC/ADB, 2006, in Bechstedt et al., 2007).⁶
- **Higher mortality rates:** Changed livelihoods and lack of access to non-timber forest products have led to a worsening diet. Despite access to roads and markets, resettled villagers were

⁵ This strategy began in 1994 under the NDP. By 1997, 62 focal sites had been identified throughout the country. The NGPES then identified the focal site approach as the basis of the government's rural development strategy.

⁶ A study of 18 resettled villages in Nalae district, Luang Namtha province, found that the costs of resettlement directly increased short-term vulnerability (Daviau, 2006, in Bechstedt et al., 2007).

found to have a poorer diet than those who remained in their remote upland homes (Bechstedt et al., 2007).

- **Reduced social capital and community cohesion:** In some cases, resettled villagers formed the lowest social strata when they joined established villages with other ethnic groups (e.g. Khmu, Xiangmoon and Hmong joining Lao and Phou Thai villagers). Without adequate land, the resettled groups became casual labourers for Lao and Phou Thai farmers and were not represented in village committees and other public bodies. Adverse incorporation, marginalisation and community-level conflict increased as a consequence of resettlement and intensified conflict between new settlers and their 'host' communities (Bechstedt et al., 2007).

Table 4 outlines the advantages and disadvantages of resettlement, as identified through the first participatory poverty assessment.

Table 4: Advantages and disadvantages of resettlement in Lao PDR

Advantages	Disadvantages
<ul style="list-style-type: none"> • Roads – improving access to fields and water sources and making it easier for friends and relatives to visit • Schools • Health centres • Electricity • Improved marketing opportunities – visits by traders and sale of cash crops 	<ul style="list-style-type: none"> • Lack of land – given insufficient and unfertile land • Different agro-ecological zone • Increased food insecurity • Compelled to grow commercial crops (maize, soybean) • Low market price for commercial crops

Source: State Planning Committee et al. (2001).

Case study 2: Regional inequality and circular migration in India

Issue: In India between 1993 and 2000, average incomes rose more rapidly in urban than in rural areas. This implies widening spatial differentiation (Deaton and Drèze, 2002, in Deshingkar and Anderson, 2004).

In this context, circular migration is emerging as a dominant form of migration among poorer groups in India. Circular migration is when individuals, families or groups migrate temporarily or seasonally, for work or to access services, before returning to their 'home' area. The number of short-term out-migrants in India has been estimated at 12.6 million, but recent micro studies documenting large and increasing numbers of internal migrants suggest that the true figure is 30 million and rising (Deshingkar, 2006). While acknowledging the presence of some negative impacts (e.g. acute shortage of labour and high dependency ratios in sending areas), there is overwhelming evidence that internal migration can lead to positive change in both sending and receiving areas, helping reduce, or halt the slide into, poverty (Deshingkar and Grimm, 2004).

Circular migration rates are high in remote rural areas, especially among chronically poor people. Rates are particularly high in drought-prone areas with low agro-ecological potential, poor access to credit and high population densities. For example, an estimated 300,000 labourers, driven by a range and combination of push and pull factors, migrate from drought-prone Bolangir district in Western Orissa every year (Deshingkar, 2003). Circular migration is particularly high for the poor, scheduled castes (SCs), scheduled tribes (STs) and Muslims. In the tribal districts of southern Madhya Pradesh, 65% of households includes migrants (Mosse et al., 1997).

Policy response: Despite the large numbers of people migrating, migration-related issues rarely get onto local, state or national policy agenda. The economic benefits of migration are not recognised and migration tends to be viewed as an economically, socially and politically destabilising process, because it overburdens urban areas, deprives rural areas of productive members, destabilises family life, leads to labour exploitation by the informal sector and causes administrative and legislative headaches (Deshingkar and Anderson, 2004; Deshingkar and Grimm, 2004).

There have essentially been two forms of policy response to migration in India, neither of which have enabled, or controlled, migration. The first has been to increase rural employment, in an attempt to stem the flow of migrants out of rural areas. This reflects an assumption that deteriorating agriculture leads to out-migration, and that improved natural resource bases and employment opportunities in rural areas can reduce or reverse migration (Deshingkar, 2003). The suite of policies in place that aim to increase the availability of rural employment include the National Rural Employment Guarantee Scheme, which promises 100 days of wage labour to one adult member in every rural household that volunteers for unskilled work; numerous development programmes to improve agricultural productivity; and programmes to develop small and medium towns, to help arrest migration to urban areas.

The other policy response is essentially a ‘non-response.’ As mentioned above, India does not recognise the centrality of migrant labour to economic growth, and perceptions of negative economic, political and social effects mean that local, state and national governments remain hostile towards migrants, while employers routinely disregard laws designed to protect their rights and needs (Deshingkar, 2005). In many cases, policies remain predicated on a supposedly ‘sedentary’ population (Deshingkar and Anderson, 2004).

Impact: These policy responses – encouraging rural employment and ignoring and excluding migrants – do not stop migration. On the whole, opportunities are still better in urban areas and in high productivity rural areas. Meanwhile, these responses do mean that migrants and their children are poorer and more marginalised at their destination than they might otherwise be. This is largely because migrants are not recognised politically – they are not entitled to vote and they have limited access to public services and entitlements.

This means that migrants:

- Have **limited political agency**, and the political process rarely recognises or addresses their concerns.
- Often live in **illegal settlements**, where they face constant threats of eviction, disease, sexual abuse, underpayment and police harassment (Deshingkar and Anderson, 2004).
- Have **inadequate access to essential services and amenities** such as water and sanitation, electricity, health care and education (Deshingkar and Grimm, 2004).
- Experience **harassment and exclusion**, as local police and bureaucrats regulate the informal economy.
- Are **excluded from the ration system**, because they cannot use their cards outside their home local authority. This means they spend a considerable proportion of their wages on basic food supplies and rents and, when whole families migrate, children often do domestic chores while their parents work, missing out on an education (Deshingkar and Anderson, 2004).
- Experience **discrimination** and sometimes **exploitation**, and are generally paid less than non-migrant workers (Deshingkar, 2005; Deshingkar and Grimm, 2004).

Labour unions, donors and non-governmental organisations (NGOs) are attempting to tackle these problems. For example, mobile ration cards for 5,000 migrants are being piloted in small and major towns in Rajasthan, India. In Madhya Pradesh, the UK Department for International Development (DFID) is funding a comprehensive migrant support programme in eight tribal districts, which aims to provide information on opportunities and improve bargaining power by enhancing skills. Several NGOs, such as the Gramin Vikas Trust in Madhya Pradesh and Adhikar in Orissa, have migrant support programmes to improve the efficiency, safety and cost of remittance mechanisms. Identity cards have been used with very positive results in Madhya Pradesh under a migrant support programme that the Gramin Vikas Trust has implemented (Wiggins and Deshingkar, 2007). In addition, national-level legislation has recently been passed to extend social protection and insurance to informal sector workers.

Case study 3: Regional inequality and model secondary schools in Ghana

Issue: The regional dimension of inequality is significant in Ghana. Poverty has declined in Accra and around the Rural Forest area, but is still very widespread in the northern regions (Northern, Upper East and Upper West) (Coulombe and Wodon, 2007).

The developmental divide between north and south in Ghana arises from a combination of circumstances and policies. These include the geographical concentration of agricultural resources and activities (such as cocoa, minerals and forest resources) in the southern regions; the British colonial legacy of investing more heavily in regions where exploitable resources, such as diamonds, gold, timber and cocoa, were available and cheap to produce and export; and the transfer of labour out of, and lack of educational investment into, the north (Langer et al., 2007). As Jebuni et al. (2007) argue, northern regions of Ghana have essentially ‘lagged’ behind the rest of the country and, as a result, Ghana has missed out on significant opportunities to increase the country’s average income and foreign exchange earnings, as well as to further bed down national stability.

Reducing inter-area differences is recognised as central to improving Ghana’s economic performance and human development indicators (IDA and IMF, 2006; World Bank, 2007). Reducing inter-area differences in education is one dimension of this. Differences in access to education (measured in terms of gross enrolment rate and net enrolment rate) and education performance (Senior Secondary School Certificate Examination (SSSCE) pass rates) have a strong regional dimension in Ghana, and strong links between poverty and poor education access and performance have been found.

Policy response: Persistent geographic disparities in education are recognised in the second Ghana Poverty Reduction Strategy (GPRS II) (National Development Planning Commission, 2005a). To address this, the Government of Ghana (GoG) has instituted its model secondary school policy. This involves upgrading one secondary school in each district to ‘model’ secondary school status, ‘to address the issues of geographic disparities in access to quality education’ (ibid). The objective is to provide each district with a school that could be compared favourably with the leading schools in the country. The programme was a feature in the first GPRS (2003-2005), in which enhancing the delivery of social services to ensure locational equity and quality was a priority. The initial phase identified 31 schools for upgrading after assessment of physical infrastructure and academic requirements. In 2004, 65.5% of work on the first batch of 31 schools was complete, and the second phase – which would upgrade 25 additional schools – was in planning (National Development Planning Commission, 2005b).

Impact: As yet, no studies have been conducted to assess the impact of the model secondary school policy on reducing inter-district disparities in education outcomes.⁷ The preliminary observations of Ghana education experts vary. On the one hand, there has been criticism of the over-emphasis on *equality in distribution* under this policy. The approach of establishing one model school in each district reflects a tendency in Ghana to distribute public goods equally between districts (irrespective of needs), rather than targeting disadvantaged areas and marginalised populations to achieve pro-poor and geographically equalising outcomes. By failing to target resources to the poorest districts – or the districts with the worst education facilities – the government is missing out on an opportunity to bring districts with the weakest educational facilities and performance up to a minimal acceptable level (as set by government).⁸ In addition, there is concern that this policy further entrenches vertical, or class-based, divisions.⁹ To gain acceptance to a model secondary school, students must meet the senior secondary school admission criteria, which is more challenging for those from poor households and poor districts.¹⁰ Therefore, the policy does not address fundamental, underlying inequalities, and those with more economic and social capital can manage and benefit from the system.¹¹

⁷ Kwame Akyeampong, University of Sussex, pers. comm.

⁸ Don Taylor, DFID Ghana, pers. comm.

⁹ Don Taylor, DFID Ghana, pers. comm.

¹⁰ Kwame Akyeampong, University of Sussex, pers. comm.

¹¹ Kwame Akyeampong, University of Sussex, pers. comm.

On the other hand, the potential for this policy to reduce regional inequalities in senior secondary education is recognised. While the policy may not address underlying structural inequalities in the short term, it may be able to address these in the long term. Properly resourced schools may attract teachers to remote and rural areas, motivate teaching staff and therefore improve education outcomes. The policy may have a circular effect: students who reap the benefits of model secondary schools may become teachers and be motivated to return to their districts and contribute through education. In addition, the facilities and resources model secondary schools offer give students something to aspire to.¹² Essentially, the policy will enable students to have access to good quality senior secondary education across the country regardless of district, reducing the current bias towards a small number of prestigious government-funded and urban-based senior secondary schools. It may also improve the chances of students from remote and rural districts gaining admission to competitive universities.¹³

Case study 4: Regional inequality and primary education in Northern Uganda

Issue: Poverty reduction has not occurred uniformly across Uganda. In the Northern region, for example, poverty reduction has been modest, at only at approximately 17% since 1992/93. This is compared with substantial progress made in the West and Central regions of Uganda, where poverty has declined by at least 60% since 1992/3 (World Bank, 2007). Census and household survey data indicate that the Northern region has the highest poverty rate, the highest annual average population growth, the highest fertility levels, the highest proportion of people living in a hut (as opposed to a permanent house) and the lowest proportion of people owning a mobile phone. These data indicate that the North is ‘lagging’ behind the rest of Uganda across a range of development indicators.

Education is no exception to this trend. While the Northern region fares relatively well in terms of education access, when it comes to education quality, competition and performance, it is well below national average. Table 5 outlines these trends.

Table 5: Education quality and performance indicators in Uganda

District/ region	Pupil: teacher ratio	Pupil: classroom ratio	National Examination Division 1 Scores, ¹⁴ %	National Examination Division U Scores, ¹⁵ %	Schooling status – no formal schooling (15+) 2005/06, %	Literacy (18+ years) 2005/06, %
<i>Districts in the Northern region</i>						
Gulu	67 (2005)	94 (2005)	1.1	28.4	-	-
Kitgum	85 (2005)	98 (2005)	2.2	15.7	-	-
Pader	91 (2005)	137 (2005)	1.2	22.7	-	-
<i>Regions</i>						
North	58 (2004)	92 (2004)	-	-	27	59
Central	43	63	-	-	13	80
East	55	90	-	-	20	61
West	73	73	-	-	26	66
<i>National</i>	50 (2004 & 2005)	74 (2005)	5	15.2	20	69

Sources: Ministry of Education and Sports (2005); National Household Survey 2005/06 and National Service Delivery Survey 2004 (in Regional Forecasts, 2007).

A number of factors driver this regional disparity. Conflict has had a pronounced negative impact on education infrastructure, staff, resources and systems. Many schools, and their teaching materials and

¹² Leslie Casely-Hayford, Associates for Change, pers. comm.

¹³ Kwame Akyeampong, University of Sussex, pers. comm.

¹⁴ Uganda National Examinations Board Primary Leaving Examinations (PLE) 2005.

¹⁵ Uganda National Examinations Board PLE 2005.

resources, have been destroyed, and a number of schools were displaced during the Northern Uganda conflict. Teachers are not attracted to teaching in the north. There are high rates of teacher absenteeism, because of inadequate teacher housing and therefore long commutes along dangerous roads; low salaries without hardship supplementation; and often traumatised, withdrawn and/or poorly behaved children to teach (Women's Commission for Refugee Women and Children, 2005).

The poverty experienced in the north also affects the capacity children have to learn. The conflict displaced many people, who have returned home only recently. Their access to productive livelihoods was, and still is, limited. Some people are still dependent on humanitarian agencies for survival. While Universal Primary Education (UPE) means that families do not have to pay school fees, they still must purchase uniforms and school materials and forgo children's labour when they are in school. This limits school enrolment, attendance and competition at the primary school level – indeed, in the Northern Uganda Baseline Survey in conflict-affected Acholi of the Northern region, 40.9% of school dropouts cited cost as the reason for leaving school (UBOS, 2004). Poverty also hinders learning. Some children, particularly orphans and heads of households, are expected to work before and after school. Food is often limited, making it difficult for children to concentrate.

Policy response: The Government of Uganda's (GoU's) central primary education policy is UPE, which it introduced in 1996. UPE involved the abolition of tuition and other costs, such as contributions to parent teacher associations and to school building funds (World Bank, 2006). President Museveni's decision to implement UPE made Uganda the first African country in the post-structural adjustment era to institute a policy that made primary education free at the point of delivery. This removed a significant obstacle to education for poor families and sent a signal to the nation as to the importance of education. Since the early 1990s, the education budget has increased from 1.6% to 3.8% of gross domestic product (GDP), boosted by funds made available by donors and resources from the Poverty Reduction Fund and the Heavily Indebted Poor Countries (HIPC) initiative (World Bank, 2006). Education is a priority of the human development pillar of Uganda's Poverty Eradication Action Plan (PEAP), reflecting the centrality of education in Uganda's development agenda.

Impact: The impact of UPE on primary school enrolment across Uganda has been significant. In the Northern region, between 1992/93 and 2002/03 girls' and boys' enrolment rose from 39.7% to 72.5% and from 54.4% to 73.5%, respectively. However, while UPE has had an equalising effect in terms of education access, it has not had the same effect when it comes to education *quality* and *performance*. Essentially, the universal approach that underpins UPE means that the policy does not address the particular challenges facing the north in terms of education delivery, and therefore has not proved effective in reducing disparities in education quality and performance.

Analysis of the flow of public resources to the north of Uganda sheds some light on the constraints to reducing regional educational disparity, showing that these resources are limited and potentially inadequate. Public resource flows include central government transfers to districts through unconditional and conditional transfers, GoU development expenditures (such as the Northern Uganda Peace and Recovery Plan), donor on- and off-budget projects (such as the Northern Uganda Social Action Fund (NUSAF)), UN agencies' resources and NGO resources (Regional Forecasts, 2007). An analysis of government spending shows that per capita central government transfers to the wider north are approximately equal to the Ugandan national average (ibid). However, the region receives little government funding to compensate for the effects of a long-duration conflict (ibid). While an equalisation grant is in place, and 85% of this flows to the Northern region, the size is small – in 2005/06, it was the equivalent of only Ush 265 per person – and therefore ineffective in achieving its objective of equalising disparities (ibid).

In the education sector specifically, the main outputs from the GoU's primary education budget are the Primary Teachers' Wage Bill, the UPE Capitation Bill and the School Facilities Grant (Ministry of Education and Sports, 2007). Teachers' wages are standard, and no supplementation exists for teaching in difficult contexts. As such, this budgetary mechanism does not take regional educational disparities into account. UPE capitation grants are paid for on the basis of the number of students

enrolled and their level of education (Bategeka and Okurut, 2006). Again, regional education disparities are not taken into account. The School Facilities Grant is based on need, however, with allocation based on pupil to permanent classroom ratios. As a result, allocations to the north are well above average, potentially with some regional inequality-reducing impacts (Regional Forecasts, 2007).

Districts can supplement primary education through the district budgeting process. However, conflict-affected districts of Northern Uganda have an eroded revenue base, limiting their ability to increase expenditure through local taxation. Preliminary analysis of the Northern Uganda Public Expenditure Review (NUPER) shows that local revenue mobilised in the north is roughly 30% below the national average (excluding Kampala). This is unsurprising given the long-term impact of conflict, insecurity and displacement on the economy. Additionally, prior to the abolishment of the graduated tax, internally displaced persons (IDPs) were exempt. Thus, graduated tax compensation transfers to Northern Uganda are lower than the national average (Regional Forecasts, 2007). It might be assumed that humanitarian agencies and NGOs fill this gap, but this does not appear to be the case. In fact, the NUPER did not find a significant difference between per capita donor and NGO support to the districts of the wider north and districts elsewhere in Uganda.

This analysis of public resource flows shows that, on the whole, central government unconditional and conditional grants do not do enough to acknowledge and/or redress regional inequalities. With a low local revenue base, this leaves local government with limited room to invest in measures to 'level the playing field.' Donor and NGO funding does not appear to sufficiently fill the gap left by inadequate central government transfers and the eroded revenue base, making post-conflict recovery and the removal of inter-area inequality in primary education difficult.

Case study 5: Targeting lagging regions through the 8-7 National Poverty Reduction Program in China

Issue: In the three decades since the reform and opening-up period began, China has made widely recognised progress in absolute poverty reduction, measured according to both the \$1 a day (purchasing power parity (PPP)) and national poverty lines (Wang et al., 2004).

But this poverty reduction has been accompanied by increases in inter-area and within-area inequality across several economic and social indicators (Khan and Riskin, 2001). For example, there has been a divergence in infant mortality rates and illiteracy across the rural-urban and inland-coastal divides. The type of development strategy pursued in the post-1979 reform era – one focused on expanding and facilitating foreign direct investment (FDI) and export-led growth – has contributed to this trend (Fu, 2004). Prioritisation of the eastern coastal region, along with fiscal decentralisation and the removal of redistributive mechanisms of fiscal transfers from rich provinces to poor ones, has allowed the concentration of wealth and capital in particular geographic regions (Zhang and Kanbur, 2005).

Policy response: The poor development performance of lagging regions has not gone unnoticed by the Chinese government, which has based its response on the geographic targeting of lagging areas. The 8-7 National Poverty Reduction Program, introduced in 1994, was designed to address problem areas where poverty was persisting (Wang, 2005). The programme targeted 592 'poor' counties and was designed around three components: subsidised loans for households and enterprises; food for work programmes drawing in surplus farm labour for infrastructure projects; and government budgetary grants for investment (Wang et al., 2004). Spending on the 8-7 Program accounted for 5-7% of total government expenditure from 1994-2000, with RMB 124 billion allocated to the 592 counties.

Impact: It is difficult to isolate the effects of the 8-7 Program from other important changes in the institutions and policies guiding social and economic development. While the rate of poverty reduction accelerated during the period of implementation, with the number of poor rural people declining from 80 million to 32 million between 1993 and 2000, this could be attributed to a combination of different policies and interventions (Wang et al., 2004). For instance, important reforms in procurement

increased farm-gate prices and represented a shift away from previously urban-biased pricing policies. This may have been more important in driving down rural poverty than programmes such as the 8-7 Program (Weiss, 2003, in Weiss, 2004).

But the 8-7 Program did make a noticeable contribution to growth in poor areas, and evidence suggests that resources from the programme were well-targeted at the county level (Wang et al., 2004). Also, during the life of the 8-7 Program (1994-2000), designated 'poor' counties experienced higher than average growth in agricultural production and household net income. The growth rate of agricultural GDP in the poor counties was 7.5%, compared with a national average of 7%. Household net income per capita increased from RMB 648 to RMB 1,337, growing at an annual rate of 12.8%, two percentage points higher than the national average (ibid). This echoes findings of higher rates of growth in geographically targeted poor counties in earlier Chinese poverty reduction programmes (Park et al., 2002 and Zhang et al., 2002, both in Weiss, 2004).

While these results are encouraging, closer examination reveals some key structural deficiencies, which may have reduced the programme's effectiveness in alleviating spatial poverty and inequalities. While the 8-7 Program's investments led to higher rates of growth in poor counties, we must consider how this growth was distributed *within* counties. In particular, implementation of the 8-7 Program's subsidised loans was complicated by the leakage of benefits to non-poor villages, township and village enterprises and non-poor households. Weiss (2004) notes that, because of the real financial constraints these counties faced, local officials had incentives to divert funds to projects capable of generating revenue, rather than funding projects that would achieve the greatest poverty impact. This may also have resulted in the diversion of funds away from longer-term poverty reduction goals.

Case study 6: Presidential Instruction Programme for Less-Developed Villages in Indonesia

Issue: Indonesia has made significant progress in growth and poverty reduction in recent decades: the poverty headcount dropped from 70 million (60% in the population) in 1970 to 27 million (15%) in 1990 (Yamauchi, 2005).

But significant regional and sub-regional disparities remain (Balisacan et al., 2003). Intra-country welfare disparities are the result of spatial concentrations of both resource endowments and major industrial activities (Islam, 2003). Jakarta and West Java – the nation's major industrial centres – account for roughly 30% of national GDP. Investments in infrastructure and human capital are located primarily on Java, with additional significant investments on North Sumatra (Hill, 2002). In contrast, the eastern provinces – where people rely primarily on agriculture – produce less than 1% of Indonesia's GDP. They also have far higher rates of poverty (ibid).

So, despite Indonesia's growth and reductions in poverty, high levels of poverty persist in remote areas. Indeed, Daimon (2001) finds that spatial factors, including quality of public goods in a district, remoteness and rural residence, are statistically significant in determining levels of per capita expenditure and poverty rates in Indonesia.

Policy response: In 1994, the Presidential Instruction Programme for Less-Developed Villages (known in Indonesian as *Instruksi Presiden Desa Tertinggal* or IDT) came into effect. The programme was intended to target poor villages and reduce the poverty headcount from 25 million (the official headcount in 1993) to 12 million (by the end of Replita VI, or the sixth five-year plan). It was expanded in 1996, but then abandoned in 1997 in the wake of the Asian financial crisis (Daimon, 2001).

The programme sought to reduce poverty through redistributive centre-to-region fiscal transfers. In response to criticisms of the overly centralised administration of a previous programme (called Inpres), the IDT was designed to allow local needs and expertise to take precedence over the broad application of national goals and strategies. The implementation of the IDT involved two distributional stages. The

first involved the selection of poor villages, by classifying each village according to a range of socioeconomic indicators. A village was classified as 'poor' based on its position relative to the provincial average, as well as on a subjective assessment from a field inspection by local officials. Based on this approach, 31% of villages in Indonesia were classified as poor or neglected (Weiss, 2005). Each targeted village received identically sized transfers from the central government, regardless of population or severity of poverty.¹⁶ The second stage involved the disbursement of funds to *pokmas* (community groups), which made proposals for the use of funds to the sub-district office (Yamauchi, 2005). This was in contrast with previous Inpres programmes, which had increased the financial capacity of regional governments to deliver infrastructure projects.

Impact: Conclusions about the effectiveness of the IDT are mixed. It has been found that the IDT programme has contributed to reducing regional inequality (Daimon, 2001). It has also helped develop self-employment activities among young men, which has reduced unemployment and increased household expenditure on non-food items of housing and clothing. In doing so, it has supported two of the programme goals: increasing employment opportunities and improving welfare (Yamauchi, 2005). These findings must be interpreted with caution, however. All poor villages received grants, so there was no control group.

The programme may also have supported social cohesion in Indonesia. Niles (2001) finds that people in poorer areas have a positive perception of the programme and think of the funds as coming straight from 'Pak Harto' (President Suharto).

Critiques of the programme include that it stifled entrepreneurship and innovation in receiving villages and created a system of 'dependency' in poorer regions, while fuelling feelings of exploitation in resource-rich regions (Islam, 2003; Niles, 2001).

Case study 7: Vietnam's Programme for Socioeconomic Development in Communes Faced with Extreme Difficulties

Issue: Vietnam is widely described as a success story. In recent decades, it has experienced rapid economic growth and significant reductions in poverty. But social and economic development indicators show large and in some cases increasing spatial disparities. Headcount poverty rates are highest in the mountainous border regions in the northeast and northwest of the country, as well as in the interior areas of the central coast and the northern Central Highlands (Minot and Baulch, 2005). Depth and severity of poverty display similar spatial concentrations (Minot et al., 2003). While the areas around the major cities of Hanoi, Ho Chi Minh City and Haiphong have captured a greater portion of industrial production, the less-favoured areas remain largely agricultural and relatively excluded from the nation's increasingly rapid economic growth (Diez, 1999, in Hill, 2002). During the period since the inception of *Doi Moi* economic reforms, this regional divergence has only increased, with foreign investment concentrated in the industrial centre (Hill, 2002).

Work by Minot et al. (2003) suggests the presence of spatial poverty traps:

'The analysis of the geographic determinants of poverty reveals that three-quarters of the variation in rural poverty at the district level can be explained by a small number of agro-climatic and market access variables. This finding is somewhat troubling because it is not possible to design policy interventions that directly influence the agro-climatic variables. So those living in districts with steep slopes and poor soils may be caught in spatial poverty traps from which it is difficult to escape.'

Policy response: As part of a larger effort to address issues of persistent poverty, the Government of Vietnam (GoV) initiated the Programme for Socioeconomic Development in Communes Faced with Extreme Difficulties (also known as Programme 135 or P135) to address some of the challenges facing

¹⁶ Yamauchi (2005) estimates this transfer at \$8,932.

disadvantaged areas. The first phase of the programme (1999-2004) reached 2,374 communes (MOLISA and UNDP, 2004). Communes targeted were in ethnic minority and mountainous areas. These areas were geographically remote, experienced harsh agro-ecological and climatic conditions and had few opportunities to participate in and contribute to Vietnam's economic growth (Thuat and Quan, 2008).

Programme management was decentralised to the commune level. Funding came largely from the central government, although some provinces provided funding too. Funds were allocated equally to each 'poor' district and disbursed to each commune. Investment focused on five areas:

1. Infrastructure at the village and commune level (e.g. roads, health centres, schools, irrigation systems, water supply systems and markets);
2. Infrastructure at commune-cluster level (e.g. inter-commune roads, clinics and markets);
3. Settlement of ethnic minorities;
4. Agricultural and forestry extension programmes;
5. Training of commune-level cadres (MOLISA and UNDP, 2004).

The programme allocated roughly 95.5% of funds to infrastructure at either the village and commune level (76.4%) or the commune-cluster level (19.1%). As a result, most local authorities treated the P135 as a channel for receiving central government investment in commune infrastructure (MOLISA and UNDP, 2004).

Impact: Between 1999 and 2004, P135 supported more than 20,000 small infrastructure projects and training for over 155,000 community staff. The programme is credited with making important contributions to poverty reduction in targeted regions. Indeed, between 2002 and 2006, the Central Highlands experienced an annual 5.8% reduction in poverty and the North West region experienced an annual 4.8% reduction in poverty (Thuat and Quan, 2008).

Qualitative analysis of the effectiveness of P135 infrastructure programmes confirms this positive assessment. In a study conducted by the Ministry of Labour, Invalids and Social Affairs (MOLISA) and the UN Development Programme (UNDP), 85% of respondents said road construction under P135 had a 'significantly positive impact on their lives,' whereas roughly 75% noted that irrigation projects had a 'significantly positive impact on their agricultural production' (MOLISA and UNDP, 2004). In both cases, the main reason given for a lack of satisfaction was poor quality.

The real value in P135 seems to have come from the sheer quantity of its investments and the focus on better connecting remote communities to services and national growth processes. The MOLISA/UNDP study concluded that improvements could be made to the second phase of P135 by increasing the focus on capacity building to enable further decentralisation, which was thought to be crucial to meeting local needs and ensuring that P135 targeted poor people, rather than wealthier people, living in 'poor' communes.

Case study 8: Mexico's PROGRESA

Issue: In Mexico, a north-south divide pervades a range of economic and social indicators, with the more industrialised north performing consistently better than the more agricultural south. Mexico's economic growth, liberalisation and integration into world markets have further entrenched this divergence. For example, Rodríguez-Pose and Sánchez-Reaza (2003) find that, while liberalisation has led to increased benefits for states bordering on the US, as well as Mexico City, the agricultural and natural resource-dependent states in the south (including Chiapas, Oaxaca, Guerrero and Tlaxcala) have suffered relative declines and experienced poor rates of growth. Economic liberalisation and integration have been connected to economic divergence and to a widening of the gap between a relatively rich north of the country and an increasingly poor south (ibid). The gap is along economic indicators, such as income, as well as social indicators, such as education. Poor social and geographic

capital may contribute to keeping these southern regions trapped in poverty, especially given the likely future need for skilled labour in the Mexican economy (ibid).

Policy response: The National Programme for Education, Health and Nutrition (*Programa Nacional de Educación, Salud y Alimentación*, or PROGRESA) began in 1997, with the objective of reducing long-term poverty by providing incentives for households to invest in human capital (Handa et al., 2001). From August 1997 to early 2000, the programme expanded from roughly 140,000 households in 3,369 localities to nearly 2.6 million rural households in 72,345 localities. The annual budget was around \$1 billion.

The programme was highly centralised in nature, representing a significant shift from its predecessor, the National Solidarity Programme (*Programa Nacional de Solidaridad*, or PRONASOL), which ran between 1988 and 1994, and the general shift towards decentralisation in developing country poverty reduction (Skoufias et al., 2001). It was hoped that recentralisation would make PROGRESA less vulnerable to local political influences. This appeared to be effective: Skoufias et al. (2001) found that PROGRESA's targeting mechanisms were extraordinarily robust in resisting elite capture and reaching the poorest households.

PROGRESA provided conditional cash transfers of, on average, 20% of total household expenditures (Caldés et al., 2006). There were two types of conditional transfers – one for education and one for health and nutrition – indexed for inflation and adjusted twice each year. Educational transfers sought to help offset the direct and opportunity costs of schooling that contribute to low levels of educational attainment in poor areas. They were provided for each child aged seven years or above with 85% school attendance. Households with older students or female students who met this criterion received a transfer of greater value. Health and nutrition transfers sought to address food poverty. They were linked to attendance at health clinics and nutrition and hygiene information sessions, and resulted in an additional nutritional supplement for households with children under three years old (ibid).

Targeting occurred in two stages. The first stage used a 'marginality index' to identify the most marginal rural localities. The selected localities were then visited to ensure they had access to the necessary infrastructure (e.g. schools and health clinics) to make sure the conditions attached to the transfers were viable. The second stage targeted households within eligible localities, using census data to identify 'poor' households (Caldés et al., 2006).

Impact: Fuentes and Montes (2003) note that several studies of PROGRESA show that the programme has been successful in reducing poverty in the short term, as well as building human capital to contribute to poverty reduction over the longer term.

For example, PROGRESA localities were found in 1997 to have lower levels of poverty increase than 'control localities' (localities not receiving benefits). This suggests the PROGRESA cash transfers protected poor communities from increases in poverty, even over the short term (Handa et al., 2001). School enrolment rates in targeted areas increased, suggesting children in households receiving PROGRESA transfers would obtain average earnings around 8% higher when they reached adulthood (Schultz, 2000, in Fuentes and Montes, 2003). Both children and adults in PROGRESA communities demonstrated improved health outcomes, including a 19% reduction in days of absence from work in the 18-50 age bracket, lower incidence of illness for under fives, greater participation in prenatal care and a 16% per annum improvement in mean growth between 12 and 36 months (Gertler, 2000 and Berhman and Hoddinot, 2000, in Fuentes and Montes, 2003). Positive spill-overs to non-beneficiary households were also found to exist, raising the level of human capital throughout PROGRESA communities (Handa et al., 2001).

4. Lessons for policy and practice

The policies and programmes included in Section 3 are not suggested as ideal or model responses, to be taken and implemented elsewhere. Indeed, no simple, uniform set of policies is universally appropriate. However, looking across these cases, as well as the other papers in this ODI/CPRC Working Paper Series, a number of broader policy lessons emerge.

4.1 Balance universalism and targeting

First, policies to address spatial poverty traps must strike a balance between universalism in inputs and universalism in outcomes. To do this, spatially targeted policies and programmes may be required. Experiences of implementing universal education policies in Ghana and Uganda suggest that such policies may fail to achieve truly universal outcomes if they rely too heavily on methods that do not take into account the additional challenges faced in spatial poverty traps. Policies such as the Ugandan equalisation grants may need to be scaled up in order to provide lagging regions with the additional resources they need to emerge from spatial poverty traps.

Programmes such as the 8-7 Program in China, Vietnam's P135, the IDT in Indonesia and Mexico's PROGRESA show the value in specifically targeting spatially disadvantaged areas and households. In all cases, there is evidence of progress in terms of growth and/or poverty reduction in targeted areas. Targeting does not come without challenges, however. For example, in China, leakage of benefits to non-poor locations and households complicated the programme. In Mexico, PROGRESA dealt with this through second-round targeting (i.e. identifying households in poor locations), and this proved effective in stemming leakages and targeting intended beneficiaries. The challenge for policymakers is to balance the costs of additional targeting with potential benefits.

4.2 Manage the *form* and *processes* of integration in the economy

Second, policy responses are needed to manage the *form* and *processes* of integration in the wider market economy, to ensure the adverse impacts resulting from integration are mitigated and that people can best make use of the opportunities that increased integration brings. Priya Deshingkar's work on circular migration in India is particularly suggestive of the ways in which spatially integrative processes (i.e. the mobility of labour) can produce damaging outcomes if the policy environment either actively constructs barriers to productive inclusion or, through a non-response, simply fails to mitigate the negative consequences of adverse inclusion (Deshingkar, 2010). The case of resettled villagers in Lao PDR further emphasises the need to account for the new challenges faced as a result of policies designed to facilitate national integration – even where there are acknowledged advantages. Often, attempts to support integration will have to be balanced with policies to promote development in spatially disadvantaged areas. As Shah (2010) notes:

'Attempts to integrate forest management and forest dwellers into the larger framework of development could focus on improving forest resources in forest regions, at the same time enhancing forest dwellers' access to opportunities in the areas downstream. The central thrust should be on recognising forest dwellers' stakes in both conservation measures within the region and development opportunities outside it.'

This shows that solutions to spatial poverty traps are likely to comprise a mix of policy strategies, which involve supporting the connection of spatially disadvantaged and productive areas; ensuring adverse impacts and opportunities from integration are managed/supported; and developing and implementing policies that tackle the causes and implications of disadvantage in spatial poverty traps.

4.3 Adopt short-term and longer-term policy solutions

Third, there is a need to combine shorter-term policies that address immediate deprivations with longer-term policy solutions that address the structural issues that cause poverty. In Orissa, Shah's analysis confirms that, 'while resource transfers through wage employment or other subsidies are crucial to making a dent in chronic poverty in such regions, long-term solutions lie in addressing structural problems, such as the failure of entitlements and the integration of forest management into the larger framework of development in a number of forest-based economies' (Shah, 2010). Ex-post evaluations of the 8-7 Program in China confirm this, and subsequent anti-poverty programmes aimed at lagging regions such as the Southwest Poverty Reduction Project and the Western Development Initiative have taken a multi-sectoral approach that packages longer-term investments in health and education with infrastructure expenditures, food for work programmes and other more immediate return investments in economic performance. In the same sense, the achievements in health and education under PROGRESA in Mexico will need to be matched with opportunities for productive employment that take advantage of the additional human capital.

4.4 Respond to different scales and settings of spatial poverty traps

Fourth, policy frameworks must address the different scales on which spatial disadvantages are manifest, and the different settings in which spatial poverty traps might be found. Several authors in the series point out the importance of acknowledging variations in poverty at any given level of aggregation. Burke and Jayne point out variation at the household-level in their analysis in rural Kenya (Burke and Jayne, 2010). Jay Oelbaum notes, based on his work in Northern Ghana, that heterogeneity within a given region is likely to have important impacts on the effectiveness of policy (Oelbaum, 2010). Ursula Grant's paper suggests the importance of dealing with urban spatial poverty traps that emerge within limited areas as small as a single town (Grant, 2010).

This reflects the importance of understanding context and working at a sufficient level of disaggregation to identify areas or pockets of spatial disadvantage. It is not enough to provide aggregate growth figures or to trumpet aggregate reductions in poverty. We need to explore what is going on behind these figures and to understand the distribution of benefits. We need to know where people are living in income poverty; where people do not have access to water, markets or decent work; where people are unable to engage in political decision-making processes; and where people do not have access to good quality public services. It also points to the need to acknowledge that spatial poverty traps will be found in a range of contexts, within countries but also within regions and cities. Policy responses need to be cognisant of this variation and respond to a spectre of settings, ranging from remote rural areas through to overcrowded urban slums.

5. Conclusions

This paper has argued that the spatial dimensions of poverty should matter to policymakers. By reviewing how the spatial dimensions of poverty feature in government and donor discourse, and a series of policy responses to spatial poverty traps, we have examined how spatial disparities fit into development policy discourse and how governments have sought to address it.

We find that, despite progress on economic growth in a range of countries, increased disparities between regions and areas represent a prominent trend. Our admittedly superficial review of policy documents leads us to suggest that this is something that governments have done a better job of acknowledging and grappling with than donors.

We believe that *inclusive* growth should remain at the front of our minds. Attempts to kick-start and/or drive economic growth need to be balanced with concerns as to how the benefits of this growth are distributed. Medium-term economic change and progress – the focus of much of the 2009 WDR – need to be balanced with poverty reduction in the short term. We cannot assume the presence of a developmental state and effective redistribution mechanisms that will take care of the current and very real needs of poor populations, and therefore policies to support this must be part of the policy package.

Evidence presented in this paper, and this series, leads to the conclusion that development objectives need to consider the means (and the implications of this for poor people) rather than just the end, as well as how poor people fit into developmental processes. This requires poverty analysis and active policy responses that identify the challenges facing the poor, wherever they are living, and that help provide them with the tools to overcome the compound disadvantages that confront them, including those inherent in spatial poverty traps.

Traditional policy instruments, which seek to address poverty pockets and spatial poverty traps singly through universally applied sectoral policies or vertical programmes, are not adequate. They need to be complemented by area-based approaches that consciously seek to address context specificity. If applied, this would mean a layering of policy instruments, with interventions and policies seeking to address the needs of specific life-cycle groups (e.g. children, youth, older people) overlaid with those focusing on the needs of other categories or groups (e.g. pastoralists, small farmers, micro entrepreneurs, slum dwellers, widows, orphans, people living with AIDS, conflict-affected people) and those in specific socioeconomic categories (e.g. the poorest, the destitute, the unemployed). Such a layered approach to policy would enable governments to reduce both within-area inequality and between-area inequality, delivering a level playing field to enable equitable access to opportunities and benefits from the growth and development process.

Given the institutional weakness of many low-income developing countries, this is an ambitious agenda. Many governments struggle to deliver the most basic of public services to near urban populations, let alone those in remote and isolated communities. However, governments that are seeking to meet the Millennium Development Goals (MDGs), that provide universal service provision, that meet the socioeconomic rights of their citizens and that extend the beneficial reach of the state need to be cognisant of this demanding agenda.

This means that policies and programmes need to be in place specifically to address the geographic disadvantage experienced in spatial poverty traps. While universal, sectoral and/or vertical programmes are necessary, in many cases they may not be sufficient. Spatial poverty traps will require additional policy and programmatic attention to address the compound disadvantages they face.


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ISBN 978 1 907288 13 5
Working Paper (Print) ISSN 1759 2909
ODI Working Papers (Online) ISSN 1759 2917