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Chronic Poverty Research Centre

Spatial poverty traps

An overview

Kate Bird, Kate Higgins and Dan Harris

ODI Working Paper 321
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Results of ODI research presented in preliminary form for discussion and critical comment

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Contents

1. Introduction

Billions of people around the world live in spatial poverty traps – geographic pockets of poverty, disadvantage and marginalisation. Spatial poverty traps are found in detached, remote rural areas and also in the burgeoning slums of cities. They are home to large numbers of people: around 1.8 billion people live in 'less favoured,' 'low potential' areas, and around 1 billion people live in slums in the developing world (Pender and Hazell, 2000, in CPRC, 2004; World Bank, 2008).

The geographic variation in poverty, and in development outcomes more broadly, has sparked significant interest over the past decade. Paul Krugman's Nobel Prize winning work explores the spatial dimensions of economic activity (Fujita et al., 1999; Krugman, 1991). Jyotsna Jalan and Martin Ravallion analyse the relationship between neighbourhood endowments and household productivity (Jalan and Ravallion, 1997, 2002). The Chronic Poverty Research Centre (CPRC) examines the relationship between remoteness and long-duration or chronic poverty (CPRC, 2004). Ravi Kanbur and Tony Venables led a comprehensive research project investigating spatial disparities and development policy (Kanbur and Venables, 2005). And the 2009 World Development Report – *Reshaping Economic Geography* – is a policy-focused investigation of economic geography and development policy (World Bank, 2008). All of this work has confirmed that 'place' and 'space' are significant determinants in development, and worthy of policy attention.

This paper provides an introductory overview of a joint Overseas Development Institute (ODI) and CPRC Working Paper Series on 'Spatial Poverty Traps – What Are They and What Can Be Done About Them?' This series seeks to progress thinking and debate on the spatial dimensions of development, with a specific focus on poverty. The series is interdisciplinary in nature, including papers by geographers, economists, anthropologists and political scientists. It captures evidence from a range of low-income countries. The series is policy-focused: as well providing insights into the nature of spatial poverty in low-income countries, our hope is that the series provides tractable and realistic policy advice on how policies and programmes can think through and address poverty resulting from spatial disadvantage.

Following this introduction, we define, and provide evidence of, spatial poverty traps (Section 2). Section 3 argues the policy relevance of spatial poverty traps, and Section 4 offers an overview of the papers in this series. Section 5 draws the series together by identifying a number of critical themes, as well as suggesting avenues for future research and analysis.

2. Spatial poverty traps: definition and evidence

2.1 Defining spatial poverty traps

Spatial poverty traps are where 'geographic capital' (the physical, natural, social, political and human capital of an area) is low and poverty is high, partly as a result of geographic disadvantage. Spatial poverty traps may be geographically remote (areas that are far from the centres of political and economic activity), 'low potential' or marginal (ecologically disadvantaged areas that have low agricultural or natural resources), 'less favoured' (politically disadvantaged areas) or 'weakly integrated' (areas that are poorly linked both physically and in terms of communication and markets) (CPRC, 2004). The endowments of the area explain a substantial proportion of the poverty of people living in it, controlling for individual and household characteristics, such as age, household composition or ethno-linguistic group (Jalan and Ravallion, 1997; Ravallion and Wodon, 1997). Essentially, *location* goes a long way to explaining *why* the people that live there are poor.

'First nature' geographic characteristics, such as topography or proximity to the coast, play an important role in the existence of spatial poverty. But, as Kanbur and Venables (2005) highlight, 'second nature geography' – the geographical distribution of infrastructure and public services – is also critical in explaining spatial disparities. Bird et al. (2010), in their contribution to this series, survey the literature to propose that the following factors contribute to the emergence of spatial poverty traps:

- Agro-ecology: An area's agro-ecological characteristics can influence the ability of residents to meet their basic needs.
- Institutional, political and governance failures: Institutional, political and governance failures, at both national and sub-national levels, can contribute to the emergence of spatial poverty traps. The 'contract' between central government and citizens in remote, marginal and less favoured areas might be weak and, even when political will exists, the additional costs and constraints in working in a particular area may compromise the quality of service delivery (Farrington and Gerard, 2002, in Bird et al., 2010).
- Stigma and exclusion: Stereotypes based on ethnicity, race, language, religion or culture can lead to the social exclusion of and discrimination against people living in certain geographic locations. This can lead to political instability and insecurity and increasing economic and social inequality. Socially excluded groups may suffer from discrimination in labour, credit and housing, and also in other markets if they attempt to migrate to less disadvantaged areas. They may also be blamed for political unrest and crime, and they tend to be poorly connected to political elites and thus weakly protected.
- Physical isolation and inadequate infrastructure: In less favoured rural areas, low population densities can drive up costs of providing basic services and extending physical infrastructure in comparison with more densely populated urban areas, where a more effective political lobby for infrastructure investment may also exist.

In addition to these factors, we suggest that crime and violent conflict can also lead to the emergence of spatial poverty traps.

2.2 Evidence of spatial poverty traps

Theoretical and conceptual literature establishing spatial disparities has been accompanied by numerous empirical studies that demonstrate the existence of spatial poverty traps. Following Jalan and Ravallion's original work in China, several studies demonstrate empirically the existence, and drivers, of spatial poverty traps. Bird and Shepherd (2003), in their empirical study of semi-arid zones

in Zimbabwe, identify a clear link between high levels of remoteness, low levels of public and private investment and high incidence of chronic poverty. Escobal and Torero (2005) find similar results in Peru: they identify a strong association between spatial inequality and variation in private and public assets. Minot et al. (2003) argue explicitly for the presence of spatial poverty traps, given that interventions have been unable to address the small number of agro-climatic and market access variables that explain roughly three-quarters of poverty in rural Vietnam. In his work on Indonesia, Daimon (2001) describes the presence of a spatial poverty trap in which spatial factors, including quality of public goods in a district of residence, remoteness and rural residence, are statistically significant in determining levels of per capita expenditure and poverty rates. Christiaensen et al. (2005), in their cross-Africa study, find that the impact of economic growth on poverty reduction depends on how remote households are from economic centres and how well they are served by public infrastructure. Drawing on research from Madagascar, Fafchamps and Moser (2004) argue that, in the developing world, isolated regions tend to have more banditry and are more likely to harbour armed terrorist or insurgent groups than better connected areas, and that this can lead to the deepening of spatial poverty traps.

Spatial poverty traps present many challenges to development policy. One such challenge is that they may in fact be the result of development policies or interventions, as Fu (2004) finds in China, where regional disparities are related intimately to the structure of exports and foreign direct investment. The emphasis on a pattern of economic growth associated with foreign direct investment, labour-intensive production and processing-related exports in the coastal regions has attracted relatively mobile and efficient resources from the inland regions, but has offered only limited growth to the sending regions, exacerbating regional disparities. Another challenge spatial poverty traps present is their heterogeneity, which means that varied policy responses are required. For example, Okwi et al. (2006) find that a range of spatial factors explain the differentiation in welfare levels across provinces in Kenya, which therefore require variable policy responses.

3. Relevance of spatial poverty traps

Why do spatial poverty traps deserve policy attention? First, the scale of the problem is significant. There is a clear and compelling body of evidence demonstrating that spatially determined factors can partially explain the poverty experienced by a large number of people in the world. The factors may be more responsive to policy interventions than household- and intra-household-level drivers of poverty.

Second, the poverty that people in spatial poverty traps experience is likely to be characterised by compound disadvantage: low returns on all forms of investment, partial integration into fragmented markets, social and political exclusion and inadequate access to public services. They are more likely to be not only income poor (poverty headcount) but also severely and chronically poor (poverty gap and poverty duration).

Third, the 'bad neighbourhood effect' constrains the opportunities of people living in spatial poverty traps and limits poverty exit. This means that, even if an individual in a spatial poverty trap has the entrepreneurial skills, the investment capital and the will to invest in a business, the returns on their investment will be lower than in a better connected area with higher geographic capital and a 'good neighbourhood effect.' Such areas are blighted, and enterprise success is harder to achieve. The bad neighbourhood effect extends its blighting effect to investments in human capital too. Parents investing in their children's education in a spatial poverty trap are likely to receive a poorer return on their investment. Even if their children attend a good school and receive a technically good education, the absence of local and accessible successful role models and good entry-level employment opportunities will make success harder to come by.

Fourth, most national household survey data show a significant regional dimension to the incidence of poverty (Bird et al., 2010), and spatial poverty traps can be found even when a country has experienced economic growth and aggregate reductions in the poverty headcount (CPRC, 2004). So, if reducing poverty, addressing chronic poverty and facilitating more equitable growth is a desired outcome, understanding and addressing this geographic dimension of poverty is crucial.

Finally, despite an acknowledgement that poverty is higher in certain regions and areas within regions, and the prominence of location in explanations of poverty, this fact has generally received low levels of attention in development policies and debates. This Working Paper Series aims to highlight this issue and make the case for a stronger focus on spatiality.

4. Overview of this Working Paper series

This Working Paper Series offers a disciplinarily and geographically diverse collection of studies of spatial poverty. Kate Bird, Andy McKay and Isaac Shinyekwa, in their paper 'Isolation and Poverty: The Relationship Between Spatially Differentiated Access to Goods and Services and Poverty,' offer disaggregated evidence to substantiate the suggestion that poverty headcount levels are likely to be significantly higher for those living in remote or isolated locations.

They argue that, so far, most evidence highlighting spatial disparities has been highly aggregated (e.g. the north versus the south of a country), rather than at a level useful to inform policy choices. They seek to address this gap in Uganda by using available quantitative data to develop composite indices of isolation, based on a series of indicators of access to infrastructure and services, then using this to examine the relationship between isolation and different aspects of poverty.

They find a strong correlation between isolation and poverty, including chronic poverty, and identify some of the channels underlying this association. Specifically, they find that households in remote areas have lower levels of market participation (including commodity and financial markets), itself associated with poverty; they make less use of public services (which are often further from users); and household members (particularly women and children) have to devote more time to fetching wood and water. They argue that is it unlikely that current development processes will do much to mitigate or reverse high levels of poverty in isolated areas (Bird et al., 2010).

Priya Deshingkar's paper, entitled 'Migration, Remote Rural Areas and Chronic Poverty in India,' explores the relationship between the incidence and the impacts of circular migration on chronically poor households. She draws on three rounds of qualitative and quantitative data from six villages in the Indian states of Andhra Pradesh and Madhya Pradesh, and finds that migration incidence is highest among chronically poor households in remote villages – places that have characteristics of spatial poverty traps.

Deshingkar argues that migration is critical to managing risk and smoothing consumption for a majority of chronically poor households living in remote rural areas. Income generated through migration allows families to eat better and more regularly, pay for health care when needed and improve the creditworthiness of family members left behind in the village. It does have its drawbacks, however. Migrants often work in dangerous and dirty jobs, characterised by low pay, poor employment conditions, debt bondage, limited personal freedom and restricted access to information. Deshingkar argues that the reality is that circular migration is not going away, that on balance it benefits poor people and, therefore, that the government of India needs to move from being anti-migration to facilitating migration to enable poor people to accrue the benefits of migration. Policymakers need to recognise migration as an important poverty interrupter and develop policies and programmes that allow migrants, sending areas and receiving areas to maximise its benefits. At present, migrants cannot access subsidised food through the Public Distribution System (PDS), which works on residence criteria, nor can they easily access state schools, cheap housing or government health care. There is an urgent need to reform policy in these critical areas (Deshingkar, 2010).

Jay Oelbaum's paper, 'Spatial Poverty Traps and Ethnic Conflict Traps: Lessons from Northern Ghana's "Blood Yams,"' considers linkages between the spatial dimensions of poverty and war in the conflict-prone northern areas of Ghana. Looking specifically at the Guinea Fowl War of 1994, the paper examines how the conflict affected the region's poverty profile. The paper produces a counterintuitive conclusion on the relationship between changes in poverty, inter-ethnic inequality and conflict in this region.

Oelbaum argues that many existing arguments established in the conflict and spatial poverty literature about the relationship between remoteness, poverty and insecurity are valid. However, he presents

evidence that contrasts with much of this, arguing that the conflict in question was not caused primarily by the increasing *marginalisation* of economic agents in the region but rather by pressures related to increasing opportunities for income generation, poverty reduction and national integration under economic reform. These gains created friction in the region's ranked ethnic system and put local exclusionary tenure and political-institutional arrangements under strain (Oelbaum, 2010).

Amita Shah's paper, 'Patterns of Poverty in Remote Rural Areas: A Case Study of a Forest-Based Region in Southern Orissa in India,' presents the southern region of Orissa as a spatial poverty trap – it has suffered high poverty incidence during a period when poverty in other parts of the state has declined. The high and sustained level of poverty in this region is the outcome of a complex mix of factors – natural, historical and economic. She argues that government policies have a long history of attempting to develop 'backward' areas, but that these policies have resulted in only limited success. This is because the central focus of the policies has been on 'mainstreaming' these areas into the larger processes of economic development rather than addressing the very root causes of their poverty (Shah, 2010).

Ursula Grant, in her paper entitled 'Spatial Inequality and Urban Spatial Poverty Traps,' makes the case for urban poverty analysis in the context of spatial poverty analysis and policies. Framed within the context of rapid urbanisation in many developing countries, and concurrent rises in urban poverty, she argues that we need to improve understanding of and policy responses to urban spatial poverty traps. She makes the case drawing on social and micro-level analysis to understand the dynamics driving urban spatial poverty traps. The concluding part of the paper presents a series of examples and experiences of urban spatial poverty traps in developing countries, including in the urban inner city, the peri-urban periphery, small towns and refugee centres. The paper also discusses the direct investment choices and governance shifts necessary for combating spatial inequality. Grant concludes that a shift is required in policymaking processes to incorporate both geographical analysis and social analysis into strategically considered national and urban development plans (Grant, 2010).

Bill Burke and Thom Jayne, in their paper 'Spatial Disadvantages or Spatial Poverty Traps: Household Evidence From Rural Kenya', explore the relative importance of spatial factors in explaining household wealth; identify the spatial characteristics of a range of income groups; determine the effect of compound disadvantage on the likelihood of chronic poverty; and assess the evidence of spatial poverty traps in rural Kenya. They find that spatial factors are a substantial determinant of wealth, explaining a relatively similar share of the total variation in wealth as household-specific factors. In addition, they find that the chronically poor and consistently non-poor households tend to cluster into areas with particular spatial characteristics. For example, the chronically poor are disproportionately likely to be far from a motorable road and more likely to live in areas with relatively little access to education (particularly higher education). In addition, areas with land constraints and relatively low agricultural potential are more likely to contain chronically impoverished households. This contrasts with the experience of the consistently wealthy and households rising out of poverty. Burke and Jayne's analysis also confirms the argument that spatial poverty traps are likely to emerge when spatial disadvantages overlap. They find that market isolation, low average rainfall and land constraints increase the probability of chronic poverty above and beyond their individual effects. Referring to this as 'compounded effects', they find that certain features in combination increase the likelihood of a household being poor more than the sum of their individual effects.

They challenge our conception of spatial poverty 'traps', however, and suggest that perhaps spatial disadvantage is a better conceptualisation of the challenge. This conclusion is based on their findings that while there is a strong correlation between spatial factors and static welfare, not all households in areas characterised as spatial poverty 'traps' are chronically poor. In fact, they find that poor households are often surrounded by others who manage to remain above the bottom tercile or even rise out of poverty, indicating that spatial factors are not the only determinants of poverty. In addition, the proportion of households that have climbed out of poverty is not greatly different between areas of low and high mean wealth, indicating that location does not necessarily 'trap' people in poverty. They also emphasise that household-specific factors are of considerable importance in explaining variation

in household wealth across the nationwide sample and that the relative explanatory power of spatial factors, though substantial, is slightly less than that of household-specific factors. This leads them to suggest that spatial disadvantage may be a more accurate way of describing the spatial dimensions of poverty in Kenya, and highlight the need for policies that address household, as well as spatial, drivers of poverty (Burke and Jayne, 2010).

Kate Higgins, Kate Bird and Dan Harris conclude the series with their paper 'Policy Responses to Spatial Poverty Traps.' In this paper, the authors first explore the extent to which spatiality has penetrated the development discourses and policies of governments and donors, focusing on national development strategies and major donor policy papers. The second part of the paper explores policy responses to spatial inequality and poverty pockets, presenting a series of case studies that highlight the diversity of policy and programmatic responses to spatial disadvantage. By acknowledging the centrality of context specificity to the arguments discussed in this paper and elsewhere in the Working Paper Series, rather than presenting a 'one-size-fits-all' response to spatial disparity, the authors argue that effective responses are likely to include some combination of macro and enabling policies, sectoral policies and spatially targeted policies. Such a layered approach to policy, designed to address variation in needs across dimensions, including spatiality, would enable governments to reduce both within-area inequality and between-area inequality. This would deliver a level playing field to enable people to more equitably access opportunities and benefit from the growth and development process (Higgins et al., 2010).

5. Importance of 'place' and 'space' in poverty analysis and development policy

The papers in this series often build on ideas of place and space first explored in earlier work on local economic development, integrated rural development and both social and economic geography. However, in many policy circles, attention paid to understanding spatial disadvantage and developing specific policy responses to spatial issues has wavered, if it has not been lost entirely. Part of the explanation for this inattention is the historical trend towards the reduction of effective distances. The invention and popularisation of successive new technologies (the telegraph, containerisation of shipping cargo, the internet) better linking populations, goods and services over vast distances have led to waves of enthusiasm for some variation of Thomas Friedman's 2005 conclusion that 'the world is flat' (Friedman, 2005). Indeed, reading much of the recent literature on globalisation, one is tempted to believe it is only a matter of time until the transaction costs associated with space are a thing of the past. The evidence presented in these papers suggests that, although the overall trend towards reduced effective distances over the past three centuries may explain much about the evolution of development on both a domestic and a global scale, the death of distance is far from a *fait accompli*.

While transport costs may be shrinking as a global aggregate, as petroleum costs fluctuate it is not clear how sustainable this downward pressure on prices will be. In addition, decreasing costs for transport are not experienced universally. To give two examples: in Pader, Northern Uganda, it takes two hours to travel on unpaved roads from one end of the district to the other – a journey of less than 100km. This journey is unaffordable for many villagers, whose travel is limited to journeys on foot and so within a radius of home of around 20km. Another example is from Zimbabwe, where many people cannot access basic health services because of their inability to afford public transport. The suggestion that the 2009 World Development Report puts forth – connecting people to markets – is not new. Indeed, it has been discussed for a long time. But putting this into practice in countries like Uganda and Zimbabwe has proved to be a challenge. Thus, while the arguments in this Working Paper Series do not necessarily contravene the position that reducing transaction costs would be beneficial for economic growth in the aggregate, they also highlight the fact that today's reality, as well as that of the foreseeable future, is far from a zero-transaction-cost scenario. Place and space retain their relevance in determining economic growth and poverty outcomes, even in this *relatively* connected world.

A second key theme that emerges from the Working Paper Series is the need for greater recognition of the importance of spatially informed analysis and policymaking capable of responding to challenges like those in Uganda and Zimbabwe described above. From a policy perspective, we interpret this as a call for development policies and programmes that recognise both the absolute and the relative components of 'place' and 'space.' In other words, poverty analysis and development policy must address both a location's spatially specific characteristics as well as its wider integration into regional, national and global contexts. Finding this balance has proved challenging.

In practice, such policies operate in the middle ground between strictly universal and strictly targeted approaches. Those which rely too heavily on principles of universality fail to recognise the importance of the location-specific challenges inherent where geographic capital is low and poverty is high. Providing equally good basic services in geographically isolated areas is likely to have a high cost per capita and high transaction costs. Effective delivery is dependent on the presence of effective hard (roads, power, water and sanitation) and soft (schools, clinics) infrastructure, as well as the political inclination and will to provide equally good services (despite the higher unit cost) in disadvantaged areas. Amartya Sen' work on individual capabilities has argued persuasively on the need to adapt universal policies to meet a variety of needs at the individual level (Sen, 1999). However, this concept has failed to develop similar traction in discussions of space and place in the broader development discourse.

Conversely, in its attention to spatial specificity, development policy that is overly decentralised risks losing the wider perspective and, as a result, does not allow for concerns of equity, inequality or the movement of people, goods and information between areas, or any other relational concept. As Rodríguez-Pose and Gill (2004) argue, the shift in global policy towards decentralisation and devolution 'reflects a subtle, but profound, renunciation of the traditional equalisation role of national government, in favour of conditions fostering economic and public competition, and leading to greater development of initially rich and powerful regions to the detriment of poorer areas.' A number of previous studies have suggested potential path dependencies in regional growth trajectories, and the types of relationships that develop between areas mean initial patterns of poverty have significant consequences for future patterns of growth (World Bank, 2005). A mix of approaches is therefore necessary in order to build a nation state in which populations that currently exist on the periphery are included as equal participants in the social, economic and political dimensions of the development project, thus facilitating the transfer across time and space of not only goods and services but also ideas.

The third key theme that a number of papers in this series emphasise is that, when done well, spatially informed policymaking has the potential not only to facilitate integration but also to help manage the nature of that integration. There is a growing body of work that challenges the inevitability of benefits from growth spilling over or trickling down, not only to those people or places that are not 'well connected to those prosperous parts' (World Bank, 2008), but also to those that are connected through adverse forms of inclusion (Bird et al., 2002; CPRC, 2004; Kanbur and Venables, 2005). Development is not a linear process where some areas are 'left behind,' but rather a process by which some areas, and people within those areas, may be poor and may receive inadequate services, security and governance, precisely because of the way they are integrated economically, socially and politically into national, regional or global webs of interaction. In other words, integration is important, but it is the nature of that integration that determines the distribution of cost and benefit (CPRC, 2004; du Toit and Hickey, 2007).

Arguments predicated on the idea that enabling efficient growth through agglomeration will attract investment and the efficient movement of labour assume that poor people in lagging regions and spatial poverty traps will be both willing and able to relocate for work. Evidence from India suggests that the poorest do not have the kinship networks, the skills or the savings to enable them to move and also to fully engage in society should they reach receiving areas (Bird et al., 2002; Phan and Coxhead, 2007). They may want to move, but they may also be unable to. This suggests that it is not enough simply to enable agglomeration, with the assumption that labour markets will function in such a way as to move labour efficiently to where it is needed, generating wealth and spreading it widely. Instead, government policies and programmes are probably needed to deliver services to hard-to-reach populations in spatial poverty traps in order to build their capabilities and agency so they can not only migrate but also benefit from migration. The 2009 World Development Report rightly advocates this but, as we have seen, there may be challenges in delivering quality services to spatial poverty traps, thus limiting poor people's capacity to migrate.

Each of the papers in this series brings forth a number of new questions for further research and analysis. We present here a selection of such questions, addressing issues of both theory and policy and cutting across the series.

Poverty trap theories, spatial and otherwise, and their associated discourses, have a history of controversy in the development literature. This series presents new research that adds to the as-yet–unresolved debate on the extent to which spatial differentiation in geographic capital constitutes a 'trap' *per se*, or whether it is merely a developmental 'disadvantage.' Based on their analysis of rural Kenya, Burke and Jayne (2010) suggest that 'spatial disadvantage' is a more accurate description than 'spatial poverty trap'. However, contrasts between this conclusion and those presented elsewhere in this series suggest further research and analysis is needed to clarify this distinction. Is it possible to make a binary distinction between cases in which spatial features act as 'traps' and those in which they act as 'disadvantages'? Is it useful to do this? If so, there is a need to delve further into

explanations of the aspects of these two contexts that cause similar spatial features to play out differently.

Thinking constructively about policy, the papers in this series suggest that the 2009 World Development Report represents only a single, debatable perspective on the best ways to tackle spatial disparities, rather than a consensus on best practice. There is clearly a need for more focused, context-specific research on, among other variables, the appropriate form of transfers; choices between implicit and explicit forms of transfers; and the type and extent of targeting mechanisms used. Further research is also needed on the contexts and mechanisms through which policymakers can ensure that assistance to spatial poverty traps does not function merely as 'boomerang aid,' which supports lagging areas only briefly before it returns to growth centres (Fischer, 2009).

Finally, authors in this series note the need for further research on the appropriate level of spatial aggregation for policy formation to address spatial poverty traps. In this sense, spatial questions are inextricably bound up with debates on decentralisation; however, an added layer of complexity is found where discrete levels of administrative authority and zones of geographic characteristics fail to overlap. This is likely to be not only a technical debate but also an enormously political one. Thus, there is the potential for more work on the political economy challenges presented by spatially driven policy responses (and non-responses). These questions need to be examined at a number of levels, including that of the international political economy and the resolution of competing objectives among donors and country governments.

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