

Lagging Lands, Violent Lands – A Framework for Action



Rationale

Economic development is concentrated in a few places. Only 1.5 percent of the world’s land is home to half of its production. In countries like Japan and France, Tokyo and Paris concentrate over 40 percent and 30 percent of their economic activity in less than 4 percent and 2 percent of the country’s land respectively.¹ However, these places have extended the benefits brought by such economic concentration to all regions throughout the country; they have been able to spread high levels of living standards throughout their territories.

However, not all places have been equally successful in spreading the benefits of concentrated economic success. Estimates from more than 100 Living Standard Surveys indicate that households in the most prosperous areas of developing countries such as Brazil, Bulgaria, Ghana, Indonesia, Morocco, and Sri Lanka have an average consumption almost 75 percent higher than that of similar households in the lagging areas of these countries. In comparison, the disparity is less than 25 percent in developed countries such as Canada, Japan, and the United States.² More worrying is the relative persistence of inequalities between regions. And access to basic services between leading and lagging areas has been slower to converge.

Today, spatial disparities persist at national, regional, and local levels in many countries. In Tunisia, 97 percent of households in Greater Tunis have piped water in their dwelling as their main water source, but only 61 percent of households in the North West and Center West do.³ In Egypt, 67 percent of the country’s poor are living in a single lagging region – Upper Egypt, which accounts for a third of the population. Disparities are typically the greatest between the densely-populated cities and more disconnected, distant regions. Kenya’s population is concentrated in the south-west and in and around Nairobi, while a wide range of political, economic, social and environmental challenges constrain growth in the less populated North-Eastern part of the country.

Violence⁴ and economic isolation are closely linked. Violence increases transactions costs, including through a weakening of institutions and the destruction of infrastructure, and thus the economic distance to markets. Conversely, economic distance increases the economic stresses on lagging areas (such as high unemployment, and in particular youth unemployment), which in turn increases the risk of violence (including through the emergence of illicit economic activities). Lags in economic and social development are thus as much a consequence of violence as factors that contribute to it.

¹ Kochendorfer-Lucius, Gudrun, and Boris Pleskovic, eds. 2009. *Spatial Disparities and Development Policy*. Berlin Workshop Series 2009. Washington, DC: World Bank

² World Bank. 2009. *World Development Report on Reshaping Economic Geography*. Washington, DC: World Bank.

³ World Bank. 2014. *Tunisia Urbanization Review: Reclaiming the Glory of Carthage*. Washington, DC: World Bank.

⁴ For the purposes of this note, the term violence includes both interpersonal and political violence.

For instance, limited opportunities in lagging areas often fuel conflict over scarce resources, further exacerbating development challenges. Popular dissatisfaction over lack of inclusive growth has been identified as a central reason for unrest across the MENA region.⁵ And in Africa, lagging areas like the North-East of Nigeria have been lacking access to basic services, and are ridden by violence and face difficult climatic conditions. Violent regions have also been less successful in attracting economic activity. At the same time, growth and income in cities are not homogeneous across different neighborhoods. In Rio de Janeiro, for example, poverty and homicide rates in the favelas are considerably higher than in the rest of the city, and their positive correlation is not accidental.

Violence can thus create a dangerous vicious cycle that deepens the gap between leading and lagging areas. Violent areas are risky for business to invest, challenging for basic service provision, and unattractive for people to move to; they become isolated enclaves with perpetuating disparities and a legacy of physical and psychological trauma⁶. Further, violence not only poses a barrier to growth in and economic integration of the affected regions, it also has a detrimental impact on neighboring areas – both within cities and countries and across national borders.

Conversely, however, policies that prevent violence or rebuild local societies and economies after the end of violence can do much to help these lagging lands integrate into a broader network of economic activity whilst policies that stimulate economic integration can ease stresses and strengthen institutions and thereby reduce the risk of violence. With more than sixty percent of the world's poor predicted to live in conflict-affected and lagging areas by 2030⁷, a framework for action is, therefore, urgently needed to foster development in vulnerable locations.

Framework for Action

The World Bank's World Development Reports on Economic Geography (2009), and Conflict, Security, and Development (2011) provide policy frameworks for addressing development challenges in lagging and violent areas, respectively.

- The World Development Report (WDR) on Economic Geography⁸ provides a framework for policy action that focuses on economic integration and territorial development based on three dimensions of economic geography: distance, density, and division. Supporting higher densities of economic production, allowing agglomeration of labor and capital, and developing lagging urban neighborhoods can foster economic growth. Ensuring shorter economic and physical distances between leading and lagging regions through policies that ease the flow of capital, labor, goods and services can allow people to move to areas where opportunities are concentrated and goods to reach



⁵ World Bank, 2015 'MENA economic monitor: Inequality, Uprisings, and Conflict in the Arab World', Washington DC, World Bank Group

⁶ Blattman, Christopher, and Edward Miguel. 2010. Civil war. *Journal of Economic literature* 48(1), pp. 3-57.

⁷ OECD. *States of Fragility 2016*, p.6.

⁸ World Bank. 2009. *World Development Report 2009: Reshaping Economic Geography*. Washington, DC: World Bank.

larger input and output markets; and in areas where physical, socio-cultural, ethnic, or other thick borders exist, policies to reduce divisions can facilitate regional convergence in living standards.

- The WDR on Conflict, Security, and Development⁹ underscores the centrality of economic, political, and security stresses, such as those faced by lagging areas, and weak institutional capabilities for increasing the risk of violence.¹⁰ When economic density is low (even if the population density is high) and unemployment is high, illicit activities and violence can find fertile ground to flourish. And in places that are distant and disconnected from markets, enforcing the rule of law is harder for governments with limited reach and strained for resources. When divisions, such as social or political differences, are deep, cooperation between communities may be harder, which may contribute to economic isolation. This WDR provides a framework focused on restoring confidence and transforming institutions to deliver citizen security, justice and jobs. Bringing these dimensions into account for policy design, and understanding the social and political stresses on lagging areas, can help improve stability and reduce disparities.

Thinking about policy options that support economic growth while reducing spatial disparities in access to opportunities and living standards is essential not only for economic growth and poverty reduction but also for political and social stability. On the one hand, concentration of economic mass is inevitable and generally desirable from an efficiency point of view; it is a sign of good economic performance. Spatial concentration of economic activity often reflects regional specialization and agglomeration levels that foster economies of scales in the production process. On the other hand, persistent spatial disparities in living standards can adversely affect national unity and social cohesion, foster political instability and increase the risk of conflict. While spatial imbalances in economic growth are inevitable, disparities in access to opportunities and living standards are not.

Bringing together the frameworks of these two World Development Reports can help chart a path that promotes growth and economic clustering, while at the same time efficiently promoting inclusion, equal opportunities, and security. Improving living standards is feasible, when policies acknowledge the challenges people face, rather than focusing on the places by themselves. The evidence suggests that prosperous and peaceful places have worked towards higher densities and integration, which economic forces have transformed into opportunities by bringing people and firms closer to each other in cities, favoring productivity and economic growth (WDR, 2009). As income rises and government capacity increases, disparities in well-being between rural areas and cities will decrease.

Having achieved economic efficiency alongside spatial inclusion, prosperous places increase the opportunity cost of engaging in violence (directly, as people have more to lose; and indirectly as one's willingness to engage also depends on the participation of others). In areas ridden by violence, the provision of basic services proves difficult, and investments even in the most basic infrastructure can go to waste because the essence of fragility lies into the weakness of institutions.

⁹ World Bank. 2011. World Development Report: Conflict, Security, and Development. Washington, DC: World Bank.

¹⁰ The World Development Report 2017 on Governance and the Law reinforced the importance of institutions to prevent violence.

This can be reflected in high levels of corruption, weak rule of law, and poor government effectiveness. By contrast, reducing disparities in living standards throughout a territory can help reduce social unrest; when equality of opportunities prevails, stability follows. The virtuous cycle of citizen security, justice and jobs is embedded in that development process, through the strengthening of institutions and of social inclusion (WDR, 2011).

While the WDR on Economic Geography provides a broad strategy for prioritizing and sequencing policies and investments, the Conflict, Security, and Development WDR provides specific implementation options that are tailored to local circumstances. In essence while the former provides options on the “what and where of policies and investments” the latter provide specific “how to” guidance.

To advance on the lagging areas agenda, it is paramount to recognize that the heterogeneity of challenges across territories needs to be met with a heterogeneity of policy instruments. To leave no area behind, each local challenge needs to be matched with a specific set of instruments. Bringing together dimensions of economic geography –density, distance, and division, alongside FCV challenges -- external and internal stresses and weak institutions, can help inform policy makers as to what is the best set of instruments to address such challenges, so that economic efficiency and spatial and social inclusion go hand in hand. A combined spatial and social lens can help bring all the pieces of the puzzle together, and provide solutions that go beyond sectors and consider coordinated actions in a territory. A common policy framework that draws from spatial information and recognizes the risk or presence of violence, can lead to a better choice of instruments to tackle the challenges.

For example, strategies and instruments that can help a lagging and violent area that is sparsely populated will be different from those that are appropriate for an area with high population densities. In areas where poverty rates are high but that are sparsely populated, and hence the number of poor is also low, a focus on providing basic services to everyone can bring large benefits, and a focus on building local institutions and supporting participatory processes can reduce the risk of violence. Because densities are low, thinking about alternative technologies for service provision that are not dependent on scale economies for achieving efficiency is critical. Alternative models to deliver services such as health care (including nutrition), sanitation, education and security in which local governments work hand in hand with communities, non-governmental organizations, and the private sector to provide services have the potential to (i) gradually building this capacity within government for directly delivering and/or contracting and (ii) regulating implementation in the interim. In this regard, it is essential that the choice of delivery model and the priority interventions be informed by an understanding of the type of violence, the key stresses on the local society and economy, and the range of stakeholders involved.



Instead, for lagging where densities are high, and both the rate and number of poor are large, efforts to improve connective infrastructure will also be necessary to bring about economic transformation. Linking lagging areas to markets and reducing physical and economic distance

between them is key, not only to broaden the sets of opportunities for job seekers and bring firms closer to larger input and output markets, but also to ensure that the rule of law is enforced throughout the territory. Governments, national and local alike, must be able to reach all areas within their administrative boundaries, to provide services, including protection and ensuring safety of its citizens. Interventions that deliver early results (for instance, through labor-intensive public works or community empowerment) can provide short-term space for longer-term policy actions and investments.

In some other places, where violence is recurrent and divisions are entrenched, area-based interventions that are spatially targeted at places with development deficiencies and socially targeted at factors that elevate the risk of violence may be required. This could be the case in areas in and around country borders, where interventions as well as violence, can have impacts that spill beyond national boundaries. In such cases, coordination between administrative areas at national and regional levels will be key to ensure regional stability, and exploit possible positive economic and social externalities such as those achieved by coordination of service provision or transport infrastructure investments. And within cities, relative spatial and social exclusion can create deep divisions that can lead to violence. Targeted investments that are based on evidence, address multiple stress factors, combine different institutions, and involve communities are proven to have an important impact on local neighborhoods that can help dissipate invisible borders in the long run and improve the security of the city as a whole.

This note has outlined a policy framework for prioritizing interventions in lagging and violent areas that can be used to engage stakeholders, highlight the development benefits of inclusive and integrated action, and create momentum towards a global effort to move forward on this agenda. For the World Bank Group, attaining its corporate priorities of ending extreme poverty and increasing shared prosperity will require enhanced capabilities through analytical and operational efforts. But, this cannot be achieved alone. There is an urgent need to develop a broad agreement across a multitude of stakeholders – including other national and local governments, local communities, development partners, and others. This framework can be the beginning of a conversation; it can help chart the way for prioritizing and sequencing interventions, such that both efficiency and equity are achieved. This framework can provide a roadmap to bring development to lagging areas, and ensure that all lands are safe lands where people can prosper.