AN EFFECTIVE APPROACH TO TERRITORIAL DEVELOPMENT

EDE IJJASZ-VASQUEZ

February 2, 2017
INCREASING DEMAND FROM POLICYMAKERS FOR ASSISTANCE ON “TERRITORIAL DEVELOPMENT”

National governments focusing on development of lagging areas
• Home to the poorest/marginalized

Sub-National governments (provinces, states)
• Development along corridors, zones, and formation of new clusters of jobs

Development of places straddling “administrative” boundaries -- Common shocks across “borders”
• Muted demand for lack of “champions” but major public goods value
• Watersheds, basins, drylands, places in conflict
EFFECTIVE TERRITORIAL DEVELOPMENT POLICIES COORDINATE ACROSS SECTORAL INTERVENTIONS

Policy Instruments

- Budget Support for General reforms
  - Civil service reforms
  - Regulatory reforms

- Directed public Expenditures
  - Physical Infrastructure
    - Roads
    - Telecommunications
    - Power
    - Energy
  - Human capital
    - Education
    - Health

- Compensation for Regional unattractiveness
  - EPZs
  - Subsidies/Tax credits
    - Labor subsidies
    - Capital subsidies
    - Others

- Stimulate mobility of land, labor & capital

Develop linkages

Develop local comparative advantage

Help long term Mobility and productivity

Compensate for regional unattractiveness
A TERRITORIAL LENS ALLOWS POLICIES & INVESTMENTS TO BE BETTER TAILORED TO LOCAL ENDOWMENTS AND CONSTRAINTS

Moving from individual operations that may or may not address all binding constraints in a place

- Infrastructure
- Agriculture
- Social Protection
- Support to priority industries

To area based strategies and operations that address binding constraints to development in a coordinated manner

- Better prioritized infrastructure
- Alleviating constraints faced by local firms
- Alleviating constraints faced by local people
Don’t fight density: economic growth will be unbalanced, but development can still be inclusive

Economic integration helps get the benefits of concentration and the long-term benefits of convergence in living standards

Rules of thumb for policy
Integration gets harder.... as urbanization advances, and more policy instruments are needed

Institutions to encourage density in Popayan, Colombia

Institutions and infrastructure to encourage density and reduce distance in Bucaramanga, Colombia

Institutions, infrastructure and interventions to encourage density, reduce distance, and lower divisions in Bogota
Integration gets harder.... as regional disparities become more severe, and more policy instruments are needed

- Institutions to reduce distance in China
- Institutions and infrastructure to reduce distance and encourage density in Brazil
- Institutions, infrastructure and interventions to reduce distance, encourage density, and lower divisions in India
## Prioritizing and Sequencing Territorial Development Policies

<table>
<thead>
<tr>
<th>Geographic policy challenge</th>
<th>Policy priorities for economic integration</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Institutions</td>
</tr>
<tr>
<td></td>
<td>Spatially blind</td>
</tr>
<tr>
<td><strong>L. Incipient urbanization</strong></td>
<td></td>
</tr>
<tr>
<td>1-D</td>
<td></td>
</tr>
<tr>
<td>N. Sparse lagging areas</td>
<td></td>
</tr>
<tr>
<td>I. Close to world markets</td>
<td></td>
</tr>
<tr>
<td><strong>L. Intermediate urbanization</strong></td>
<td></td>
</tr>
<tr>
<td>2-D</td>
<td></td>
</tr>
<tr>
<td>N. Dense lagging areas</td>
<td></td>
</tr>
<tr>
<td>I. Distant from world markets</td>
<td></td>
</tr>
<tr>
<td><strong>L. Advanced urbanization</strong></td>
<td></td>
</tr>
<tr>
<td>3-D</td>
<td></td>
</tr>
<tr>
<td>N. Dense lagging areas and divisions</td>
<td></td>
</tr>
<tr>
<td>I. Distant from markets and small economies</td>
<td></td>
</tr>
</tbody>
</table>
Land tenure security and property rights

England 16th century:
enclosure movement in 1500; Enclosure Act 1604

Denmark 18th century:
Abolition of “villenage” in 1760; communal to private land holdings

USA 19th century: 1862
Homestead Act – the foundation of property rights

Frihedsstøtten (the pillar of freedom) in Copenhagen, commemorating the abolition of villenage
INSTITUTIONS

Ease of land use conversion, basic services

England: 18\textsuperscript{th}-19\textsuperscript{th} century: Land Enquiry Commission; 1832 Reform Acts; Land valuation decrees

Sweden, 1960s-70s: Royal Housing Commission in 1945; Million Homes Programme

Hong Kong, 1930s-70s: 1935 Housing Commission and Town Planning Ordinances; first land-use strategy “Zoning Plan” in 1963

Republic of Korea, 1980s-90s: basic amenities and property rights
PROGRESSIVE PUBLIC FINANCE INSTITUTIONS HELPED FRANCE BENEFIT FROM CONCENTRATED PRODUCTION AND DECLINING SPATIAL DISPARITIES

Scissor effect between the geography of production and income in France

Why: progressive tax and transfer policies

Source: Martin 2005
COORDINATING INSTITUTIONS AND INFRASTRUCTURE

Land markets, transportation

Greater London, 18th-19th century: Land valuation decrees; underground; The Housing of the Working Classes Act 1890 and Cheap Trains for London Workers Bill 1890


Hong Kong, 1930s-80s: 1935 Housing Commission and Town Planning Ordinance (amended overtime); 1963 first land-use strategy “Zoning Plan”.

Bangkok Metro Area, 2000s: zoning and parking spaces; traffic demand controls.
INFRASTRUCTURE INVESTMENTS CAN INTEGRATE LAGGING AREAS WITH NATIONAL MARKETS

Bangladesh: Bridge over the Jamuna River opened market access for producers in the lagging Northwest around the Rajshahi division.

At a cost of $960 million, it provides the first road and rail link between less developed Northwest and with the more developed East.

Better market access helped farmers diversify into high value crops and reduced input prices (Bayes 2007)
COORDINATING LAND DEVELOPMENT AND INFRASTRUCTURE IN MALAYSIA

Land development (public and private funding)

Modernization of the roads and railways (public then private funding)

- Trunk roads (Second, Third and Fourth Malaysia five years plan – 1970-1985)
- Rural roads program (Third Malaysia five years plan)

Increase in the value added of manufacturing output:

- 12% average annual growth between 1971 and 1980
AN AFRICAN EXAMPLE: MAPUTO CORRIDOR LINKS MARKETS ACROSS SOUTHERN AFRICA

Links province of Gauteng SA, Maputo, Swaziland.

Helped realize market integration

Restored the level of transborder trade to pre-independence level

Maputo-Pretoria corridor.
Source: Sequeria et al. (2015)
SPATIALLY TARGETED INTERVENTIONS

WORKS WHEN HANDLED WITH CARE . . .

• Developing and Integrating new cities
• Development of Secondary Cities
• Special economic zones
• Growth Poles
CURITIBA: COORDINATING INSTITUTIONS, INFRASTRUCTURE AND INTERVENTIONS

• Curitiba started its sustainable development trajectory at a population of 300,000 – it is now 1.7 million.

• How they did it?

  • Institutions - Innovative Land Management

  • **Connectivity** - Affordable and Integrated Bus System

  • Interventions – Social considerations, inclusive neighborhoods
Curitiba: Articulated densities with integrated Transport and Land Use
Thriving Metropolis: Coordinated Urban Expansion of Tokyo

Highly concentrated Taito Ward exceeding 320/ha
Rural areas at the periphery
Less extensive Tokyo Harbor

Largest urban area by 1970
“Fingers” of development along rail
Tokyo proper losing population to suburbs

Redensification of the Tokyo proper
Greater Tokyo population reaching 30 million excluding rural areas

Source: https://perihele.wordpress.com/2014/04/18/mapping-japanese-city-spaces-greater-tokyo/
Regional Spatial Plans: 8 including Capital Region

Key Areas addressed in the Capital Regional Plan (TMG + 7 Prefectures)

1. Land development based on data analytics and use of ICT
2. Increasing resilience for expected mega earthquake
3. Creation of “super-mega region” and increasing competitiveness
4. Enhancing flow and connectivity of urban and rural areas
5. Long-term planning with vision for post Olympics/Paralympics development
China’s Special Economic Zones strategically opened up the country to external markets.
ZOOMING INTO SHENZEN..

Shenzen 30 years ago

Shenzen today
INFORMATION PRE-REQUISITES FOR TARGETED INTERVENTIONS : “KNOW THY ECONOMY”

Invest in information on area-specific comparative advantages
• natural, human and infrastructure endowments
• Perceptions of entrepreneurs on local bottlenecks

Identify how different industries value market access, localization, and urbanization economies
• Relocation of economic activity that value agglomeration and market access will need large scale investments and involve spatial equity-efficiency tradeoffs
## PRIORITIZING AND SEQUENCING TERRITORIAL DEVELOPMENT POLICIES

**Geographic policy challenge**

<table>
<thead>
<tr>
<th></th>
<th>Institutions</th>
<th>Infrastructure</th>
<th>Interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>L = local</td>
<td>Spatially blind</td>
<td>Spatially connective</td>
<td>Spatially targeted</td>
</tr>
<tr>
<td>N = national</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I = international</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Geographic policy challenge

#### 1-D
- **L. Incipient urbanization**
- **N. Sparse lagging areas**
- **I. Close to world markets**

#### 2-D
- **L. Intermediate urbanization**
- **N. Dense lagging areas**
- **I. Distant from world markets**

#### 3-D
- **L. Advanced urbanization**
- **N. Dense lagging areas and divisions**
- **I. Distant from markets and small economies**