***Growing out of Spatial Poverty:***

***Growth, Sub-National Equity and Poverty Reduction Policies***

***– A Five-Country Comparison***

Synthesis paper prepared for DFID Rural-Urban Change Team

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# Growing out of Spatial Poverty?
## Growth, Sub-National Equity and Poverty Reduction Policies - A Five-Country Comparison[•]

Deborah Fahy Bryceson

### Executive Summary

1. This paper considers the spatial poverty inheritance and processes of poverty creation and maintenance in Vietnam, India, Ghana, Bolivia and Zambia. It synthesises the main points from five country case studies commissioned by DFID, supplementing this with reference to wider literature. *Spatial poverty* arises from differentiated economic well-being of populations over territorial space and is here defined as relatively deprived consumption levels *and* lower productivity arising from a population's locationally delimited economic sectoral participation.

2. The objectives are to examine: first, key trends in national and sub-national economic growth performance in relation to unfolding sectoral development patterns and resource endowments: second, the patterns and causes of spatial poverty concentrations; third, government policies to address spatial inequalities; and fourth, the role of donors in spatial poverty reduction.

3. Reviewing data and analysis generated by a World Bank (2005) study, this report deploys a sectoral-spatial framework of analysis and a comparative case study methodology to explore sub-national spatial patterns in growth and poverty reduction performance during the 1990s.

***National Growth Trajectories and Distributional Outcomes***

4. The five case study countries provide the widest possible spectrum for evaluating national and sub-national spatial growth, inequality and poverty trends. During the economic liberalisation of the 1990s, Vietnam became one of the fastest growing economies in the world with declining poverty headcounts but rising levels of inequality as opposed to Zambia, which experienced economic retrogression for over a decade, increasing poverty headcounts but decreasing inequality. India, Ghana and Bolivia's economic performances were positioned between these two extremes.

5. Both Zambia and Bolivia, known primarily for their mineral exports, are landlocked and classic examples of 'resource-cursed' poor performers. Both have faced fluctuating international prices for their mineral exports and the restricted labour absorption of capital-intensive mining operations. Ghana has a more diversified economy reliant on gold and cocoa exports as well as having an extensive service sector. Similarly, Vietnam's economy has benefited from economic diversification and innovation in agriculture, industry and services. India, a far larger country areally and demographically, has had the benefit of its own enormous domestic market upon which agricultural growth during the Green Revolution and its aftermath laid the foundation for steady industrial growth during the 1990s.

6. Lewis's (1955a and b) two-sector model of the agricultural and industrial sectors stressed the productivity gains made through transferring labour from rural agriculture to urban industry. More recent studies suggest that unskilled agrarian populations lack an alternative to the pursuit of low productivity agriculture other than similarly low-yielding unspecialised self-employment in trade and service activities within their countries' rural and urban informal sectors.

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[•] This paper has benefited greatly from Alex Duncan's detailed comments and criticisms of the text.

7. Over the 1990s, the sectoral GDP profiles of the five countries have similar sectoral profiles with respect to agriculture contracting in relative terms and the service sector expanding. Deagrarianisation, the shrinkage of the agricultural sector in terms of its share of GDP, livelihood viability and labour absorption, and how markets and states influence the nature and rate of deagrarianisation are pivotal to the welfare of national populations still residing in the rural areas. Agricultural productivity tends to be relatively low and the sector usually accounts for a lower share of GDP than would be suggested by its share of employment. Most countries' manufacturing sectors are not expanding at a rate that could absorb the surplus rural population. Instead these people filter into low productivity rural or urban service sectors. The poverty of the developing world today is largely rooted in the structural labour displacement arising from deagrarianisation.

8. In analysing the GDP per capita growth, Gini index and poverty headcount data (World Bank 2005) from our five country case studies, three different paths emerge: 1) the 'poverty reduction path' of Vietnam, India and Ghana experiencing significant growth, declining poverty but rising inequality; 2) 'status quo stagnation' in Bolivia which registered low growth and poverty reduction and constant levels of inequality; and 3) a 'gravitational descent path', in Zambia, with negative growth, a rising poverty headcount and a reduction in inequality. Zambians were becoming poorer but more equal in their poverty.

9. Deagrarianisation and modernisation have served to tilt migration flows in a rural to urban direction generally in the developing world over the last century. Economic liberalisation and political democratisation have engendered greater personal mobility and new migration patterns worldwide. However, some countries have had political or cultural forces serving to more firmly ground people in the countryside even though the countries may have long urban traditions.

***Spatial Growth and Poverty***

10. There are a number of geographical, political and cultural factors that predispose regions to restricted economic growth and spatial poverty. The key geographical constraints revolve around resource endowments and locational remoteness. In rural areas economic potential is heavily influenced by rainfall and positioning vis-à-vis water sources.

11. Remoteness is a function of geographical distance, inaccessibility or inhospitable conditions, which deter human settlement. Low population densities generally characterise remote areas. The rural population adopt a scattered settlement pattern because the productive carrying capacity of the land is low. In turn a dispersed population raises the cost of infrastructural investment in roads, schools, and hospitals. Large regional discrepancies in living standards arise between remote and non-remote areas due to the high cost and low returns to infrastructural investment in remote areas as well as the lack or imperfection of markets where the number of buyers and sellers is restricted.

12. Over the years, some countries have developed political power structures, heavily entwined with the cultural norms and economic interests of an especially entrenched controlling social stratum identified with urban or specific productive rural sectors. These may serve to continually marginalise the lower income groups residentially concentrated in urban neighbourhoods or rural areas where elites exert their influence and power. A spatial perspective encompassing political economy analysis could help to identify policy measures and incentives capable of breaking locationally specific cycles of economic marginality and political deadlock.

13. Cultural divides based on ethnicity often take spatial forms. This is especially evident in rural tribal settings in which a group's identity is aligned with a collective sense of territoriality.

However, in urban areas as well, people, and especially the poor, are often found residing in ethnic clusters. Here too spatial redress requires the integration of economic, political and social assessment to deal sensitively with the delicacy of cultural identity issues.

14. National growth will be differentially experienced spatially given the sectoral biases in national growth and an area's receptiveness to productivity and employment opportunities. The World Bank (2005) data shows regional poverty headcounts are inversely correlated with growth rates. Those regions with the highest growth tend to witness the highest poverty reduction whereas changes in inequality are less elastic.

15. There has been much debate about the negative and positive impact of cities on national growth and spatial poverty. All five country case studies have higher rural as opposed to urban poverty headcounts with the ratio between the two widening over the 1990s except in Zambia. The countries with the highest urbanisation levels in the 1990s (Bolivia and Zambia) have the poorest GDP growth rates and the highest poverty headcounts. Both countries experienced early urbanisation associated with their respective mining industries. This 'industrialisation' remained reliant largely on mineral extraction and export in both cases, circumstances which are now rebounding unfavourably on the sustainability of urban welfare in Zambia.

16. The World Bank (2005: 26) defines 'pro-poor growth' in a relative sense as the mean growth rate of consumption for the poor. In this sense rural pro-poor growth is strongest in Vietnam whose national growth supersedes all the other countries and Zambia, the country that has experienced negative growth overall. . These paradoxical patterns indicate that GDP growth does not relate to pro-poor growth in any simple way. Countries with high national growth tend to excel in pro-poor urban growth whereas lower growth countries are more likely to experience rural pro-poor growth. Urban pro-poor growth has been outstanding in Vietnam suggesting that the country's economic liberalisation policies of the 1990s favoured industrial and service production concentrated in urban areas over rural agriculture.

***Spatial Policies***

17. National and sub-national governments vary in the scope of their functions, their appreciation of spatial poverty, political biases and policy-making machinery, which greatly influence their ability to take remedial action. The level of development of market forces influences the ability of governments to intervene with positive effect in spatial development especially with respect to local land, labour and credit markets.

18. In many donor circles it is assumed that decentralised and devolved government is better equipped to ensure better spatial distribution of welfare. This may or may not be the case as indicated by the experiences of our five case study countries. Decentralisation can be exacerbating rather than reducing spatial poverty when there are no measures to compensate for large differences in tax revenues between rich and poor regions. Certainly decentralisation does not replace the need for pro-poor interventions on the part of central government.

19. The case study countries encompass a number of official and unofficial approaches to spatial inequalities. The Vietnamese government recognizes the inherited pattern of spatial and ethnic inequalities and has attempted to address it at the same time as it pursues a high growth strategy based on prioritising the already economically well-endowed regions. The Indian government spends a large portion of its budget trying to compensate for regional disparities. Less attentive, the Zambian and Ghanaian governments have done little in the past or at present to acknowledge and address spatial inequalities whereas in Bolivia, policies have implicitly perpetuated the country's deeply rooted ethnic inequalities.

20. Economic policies can address remoteness and spatial inequality in a number of ways. Attention to regional human capital investment and reducing skill differentials is important. The call for infrastructural development, particularly roads, as well as electricity and communications has often been seen as a major part of the solution to imperfect markets and poverty caused by spatial isolation. This however must be viewed, not as a simple remedy, but as a challenge to public finance and maintenance capability, particularly in remote rural areas where both settlement and economic activity are sparse. In any case, the positive impact of roads tends to be highly biased towards the wealthier strata that have better access to motorised transport.

21. Spatial development policies and governance are influenced by the structure of national, regional and local government information and planning linkages between national and local levels and vice versa are critical to sensitive spatial policy formulation. Growth pole policies are an important form of spatial planning and can contribute significantly to national growth. Those that work, however, tend to be skewed towards already established urban areas and may raise the need for zonal cross subsidies for the untargeted areas left behind.

22. Spatial poverty is frequently associated with tribal or other collectively-identified people who are culturally distinct from the majority or groups wielding power. Ethnic problems may arise from spatial and cultural identity cleavages over the course of development because the 'distinct people' are disadvantaged in terms of income, infrastructure and levels of health and education. Some may become acutely conscious of their deprivation and react to the point of provoking civil unrest. Identity politics may remain restricted to local or national levels but there is the possibility of political destabilisation at the international level when sub-national identity cleavages and ethnic group alienation are linked across borders through religious ties, political organisations or trade circuits. In the worst cases, the alienation results in refugee populations whose spatial concentration and collective sense of deprivation becomes ever more acute. Thus, along this vortex of increasingly heightened alienation and impoverishment, donors should ask to what extent their past and present policies entrench rather than defuse ethnic divides? When do donor policies targeting ethnic groups work to exacerbate ethnic problems? At what points can measures encouraging migration, economic integration and cultural mixing preclude spatially delimited ethnic estrangement?

### Role of Donors in Spatial Policy Formulation and Implementation

23. Prior to donors' recent concern with spatial poverty, there were two main avenues through which donors affected spatial growth and equity: 1) donors' exceptionally strong preference for development investment in rural rather than urban areas; and 2) donors' practice of concentrating their aid efforts in specific parts of the country and building up a personnel and service infrastructure in that area to facilitate project operations. Donors became involved in a wide gamut of project activities in a specific region, which was intended to impart regional coherence to donor efforts but sometimes created national incoherence as each region evolved a different orientation and administrative organisation. In many cases, donors' conscious spatial intervention attempts in the past have not been positive because of a bias towards economic considerations without due regard for the associated cultural and political issues.

24. At present, responding to the donors' poverty reduction agenda, aid efforts tend to be focussed as much as possible on deprived areas, but this is often neutralised by donors' current central budget support and sectoral funding in place of project-tied aid. In view of donors' central budget support trajectory, there is need to make room for spatial allocation considerations. DfID country assistance programmes could usefully incorporate a spatial audit of the implications of aid policies related to:

- *sector programmes* – Attention to how different parts of a country are likely to benefit differentially from social welfare investment in health and education as well as in productive spheres is desirable.

- *macro-economic reforms* – Seeking value for money in public expenditure management is likely to lead towards a focus on cost-effective per capita provision of infrastructure or services which could reduce expenditure in more remote areas, or in areas inhabited primarily by a particular ethic group. Searching questions should be asked about how national policies, for example those relating to trade and monetary exchange rates, have sub-national spatial implications.

- *project activities* – Aid-funded projects invariably involve spatial choices through prioritisation of a region or an agro-ecological zone. Linking economic, social and political assessments in locational selection helps to more fully capture the spatial implications of the choices made.

25. Donor policy over recent years has supported two main strategies, namely: improving governance and investing in pro-poor growth. The former tends to stress decentralisation options whereas the latter rests largely on central government-directed intervention. Heightened awareness of the spatial dimensions of economic growth, political power and cultural identity could help to avert contradictory tendencies and provide more coherence to donors' institutional support and investment. A sectoral-spatial perspective goes beyond the dichotomy of centralised versus decentralized public management solutions opening up the possibility of forward-looking sectoral development spatially allocated to combine political balance with optimal national economic objectives. In so doing the inequalities arising from the national growth process and regions with sectoral absorption problems are more likely to be addressed.

26. There has been a long-standing tendency among development practitioners to see issues of rural and urban development as either/or alternatives. This tendency is fortunately on the wane, as it is not consistent with local realities, either at the level of national economies in which there are multiple linkages, or at the level of households in which multi-sourced livelihoods are almost everywhere on the increase.

**Conclusions**

27. The five county case studies support the argument that economic growth is critical to successful poverty reduction. All five cases suggest that growth (GDP per capita) and poverty reduction (poverty headcount change) tend to be positively correlated while inequality (Gini index change), although less elastic, is inversely correlated with growth and poverty. Thus rising inequality may indeed be an almost unavoidable adjunct of successful growth and poverty reduction, as inferred by the earlier work of Kuznets (1955) and Chenery and Syrquin (1975), but one that countries should not be complacent with given the adverse economic imbalance and political instability of countries with high Gini coefficients.

28. In 1960, the GDP per capita of Bolivia ($896) and Zambia ($528), which are currently the slowest-growing performing countries with the highest Gini coefficients, was considerably higher than the now better-performing Ghana ($281), India ($175) and war-torn Vietnam. Bolivia has barely improved its GDP per capita since 1960 and Zambia's has declined by 30 per cent in real terms. Ghana, despite its recent revived performance, has fared hardly better: its GDP in 2004 was a mere US$4 more than in 1960. It is India and Vietnam that have achieved the most consistent growth in GDP over the last decade and a half.

29. Sectoral transformation involves the relative shrinkage of the agricultural sector and has a profound spatial dimension. The rural-urban gap is both a productive divide between rural and

urban areas, as argued by W.A. Lewis, and a welfare gap between rural and urban dwellers demonstrated by the fact that virtually all developing countries display higher rural as opposed to urban poverty headcounts. Bringing sectoral productivity and employment levels more in balance could facilitate poverty reduction. However, the process of achieving balance through sectoral transformation can itself result in poverty-generating labour displacement. Thus, tracing *when and how* a country deagrarianises relative to other sectoral change can shed considerable light on a country's growth and poverty dynamics.

30. The gap between rural and urban headcounts could be reduced through: 1) poverty reduction policies aimed at raising consumption levels in the countryside, 2) policies boosting agricultural productivity, and/or 3) increasing levels of urban migration. The latter, emanating from individual or household agency, is likely to have a positive effect on national welfare if the migration is towards a higher-productivity sector and location with absorptive capacity. Urban areas require expensive infrastructural investment in roads, sanitation, water and energy supply, but such investments tend to be less expensive per capita than the equivalent provision of transport, water and energy to widely dispersed rural populations, a fact that contributes to the gap between urban and rural welfare.

31. The structural processes underlying the incidence of spatial poverty encompass: 1) sectoral/locational transformation towards post-agrarian modernity; 2) reinforcement of physical isolation; 3) ethnic marginalisation; and 4) crisis-inflicted economic levelling. Key to understanding poverty trends is the fact that transformation of a sector relative to other sectors has to be seen in terms of employment absorption and productivity. When a low productivity sector, notably agriculture, shrinks in terms of employment that can be positive if the labourers exiting from that sector are readily absorbed in a sector generating higher productivity. If they cannot be absorbed and remain under- or unemployed or if they join a sector with even lower productivity such as over-subscribed petty trade in the urban service sector, impoverishment is likely to result.

32. Patterns of sectoral transformation are varied given the variety of depths or shallowness of domestic markets within nation-states, the uneven and highly competitive nature of industry and the growing incidence of de-industrialisation worldwide. While deagrarianisation is a relatively slow process of economic and social change, de-industrialisation seems more rapid and less predictable. The growth of the service sector is a striking feature of all of the countries reviewed, yet there is insufficient structural analysis of this diverse sector's growth linkages and poverty impact, and above all its implications for addressing problems of spatial poverty. Hence, the service sector, the 'by-passed majority', is a subject that needs far greater analytical attention.

33. Over the course of sectoral transformation, urbanisation and economic development, ethnically identified groups of people may form relatively impermeable 'poverty pockets' representing increasing spatial inequality and polarisation. A process of rejection and counter-rejection may take place, in which the politically marginalised ethnic group chooses to assert its cultural difference vis-à-vis the dominant national culture. Marginalised populations may scorn government-provided schooling, thereby reinforcing their existing inferior literacy and skill levels and undermining their future competitiveness in labour and commodity markets. In extreme situations, when cultural alienation becomes political disillusionment separatists' demands may arise. Clearly, avoiding this necessitates national economic policies that are regionally inclusive and preclude any ethnic group's alienation.

34. 'Permeable poverty' refers to the ubiquitous spread of poverty to areas previously relatively unaffected, especially urban areas, or regions of economic specialisation that were successful and met with a drastic change in fortune as illustrated by our Zambian case study.

**Policy Directions**

35. The 1990s has been an era of trade liberalisation. In many places such as Vietnam it has 'paid off' whereas in others openness to the world market has been an immiserating experience, as witnessed in Zambia. The five country case studies provide many insights and lessons for policy formulation. The policy recommendations emerging from this review are as follows:

- *'Back to the classics in an updated form'*
  Vietnam and India are achieving development through strategies resembling the classic industrialisation model, but can this model be seen as universally applicable? The achievement of increasing agricultural productivity in the yields of the main staple food crops is a vital foundational step. The next step, the realisation of industrial productivity, is more debatable in terms of its feasibility in a highly competitive industrial world. Depending on the developing country's size, population density, location and the skill endowments of its population, sectoral transformation may require ingenuity rather than attempts at trying to replicate the classic industrialisation model. A structural understanding of service sector growth would be vital to identifying new development models. isationDeagrarianisation is inevitable but must be an enriching not immiserating experience for those directly involved in the process. This entails balancing economic and cultural safeguards with new economic incentives and political institutions capable of generating a proliferation of viable, locationally dispersed livelihood activities.

- *Multi-sectoralism as the new way forward*
  Rapid change in production technology, communications and energy are engendering a highly unstable playing field. Under the circumstances, a country's sectoral change should not be a zero-sum game with one sector growing at the expense of another. Efforts should be made to improve productivity in all the sectors simultaneously, accompanied by consistent efforts to facilitate regional parity through productive or infrastructural investment in the region, subsidy to its residents, or opportunities for out-migration

- *Retaining an agrarian fallback for the poor*
  Given the uncertainties of sectoral transformation, if and when economic crisis hits a country, the importance of preventing people falling into absolute poverty becomes critical. Displaced urban labourers are greatly helped by the continuing availability of rural land and their cultural and social connections with the countryside, allowing them to return and farm, if other avenues of livelihood have failed them.

- *Country-charted paths*
  Enforced adoption and adherence to doctrinaire policies are not a sound foundation for economic growth, nor can the implementation of blanket policies work everywhere. A sectoral-spatial approach serves to stress the importance of country and region-specific policy solutions to finding the balance between economic development and poverty reduction.

## 1. Introduction

In overviewing the economic performance of the world's developing countries' during the 1990s, the World Bank (2005) stresses that economic growth promotes poverty reduction, citing findings from a cross-sectional study of 14 countries.[1] DfID-commissioned follow-up reports, which considered the spatial implications of current growth and poverty reduction on a sub-sample of five out of the 14 countries.[2] This paper highlights patterns of differential sub-national growth, income distribution and poverty alleviation on the basis of an analytical synthesis of these five reports.[3] In reviewing this rich case study material, the paper probes to what extent general national growth and poverty reduction trends mask economic disadvantage for those populations geographically or culturally remote from the economic nerve centres of national commerce and industry.

Focussing on the processes of spatial poverty, the paper considers the sub-national experiences of five countries spanning Africa, Asia and Latin America.[4] *Spatial poverty* arises from differentiated economic well-being of populations over territorial space and is here defined as relatively deprived consumption levels *and* lower productivity arising from a population's locationally delimited economic sectoral participation.

The objectives of what follows are four-fold: first, to identify the key trends in national and sub-national economic growth performance, contrasting the experience of 'winners' and 'losers' with regard to unfolding sectoral development patterns and resource endowments. Second, the patterns and causes of spatial poverty concentrations are examined. Third, government policies to address spatial inequalities are reviewed, indicating where they have been successful, fail or produce mediocre results. Finally, the role of donors in spatial poverty reduction, is discussed.

Before proceeding, it is useful to briefly consider how country case study comparisons of geographical economic patterns can contribute to our understanding of poverty alleviation. Statistical analyses allow us to discern the spatial and temporal incidence of poverty but do not always afford us insight into the actual interacting economic, social and political processes generating or reducing poverty. Modelling exercises tend to proceed deductively on the basis of conventional assumptions about market dynamics, isolating key variables and defining others as exogenous. By adopting a comparative case study approach we are deploying a more inductive approach open to the analysis of variables that emerge during the course of the study. Specification of variables and controls in economic modelling exercises are generally pursued with a degree of certitude and focus on measurement precision upon which the statistical analysis is based. Those adopting a geographical comparative approach, on the other hand, are forced to accept that the specification of key variables and controls, however vital, must leave room for the unanticipated. Comparative studies are by nature dealing with disorder and the unruly because all case studies are unique not only spatially but also temporally. Comparative studies juxtapose these unique cases exploring their multi-faceted nature with the aim of recognizing spatial inter-relationships of an environmental, economic, social or cultural nature. These inter-relationships form spatial patterns (Bebbington 2003).

## 2. National Growth Trajectories and Distributional Outcomes

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[1] The World Bank case study countries were: Bangladesh, Bolivia, Brazil, Burkina Faso, El Salvador, Ghana, India, Indonesia, Romania, Senegal, Tunisia, Uganda, Vietnam and Zambia.

[2] The sub-national case studies reviewed in this paper are: Goswami and Narang 2005 (India), Klasen 2005 (Bolivia), Klump 2005 (Vietnam), McKay and Shepherd 2005 (Ghana), and Masiye and Wake 2005 (Zambia). In addition I consulted the World Bank 2004 study literature: Besley *et al*. 2004, Klasen *et al*. 2004, Klump and Bonschab 2004, McKay and Aryeetey 2004, Thurlow and Wobst 2004 and World Bank, Poverty Reduction Group 2005.

[3] I have attempted to present the authors' findings as they reported them, but my interpretation of the data may differ from theirs. I therefore urge the interested reader to consult their papers for the original data and interpretations.

[4] For additional discussion of sub-national growth issues see Williams *et al*. 2005 and DfID 2006a.

Out the 14 original World Bank case study countries, the five countries chosen for more in-depth analysis here, namely Vietnam, India, Ghana, Bolivia and Zambia, provide the widest possible spectrum of country performance. Zambia and Vietnam represent diametrically opposed experiences. During the 1990s, Vietnam registered an impressive 5.7 per cent GDP per capita growth rate, making it one of the fastest growing economies in the world, superseding India's admirable 4.2 per cent growth rate. Zambia, on the other hand, slid backwards at the rate of 2.3 per cent per annum. In between Bolivia and Ghana experienced lacklustre growth at 1.2 and 1.6 per cent respectively. This section deals with the nature of these different outcomes as a means of contextualising the sub-national patterns discussed in the following section.

### *2.1 Where and how has national growth been experienced?*

The 1990s have been characterised as an era of economic liberalisation associated with the removal of trade barriers and promotion of market-led growth. These policies rested on the economic foundations of the 1980s post-structural adjustment stabilisation and public sector reform. Amidst the optimism about the greater prosperity promised by this policy direction, there is acknowledgement that significant fall-out has taken place with large and often growing numbers of impoverished people in many countries throughout the developing world, necessitating the current poverty reduction emphasis. Debates about the relative importance of growth (Burnside and Dollar 1997 and Collier and Dollar 2001) and equity (Hamner *et al*. 1997, White and Killick *et al*. 2001) within the context of foreign aid effectiveness have taken place throughout the 1990s. The World Bank's (2005) *Pro-Poor Growth in the 1990s* argues for the pre-eminent influence of growth on poverty reduction.

So how did our five countries fare during the 1990s? Comparing country populations and resource endowments we are immediately aware of enormous contrasts (Statistical Appendix). The two poorest performing countries, Zambia and Bolivia, have relatively small populations registering just above and below the 10 million mark with exceptionally low average population densities of under 15 people per square km. Next in scale, Ghana at 21 million and 93 people per km$^2$ is reasonably populous by African standards. The Asian countries, and highest growth performers, have much larger populations: Vietnam with a land size larger than Ghana but less than half the size of Zambia has a population of 82.2 million and an average population density of 252 km$^2$. India is enormous in all respects with its 1 billion people spread over 2.97 million km$^2$ and a population density of 363 people per km$^2$. Boserup's (1981,1990) anti-Malthusian argument and extensive documentation of the dynamising role of dense population concentrations as a catalyst for agrarian and other technological transformations is supported by the demographic and economic evidence from these countries.

• *Zambia and Bolivia – 'resource-cursed' erratic performance*

Country variation in resource endowments is significant. Both Zambia and Bolivia, known primarily for their mineral exports, are landlocked and classic examples of 'resource-cursed' poor performers. The primacy of Zambian copper in national exports, a boost to the country in its first years of independence, became less advantageous in the 1970s and 1980s and a severe handicap during the 1990s as the price of copper continued to decline and problems with nationalisation persisted unresolved.

Bolivia, Latin America's poorest country, has fallen in the world's league table of tin producers, compensated in part by its output of zinc, gold and silver. Instability in the national economy linked to hyperinflation in the first half of the 1980s, was followed by recovery and stable growth associated with structural adjustment policies and investor confidence. However, since 1998 an unfavourable external economy has combined with political unrest and low domestic savings exacerbating the country's dependence on foreign capital and heavy indebtedness.[5]

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[5] Scheduled G8 debt reductions were destined to alleviate this problem (Klump 2005: 3).

Both countries have had to contend with the inherent problems of mineral export-driven economies: the risks and difficulties of planning arising from fluctuating international prices and the restricted labour absorption of capital-intensive mining operations. Bolivian farmers have found an alternative by turning to the extensive illegal production and trade in coca destined for the North American market. US attempts at suppressing coca production in collaboration with the Bolivian government have met with protest.[6] Meanwhile, a deep ethnic divide exists between the indigenous Indian majority and descendants of European colonisers who have monopolised economic and political power for five centuries.

• *Ghana – modest donor-sparked diversified growth*
Ghana has also been an important mineral exporter of gold, but its more diversified economy has afforded it more flexibility, as well as the fact that gold, unlike copper and tin, has enjoyed periods of high prices in recent years. Ghana's reliance on mineral exports is deflected by its traditional export of cocoa. Donor interest has in itself served as a valuable resource. Ghana's then socialist path during the 1960s and 1970s had been a thorn in the side of the international financial agencies. In the early 1980s, the direction of Ghanaian economic policy radically altered and the country became a model for the implementation of structural adjustment in Sub-Saharan Africa.

• *Vietnam – economic transformation and rapid growth*
Vietnam does not count mineral wealth amongst its natural assets. It is a latecomer to economic success, having been embroiled in decades of war until the mid-1970s followed by another 10 years of political tension associated with reunification of the country and economic discord arising from the command economy of a *dirigiste* socialist state. National growth surged in the 1990s in the wake of various market reforms accompanied by measures to encourage economic diversification and innovation in agriculture, industry and services. Bold steps to transform its socialist planned economy into a more market-led export-oriented economy have had an extremely positive effect. Vietnam's strong economic growth rate has been accompanied by declining population growth affording greater prosperity to the existing population. In addition, Vietnam, like Ghana, has attracted considerable donor attention, with beneficial financial implications.

• *India – relative economic autonomy and steady growth*
In several respects India is incomparable with the other four countries because its population is roughly 8.5 times the population of the other countries combined and roughly 10 times their combined land area. Furthermore unlike the other countries which have had to seek export markets for their specialised output given their relatively small size, India, despite its economic liberalisation policies of the past decade, continues to be a remarkably self-sustaining economy with foreign trade accounting for only 29 per cent of GDP (Figure 1).[7] The national economy is highly diversified. Having embarked on economic liberalisation policies in June 1991, India's GDP growth rate responded well increasing to 5.9% between 1991-2005 compared with 4.6% between 1975-91. Foreign trade as a percentage of GDP has been rising gradually but steadily in the process compared with the erratic movements of Ghana and Vietnam, the steady decline in Zambia and Bolivia's unchanged level throughout the decade (Figure 1).

### *2.2 What sectoral changes encourage growth?*
Sectoral change has a profound spatial dimension, and it is not possible to understand spatial patterns and changes without knowing what is happening to underlying economic sectoral change. Sectoral transformation inevitably involves the relative shrinkage of the agricultural

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[6] Coca farmers' protests have been led by Evo Morales, the country's leading presidential candidate in the January 2006 election ('Indians' champion set to seize power', *The Times*, 16 December, 2005 and 'Bolivia's hero vows to break US shackles', *The Observer*, 18 December 2005).
[7] This level is roughly on a par with the United States (World Development Indicators, 2005).

sector, the growth of industry and services and of towns, and shifts within agriculture between different zones in rural areas.

• *Sectoral growth models*

The World Bank (2005) has stressed the role of trade liberalisation in sparking growth. Growth and equity concerns in development studies can be traced back to the work of Kuznets and Lewis who grounded their analyses in classical political economy theory dating back to Smith, Ricardo and Marx. Both Lewis (1955a) and Kuznets (1968) saw the proliferation of the division of labour and sectoral expansion of industry as essential for the achievement of rising productivity and standards of living. The historical experiences of economic growth in Western Europe and North America during the 19th century followed by Eastern Europe, the Far East and finally Latin America during the 1960s lent support to the assumption that industrial investment was pivotal to development take-off. W.A. Lewis's (1955b) two-sector model of the agricultural and industrial sectors stressed the productivity gains made through transferring labour from rural agriculture to urban industry. Not surprisingly, post-colonial African and Southeast Asian governments endeavoured to achieve economic take-off through industrialisation with various import substitution and basic industry strategies, often regardless of the size of the domestic market.

Figueroa (2001) and Copestake (2003) argue that Lewis's original model bears little resemblance to the options facing the majority of poor African, Latin American and Caribbean countries at present, which have virtually no prospects for securing industrial employment. Their unskilled agrarian populations lack an alternative to the pursuit of low productivity agriculture other than similarly low-yielding, unspecialised self-employment in trade and service activities within their countries' bloated rural and urban informal sectors.

• *Current trends and development realities*

Technological innovations in the agro-industry of developed industrialized countries have raised productivity and correspondingly reduced the labour absorption of agriculture. Meanwhile there has been uneven transformation of agriculture worldwide. Developing countries with large peasant populations producing in family farm units have increasingly lost their comparative advantage in agricultural production and their coherence as production units (Lewis 1978, Bryceson 1996, 1997 and 2000, Buckland 2004). Their land-extensive and labour-intensive agriculture has been caught in the price squeeze of declining world export crop prices and rising input costs. Costs of transporting bulky agricultural products from scattered peasant farms to coastal ports ballooned during the international oil crises of the mid and late 1970s and again now with escalating oil prices, particularly in the low population density and landlocked African countries.

Furthermore, there is a gross imbalance between highly capitalised farmers in developed countries who still receive agricultural subsidies in a variety of forms as opposed to peasant smallholding farmers in developing countries where agricultural subsidies have been virtually eliminated by the international financial institution's structural adjustment conditionality beginning during the 1980s. Under these circumstances emigration to high productivity countries becomes very attractive – an option that Lewis's subsistence farmers did not entertain in the 1950s when he first propounded his dual sector theory of growth with unlimited supplies of labour.[8]

These tendencies marginalising the world's smallholder peasant farmers contrast with the World Bank's (2005) stress on economic growth successfully reducing poverty during the 1990s.

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[8] This possibly was also circumvented ten years ago in the World Bank's 1995 World Development Report entitled *Workers in an Integrating World* considered labour trends worldwide with respect to the global movement of capital investment. It argued that Sub-Saharan Africa had a comparative advantage in agricultural production and that poor countries were destined for 'global convergence' but precedence was given to the free movement of capital not labour which as seen as: 'unlikely to become as important as trade and capital movements…Possible economic costs to unskilled native workers and cultural resistance mean that migration will have to be managed to ensure its own sustainability' (World Bank 1995: 68).

It is in light of these two perspectives that we now compare sectoral change in our five case study countries (Figure 2).

At first glance, it is remarkable how similar the sectoral profiles of the five countries are despite their widely varying populations and resources. In all cases, agriculture is contracting relative to service sector expansion. However, the share of industry broken down into its component parts of manufacturing and non-manufacturing (mining, utilities and construction) for each country reveals some interesting differences (Figure 2). Surprisingly, Zambia and Bolivia, with the worst growth records during the 1990s, began the decade with proportionately larger industrial sector outputs than the other countries. One may well ask what happened.

Reliance on mining, a raw material extractive industry, is not, strictly speaking part of the industrialisation process, particularly if it dominates a country's industrial output and is therefore more likely to be a sign of the economy's backwardness rather than its advance. Certainly, both Zambia and Bolivia are known for their mineral exports. At the outset of the 1990s, manufacturing, as opposed to mining output, was proportionately larger in both countries compared with Vietnam, India and especially Ghana.

• *Zambia – industrial limits of copper*

The shocks endured by Zambia in 1994, are readily apparent in Figure 2. Zambia's copper production took a precipitous plunge, and because its national economy was so heavily dependent on copper exports this spelled disaster. In 1966, fifty percent of its GDP originated in mining whereas currently it accounts for only 7 per cent (Masiye and Wake 2005). It should be noted that the major problem, the drop in copper prices already began in the mid-1970s when GDP from mining collapsed from 34 to 14 per cent of GDP. Manufacturing, most of which is directly or indirectly linked to mining, has contracted as well, suffering from exceedingly high interest rates during SAP. During the 1970s, public investment was heavily skewed towards copper, to a lesser extent manufacturing while agriculture was largely overlooked. The implementation of SAP led to the removal of subsidised agricultural marketing and input distribution, which caused a serious setback in smallholder production. There was a policy to support import substitution industries but this was always over-shadowed by the dominance of copper mining in the economy.

During the 1990s, with mining, industry and agriculture all in decline, Zambia's economy has been characterised by the expansion of the service sector from 40 per cent of GDP in 1992 to 63 per cent in 2000 (Masiye and Wake 2005). Nonetheless Zambia continues to depend on its copper exports for foreign exchange. In Zambia, the vast masses of farmers are smallholders who primarily produce for their own subsistence. Recently, a growing but still small number of large-scale capitalised farmers, many who have moved from Zimbabwe, Angola and South Africa, have invested in farms along Zambia's rail lines, and are responsible for a rise in non-traditional agricultural exports, creating pronounced spatial disparities in agricultural output.

• *Bolivia – industrial mineral diversification and illicit agricultural exports*

Bolivia's economy was also over-dependent on mineral exports. Its leading export, tin, faced a hostile market, but Bolivia has a diversified base with the production of gold, silver and zinc. Thus, although both Zambia and Bolivia had significant 'industrial output', neither had economies displaying the classic features associated with economic development, namely growing labour specialisation combined with proliferating economic diversification generating an ever-more complicated interactive national economy.

• *Vietnam – industrial take-off with sound agricultural foundations*

Vietnam's sectoral profile, on the other hand, suggests that this process was unfolding and the Vietnamese experience bore a resemblance to Britain's industrialisation pattern of the late 18$^{th}$ and early 19$^{th}$ centuries beginning with a rise in agricultural output and productivity during the first years of the 1990s, whereas the industrial sector was undergoing restructuring and a clean-out of its inefficient industries. Thereafter industry gradually expanded, especially manufacturing, while agriculture relatively contracted. After more than a decade of strong growth and sectoral change, in 2003 Vietnam had an extremely diversified economy with its GDP spread across agriculture (22 per cent), services (38 per cent) and industry (40 per cent).

Klump (2005) traces the evolution of sectoral employment and earnings under Vietnam's *doi moi* economic liberalisation policy. Agricultural employment grew, absorbing rural youth and workers retrenched by the economic reforms, eventually leading to a slow down in agricultural productivity. Other retrenched workers entered the service sector characterised by low productivity. Over time, productivity increased affording rising service sector incomes. Meanwhile, industry grew, but its employment absorption was limited. After the Asian crisis the private sector began expanding its employment levels in industry and services causing productivity to fall relative to agriculture, which reduced employment and achieved higher productivity. Overall formal wage employment levels rose. In 1998 wage labour was the main source of income for 18 per cent of households (Klump 2005).

• *India and Ghana – diversified sectoral development*

By contrast, sectoral shares of GDP changed less markedly in India and Ghana. In India, the share of industrial output was 27 per cent in 1990 and 2003. In Ghana industry did rise from 16 to 25 per cent between those years but virtually all due to mining, an extractive industry, rather than manufacturing. Meanwhile both countries experienced a steady reduction in agriculture's share of GDP and a rise in services.

• *Managing or ignoring deagrarianisation*

It remains to consider the nature of 'deagrarianisation', the relative shrinkage of the agricultural sector in terms of its share of GDP, livelihood viability and labour absorption (Bryceson 1996, 2000). How markets and states influence deagrarianisation is pivotal to the welfare of large populations of people. The majority of national populations, and of poor people, in the case study countries still reside in the rural areas relatively remote from market opportunities (Statistical Appendix). In the past, larger segments engaged in world commodity markets, producing cash crops suited to their agro-climatic region. As explained above, the opportunities for pursuing cash crop production have narrowed particularly in Sub-Saharan Africa. Smallholder farmers have been marginalised from world markets through decreasing economic returns and isolated by strong economic, political or cultural barriers, which repel them from economic participation in commodity or labour markets (Figueroa 2001). Poverty analysis to date has been mainly focussed on consumption deprivation or livelihood circumstances in locationally specific case studies. There is a dearth of information on poverty trends with respect to the poor's intra- and inter-sectoral fluidity as productive economic agents.[9]

Generally the distribution of sectoral GDP and sectoral employment in a country do not correspond given inter-sectoral differences in productivity. Agricultural productivity tends to be relatively low and the sector usually accounts for a lower share of GDP than would be suggested by its share of employment.[10] For example in Ghana, agriculture represents roughly 36 per cent of GDP and 60 per cent of national employment (McKay *et al*. 2005). While agriculture contracts in relative terms, agricultural employment in many countries tends to shrink, bringing to the fore the issue of labour absorption. In these cases, contrary to Lewis's two-sector model in which low productivity agricultural workers are absorbed in more productive industry, it appears that 'surplus' agricultural worker are instead filtering into low productivity rural or urban service sectors, or otherwise facing severe underemployment or unemployment. *The poverty of the developing world today is largely rooted in the structural labour displacement arising from*

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[9] Karshenas (1993) managed to assemble data for an analysis of inter-sectoral flows in India, China, Taiwan, Japan and Iran.

[10] Labour statistics, and especially agricultural labour statistics, are notoriously unreliable. As rural smallholder households have diversified their income sources in the face of unfavourable agricultural markets, the unreliability of agricultural labour statistics becomes ever more problematic.

*deagrarianisation.* This has profound spatial implications at a sub-national level, which will be explored in the section on spatial growth and poverty.

Returning to our Ghanaian case study for illustration, the most labour-intensive sectors, namely agriculture, fisheries and livestock, involving the majority of the national population as peasant producers deploying their artisanal skills in the context of culturally-pre-destined livelihood patterns, have contracted while less labour-intensive mining, construction, and logging have expanded. For years, agricultural development efforts in Ghana focussed on exportables, notably cocoa, rather than food crops. Most of the urban-based middle-class political elite do not identify with farming (McKay *et al*. 2005). The Ghanaian government has not given priority to the smallholder agriculture sector since the late 1970s. This has left rural areas up to their own devices to a large extent, creating a productivity and welfare gulf between the country's rural and urban areas. Under structural adjustment, the agricultural sector's budget shrunk and the sector is now viewed primarily in business terms, with an appreciation of its potential to earn foreign exchange, rather than being seen as where most of the Ghanaians still live and seek their livelihoods (McKay *et al*. 2005).

Bolivia provides an extreme example of the welfare crisis and political tension that arises from state and market's disregard for the welfare consequences of an unmanaged shrinking peasant agricultural sector. Mining is dominant and highly capital-intensive restricting labour absorption and linkages to the poor. The country has high regulatory barriers surrounding its formal sector and as a result most employment is in the informal rather than formal sector – one of the highest informal employment levels in Latin America. Between 1997 and 2001 the formal sector's share of urban employment declined from 55 to 50 per cent (Klasen 2005). Agriculture, meanwhile, has endured declining yields during the 1990s due to higher temperatures and declining rainfall, lack of land and modern inputs.

Even in India, heralded for its Green Revolution success, growth has shown a marked deceleration in the Green Revolution states of Haryana and Punjab whereas an acceleration of growth took place in western and southern states known for their innovating urban economies. During the 1990s, the states with a mixture of service and industrial growth thrived relative to the more agrarian-based states (Goswami and Narang 2005).

### *2.3 What is the relationship between national growth, poverty and inequality?*

Kuznets's (1955, 1963) study of national statistical indices of growth and distribution posited that inequality of income distribution tends to widen in the early stages of development then reverse in later stages, to produce a U-shaped curve. He associates this with the inter-sectoral shifts already referred to above, namely the growth of the high-income non-agricultural sectors initially followed by the slower absorption of the population from the relatively stagnant, low-income agricultural sector. Chenery and Syrquin (1975) reaffirm Kuznets's findings, showing that lower income groups experience a marked and more prolonged decline in their relative income shares than other groups, but Ahluwalia (1976) argues that low-income groups do not generally experience absolute impoverishment. This has been the position of the World Bank – growth can be expected to increase inequality while reducing poverty.[11]

The challenge is to formulate effective policies to spread as widely as possible the benefits of growth and to mitigate adverse consequences for the low-income sectors. The downward slope of Kuznets's U-shaped curve relates to deagrarianisation, specifically the

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[11] This was a major theme of the World Bank's *World Development Report 1995* entitled 'Workers in an Integrating World'. A logarithmic scale of earning levels of different categories of workers world-wide showed South Asian, Chinese and African farmers respectively at the bottom of the earnings pyramid in 1992. Projected earning levels in the year 2010 were given for 'convergent' and 'divergent' scenarios, defined by the degree of adherence to World Bank policy recommendations. Under a 'convergent' policy environment, African farmers were projected to experience a 50:1 differential between themselves and the occupant of the top of the pyramid, the OECD skilled worker, as opposed to a 70:1 differential under a 'divergent' scenario.

dissolution of peasantries. Peasants' economic welfare and social and cultural coherence are undergoing transformation, with anticipated absorption into the industrial and/or urban sectors seen to produce a net benefit in the long run for 'ex-peasants'. But this is a gradual process with impoverishment along the way for some.

Certainly, our five country case studies indicate a range of welfare outcomes associated with three distinct growth, equity and poverty patterns. Figure 3 compares annual per cent changes in national per capita growth, Gini indices and poverty headcounts country by country. Each graph has three axes all with the same scale. Ideally growth is positive while inequality and poverty reductions should be negative. A virtuous performance would be one in which the vertical axis is a high column with a limited triangular spread on either the right or left-sided base given that poverty and inequality should be negative. There are three clearly identifiable paths.

The *'poverty reduction path'* is one in which economic growth is progressing while poverty declines at an even faster rate and inequality rises, but at a considerably lower rate than that of economic growth. This path accords with the view that growth induces increasing income inequality, but that over time cumulative growth reduces poverty, lifting standards of living and possibly gradually reducing income inequality. This category applied to six out of the 14 World Bank case studies. Ghana, Vietnam and India followed this path but at different rates – Vietnam's and India's growth was rapid with Vietnam's poverty reduction very impressive at 7.8 per annum. Ghana's growth was more moderate but it shared a similar level of poverty reduction with that of India at 3.8 per cent.

Interestingly both Vietnam and Ghana had medium-range Gini indices in the early 1990s. By the end of the decade the Gini index had crept upward to 0.39 in Ghana and 0.42 in Vietnam whereas in India the index had hardly moved from its low starting point of 0.27 ascending to 0.28.[12] Klump (2005) calculates Vietnam's growth elasticity of poverty at -0.77, affording a high rate of pro-poor growth. As Vietnam's growth proceeded however, pro-poor growth rates started to decline (1993-9: 5.7 per cent and 1998-2002: 2.2 per cent). The growth elasticity of poverty dropped after 1998.

In India, between 1983 and 1993-94, the percentage of people under the poverty line dropped by roughly 0.8 percentage points per annum from 44.5 per cent to 36 per cent. There was a great deal of regional divergence in the growth pattern of income consumption during the 1990s. Across India's states, there does not appear to be a clear relationship between higher growth and greater inequality nor between growth in consumption inequality and poverty (Goswami and Narang 2005).

'*Status quo stagnation*' denotes the second pattern. Countries in this category may register some positive growth, but poverty reduction fails to exceed or possibly even keep pace with economic growth, and relatively constant levels of inequality are maintained.[13] Bolivia's growth during the 1990s was unremarkable at 1.17 per cent annually. The poverty headcount declined at a similar rate of 1.03 percent, while the Gini index stayed resolutely high at 0.55-0.56 throughout the 1990s.

The third pattern, a *'gravitational descent path'*, characterised the predicament of Zambia.[14] Registering a negative growth of 2.26 per capita per annum, its poverty headcount rose by 1.3 per cent, which had the effect of reducing the Gini index by 0.6 per cent annually. While Zambia's

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[12] Amongst the full 14-country World Bank sample, besides Ghana and Vietnam, six countries fell into this category. During the 1990s, these countries were characterized by high and medium levels of inequity with Gini coefficients of 0.61 (Brazil), El Salvador (0.51) and Tunisia (0.40) in the upper range while Uganda (0.36), Ghana (.37) and Vietnam (.34) had medium-range Gini coefficients.

[13] Also included in this category were: Burkina Faso, Senegal and Bangladesh. It is interesting to note that the status quo stagnation pattern spanned countries with Gini coefficients ranging from 0.56 to 0.28. Only Bangladesh's Gini coefficient experienced noticeable change from 0.28 to 0.33 from the 1990s to 2000s.

[14] In the larger 14-country sample, Indonesia and Romania also exhibited this pattern. Romania's economic growth was virtually absent (0.2 percent) causing the poverty headcount to increase by a substantial 6.05 percent per annum but inexplicably the Gini index remained relatively steady at 0.31 progressing down to 0.29 in the 2000s.

Gini index was very high at 0.59 in the early 1990s, by the 2000s it was 0.49 per cent which is remarkable, but nonetheless was accompanied by a great deal of economic distress on the part of the Zambian population. Zambians became poorer but more equal in their poverty.

## 3. Spatial Poverty and Differentiated Growth

*Spatial poverty* arises from differentiated economic well-being of populations over territorial space and is here defined as relatively deprived consumption levels *and* lower productivity arising from a population's locationally delimited economic sectoral participation.

In the following section we turn to the sub-national spatial patterns that are the focus of this paper posing the question of what factors have led to existing spatially differentiated inequality and poverty headcounts in different regions of a country (see Map Appendix). From there we move to a consideration of the influence of differentiated sub-national growth rates, which exacerbate or mediate pre-existing spatial differences.

### *3.1 Location, location, location: Where and why has regional inequality and poverty arisen and persisted?*

Spatial differentiation is caused by a variety of geographical, economic, political and cultural factors encompassing variability in: resource endowments, relative remoteness, and livelihood risk. The following cites data from the five case study papers being reviewed here.

• *Resource endowment*

Large countries stretching over various latitudes as well as those with variation in altitude have significant climate variation. All countries big and small are subject to variation in their soils and mineral resources. Jared Diamond (1998) has made a compelling case for the importance of climate, size and east-west as opposed to north-south orientations of land masses for the diffusion of innovation and the gradual accretion of economic development and welfare through time on the one hand, as opposed to underdevelopment and poverty on the other. The five case studies are illustrative.

In much of Sub-Saharan Africa, there is a gulf in economic potential between the high and low rainfall areas because agriculture is primarily rain-fed. In Ghana, the climatic divide is evidenced by the existence of three main environmental zones from north to south: the dry savannah of the north, a transitional zone of moderate rainfall, and the forest zone of the central and coastal areas with high rainfall. McKay *et al.* (2005) argue that Ghana's 'natural inequalities' are weighted in favour of the forest zone, the Ashanti people of the forest and the urban businesses that have proliferated in the forest belt. In the 17th and 18th century, the Ashanti were prominent in the gold and slave trade with Europe. Accra, Ghana's capital, remains heavily Ashanti in character. Historically, the growth of commercial peasant agriculture, notably cocoa, was concentrated in the forest zone although the soils on farms in the eastern and central areas are now ecologically exhausted and production has moved further westwards. Now and in the past, the cocoa-producing areas have had a lower incidence of poverty than other rural areas.

Efforts to build up non-traditional exports in Ghana have also fallen along the zonal split between high, medium and low potential areas associated with rainfall levels precisely because the low rainfall areas lack the requisite transport and market infrastructure to successfully launch non-traditional exports.

Similarly in Vietnam there are deeply embedded regional disparities. The population has historically concentrated along the deltas of the Red River in the north and the Mekong in the south, where soils are fertile and some of the highest agricultural labour force to agricultural land ratios in the world exist (Klump 2005). The infrastructure of Vietnam's delta and coastal areas is far superior to the mountainous interior. Minot *et al.* (2003) found that agro-climatic variables, notably soils and slope, market access and distance from town explained about 75 per cent of the measured variation in district-level rural poverty.

In Bolivia, a large country with a great deal of altitudinal variation, there are three main zones: 1) the *altiplano* comprising the highland regions of La Paz, Oruro and Potosi departments; 2) the valley areas which primarily embrace Cochabamba, Chuquisaca and Tarija departments; and 3) the *llanos* lowlands consisting of Beni, Pando and Santa Cruz departments. It should be noted that in Bolivia, contrary to general intuition, the highland areas have historically been the richest because the country's mineral wealth has been mined there. Settlement is more urbanised in the *altiplano* with 58 per cent of the national population residing there and roughly 60 per cent of the departmental populations urbanised (Figure 7). In the 1970s Bolivia became a major exporter of coca leaves especially from the lower slope and flatter areas of the Yungas in La Paz department and Chapare and Cochabamba. Farmers are covertly trying to grow this high value crop so many of the fields are planted in remote areas which are becoming deforested.[15]

Variation of resource endowment has greatly contributed to the regional patterns of wealth and poverty as opposed to government policies, which have shaped the pattern of growth and poverty within and between the capital city and the towns (Klasen 2005).

• *Remoteness and livelihood risk*

Remoteness and livelihood risk are inextricably linked with variation in resource endowment, but it is useful to consider them separately because they represent demographic and economic outcomes, which further restrict or enhance residents' opportunities and welfare. Remoteness is a function of geographical inaccessibility or inhospitable conditions, which deter human settlement. Low population densities generally characterize remote areas. The rural population adopt a scattered settlement pattern because the productive carrying capacity of the land is low. In turn a dispersed population raises the cost of infrastructural investment in roads, schools, and hospitals. Large regional discrepancies in living standards arise between remote and non-remote areas due to the high cost and low returns to infrastructural investment in remote areas as well as the lack of or imperfection of markets where so few buyers and sellers are on hand.

In Ghana, recent market liberalisation policy has served to reinforce old regional disparities and the north's remoteness. Exportable products from the semi-arid north are limited to yams, peanuts and sheanuts. Rice from the area is unable to compete with imported rice and cotton production has declined since the break-up of the Cotton Development Board's monopoly. McKay *et al*. (2005) note that northern cotton production needed more not less market regulation and state marketing support to compensate for its regional disadvantage. In between the forest and semi-arid north the intermediate zone in which yams, shallots and maize thrive serves as Ghana's granary with the zone's products being exported all over Ghana in largely unregulated markets, destined primarily for the urban staple food markets. Significantly, Ghana's cocoa sector in the south was only partially liberalised leaving the cocoa marketing company intact affording good management of produce marketing and quality control for international export.

Accra residents averaged consumption levels two and half times greater than those in the rural savannah. Within rural Ghana, growth and poverty reduction is most pronounced in the rural forest zone, the historically dominant export-producing zone (McKay *et al*. 2005). The aridity and famine-prone status of the northeast, which it has been unable to overcome, has spelled poverty for its population. The north functioned largely as a labour reserve during the colonial period and continues in this role to the present day.

In Vietnam the river delta areas are the most populous regions both in a rural and urban sense. They are the sites of the country's biggest cities. Their concentrations of population, wealth and power generate a rich diversity of economic activities, which provides a context conducive to lowering the population's economic risks and raising their opportunity costs and

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[15] The leaves are sun-dried by farmers before they are sold for onward processing at covert locations within Bolivia. It is estimated that one metric ton of dry coca leaves produces 3.5 kg of cocaine. Bolivia exported an estimated 60 metric tons of cocaine in 2003 which amounted to an estimated 2 per cent of GDP. Processing entails the use of kerosene, sulphuric acid, potassium permanganate and other chemicals which are associated with environmental degradation (United Nations/Bolivia 2004).

earnings. Historically Vietnam's industry concentrated in the southeast and now represents 50 per cent of Vietnam's total value-added, driving up the region's productivity relative to other areas (Klump 2005).

In India, the northern, western and southern parts of the country are in an advantageous position relative to the eastern and central regions on the basis of an index of asset ownership and access to basic amenities (Goswami and Narang 2005). Barring West Bengal all states that grew faster in the 1990s were better off in their asset and amenity access. Punjab and Haryana having experienced a slackening of growth nonetheless continued to enjoy good asset endowments whereas some of the north-eastern states suffer from inaccessibility given that there are no road or rail corridors through Bangladesh. All goods have to be channelled through a narrow restricted corridor through West Bengal. Thus the agricultural and forestry products on the northeast remain relatively untapped. Tea and raw jute are the major exports but not to a sufficient scale that could drive growth in the regional economy (Goswami and Narang 2005).

In Zambia, in 1998, 73 per cent of Zambian households were poor, the majority extremely poor and most were located in the rural areas. Most remote rural areas of Zambia are characterised by stagnant subsistence agriculture and have been systematically under-represented in national economic planning and investment (Masiye and Wake 2005). Commerce has historically been concentrated in the urban areas and along the line of rail where infrastructure exists, putting remote areas at an extreme disadvantage. Between 1991 and 2003 there was virtually no change in the provincial ranking of poverty levels suggesting very spatially entrenched poverty (Masiye and Wake 2005). However poverty was on the increase in urban areas during the 1990s because the depressed state of copper mining was undermining urban living standards. Tens of thousands of Zambians resorted to cross-border trading during the 1990s as a means to cope with the loss of employment in mining and industry.

In Bolivia, being land-locked with poorly developed infrastructure, limited access to markets and income earning has severely restricted agricultural producers in highland and valley areas. Thus benefits of a liberalizing economy do not reach them and they experience lower growth and poverty reduction (Klasen 2005). Agricultural projects have rarely been pursued in the remote parts of the country. Under these circumstances it is not surprising that rural incomes have worsened.

Lowland agriculture, which enjoys better physical accessibility, has been the most successful in the 1990s but unfortunately, it is located in the better-off regions and has few linkages to the poor (Klasen 2005). Rural infrastructural improvement for Bolivia's sparsely populated mountainous and inaccessible valley areas would strengthen linkages between rural and urban areas but in many cases it would be prohibitively expensive.

• *Historically entrenched political power and governance practices*

Over the years, some countries have developed political power structures, heavily entwined with cultural norms and the economic interests of an especially entrenched controlling social stratum, identified with urban or specific productive rural sectors. These have served to continually marginalise the lower income groups who are so often residentially concentrated in specific urban neighbourhoods or rural areas.

Bolivia's economy is rooted in a centuries old ethnic distinction between the indigenous Indian population and the descendants of the Spanish colonists. The Indian population have been economically marginalised in rural subsistence agriculture or subjected to strong segmentation enforced by rigid urban labour markets. Decades of military rule and coalition government have led to the rise of patronage relationships and informal procedures in the public sector and private economy which flourish under the government's tight regulation of formal sector activity. Thus, pre-existing conditions of the Indian population with respect to their limited internal migration, inferior educational opportunities and labour market segmentation spell entrenched poverty (Klasen 2005).

In India, Goswami and Narang (2005) consider the quality of state-level governance as a crucial factor explaining the relative growth rates of various states. Bihar rich in agricultural and mineral resources nonetheless has a long history of poor governance, corruption and absence of law and order, which is reflected in its low growth. Transport, communications, power and services are all seriously below par. Gujarat provides a contrast. The state's dynamic leadership mounted an industrialisation strategy, which has met with success. Similarly, Himachal Pradesh, a mountainous region has, on the basis of good governance, been able to invest in transport and service infrastructure that is now sustaining commercialised horticulture and tourism.

• *Cultural divides*
Cultural divides based on ethnicity take spatial forms. This is especially evident in rural tribal settings in which a group's identity is aligned with a collective sense of territoriality. However, in urban areas as well, people, and especially the poor, are often found residing in ethnic clusters.

Vietnam illustrates the entrenched nature of ethnic poverty pockets. The Kinh Vietnamese, who constitute over 80 per cent of the national population, live throughout the country but are most numerous in the delta and urban areas. The poorest areas of Vietnam have historically been those with a high share of ethnic minorities who are known for having lower education levels and earning less compared with the rural Vietnamese population in general (Minot *et al*. 2003). During the 1990s, the remote tribal groups of the mountainous northwest region have experienced a poverty headcount reduction from 86 to 70 per cent which is vastly inferior to the average which has been reduced from 66 to 36 per cent. Ethnic minorities are the least likely to migrate, comprising only 4 per cent of the migration stream but 14 per cent of the total population (Klump 2005). However not all ethnic groups remain deprived. The northeast stands out as an exception. Here there are high numbers of ethnic people and yet the poverty headcount has declined from 86 to 38 per cent (Klump 2005).

In Bolivia, most of the Spanish-speaking population, which has dominated politically and economically since the early 19$^{th}$ century, live in the fertile lowland areas, which are more conducive to agriculture. The Aymara-speaking people of the highlands and the Quechua-speaking people of the valleys are far less agriculturally endowed. Historically the indigenous people were subjected to forced labour. The divide between them and the Spanish-speaking population operates at several levels. The mestizo lowlanders favour the market economy and in some cases secession whereas the indigenous population call for land reform and renationalisation of mines. These tensions have brought down successive governments and are again at issue in the 2006 presidential election (Klasen 2005).

### *3.2 What influence do variable rates of economic growth have on poverty reduction and inequality at the sub-national level?*
Figures 4-8 juxtapose growth rate data with poverty headcounts and where available Gini coefficients for each case study country. There are several general trends that are readily apparent at the sub-national level. First, regional growth rates are highly variable. In Vietnam and Ghana, some regions are growing at twice the rate of the national average (Figures 4 and 6). Only the African countries recorded negative growth rates in some regions, as low as -5 per cent per annum in one instance.

Second, the poverty headcounts are similarly highly variable within each country. The direction of change is generally towards a reduction in poverty, except in Zambia where the poverty headcount rose nationally with seven out of the country's nine regions experiencing an increase in poverty. In Ghana as well, although the poverty headcount declined nationally, it rose in three out of the 10 regions.

Third, like the national level data, regional poverty headcounts were inversely correlated with growth rates. Those regions with the highest growth tended to witness the highest poverty reduction. This pattern was especially prominent in India where low per capita growth in the case of Bihar corresponded to a slight increase in poverty between 1987-88 and 1993-94.

Fourth, poverty headcount starting points do influence the rate of poverty reduction. In some densely populated or primarily urban areas where poverty was relatively low at the outset a point is reached in the poverty reduction process when further decline is difficult, e.g. the Southeast and Red River Delta in Vietnam, Greater Accra in Ghana, and the Punjab in India.

Finally, while it is evident that inequality is less elastic than poverty reduction vis-a-vis growth, there are strong indications that rising inequality is linked to spatial differences in growth dynamics as illustrated by Vietnam. Prior to its economic take-off during the 1990s, Vietnam was remarkably egalitarian. Growing inequality in the country is associated with spatial differences in growth dynamics (Klump 2005). In effect, the persistence of poverty in certain places, as opposed to others, suggests that these localities are relatively impervious to economic growth.

### *3.3 How do economic agglomeration and infrastructure investment contribute to growth processes?*

Could Boserup's (1981) theory on the catalysing role of population density be right in this era of global economic liberalisation? Does economic growth require critical population densities and/or urban specialised divisions of labour? Economic agglomeration associated with high population density, infrastructural investment and urbanisation is explored here with respect to our country case study material.

In Vietnam, Ghana and Bolivia, the evidence suggests that there is a tendency for economic growth to be concentrated geographically in the most densely populated regions. There are numerous reasons why this is likely to be the case. Sparse populations thwart the competitive operation of commodity and labour markets. Infrastructural investment is most efficient where there is a critical mass of population sufficient to ensure a return on the capital investment. Over time, as certain areas attract more people, more infrastructure and more market activity at the expense of other areas, path dependency becomes a key factor in determining where growth is most likely to appear and be continually recharged.

Between 1994 and 2000, India's growth rate averaged a healthy 4.2 per cent per capita. Population growth was low at 1.4 per cent per annum. In 2000, states' net domestic product growth ranged from 0.5 to 5.3 per cent. The states that performed better in terms of growth and poverty reduction were in most cases in the south and west of the country, while the north and east did less well. A few states grew slowly but reduced poverty substantially, while one (West Bengal) grew rapidly but achieved only a modest fall in poverty.[16]

In a country as large and as densely populated as India, inter-state differentials relate more to infrastructural and sectoral change rather than differences in population density. During the 1970s and 1980s, the Green Revolution boosted the growth and poverty reduction of the northern states of Punjab and Haryana. This growth impetus levelled off by the 1990s. Instead, the states with good governance records generated favourable investment climates offering good infrastructure and lighter regulatory burdens for local and foreign investors, promoting higher labour productivity and total factor productivity. Goswami and Narang (2005) argue that welfare is better in these states in terms of the provision of electricity, housing, communications and services. Kerala stands out as an efficient provider of social services and hence its population enjoy relatively high levels of education and a remarkable output of skilled workers who have migrated throughout the country but who continue to support their home state's economy through remittances. Kerala has also developed its tourist infrastructure.

In Ghana, given the severe economic setbacks of the 1980s, growth derived more from social service infrastructural improvements rather than sectoral developments *per se*. However, it was a case of two steps forward and one step back. McKay *et al*. (2005) indicate that despite improvements in growth and poverty reduction measured in terms of income levels there were setbacks in health service provisioning in Ghana during the 1990s. The imposition of user fees caused a decline in people seeking health care and a rise in infant mortality rates and child malnutrition, although records indicate that the number of health consultations increased slightly in the savannah zone and most noticeably in Accra. Fortunately school enrolments at both

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[16] Goswami and Narang 2005: 8 note that there are statistical anomalies in the growth rates collected by different agencies for West Bengal, so these findings must be treated with caution.

primary and secondary level have been increasing especially in the savannah zone where enrolments have been historically low. This pattern is similar for access to potable water. McKay *et al*. (2005) conclude that these spatial improvements to living standards are more a reflection of conscious equity-minded public policy rather than local income growth.

Zambia evidences stark disparities in access to electricity, telephones and transport ranging from two per cent in Eastern, Western and Northern provinces to 33 per cent in the Copperbelt and 39 per cent in Lusaka in 2000 (Masiye and Wake 2005). In transport the differences are even more dramatic. In 2003 in Lusaka there was a bus operator for every 219 people and in the Copperbelt for every 1534 people as opposed to Northwestern province where there was a bus operator for every 72,350 people and in Western Province one for every 96,369 people (Masiye and Wake 2005). Naturally, in these situations, the provision of roads is not going to bring about a blossoming of mobility given the low incidence of car ownership and lack of automobile transport generally. A comparative rural mobility study of Zambia, Vietnam and Ethiopia indicated the consequences of the lack of vehicles on Zambian roads. Zambian villagers had average daily travel speeds equivalent to walking speeds (between 2-4 kms per hour) as opposed to Vietnam and Ethiopia where speeds were 35-50 per cent higher (Bryceson *et al*. 2004).

### *3.4 Are urban areas catalysts for national economic growth and poverty reduction?*

Urban areas have played a critical role in development both in the past and at present but there has been controversy as to whether this role is supportive of, or detrimental to, national welfare (Braudel 1967, Bryceson 2006a). Western donors have been in the forefront of propagating these opposing positions. Structural adjustment programmes during the 1990s were implemented with the hope of eliminating 'urban bias' which it was argued had impeded growth as one oil-importing country after another fell into debt following the international oil crises of the mid and late 1970s (World Bank 1981). By the mid-1990s, there was considerable donor rethinking led by the World Bank (1995), which began casting urban areas in a different light. Urban areas were seen as potential 'engines of growth' in an era of urban growth when many developing countries were losing market share in world agricultural commodity markets. Urban wages, on average, two to four times higher than rural earnings, are seen as reflective of higher urban productivity rather than the parasitism of urban-based labour aristocracies, rent-seeking and skewed urban-rural terms of trade. In other words, donors' belief that higher urban income levels and infrastructural provisioning caused rural poverty was being revised. Increasingly, urban economies were seen as potentially benefiting rural areas through agglomeration of economies of scale, clustering of knowledge and innovation, and competitive markets, as well as providing a magnet for surplus rural labour. The optimism of W.A. Lewis was seeping back into economic thinking.

What is the reality? Using our five country case studies we observe that paradoxically the countries that had the highest urbanisation levels in 1990 namely Bolivia (55.6 per cent) and Zambia (39.4 per cent) have experienced the poorest growth rates during the 1990s (Bolivia 1.2 and Zambia -2.3 per cent annual per capita growth) (Figure 10). Conversely Vietnam with the lowest urbanisation level in 1990 (20.3 per cent) experienced the highest growth and India followed suit with the second lowest urbanisation level and second highest economic growth rate (Statistical Appendix). Similarly, poverty headcounts vary inversely with the 1990 level of urbanisation.

All our country case studies have higher rural poverty compared to urban poverty and the gap between the two has widened. The rural/urban poverty headcount ratio was roughly 1.9 in the 1990s increasing to 2.4 in the early 2000s. The rapid growth of Vietnam was at the expense of a widening rural/urban poverty gap as indicated in the Table 1 below. Only Zambia was closing the gap during the 1990s.

**Table 1: Rural/Urban Poverty Headcount Ratios**

| | Vietnam | India | Ghana | Bolivia | Zambia | Average |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Early 1990s | 2.6 | 1.3 | 2.3 | 1.3 | 1.9 | 1.9 |
| Early 2000s | 4.9 | 1.4 | 2.5 | 1.5 | 1.5 | 2.4 |

Source: Authors calculation based on data from World Bank 2005.

• *Significance of urban growth*

Before jumping to conclusions regarding urban bias, it is relevant to note that the urban growth rates of these five countries suggests that, as W.A. Lewis predicted, urban migration is responsive to such differentials and to rural-urban imbalances. Vietnam and Ghana with the highest rural/urban poverty headcount ratios have the highest urban population growth rates at 3.4 and 4.1 per cent respectively. Subtracting national population growth from these figures provides us with an estimated annual rate of net urban migration of 1.75 per cent in both countries (Statistical Appendix). Zambia, as the only country that narrowed its rural/urban poverty differential, has the lowest urban population growth at 1.6 per cent per annum. Rural-urban migration has reversed with an estimated outflow of people from urban areas at the rate of 0.78 per cent per annum, a unique situation in Sub-Saharan Africa at present (Statistical Appendix).

Recent debates for or against the role of urban areas in national development and welfare tend to over-simplify the issues and, if not corrected, we may soon see urbanisation hailed as the elixir of national growth whereas previously it was cast as the poisoned chalice. It is important to bear in mind that the role of urban areas is blurred by the fact that national and urban-level statistics in the vast majority of countries do not afford us a means of charting the influence of urbanisation with any precision. Definitions of urban areas vary widely between countries as well as being frequently altered within countries. This makes time series comparisons difficult. Urban studies have been the preserve of geographers who have contributed a vast literature on the topic, but unfortunately little of this has percolated into the development literature over the years.

As Williams *et al*. (2005) have argued there has been a recent upsurge of interest in spatial differentiation in development studies. Endogenous growth theory and what has become known as the ‘new economic geography’ have focussed on spatial growth processes overturning the Heckscher-Ohlin model which predicts a uniform dispersion of economic activity over space.[17] Spatial concentration of economic activity in urban areas has been increasingly receiving attention. Path-dependency has been stressed as an important determinant of growth outcomes (Williams *et al*. 2005). Stevens *et al*. (2005) stress the role cities can play in furthering national development through international trade and explore possible rural-urban growth patterns that may emerge.

The urban traditions or lack of them are encapsulated in a country’s level of urbanisation, the distribution of urban areas over national space, and the urban areas potential for economic dynamism or otherwise. Our case study countries have urbanisation levels, which on casual observation look similar, yet they embody a wealth of differences. First of all there is the question of how far back urban life in the country dates. In India, Vietnam and Bolivia, urban life has been a part of the national economy and culture for centuries. The urban colonial experience in these countries was also very pronounced. Bolivia has the oldest European colonial tradition and its many departmental cities date back are centuries old.[18] The urban traditions of Ghana and Zambia are more recent. Urbanisation has been experienced at a rapid rate in both countries during the latter part of the 20th century, particularly in Zambia, and cities in these countries are

[17] Development economists come to the topic afresh without the benefit of being familiar with the existing geography location analysis literature (e.g. Haggett 1965 and 1978, Haggett and Chorley 1969, Morrill 1970) which has been critiqued and largely superseded by a less positivist approach centred on the analysis of placed-based factors within the context of uneven development processes (Harvey 1973 and 1982, Massey 1984 and Johnston 1997). The development of GIS tools over the last two decades has given geographers a new momentum in locational analysis, but much of their work is highly technicist and again not easily accessible to those with more general development studies backgrounds.

[18] La Paz, the capital, was established in 1548.

more fragile in several respects, as demonstrated by the recent reversal of the urban migration flow (Bryceson 2006a).

• *Zambia's urbanisation and de-urbanisation*
Just as the Zambian national economy has been dominated by copper, its cities have also been deeply influenced by the booms and busts of copper exporting. In fact, mining imparted an early urban bias to Zambia because the population working in the mines formed the conurbation of the Copperbelt. Over 77 per cent of all enterprises were located in the three main towns: Ndola, Lusaka and Kitwe. From then on Lusaka took precedence as the country's capital and biggest industrial centre. Higher earnings, infrastructure and welfare were all concentrated in the urban areas. Ninety per cent of enterprise expansion took place in the towns during the late 1960s and 1970s. In Zambia a growth centre policy was initiated during the early 1980s, which gave priority to the urbanised settlements including the Copperbelt and Lusaka. Other urban areas were demarcated along a descending hierarchy beginning with the provincial capitals, then district towns and at the very bottom, the villages.

In Zambia economic decline began in the 1970s and was very rapid as the country became increasingly indebted to the IMF and mired in a foreign exchange crisis. Widespread shortages of basic consumer commodities ensued. Eventually the government abandoned its mixed economy principles and liberalised according to IMF stipulations, including the removal of the urban mealie meal subsidy, which sparked riots in the Copperbelt and Lusaka. The subsidy was reinstated and a stand-off with the IMF and World Bank persisted until 1991 when, following the introduction of multiparty politics, there was a change of government and a SAP was implemented.

Lusaka has the lowest incidence of extreme poverty of anywhere in the country at 27 per cent which can be contrasted with Gwembe, an extremely remote district with an 81 per cent poverty headcount (Masiye and Wake 2005). However, even a short drive outside of Lusaka, indicates that its peri-urban areas are now extensive shanty town settlements severely disadvantaged in terms of infrastructure and services and reliant on ad hoc informal sector involvement and subsistence agriculture.

• *Ghana's liberalisation-boosted urbanisation*
Ghana's experience of economic liberalisation during the 1990s was far more positive than that of Zambia. Exports have risen (Figure 1). Historically cities have played a pivotal role in foreign trade with capital cities being especially important in this respect (Bryceson 2006b). Liberalisation undoubtedly contributed to Accra's fast growth while possibly having an adverse impact on its rural coastal zone (McKay *et al*. 2005). In Ghana, overseas trade has displaced some domestic trade and trade with neighbouring countries particularly in the northern part of the country. The country's elite has two factions, a political-business elite representing the interests of the extractive economy with regional biases embedded in their demands and second, a broader coalition of urban workers, farmers and an educated elite who support continuing public sector involvement and have sought more balanced regional development, albeit this objective was largely thwarted under structural adjustment (McKay *et al*. 2005). This failure to deliver spatial equity is widening regional cracks in Ghanaian politics. The country's small manufacturing industry is concentrated in Accra where wage levels are higher. Migrants from the North, who are relatively uneducated, are particularly disadvantaged.

• *India's poverty-reducing urbanisation*
In India, the percentage of people below the poverty line in urban India has impressively fallen from 40.8 per cent in 1983 to 23.6 per cent in 1999-2000 while in rural India the reduction was from 45.7 percent to 27.1. It is remarkable that the rural-urban differential is not that great, however, Goswami and Narang (2005) observe that inequality in urban India is increasing after a period of falling inequality. While real consumption inequality rose by 4.3 per cent in the country as a whole it was 8.8 per cent in the urban areas and only 1.5 per cent in rural India between

1993-4 and 1999-2000 (Goswami and Narang 2005). This striking rural-urban differential is possibly attributable to an extremely rapid increase in non-food consumption amongst the highest quartile who reside primarily in the urban areas and are in the best position to reap the benefits of the country's economic liberalisation policies.

• *Vietnam's combined growth and poverty reducing urbanisation*
Of the five countries under study, Vietnam has experienced the most dramatic reduction in its absolute urban poverty level. This fell rapidly between 1993 and 1998, the rate of decrease then slowing in the following four years as migrants from poor rural areas flowed into the urban areas thereby lowering rural poverty levels (Klump 2005). It helped that establishment of private companies accelerated from 2000 onwards under new company legislation shifting job creation away from household enterprises. The majority of firms were urban not rural due to the superiority of urban infrastructure, finance and customer numbers. The dynamic provinces registered more new firms. Increases in formal wage employment were most pronounced in the two main cities, Hanoi and Ho Chi Minh City, which accounts for 25 per cent of the wage labour market and where intra-city wage differentials are far higher than elsewhere.

• *Bolivia's urbanisation and entrenched rural-urban gap*
In Bolivia, due to the country's high levels of urbanisation rural-urban differences rather than regional differences *per se* account for most of the spatial divergence. Bolivia has a long urban history. Its main urban areas serve as 'departmental capitals', accounting for 54 per cent of the national population. Its 'other urban areas' (14 per cent of the population) consist of smaller towns. The rural population are in the minority (32 per cent) (Figure 7). Growth in the departmental capitals was aligned with macro-economic trends registering expansion during the 1990s until 1999 and contraction thereafter. The other urban areas grew faster whereas the rural areas endured low growth throughout and hence they were less adversely affected by the economic recession from 1999 onwards. The other urban areas, which are by their nature a transitional category between rural and urban, experienced poverty reduction rates halfway between rural and urban areas after 1999. This compared with previously when they were as low as those prevailing in the rural areas (Klasen 2005).

Bolivia's stagnation relates to an overall lack of dynamic regional growth perhaps linked to its highly segmented economy. During the 1990s, most departments had poverty headcounts anchored between 70 and 90 per cent. Within departments, there was a discernable pattern with benefits accruing to: the richest in the highlands, middle income groups in the valleys and the poor in the lowlands. After 1999, this pattern reversed itself except for the very poor in the highlands who gained little in the 1990s and are now losing very heavily. This suggests that growth is more broad-based in the valleys and lowlands than in the highlands (Klasen 2005).

Along the rural-urban spectrum, growth was experienced similarly for income groups in the capital cities and became anti-poor in the last few recessionary years. Small towns enjoyed pro-poor growth (except for the poorest stratum) and the highest poverty reduction whereas pro-poor growth was less pronounced in the rural areas (Statistical Appendix). As has been recognised in Sub-Saharan Africa, residents of small towns tend to have higher livelihood resilience during national economic crises because they have recourse to both urban and rural livelihood options (Bryceson *et al*. 2003).

• *Comparing rural and urban pro-poor growth, inequality and poverty reduction*
Figure 10 compares and contrasts rural and urban pro-poor growth in relation to inequality changes and poverty reduction in our five case study countries. 'Pro-poor growth' is defined as the mean growth rate of consumption for the poor (World Bank 2005: 26).[19] Interestingly, rural

[19] The concept of 'pro-poor growth' has been extensively debated and has yet to be resolved, fluctuating between a restrictive notion focussing on the poor's relative increasing income share, as opposed to a broader definition that equates growth with pro-poor growth as long as there is some poverty reduction:

pro-poor growth is strongest in Zambia (4.0 per cent), the country that experienced the least growth overall, followed by Vietnam (3.9), whose national growth superseded all the other countries. The other three countries rural pro-poor growth ranged between 1.1 and 2.2 per cent. Urban pro-poor growth was outstanding in Vietnam (5.9 per cent) with Ghana, India and Bolivia lagging with pro-poor growth ranging between 0.5 to 1.8 per cent. Zambia, by contrast, experienced a continual decline in pro-poor growth at the rate of -1.8 per cent per annum, as its cities struggled with the collapse of the country's copper exports. Overall, countries with high national growth tend to excel in pro-poor urban growth whereas lower growth countries are more likely to experience rural pro-poor growth.

Poverty reduction in Vietnam's urban areas was spectacular with an 11.2 per cent decrease per annum. Klump (2005) argues that more poverty reduction could have been achieved with less growth if Vietnam's growth had been more evenly spread over the country. Vietnam's encouragement of three urban-based growth centres left many rural areas of Vietnam far from the developmental mainstream. Ghana and India had creditable reductions in urban poverty headcounts of -5.1 and -3.5 per cent per annum respectively. Bolivia was less impressive with a -1.5 decline whereas the poverty headcount in urban Zambia increased at 3.4 per cent annually. In the rural areas on the other hand all five countries managed to reduce poverty with Vietnam doing the best with a -4.2 per cent reduction and Zambia was least successful at only -0.4 per cent.

Finally, as has been observed previously, changes in income inequality are less marked than growth and poverty reduction although in rural Zambia inequality decreased by 3.7 per cent and at the opposite end of the spectrum Vietnam's rural inequality increased by 2.8 per cent. Inequality also increased in Vietnam's urban areas, but at a more moderate rate of 1.8 per cent. Zambia again was the only country that experienced a reduction in urban inequality of 1.3 per cent. Ghana, Bolivia and India's urban areas all saw small increases of inequality ranging from 0.1 to 1.1 per cent per annum.

### *3.5 What role do population mobility and demographic change play in evening out spatial poverty?*

Deagrarianisation and modernisation have served to tilt migration flows in a rural to urban direction generally in the developing world over the last century. Some countries have had political or cultural forces serving to more firmly ground people in the countryside even though they have long urban traditions. For example, in India, rural caste and class systems have been a check on urban migration whereas in Vietnam protracted war and subsequent government controls on population movement through a residential register system kept rural dwellers in their home areas. In Bolivia, where urbanisation levels are already so high that the majority of people live in cities and towns, rural-urban migration is necessarily less pronounced although those still residing in the countryside tend to practice circular migration retaining their rural family base while endeavouring to secure a foothold in the city (Zoomers 1999).

The African countries in our sample have the strongest rural-urban migratory tendencies over recent decades. Globally, economic liberalisation and political democratisation have unleashed greater personal mobility and new migration patterns. However, in countries which have experienced economic crises, as exemplified by Zambia, people's purchasing power is lowered and thereby raising their threshold for making short or long distance motorised trips that involve a considerable financial outlay (Bryceson *et al.* 2004).

Vietnam's national growth has been facilitated by the drop in its population growth rate from 2.2 per cent in the early 1980s to 1.5 per cent at present due to the government's family planning programme, higher population mobility and the economic reforms which have raised the

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'growth is pro-poor, except when the income of the poor is stagnant or declines leading to an increase in the poverty measure' (World Bank, Poverty Reduction Group 2005: 11). It is anomalous that Zambia, given its overall negative growth, has such a high rural pro-poor growth rate and leads one to have some reservations about the measure.

opportunity costs of having children. According to Klump (2005), the decision to migrate is primarily a response to the inter-regional or rural-urban income disparities of economic liberalisation of the 1990s rather than being related to ethnic, marital status or religious predispositions. Statistics indicate that an exceptionally large number of people, approximately 4.5 million (6.5 per cent of the population) moved residence between 1994 and 1999. In Vietnam net immigration was highest in Ho Chi Minh City and Hanoi (Klump 2005). This large inflow swamped the Infrastructural and service capacity of the apex cities, creating new forms of deprivation and poverty.

The migrants tended to be relatively educated, young people under 25 years of age who were not from the poorest strata. Many moved to improve their education and on that basis they were gaining a head start in securing economic opportunities. Roughly 60 per cent of the migrants entered the private sector and 10 per cent joined the government sector. Sectorally, an estimated 25 per cent worked in agriculture/forestry/fisheries and 16 per cent went into industry and construction (Klump 2005).

With limited agricultural land in the Vietnamese countryside, migration has become a household strategy and even young migrants are diligent about sending remittances back to their rural homes, often the most important source of income for their families. Klump (2005) estimates that 60 to 70 per cent of remittance cash income channelled to rural families is used for consumption rather than investment, making remittances a highly pro-poor redistributive mechanism. Nonetheless, most migrants are from the wealthiest parts of the country such that the country's poorest areas benefit least from remittance income. Furthermore, international migrants are the source of a huge inflow of remittances estimated at $3.5 billion in 2004. The majority of international remittances flow into the urban areas with Ho Chi Minh City in receipt of an estimated 60 per cent (Klump 2005).

In India, the states with extremely poor growth rates namely Bihar, Assam, Uttar Pradesh, Madhya Pradesh and Orissa are in effect 'dropping off the development map' according to Goswami and Narang (2005: 4). Nonetheless, migration from these states to dynamic regions has been restricted partly because many prospective migrants have concerns regarding health risks or adverse climates in prospective destination areas. Alternatively, the absence of an earlier pronounced migration flow results in a lack of support networks to facilitate chain migration. Utlimately socio-cultural barriers appear to be at the root of why there is not more migration despite large spatial differentials in earnings.

The situation is markedly different in Ghana. Historically, Ghana has experienced considerable population movement to capitalise on economic opportunities with respect to artisanal gold mining, timber and smallholders' production of cocoa in frontier areas, as well as with respect to the yam and maize production of Brong-Ahafo and the Northern Region. Over 50 per cent of the population is estimated have migrated at some point in their lives (McKay *et al*. 2005). Most of this movement has been rural-rural. The North has traditionally been an area of out-migration because of food insecurity and the perceived lack of employment opportunities and infrastructure whereas the Coast was an area of in-migration. Beginning in the 1980s the forest zone received migrants and now there is a dramatic increase in migration to the cocoa-growing area of the Western Region. Provision of roads in rural areas has encouraged in-migration (McKay *et al*. 2005). Meanwhile, migration to Accra on the Coast remains strong as well as Ghana being a country of net in-migration in West Africa (Cour and Snrech 1998).

In Ghana, remittances from inside and outside the country are an important source of income. Northerners tend to earn less due to language barriers and their inferior education levels. Studies on use of remittances show that most of the transfers are used for meeting daily needs with less than 30 per cent invested in property, agriculture or savings (McKay *et al*. 2005). There are indications that in the semi-arid Northern areas, there is increasing dependency on remittances which are not, however, sufficient to compensate fully for the loss of the migrant's labour. Rising education to middle school level is believed to be spurring migration and indeed studies indicate that completion of middle school has been shown to boost one's income (McKay *et al*. 2005).

Historically rural-urban migration has been a feature of Bolivia's spatial economy. Significant rural-rural migration to the coca-producing areas began in the 1970s. During the 1990s, circular migration of rural household members between rural and urban areas became more pronounced due to economic liberalisation and transport improvements (Zoomers 1999). Rural households have regarded migration to cities and small towns as a means towards poverty alleviation but the recent recession beginning in 1999 caused urban stagnation and a relatively greater drop in urban as opposed to rural incomes. Since then an estimated 43 per cent of total migration has flowed from urban to rural areas facilitated by the fact that circular migrants have strong connections with their rural home while resident in the city (Klasen 2005). Female heads of households are over-represented among rural-urban migrants and they are earning on a par with their non-migrant counterparts.

As already documented, the fortunes of Zambia's cities and towns took a severe downturn during the 1990s. Unemployment rose from 16 to 27 per cent between 1990 and 2000 (Masiye and Wake 2005). Zambia is distinct in Africa in experiencing, de-urbanisation, whereby marginalised urban dwellers are migrating back to their rural home areas where the cost of living is eased by reliance on subsistence agriculture (Masiye and Wake 2005). Such migrants tend to have some start-up capital, better education and entrepreneurial skills. Many retrenched miners have settled back in their rural home areas and they are more likely to be able to afford to buy improved inputs for farming.

## 4. Spatial Policies

This section reviews the policy context of the case study countries and considers a variety of policies addressing spatial growth, poverty and inequality that the respective countries have pursued in the recent past.

### *4.1 How do governments differ in their capacity and willingness to address spatial inequity and poverty?*

National and sub-national governments vary in the scope of their functions, their appreciation of spatial poverty, political biases and policy-making machinery, all of which greatly influence their ability to take remedial action. The following sub-sections review these aspects in turn drawing examples from the country studies.

• *Balance between roles of the market and state*

The five case study countries present a range of different blends of state and market interaction within national economies. Vietnam was divided along the demarcation line between the province of Quang Binh and Quang Tri in the North Central Coast from 1954 to 1975 and experienced the draining effect of war. In the aftermath of the victory of the communist regime in the North, all of Vietnam was subjected to strict socialist central planning which became identified with declining economic performance. Corrective reforms beginning in the early 1980s first led to severe imbalance and near famine but Vietnam's *doi moi* reform initiated in 1986 by the Sixth Congress of the Communist party (CPV) established the principle of multi-ownership within the economy as well as disciplined macro-economic management. This in effect transformed the socialist state-led planned economy into a dynamic market economy with macro-economic stability and a strong export orientation (Klump 2005). Sixty percent of investment is still made by the state (Klump 2005). Market liberalisation has given some border areas new opportunities. Lao Cai, a poor region in the far North East, located on the border of Yunnan province in China is now experiencing steady growth and prosperity with the opening up of trade with China (Klump 2005).

After independence Zambia had a succession of national plans. With the implementation of SAP, long term planning was forsaken, and the role of the state was seen more in enabling terms with a reduction in state-owned enterprises and a focus on macro-economic stabilisation. Masiye and Wake (2005: 8) describe SAP as disastrous in human terms as evidenced by the increasing incidence and severity of poverty and regression in regional economic balances between remote and urbanised areas.

• *Level of development of land, labour and capital markets*
The level of development of market institutions influences government manoeuvrability in spatial development especially with respect to local land and credit markets. Usufruct land rights have created considerable confusion, notably in urban and peri-urban areas of Ghana. Elites, particularly in the cocoa-producing areas are keen to retain usufruct based systems whereas urban dwellers as well as returned international migrants, eager to invest, seek land reform towards freehold tenure. Land disputes are now common, clogging the courts. The murder of the Dagbon monarch in 2002 in the Northern Region has left a power vacuum such that there is no one to sanction land transactions. This has deflected investment from the north to the south.

In Vietnam radical land reform was launched which has had been a spur to the growth of agricultural commodity production in the countryside, although difficulties in securing use of land still hinders many businesses.[20] In Bolivia, land markets are skewed with widespread landlessness particularly in the lowlands. The Gini coefficient of land inequality was 0.77 in 1989 which is high relative to other Latin American countries (Klasen 2005)

In respect of labour, forced labour in feudal-like relations dominated the countryside in Bolivia until the 1950s. Labour markets remain heavily segmented. Miners organised themselves into unions and were engaged in much labour unrest during the 1970s and 1980s (Klasen 2005).

Capital markets remain relatively undeveloped and in Vietnam, intra-provincial capital mobility is weak. Despite Vietnam's impressive economic growth, most credit for rural and small enterprises is informal operating primarily through rotating credit societies (Klump 2005). This is of course preferable to the rural population's vulnerability to moneylenders in many other parts of Asia, particularly India. In Ghana, banking is highly biased against the remote areas. Most rural people rely on informal credit associations, rotating savings and local moneylenders, although very few moneylenders operate in the North where the cash economy is less developed. Ghana has however made some progress with the development of 115 rural and community banks, which provide an array of banking services except foreign exchange operations.

• *Centralised, decentralised or devolved government*
In many donor circles it is assumed that decentralised and devolved government is better equipped to ensure better spatial distribution of welfare.[21] This may or may not be the case as indicated by the experiences of our five case study countries.

Part of Vietnam's *doi moi* economic liberalisation reform was the clear assignment of tasks, authorities and responsibilities to each level of government that kept the over-centralisation of the communist regime in check (Klump 2005). Sub-national levels now have the powers of taxation and share an increasing amount of the state budget. Administrative decentralisation has transferred more responsibilities downwards to lower levels with each level devising its own socio-economic development programme on an annual and five-year basis as well as having discretion on infrastructural development up to a specified financial limit. Political decentralisation grants decision-making authority to legally constituted local governments like People's Councils. Now only about 40 per cent of government expenditure is controlled by the central government (Klump 2005). Nonetheless, decentralisation does not lead to more

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[20] This emerged from presentations at the Asian Development Bank's *Making Markets Work for the Poor* conference in Hanoi, October-November 2005 (http://www.markets4poor.org/m4p/index.php?lang=en).
[21] See Williams *et al*. 2005 for a discussion of the different aspects of decentralisation which can be briefly summarised as: 'deconcentration' occurs when central government delegates executive responsibility to sub-national offices while retaining supervision and policy control. 'Delegation' refers to the handover of powers, resources and accountability to the sub-national level, although usually monitoring and objective setting is retained by central government. 'Devolution' denotes the full handover of authority, decision-making, finance, implementation and accountability to the sub-national level.

discretionary power at the local level. Decentralisation and coordination of fiscal, administrative and political dimensions is not receiving priority. Line ministry power remains strong in controlling revenues and there is resistance to handing over power to the village level. At present, and in the absence of sufficient training for sub-national officials, decentralisation is likely to work highly selectively in better off regions with the targeting of the poor in wealthy regions being more salient than in poor regions. Vicious cycles of poverty in terms of inadequate education, health, infrastructure and lack of opportunities to earn money remain in some remote regions (Klump 2005).

Goswami and Narang (2005) argue against the view that the backward states of East and Central India have not benefited from fiscal devolution. On the contrary, fiscal devolution has been driven by the goal of regional equity. Central government transfers are determined on the basis of population (25 per cent), area (10 per cent), per capita income distance (allowing for inter-state differences in fiscal capacities) (50 per cent), tax effort (7.5 per cent) and fiscal discipline (7.5 per cent) (Goswami and Narang 2005).

In Bolivia, an ambitious decentralisation programme was implemented in the 1990s, which resulted in large transfers of resources and responsibilities to Bolivia's municipalities. HIPC debt relief went in its entirety to the local level (Klasen 2005). It remains to be seen if these decentralisation policies can tackle the problems of patronage and corruption. So far the roles of municipalities versus prefectures are confused. Many municipalities are too small to undertake the tasks they are expected to do. Local revenue generation remains low, such that municipalities rely on the central government for 80 per cent of their finance. Decentralisation has been implemented too quickly and brings with it large overheads, bureaucratic procedures and lack of capacity (Klasen 2005). Spending has been overly weighted to the social as opposed to the productive sector. Hence the eradication of income poverty has been impeded. It is apparent that decentralized spending is not being targeted on the poorest areas. This has been partially addressed by recent better targeting of HIPC funds (Klasen 2005). Decentralisation, therefore, may be exacerbating rather than reducing spatial poverty and thus there is a need for the possibility of more pro-poor interventions on the part of central government.

• *Extent of policy acknowledgement of spatial inequalities*

Our case study countries encompass a number of official and unofficial approaches to spatial inequalities. The Vietnamese government recognises the inherited pattern of spatial and ethnic inequalities and has attempted to address it at the same time as it pursues a high growth strategy based on prioritising the already economically well-endowed regions. The Indian government spends a large portion of its budget trying to compensate for regional disparities. Less attentive, the Zambian and Ghanaian governments have done little in the past or at present to acknowledge and address spatial inequalities whereas in Bolivia the policies implicitly perpetuate the country's deeply rooted ethnic inequalities.

In Vietnam there is a tendency for poverty alleviation programmes to be top-down in approach but the government consciously recognises the poverty of ethnic minorities and spatial imbalances. The Public Investment Program (PIP) was intended to address these disparities between 1996 and 2000 with investment in 200 large-scale projects. The Commission for Ethnic Minorities and Mountain Areas (CEMMA) has yet to significantly reduce ethnic poverty pockets. It has been difficult to target the ethnic people living within the target regions. Kinh households instead benefit because they engage in forms of income generation that are more accessible to government target intervention. The National Programme for Hunger Eradication and Poverty Reduction (HEPR), implemented in 1998, involved free medical treatment in public hospitals, school fee exemption (reaching one-seventh of all poor households) and subsidised loans. Programme 135 began in 1998 to specifically assist financially poor communes in remote mountainous areas especially with infrastructural improvements, notably irrigation, schools, commune centres, etc. It involves the transfers of grants directly to districts and communes, which have overwhelmingly been used in agricultural projects, but it has encountered problems of participation and control that have in some instances led to cases of misuse of funds (Klump 2005).

Van de Walle (2004) argues that overall Vietnam's spatial poverty programmes do not actively contribute to the 'catching-up of poor regions' because the poor in the better-off communes get more funding than those in poorer communes and generally vulnerable households are not being protected from falling living standards. In short, there is a need for better monitoring at local level and higher risk-pooling at national level via the central state budget.

In India, the central government is highly responsive to equity issues. Fifty per cent of central government transfers relate to the evening out of the differential between better off and poorer states' capabilities to meet their needs for public goods and services, which gives a strong weighting to equity (Goswami and Narang 2005). During the 1970s and 1980s, the Indian government's planning efforts extended to trying to spatially disperse productive capacity through fiscal and financial subsidies. The net result, according to Goswami and Narang (2005), was the support of entrepreneurs' unviable projects in many areas with inadequate infrastructure creating 'sick' industrial units. Subsidies could not substitute for sustained investment in physical and social infrastructure and good governance. Such subsidies faded with the declining level of state intervention in productive activities under economic liberalisation.

In Ghana, between 1983 and 2000, people from the Volta Region dominated national politics, which was reflected in greater social service investment particularly in health staffing (McKay *et al*. 2005). The Northern region, on the other hand, where people are relatively uneducated and not influential in national politics, has been largely neglected. According to McKay *et al*. (2005), despite officially proclaimed efforts to redress the imbalance in the central government's regional expenditure it is difficult to find actual evidence of success. However, recently a new strategy for the development of agricultural and economic growth has been implemented which has the potential to incorporate spatial equity concerns. This is especially welcome given that there has been an increasing incidence of inter- and intra-ethnic violent conflict since the 1980s in the economically depressed Northern areas.[22]

### *4.2 Economic Policies addressing Remoteness and Spatial Inequality*

To different degrees, most governments have sought to invest in human capital as a means of addressing poverty and weak growth in disadvantaged areas, whether as a means of promoting growth locally or to enable citizens to migrate. However, the effectiveness of such interventions has varied greatly.

• *Balancing regional human capital investment and skill differentials*

Part of Vietnam's economic success in recent years has been due to its flexible skilled labour force (Klump 2005). This is thanks to earlier education policies of the socialist government which heavily invested in education generating a very high literacy rate amongst the populace. Even amongst the poorest stratum, 70 percent can read (Klump 2005). An educated and skilled labour force has more than compensated for the developmental problems associated with Vietnam's high population density and rural land scarcity.

Educational opportunities are skewed against Northerners in Ghana. Literacy shows a clear north-south differential. In 1998, there was a marked regional disparity in the primary enrolment of the northern savannah region (50 per cent) compared to the national average of 84 per cent (McKay *et al*. 2005). Cost sharing introduced in 1987 seriously challenged efforts to raise school attendance in many areas. The Northern schools suffer from the long distances that

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[22] The central government's ability to manage the conflict has been supplemented by regional and district security councils and NGOS and CBOs. ECOWAS is now monitoring the situation. Regional conflict has had a knock-on effect on urban migration especially to Accra and other Southern cities.

students have to travel to attend school, chronic teacher shortages and absenteeism, and local communities' lack of commitment and engagement with the school. School costs for books, paper, uniforms, etc are a deterrent to student attendance even though school fees are not charged in the three northern regions as an incentive to raise school attendance. However, over the last five years the regional gap in gross school enrolment is narrowing, particularly for girls.

In Zambia, spatial disparities in education were very marked at the beginning of the 1990s with Lusaka's population far more advantaged relative to people in the rural areas. Part of the problem of low education levels in remote areas is related to the inability to attract teachers to these areas and the lack of money to pay for school costs. People still highly value sending their children to school and are willing to make great sacrifices to do so often at the expense of not buying agricultural inputs (Masiye and Wake 2005).

One tragic dimension of Zambia's current human capital situation is the AIDS crisis now afflicting the country. HIV prevalence is concentrated in the more urbanised provinces of Lusaka and the Copperbelt where 27.6 and 24.9 per cent of the adult population are HIV+ as opposed to other regions which average approximately16 per cent (Masiye and Wake 2005). However, as in many African countries, those experiencing the advanced stages of AIDS have a tendency to return to their rural home areas for care which places economic burdens on their extended families there.

• *Investing in physical infrastructure*

Over the last five decades, the call for infrastructural development, particularly roads, and now more frequently electricity and communications has often been seen as a major part of the solution to imperfect markets and poverty caused by spatial isolation. Goswami and Narang (2005) strongly argue that growth in India will be encouraged through the development of infrastructure: roads, power and telecoms rather than industrial subsidy *per se*. The growing momentum of mobile phone ownership and usage in Africa is indeed promising. The expansion of electricity and road-building, which involve major investment, must however be viewed, not as a simple remedy, but as a challenge to public finance and maintenance capability, particularly in remote rural areas where both settlement and economic activity are sparse. In the case of road-building there is the additional problem that the positive impact of roads tends to be highly biased towards the wealthier strata who have better access to motorised transport. Vehicle ownership is usually quite negligible in poor, remote rural areas. Pro-poor road investment must take this into account. In Ghana where feeder roads have been provided, bicycle transport has blossomed. In mountainous parts of Vietnam, rural transport has been greatly facilitated by the spread in ownership of low-powered motorbikes (Bryceson *et al*. 2004). Thus, road-building in remote rural areas should be accompanied with measures to ensure affordable modes of transport by all economic strata residing in the area.

• *Keeping agriculture and rural development on the policy agenda*

The five countries all have significant proportions of their populations residing in the rural areas many of whom produce their own basic food needs. Agriculture remains a pivotal economic sector in many of the poorest parts of the countries. Without agricultural growth, there will be little growth at all in these areas.

Some like Ghana, famous for its cocoa, have historically had a strong agricultural export orientation. Bolivia has recently made its mark with the export of coca. Vietnam, which has the largest proportion of its population residing in the rural areas (74 per cent), has also experienced the most radical change in terms of its land reform and new emphasis on agricultural exports, notably coffee. This section considers some of the spatial implications of agricultural policies during the 1990s.

Vietnam experienced a near famine in 1987. Thereafter the Vietnamese government gave emphasis to labour-intensive farm production. The decollectivisation of farmland was promulgated in 1988, granting usufruct rights to farm households. Subsequent 1993 legislation laid the foundation for a land market through issuance of land certificates making inheritance, transfer, exchange, leasing and mortgaging possible. However this law was unevenly implemented at provincial level. Its effect has been to create a diversification of rural incomes with longer-term investments in tree crops and industry for those with secure tenure. Lack of tenure security over forestry land in the mountainous ethnic areas, however, spells continuing poverty for the inhabitants. Furthermore, in these areas, there is a problem of slope erosion due to intensified agricultural production and worsening labour-land ratios (Klump 2005).

Rice is central to Vietnam's agricultural policy and food security. In the 1990s the rice trade was liberalized, restrictions on rice exports were lifted and prices for chemical fertilizers fell which spurred a 20 per cent output increase in rice supported by measures to ensure land tenure security. Vietnam now has the world's fastest growing rice output and exports (Klump 2005). Success has brought some problems. Rice-growing areas now face a saline soil problem and a regional bias occurred because rice-growing households of the South benefited more than rural households elsewhere. This has been partially offset by the coffee boom, which took place in the Central highlands and has prompted an inflow of migrants into what had been a poor region (Klump 2005).

As a well-established agricultural export producer, Ghana witnessed a number of marked changes in the geography of its traditional export production. In the early 1980s, the domestic terms of trade improved for rural areas encouraging some reversal in the migratory movement to the towns other than Accra (McKay *et al*. 2005). The revitalisation of Ghana's cocoa exports has meant a displacement of production in the traditional coastal belt and new plantings in the more remote western region. Ghana's lagging coastal region, where soils are now exhausted for cocoa production, is believed to have tourist potential if it were developed with backward and forward linkages.

In Bolivia, Klasen (2005) argues the need for productivity improvements to highlands agriculture. Bolivia could excel in the export of niche products like quinoa, wool and alpaca. In the 1970s Bolivia became a major exporter of coca leaves especially from Chapare and Yungas. The Bolivian government under pressure from the US has tried with varying levels of intensity to eradicate this production, especially in the late 1990s and 2000s when it was estimated that its production declined by eighty per cent (Klasen 2005). However, the country's recently elected President has stated his intention to support the coca farmers much to the consternation of the American government.

### *4.3* Spatial policies and governance

The formulation of spatial development policies is influenced by the structure of national, regional and local government. The extent to which information and planning channels flow between national to local levels is critical to sensitive spatial policy formulation.

• *Lines of decision-making: administrative centralisation or decentralisation*

Under Ghana's highly centralised government a regional level of governance barely exists. Regional economic planning is weak. The 1992 constitution transferred some power to district assemblies and municipalities, but these agencies are heavily influenced by the presence of political appointees. Legally party politics are not supposed to operate at district and local levels, but in fact local conflicts are laced with party politics. (McKay *et al*. 2005). Horizontal lobby groups, including cocoa farmers and civil servants, have managed to sway structural adjustment and economic liberalisation policies to their members' advantage.

Vietnam, having had a highly centralised government in the post-war period, started decentralising in 2002 through its Comprehensive Poverty Reduction and Growth Strategy with considerable financial support from a group of approving 'Like-Minded Donors' (Klump 2005). Despite the fact that Vietnam has radically switched to a market-led approach, it retains a highly structured regional and provincial government administration descending to districts, communes and village with administrative powers in the hands of People's committees. This overlaps with the presence of the party at each of these administrative levels.

In Zambia, prior to the SAP era of the 1990s, the government pursued an Integrated Rural Development Programme (IRDP) and a Rural Reconstruction programme in which school leavers were involved in skills training. There was a ministerial portfolio dedicated to regional planning although there was no explicit spatial development policy (Masiye and Wake 2005).

• *Thinking ahead: urbanisation, urban planning and zoning*

Colonial governments left urban legacies or anti-urban orientations that have tended to persist in many countries. Continental European colonisers like Spain and Portugal with strong municipal government traditions tended to be more positive towards urban settlement and infrastructural investment than others. Britain, on the other hand, tried to minimise urban growth and investment erecting deterrents to urban settlement in the form of racial zoning.

Bolivia is the most urbanised amongst our five case study countries. It has a long urban tradition in which regional government is submerged in municipal government. Over the last decade, decentralisation policies and HIPC debt relief, channelled to the municipalities where the majority of the population live, has markedly improved the country's social services. This has helped Bolivia catch up with other Latin American countries in social indicators.

In Vietnam, the socialist government has discouraged urban settlement. Up until recently migration to towns was highly restricted. Under *doi moi* the restrictions have loosened. Now, particularly in Hanoi and Ho Chi Minh city infrastructural development cannot keep pace with the migration in-flow. Officials try to discourage migrants by refusing them permanent registration or taking money for temporary registration. This condemns migrants into the low-paid, unskilled informal sector in the unprotected segment of the labour market and denies them access to basic public services.

Urban food subsidies in post-colonial Ghana encouraged urban migration (McKay *et al*. 2005). Slum clearance programmes have tried to deter the flow of urban migrants. More positively investment codes in 1975, 1979 and 1983 gave tax credits to those willing to locate their businesses in economically depressed areas.

• *Planning settlement and spatial economies: growth pole policies*

Growth pole policies represent forward planning and can contribute significantly to national growth. Those that work, however, tend to be skewed towards already established urban areas and may raise the need for zonal cross subsidies for the untargeted areas left behind. This is illustrated by Vietnam's growth pole strategy which has the objective of improving its position in world competition and exports, which necessarily gives priority to the already well-developed regions. In 1997, to maximise its international competitiveness by taking advantage of the relatively cheap, accessible labour of its densely populated urban zones, the Vietnamese government adopted a focal economic development approach which prioritized Hanoi and its hinterland in the north, Ho Chi Minh City and its hinterland in the south and the region around DaNang and Hue cities in the centre.

These areas were given infrastructural development priority aimed at accelerating industrialisation and modernisation of the economy. The area around Naoi in the North is planned to have export-oriented industries and services with high-tech parks to boost value-added manufacturing. A deep-water seaport in Cai Lan, airports and highways are a central part of the regional development plan. In the South around Ho Chi Minh City the most important industrial and service centre is being developed in cooperation with Cambodia and other ASEAN countries. The third focal economic area in Central Vietnam around DaNang and Hue is intended to link the Central highlands with the seaports and facilitate access to Cambodia, Laos and Northern Thailand, involving a large oil refinery at Dung Quat. This is deliberately aimed at developing poorer provinces. Vietnam's growth poles have been successful in attracting foreign direct investment. Their share in GDP rose from 43 per cent in 1990 to 54 per cent in 2002 and they account for 60 per cent of GDP growth, 80 per cent of Vietnam's exports and 67 per cent of state income (Klump 2005).

In India, the states evidencing higher per capita growth have all had growth poles or development corridors: Gujarat has three growth zones, Kerala two, Himachal Pradesh two, while Maharashtra has a zone radiating from Mumbai. Haryana has a large growth zone, Punjab has a central tract, and Tamil Nadu and Karnataka both have two zones each which are characterised by: 1) urban/semi-urban/rural linkages where economic prosperity is driven by urban demand and supply and the exchange of goods and services and remittance flows across these settlement forms, and 2) better off contiguous rural districts that have experienced successful commercial agriculture and good marketing facilities with forward and backward linkages to rural industry (Goswami and Narang 2005).

Mumbai represents India's greatest concentration of corporate headquarters (Goswami and Narang 2005). Over 70 per cent of India's stock market capitalisation comprises listed companies headquartered in Maharashtra. Corporate power is concentrated in the two western states of Maharashtra and Gujarat, which are known for their investor-friendly environments. Manufacturing however has been spreading to Southern India signified by the explosive growth of software and IT services in Karnataka, Andhra Pradesh and Tamil Nadu, given these states' good telecommunications, roads and means of expediting business supported by industry associations and chambers of commerce. Stress is now being placed on the need for 'transparent, time bound, single window approval systems, which can ensure quicker and more hassle-free ways of doing business' (Goswami and Narang 2005: 24).

The other three case study countries have done far less to create growth centres. In Zambia a growth centre policy was initiated during the early 1980s, which gave priority to the urbanised settlements. Under SAP, state subventions were eliminated causing deterioration in these areas. Ghana has provided exemptions and rebates to encourage enterprises to locate in the North. In Bolivia, growth centre planning has not been salient. Economic investment has historically been concentrated in the departments where the mines are located. The issue is therefore one of redressing the imbalance. Currently, increased resource transfers from mining have been recommended for the poor (Klasen 2005).

In various country contexts, medium-scale towns can play a positive role both as growth nodes and as a means of promoting widely-based development. They provide a degree of agglomeration sufficient for some types of business; they have strong linkages with the rural hinterland and enable households to combine rural and urban sources of livelihoods. Development programmes that focus on the governance, infrastructure and investment climate of these towns may help to address simultaneously some of the challenges that may continue unresolved if development focuses primarily either on rural areas or on primate cities.

### 4.4 *Social policies addressing cultural/ethnic disparities*

All of the case study countries, with the exception of Zambia, have what might be called 'ethnic problems'. These encompass spatial and cultural identity issues connected usually with 'tribal' or other people culturally distinct from the majority or those who wield power. Zambia, on the other hand, has considerable tribal diversity with the non-dominance of any one ethnic group. Ethnic problems arise in the course of development because the 'distinct people' appear to get left behind. They experience economically disadvantageous positions in terms of income, infrastructure and levels of health and education. Many have become acutely conscious of their deprivation and have reacted to the point of civil unrest and political insecurity. In all of these cases, the identity politics have so far remained restricted to local and national stages. However, there is the potential for political destabilisation at the international level when identity issues are linked across borders through religious ties, political organisations or trade circuits. For example, the demands of the poor indigenous Indian coca producers from Bolivia directly impact on the international drug trade.

In Vietnam the disadvantageous position of the tribal ethnic minorities is a sensitive issue. There is concern about hardcore poverty and illiteracy amongst hill tribe people. Their school attendance still lags considerably and there is a growing gap in education regionally at secondary level. Special targeted poverty alleviation measures have been implemented including the Public Investment Program, which aims to link these marginal areas to the rest of the country and the Hunger Eradication and Poverty Reduction Program, which is attempting to provide support to the poorest by eliminating their food insecurity.

## 5. Role of donors in spatial policy formulation and implementation

### *5.1 Locational targeting in donor finance*

Prior to donors' spatial awareness arising from their current poverty concern, there were two main avenues through which donors affected spatial growth and equity, one being intentional and the other largely unintentional. The first is western donors' strong preference for development investment in rural rather than urban areas. There are several reasons for this but two stand out over the others. They were usually trying to address the rural-urban poverty gap and many were adverse to urban migration. Rural development aid, it was hoped, would keep people in the rural areas farming. Second, many donors repeatedly focussed their aid efforts in specific parts of the country and built up a personnel and service infrastructure in that area which facilitated project operations. The selection of focus areas resulted from all sorts of considerations: poverty-targeting, humanitarian need, historical connections with the donor country vis-à-vis mission stations, politically strategic areas, as a means of prioritising and focusing a programme, etc. During the 1970s integrated regional development plans further cemented donor commitment to a specific area. Donors became involved in a wide gamut of project activities in a specific region, which was intended to impart regional coherence to donor efforts. It often had the unfortunate side effect of generating national incoherence as each region evolved a different orientation and administrative organisation which superimposed regional divergence on the basis of some regions that had generous and or efficient foreign donors as opposed to those which were less magnanimous and effective.

At present, aid efforts tend to have a strong focus on deprived areas in line with donors' poverty reduction agenda. In Ghana, donors have sought to address the bias against Northern regional economic development of the government, concentrating their project efforts there.

Various instruments available to donors provide scope for geographically targeting aid. Despite the use in some countries of district basket-funding as a means of channelling donor funds direct to districts, the greater use of programme aid through SWAPs and direct budget support has reduced the range of instruments available. In part as a compensatory mechanism, however, partnerships between official donors and NGOs provide one means of such targeting.

The growing focus of some donors on strengthening the investment climate for the private sector provides some opportunities for regional differentiation, for instance through working with selected provincial governments in addressing regulatory or infrastructural obstacles.

### *5.2 Donor influence in sub-national policy formulation*

There is considerable variation in the extent to which donors have influenced overall development policy and spatial priorities in the various countries. In India and Vietnam, donors have worked within a framework of national policies and priorities that have been almost entirely home-grown. By contrast in Zambia and Ghana, the most aid-dependent of the countries under review, the donors have been much more influential, but even in these counties conditionality has been relatively ineffective in bringing about sustained policy change where this has been opposed by powerful domestic interests whether within government or, as in the case of Zambia food prices, by urban consumers.

There is modest evidence form the case studies on the extent to which donors have sought to influential specifically spatial patterns of development. In Ghana the donors' focus on northern areas has been in part in response to the perception that these were relatively neglected by government. In Zambia, much of the focus of the multilateral donors over the past 15 years was on reforms to overall policy approaches at the national level, with relatively little explicit focus on spatial questions. Within India the bilateral donors, and some of the multilateral funding, was directed to State-specific activities (in the case of DFID in recent years, for instance, four States in particular received priority attention.)

Before the launch of *doi moi* the only donors in Vietnam were the US and Sweden. The World Bank office opened in 1997 and now there are about 45 official donors and 350 international NGOs. Currently priorities and policies are set by the Vietnamese government with some degree of donor influence especially with respect to poverty reduction. The PRSP was launched in 1999 with the Comprehensive Poverty Reduction and Growth Strategy 'rolled out to the provinces' in 2002 (Klump 2005: 19). Vietnam has a forum to facilitate cooperation amongst donors called the Like-Minded Donors Group. Interestingly as the donor presence grows, foreign direct investment wanes. FDI peaked in the mid-1990s at 30% and now is less than 20% in Vietnam (Klump 2005).

In India signs are that there is currently a consensus between central government and key donor agencies as to the ingredients to foster a good investment climate.

## 6. Summary, Conclusions and Policy Recommendations

### *6.1 Growth, Inequality and Poverty Patterns Summarised*

In reviewing the growth, inequality and poverty-reduction processes in the five case study countries, it has been argued that three main interactive patterns emerged during the 1990s that of: 'virtuous growth and poverty reduction', 'status quo stagnation' and 'gravitational descent'. Vietnam, India and Ghana can be categorised as virtuous. They experienced positive growth rates with almost matching (India) or greater poverty reduction (Vietnam and Ghana) rates. The change in the Gini coefficient in India and Ghana marginally increased by a half per cent per annum whereas in Vietnam it increased at 2.4 per cent annually, making Vietnam, particularly the urban areas, more unequal (Figures 3 and 10).

Bolivia illustrates 'status quo stagnation' with its low GDP per capita growth rate (1.2 per cent). Poverty reduction was slow at 1 per cent per annum and inequality registered a barely perceptible improvement of -0.06 per cent (Figure 3). Changes in pro-poor growth were marginally better in rural (1.9 per cent per annum) as opposed to urban areas (0.5 per cent) with changes in inequality following a similar pattern, although reductions in the poverty headcount was slightly better in urban (1.5 per cent per annum) than rural areas (0.5 per cent) (Figure 10).

Finally, Zambia represents the 'gravitational descent' path, a complete inversion of the virtuous path. GDP per capita growth was negative at -2.3 per cent per annum. In these circumstances poverty increased by 1.3 per cent per annum but inequality registered marked decline (2.7 per cent) precisely because more and more people fell into rather than climbed out of poverty (Figure 3). Tellingly, urban poverty (3.4 per cent) increased considerably faster than rural poverty (0.4 per cent). Given that urban dwellers in Zambia (primarily residents of Lusaka and the Copperbelt) had had considerably lower poverty headcounts than rural dwellers, this created a gravitational levelling effect (Figures 8 and 10).

What do these patterns signify more generally? Our five county case studies are reasonably representative of the spectrum of developing country growth and poverty reduction conditions. Vietnam and Zambia constitute opposite extremes with India, Ghana and Bolivia indicative of Asian, African and Latin American trends. Their experiences support the World Bank (2005) argument that economic growth is critical to successful poverty reduction. All five cases suggest that growth (GDP per capita) and poverty reduction (poverty headcount change) tend to be positively correlated while inequality (Gini index change) is inversely correlated with growth and poverty. Thus rising inequality may indeed be an almost unavoidable adjunct of successful growth and poverty reduction, as inferred by the earlier work of Kuznets (1955) and Chenery and Syrquin (1975). On the other hand, they argued that inequality is likely to lessen in later stages of the development process. Furthermore, during the 1990s, inequality could have been exacerbated by other global trends given that many industrialised countries have also experienced rising income inequality. Careful poverty monitoring in a variety of contexts and stages of development would be required to determine contextual influences and inequality trends over time.

Figure 11 provides a visual comparison of the five countries' poverty and equality measures showing that the mining economies of Bolivia and Zambia have far higher poverty headcounts and Gini indices. Rural poverty is especially high in these countries.

### 6.2 *Sectoral Transformations and Sub-national Growth and Poverty*

As the early classical political economists and more recently W.A. Lewis (1955b) argued economic development is a long-term staged process involving sectoral transformation and attendant population shifts from rural to urban areas. In the process, national economic development should deliver a higher standard of living to the population, conventionally measured in GDP per capita. Figure 12 shows the changing fortunes of our five case study countries over the past four and a half decades. Remarkably it shows that in 1960 our two currently slowest-growing countries were the best off. Bolivia ($896) and Zambia ($528) were considerably more affluent than the now better-performing Ghana ($281), India ($175) and war-torn Vietnam.[23] What is significant to note is that Bolivia has barely improved its GDP per capita since then and Zambia's has declined by 30 per cent in real terms. Ghana, despite its recent revived performance, has fared hardly better: its GDP in 2004 was a mere US$4 more than in 1960. It is India and Vietnam that have achieved the most consistent growth in GDP over the last two decades.

Historically, economic take-off has been energised by a shift towards more productive industrial production. When we examine the pattern of sectoral change since 1960, we see that Ghana's industrial proportion of GDP has been stagnant at an extremely low level (10 per cent of GDP) while Bolivia's stagnation has fluctuated around 30 per cent. Zambia has experienced a bumpy path downward from 60 to roughly 30 per cent. Again only India and especially Vietnam have registered a gradual steady increase of approximately 10 percentage points in the industrial share of GDP over the past four and a half decades.

But what does this mean for sub-national growth and poverty reduction? Sectoral transformation inevitably involves the relative shrinkage of the agricultural sector or what has been termed in this paper 'deagrarianisation'. Sectoral change has a profound spatial dimension. The rural-urban gap is both a productive divide between rural and urban areas, as argued by W.A. Lewis, and a welfare gap between rural and urban dwellers denoted by the fact that virtually all developing countries display higher rural as opposed to urban poverty headcounts. This is related largely to the fact that general employment and productivity levels in agriculture are out of line with those pertaining to other sectors. Agriculture achieves lower productivity yet absorbs more labour relative to the other sectors. Bringing sectoral productivity and employment levels more in balance could facilitate poverty alleviation. However, achieving balance through sectoral transformation can in itself be poverty-generating. Thus, tracing *when and how* a country deagrarianises relative to other sectors can shed considerable light on a country's growth and poverty dynamics.

Deagrarianisation has several dimensions. At the national level, it is a shift of population from rural to urban areas and a relative shift of national production from agriculture to non-agriculture. At the rural household level where the transformation begins, deagrarianisation denotes a long-term process of occupational adjustment, income-earning reorientation, social re-identification and spatial relocation of rural dwellers away from strictly agriculturally based modes of livelihood (Bryceson 2002).

Ideally, deagrarianisation takes place on the basis of rising labour productivity in agriculture which releases workers to the non-agricultural sectors of the economy. The cereal yield data in Figure 13 suggests that this is definitely the case in Vietnam and India where staple

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[23] GDP figures are calculated on the basis of constant 2000 US$ values. There are no GDP per capita estimates for Vietnam in 1960. The first available GDP figures are $199 in 1984 (World Development Indicators 2005).

food output markedly improved. The former became one of the world's major exporters of rice in recent years. In the other three countries, although there is a perceptible rising trend in yields per land unit, it is unlikely that the increase can keep pace with the food demands generated by population growth.[24]

Increasingly, as rural dwellers diversify their income sources, it is difficult to get realistic estimates of rural income that would be needed to be able to compare changes in rural welfare. Thus, the gap between rural and urban poverty headcounts is perhaps the best measure we have of the welfare implications of deagrarianisation in a country. The gap between rural and urban headcounts could be reduced through: 1) poverty reduction policies aimed at raising consumption levels in the countryside, 2) policies to raise agricultural productivity, and/or 3) rising levels of urban migration. The latter, arising from individual or household agency, is likely to have a positive effect on national welfare if the migration is towards a sector and location with absorptive capacity.

### *6.3 Processes of Spatial Impoverishment*

The poverty reduction focus of donors' development policies over the last decade have placed a great deal of emphasis on improving poverty indicators and methods of measurement. Processes of impoverishment have received less attention. It is therefore useful to consider the structural processes underlying the incidence of spatial poverty. This paper has cited four processes: 1) sectoral/locational transformation towards post-agrarian modernity; 2) reinforcing physical isolation; 3) ethnic marginalisation; and 4) crisis-inflicted economic levelling.

• *Sectoral dislocation and urban-rural dichotomies*

As argued above, deagrarianisation is the major inter-sectoral change occurring in the early stages of sectoral transformation which has profound locational consequences for rural and urban settlement patterns. Interestingly, the rate of deagrarianisation can vary tremendously in different periods and in some, albeit rare cases, the process of deagrarianisation can reverse itself. In Zambia, reagrarianisation coupled with de-urbanisation, is indicative of deepening urban impoverishment. Furthermore, Zambia, which was quite advanced in terms of its mining industry already in the 1960s has experienced de-industrialisation with the shrinkage of the industrial sector relative to the service sector.

Key to understanding poverty trends is the fact that transformation of a sector towards or away from any other sector has to be seen in terms of employment absorption and productivity. When a low productivity sector, notably that of agriculture, shrinks in terms of employment that can be very positive if and when the labourers exiting from that sector are readily absorbed in a sector generating higher productivity. If, on the other hand, they cannot be absorbed and remain under- or unemployed or if they are joining a sector with even lower productivity such as over-subscribed petty trade in the urban service sector, impoverishment almost inevitably accompanies the decline in productivity.

• *Reinforcing patterns of physical inaccessibility and accessibility*

The 1990s, as an era of international market liberalisation, has brought the issue of physical inaccessibility to the fore. Economic analyses (Henderson *et al.* 2000, Fijita *et al*. 2001, Overman and Venables 2005) are now stressing the importance of cumulative human capital formation, technological development and agglomeration economies. Areas with accessibility constraints increasingly fall behind other areas if they are bypassed by infrastructural development or transport, and market and service delivery are not subsidised to compensate for their relative inaccessibility. Ghana's Northern region illustrates this phenomenon. Lack of infrastructure and

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[24] Agricultural output and labour statistics are notoriously difficult to collect and to make comparable internationally. FAO published statistics can nonetheless be read as indicative of direction and magnitude of change  (Statistical Appendix).

amenities encourages a pattern of out-migration, usually of the youngest, fittest and most skill-endowed, thereby further marginalising and impoverishing the resident population.

Urban areas require costly infrastructural investment in roads, water supply, sanitation and energy[25] but such investments tend to be less expensive per capita than the equivalent provision of transport, water and energy to widely dispersed rural populations. These investment parameters necessarily contribute to the gap between urban and rural welfare. However, as urbanisation progresses, the primacy of the national capital and/or largest city subsides. Small towns dotting the countryside become secondary cities. Their urban-generated goods and services can contribute to rising rural living standards because they are more readily available and affordable than those produced in a more distant capital city.

• *Perpetuating ethnic poverty pockets*

Over the course of sectoral transformation, urbanisation and economic development, there are frequently ethnically identified groups of people who may not be materially benefiting and appear to be ‘left behind’. These localities form ‘poverty pockets’ relatively impenetrable to growth, representing increasing spatial inequality and polarisation. These are often people who have a tribal or religious identity that is historically at odds with other groups in political power or who live in remote areas. For example, Vietnam’s Northern hill tribe people, living in the mountainous border areas, have been marginalised politically and economically.

However, an interactive process of rejection and counter-rejection may have taken place, in which the politically marginalised ethnic group chooses to assert its cultural difference vis-à-vis the dominant national culture. Marginalised populations often reject government-provided schooling, thereby reinforcing their existing inferior literacy and skill levels and undermining their future competitiveness in labour and commodity markets. In this way, direct material gain from sectoral transformation becomes more difficult. In extreme situations, when cultural alienation becomes political disillusionment separatists’ demands may arise. Clearly, avoiding this necessitates national economic policies that are regionally inclusive and preclude ethnic group alienation.

• *Levelling and the ubiquitous spread of poverty*

In contrast to the above impermeable poverty pockets, there is ‘permeable poverty’ – the spread of poverty to areas previously relatively unaffected, especially urban areas, or regions of economic specialisation that were formerly successful but met with a drastic change in fortune. There is an expectation that economic development will, despite its unevenness, bring about national poverty reduction over time.

Our Zambian case study illustrates that it is too facile to assume that national poverty reduction will necessarily arise from economic development efforts. Zambian rural and especially urban dwellers have experienced increasing levels of relative and absolute impoverishment during the 1990s, with the only consolation that inequality has lessened in what was a highly unequal society by African standards. During an era of rapid sectoral change worldwide, Zambia’s strong sectoral bias towards mining placed the economy in a vulnerable position of internal and external economic imbalance in which Zambian living standards spiralled downwards to the bare basics for ever growing numbers of the national population.

### *6.4 Spatial Policy Strategies*

The 1990s has been an era of trade liberalisation. In many places such as Vietnam it has ‘paid off’ whereas in others openness to the world market has been an immiserating experience, as witnessed in Zambia. Our five country case studies provide a rich empirical basis for the analysis

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[25] Lewis (1978: 39) noted that during the 19th century the newly urbanising countries of the time – Canada, the United States, Australia and Argentina, had urban migration rates of over 3 per cent per annum whereas the already urbanised ’creditor’ nations, like Britain, Germany and France, had urban migration rates of less than 3 per cent.

of growth, inequality and poverty. Many insights and lessons for policy formulation are evident. Most of the spatial policy discourse and consequent agenda at the moment is seen in terms of governance, which amounts to a partial perspective. While there is no doubt that governance structures and lines of decision-making are important, without sufficient attention to effective sectoral development policies sparking or revitalising regional economies, there is scant possibility of economic growth or poverty reduction. The lessons that arise from the preceding five country case studies are:

• *'Back to the classics in an updated form'*

Surprisingly, the case studies suggest that, despite the elapse of two centuries, countries which approximate the original 'industrial revolution' model of Britain, in which a rise in agricultural productivity is followed by substantial industrial investment and productivity improvement, are able to register marked growth as well as major reductions in poverty headcounts. Vietnam and India both testify to this. However, it is worth noting that while industrial and development take-off seemed very rapid in Vietnam and steady in India, in the case of the former, as a small country with a restricted domestic market and highly dependent on international trade, it remains to be seen how enduring Vietnam's industrial growth will be.

If Vietnam and India are achieving development through strategies resembling the classic industrialisation model, can this model be seen as universally applicable, in other words an advisable approach for all countries seeking to development? It is useful to consider each step of the classic model. Improvements in agricultural productivity were most notable with respect to staple food production. In the first instance this had an immediate positive impact on rural producers welfare. They were afforded plentiful, reliable supplies of their basic foodstuff which would have benefited urban welfare as well by cheapening urban grain prices and reducing labour costs, thereby facilitating urban industrial and service sector development. The achievement of increasing agricultural productivity in the yields of the main staple food crops is a vital, foundational step. The next step in the model, industrial productivity advance, is more debatable in terms of its feasibility in a world where de-industrialisation rather than industrialisation is prevalent in so many already developed countries and developing countries face fierce competition amongst themselves.

Vietnam is taking a large gamble in prioritising industrial investment in three zones that are the country's most urbanised and already economically advanced at the expense of more economically marginal regions. It appears to be paying off handsomely so far. One cannot discount that it may be working because the Vietnamese are accustomed to an interventionist state and long-term state planning measures, factors that may predispose them to accept what would be considered regionally biased and politically unacceptable elsewhere.

Whatever the case, the overall industrialisation strategy is suited to Vietnam's needs at this point in its unique history. Other countries face entirely different governance structures and historical circumstances. Depending on the developing country's size, location and the skill endowments of its population, sectoral transformation in the 21$^{st}$ century requires innovative policies rather than attempts at trying to replicate the classic industrialisation model.

• *Multi-sectoralism as the new way forward*

Rapid change in production technology, communications and energy are engendering a highly unlevel playing field. Examples of successful industrialising countries at one point could easily be reversed after the elapse of another decade. Zambia's and Bolivia's early success as industrialised mining countries illustrates how there is no certainty of progression further along an industrial path, as their agrarian sectors contracted in terms of population and output. The lesson from these examples is that sectoral change should not be a zero-sum game with one specific sector growing at the expense of another specific sector. Efforts should be made to improve productivity in all the sectors simultaneously accompanied by constant policy attention to facilitate regional parity either through productive or infrastructural investment in the region, subsidy to its residents, or opportunities for out-migration. It is possible that Ghana's inclusion in the 'virtuous path' is not so much because it has achieved remarkable growth and poverty reduction but rather that its performance is reasonably balanced with some growth in agriculture, services and mining, which has provided scope for poverty reduction. It remains to be seen if the poverty reduction can be sufficiently extended to its disadvantaged North.

Vietnam's success to date may be attributable, less to its resemblance to the classic industrialisation model *per se*, and more to fortuitous timing. Its agricultural productivity spurt was simultaneously combined with its drive for industrialisation. In addition, it had a highly educated and well-trained labour force, arising from the socialist government's previous investment in education, which proved to be an important element in attracting foreign capital investment. The timely convergence of these comparative advantages may have been Vietnam's greatest asset.

• *Retaining an agrarian fallback for the poor*
Returning to the negative lessons derived from Zambia's current de-urbanisation predicament, the need for an agrarian fallback for the urban as well as rural poor is readily apparent. The country urbanised earlier and more rapidly than all its neighbours, with the exception of South Africa, on the basis of its mineral wealth.[26] Fortunately, Zambians' exodus from the countryside was not as distanced in time and space as that of South Africans. When the full force of economic crisis hit their country they were able, given the continuing availability of rural land and their cultural and social connections with the countryside, to return and farm, if other avenues of livelihood failed them.

Despite Bolivia's higher average per capita GDP, differentiated regional and urban-rural levels of poverty and inequality have led poor urban Bolivians to maintain strong links with their original rural home areas. This has paid off in the recent rural recession when net migration became urban-rural in direction. National policies should give room for migration to flow both ways between rural and urban areas. This is a vital component of a national poverty strategy based on the poor's own decision-making agency.

• *Country-charted paths*
African 'failure' and Asian 'success' in economic development is much debated these days. Asian success is attributed to the existence of educated but relatively cheap labour, the ability to attract foreign investment through a sound policy environment and good export performance in the world market. African failure, on the other hand, is explained in terms of bad governance, increasingly the right market-led policies introduced through conditionality but poorly implemented yielding continuously disappointing results.

Vietnam and Zambia provide two polar extremes. Vietnam initiated bold reforms, which marked an end to the all-encompassing *dirigiste* state but *doi moi* represented the combination of private and public initiatives rather than wholesale privatisation (van Arkadie and Dinh 2004). Vietnam has tailored its policy reform to retain much of the planning and management strengths of the socialist government while adding flexibility and productive capacity by attracting additional resources through joint ventures and new business investments. This contrasts with the Zambian experience where difficult political conditions in southern Africa in the 1970s and 1980s, ill-judged nationalisation, declining public institutions and weak sectoral development policies, all combined with adverse copper prices to bring about a loss of share of world markets, economic decline, and rising levels of poverty.

Enforced adoption and adherence to doctrinaire policies are not a sound foundation for economic growth, nor can the implementation of blanket policies work everywhere (DfID 2006b). Both countries veered towards more market-led solutions during the 1990s, but Vietnam had leeway to design its policy strategy whereas Zambia had virtually no room for manoeuvre and

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[26] Only South Africa, which dates its urbanisation to the early 20th century, had a higher urbanisation level prior to the 1990s. Thereafter Botswana's urbanisation level overtook that of Zambia and at the outset of the 21st century Zambia's neighbours Tanzania and Kenya have caught up with it (Bryceson 2006).

spent most of the 1990s trying to broker privatisation deals.[27] Paradoxically, the high growth country following a mixed economy approach experienced increasing regional and rural-urban poverty differentials but absolute poverty was substantially reduced everywhere. The outcome in Zambia was just the opposite. Given the sectoral cul-de-sac Zambia had edged itself into over the years, it is difficult to imagine how it could have been otherwise. Nonetheless, when the national economy and morale hit such an abysmally low level there is no gain to be had anywhere. Donors should try to deflect such unmitigated disasters from happening.

In conclusion this country case study review has adopted a sectoral-spatial transformation approach for inter-country comparison of sub-national growth and poverty reduction differentials during the 1990s in each of the five countries under review. Beginning with the classic political economy theorists and W.A. Lewis's focus on the interaction of agriculture and industry, the paper demonstrates how spatial variation is at the core of the sectoral transformation both with respect to the changing demographic and productive balance between rural and urban areas, as well as the locational implications of industrial concentration.

It has been argued that going beyond the classical model we now see less regularity of sectoral change given the highly competitive nature of industry and the growing incidence of de-industrialisation worldwide. While deagrarianisation is a relatively slow process of economic and social change, de-industrialisation seems more rapid and less predictable. The rural and urban spread of the service sector as a source of employment may serve to reduce spatial growth and poverty differentials in the long run. However, this must be left as an open question given that data on the service sector and analysis of its changing contours are generally lacking. An understanding of sectoral-spatial patterns generally in the developing world of the 21st century is a crucial but largely overlooked aspect in global poverty reduction efforts.

[27] In 2000, Zambia finally completed its negotiations with various international partners with Anglo-American taking the major share in 2000. However in 2002, in a situation of depressed copper prices, Anglo-American pulled out of Konkola Copper Mines, the largest copper mining operation in the country.

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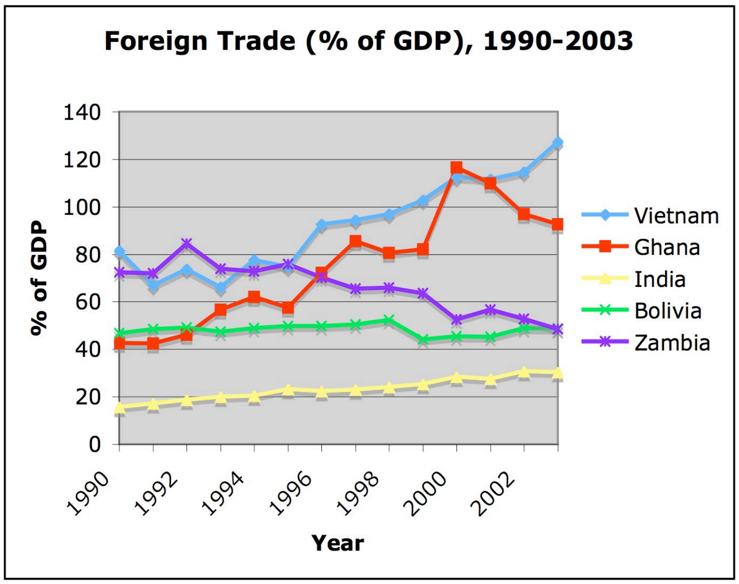
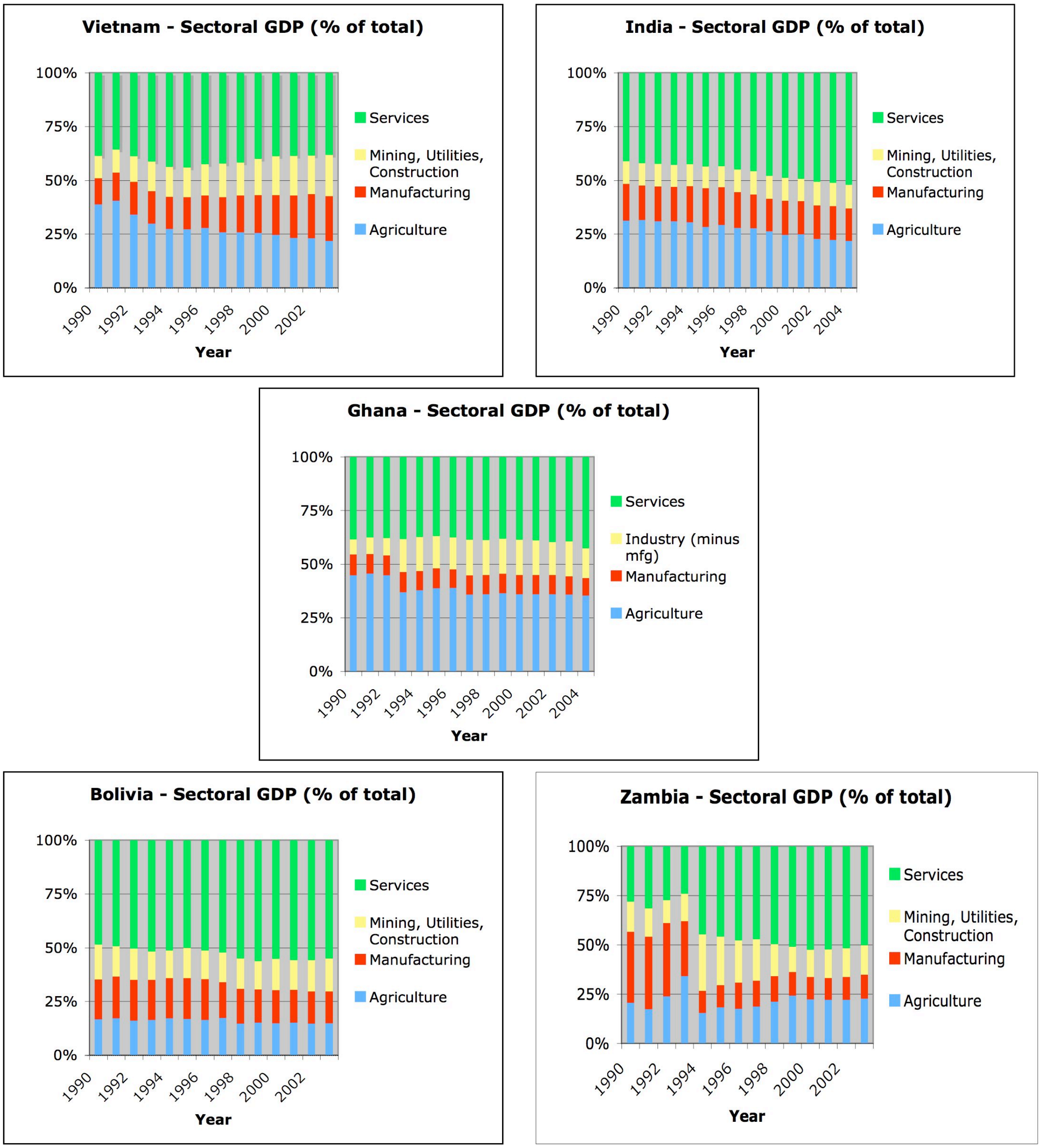
**Figure 1: Five-Country Foreign Trade Levels**




Source: World Development Indicators 2005

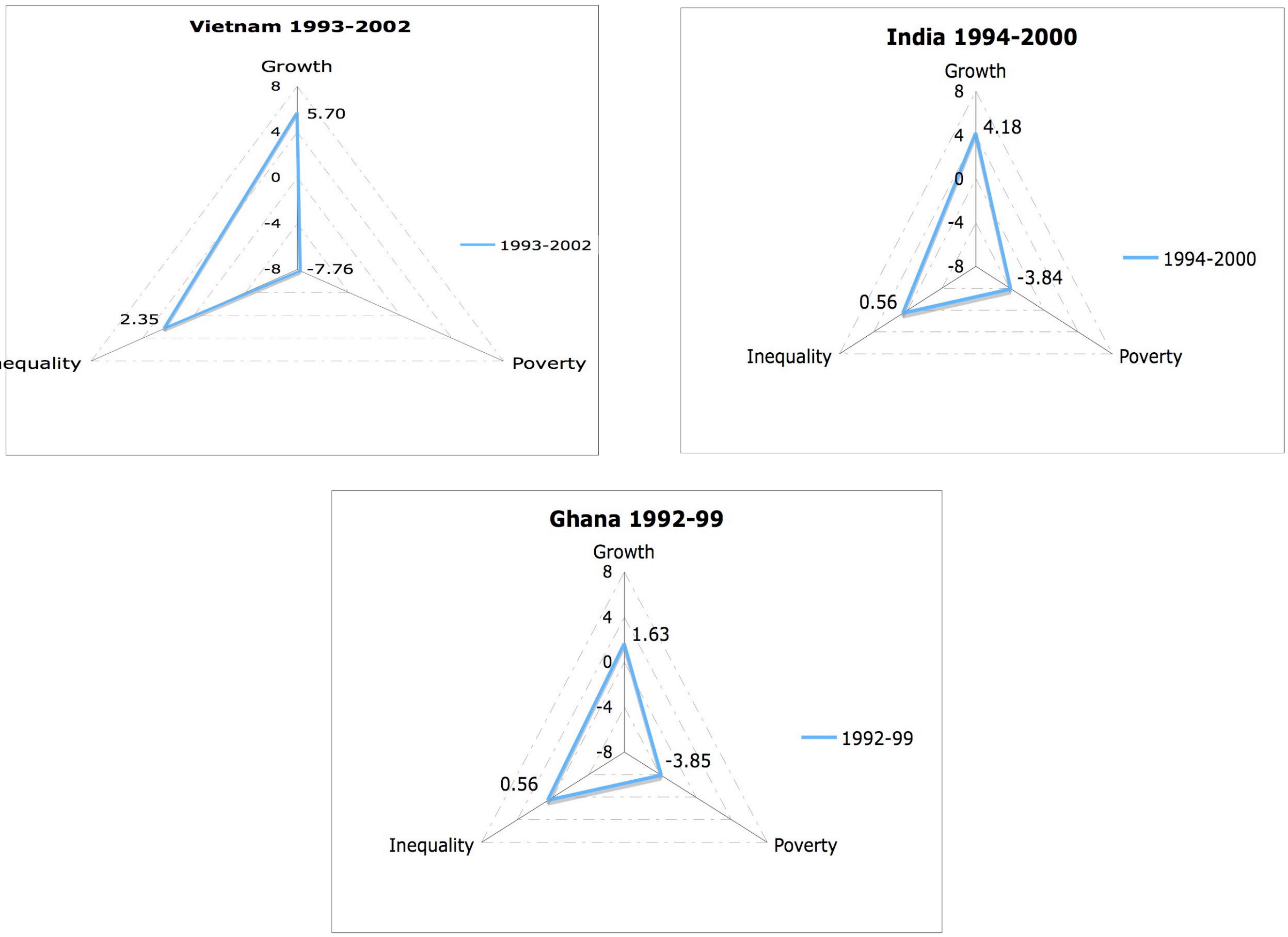
## Figure 2: Sectoral Composition of National GDP



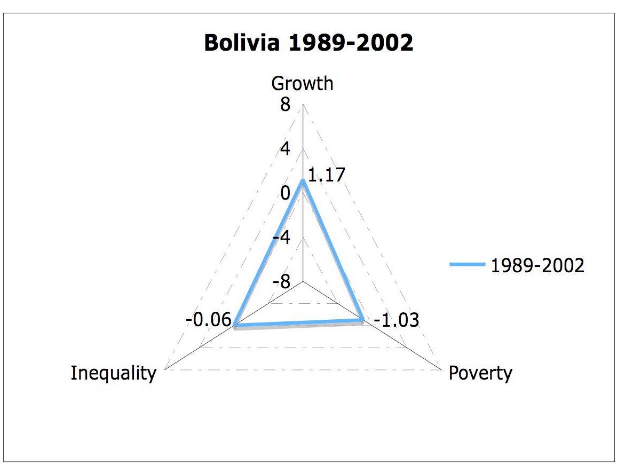

Source: World Bank (2005)

**Figure 3: Growth, Inequality and Poverty Rate Comparison** (annual % change)

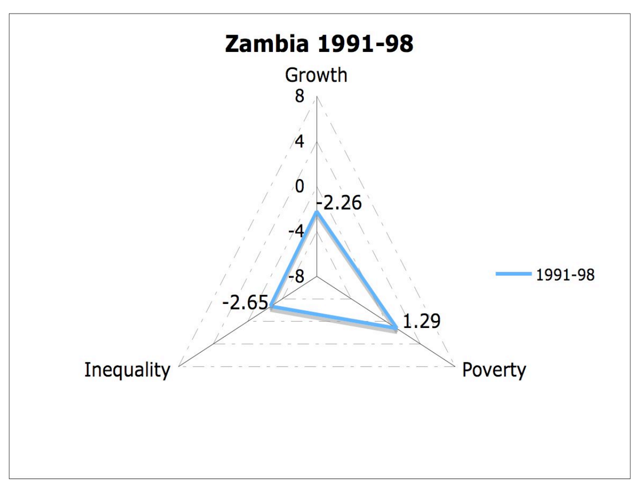
***'Virtuous Growth and Poverty Reduction Path'***




*'Status Quo Stagnation'*

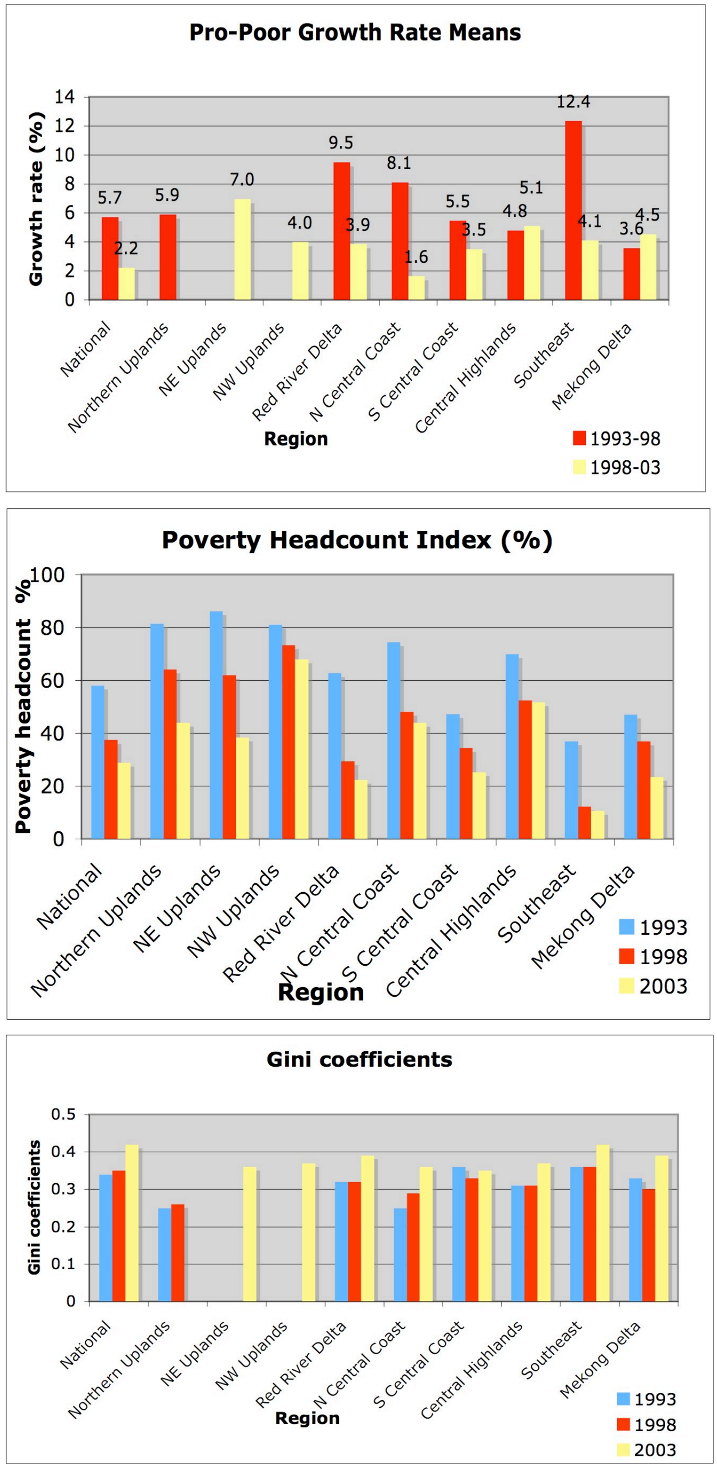



*'Gravitational Descent Path'*



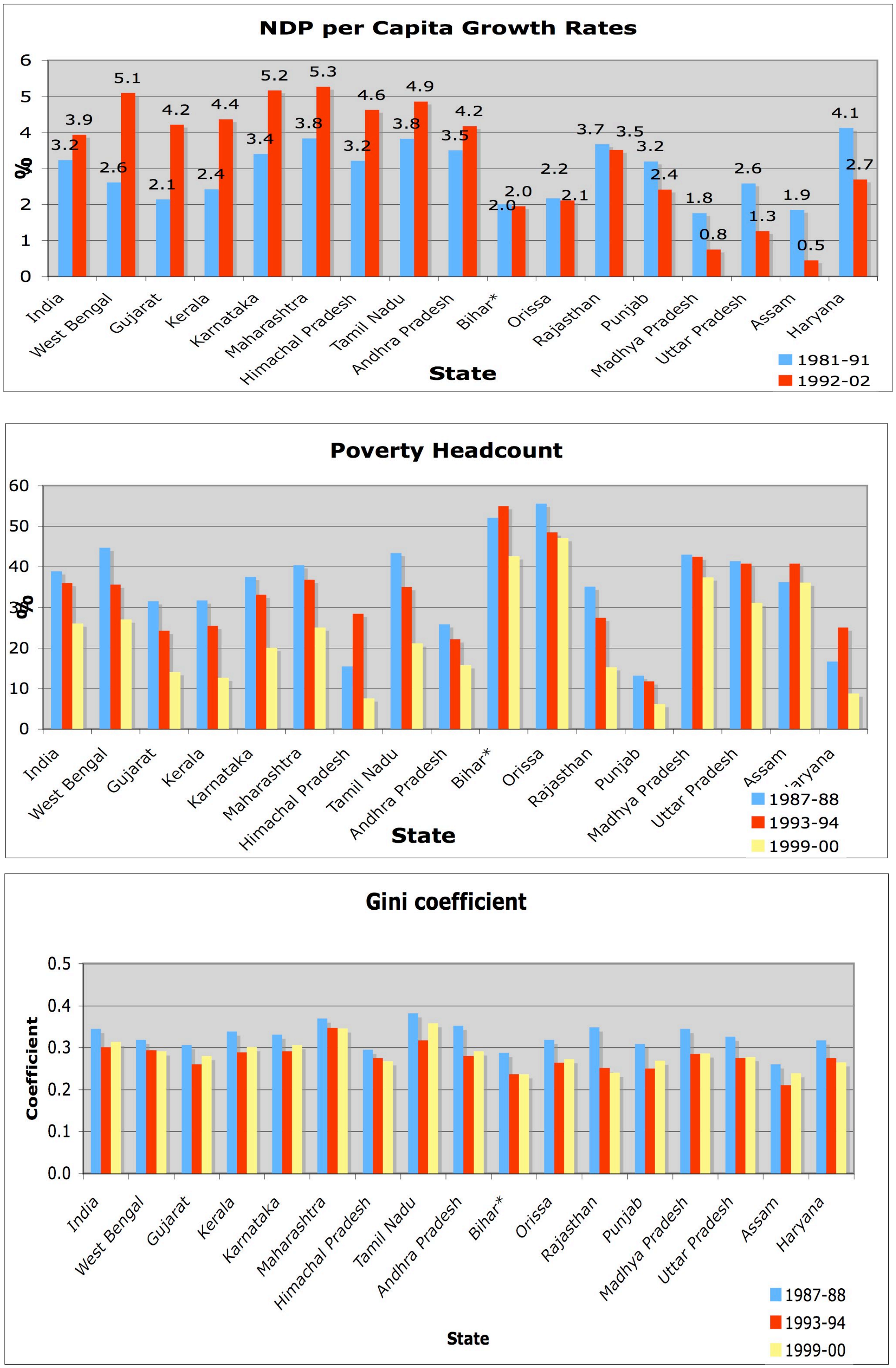

Source: Author's diagrams based on World Bank (2005) figures.

**Figure 4: Vietnam Regional Growth, Inequality and Poverty, 1993-2003**



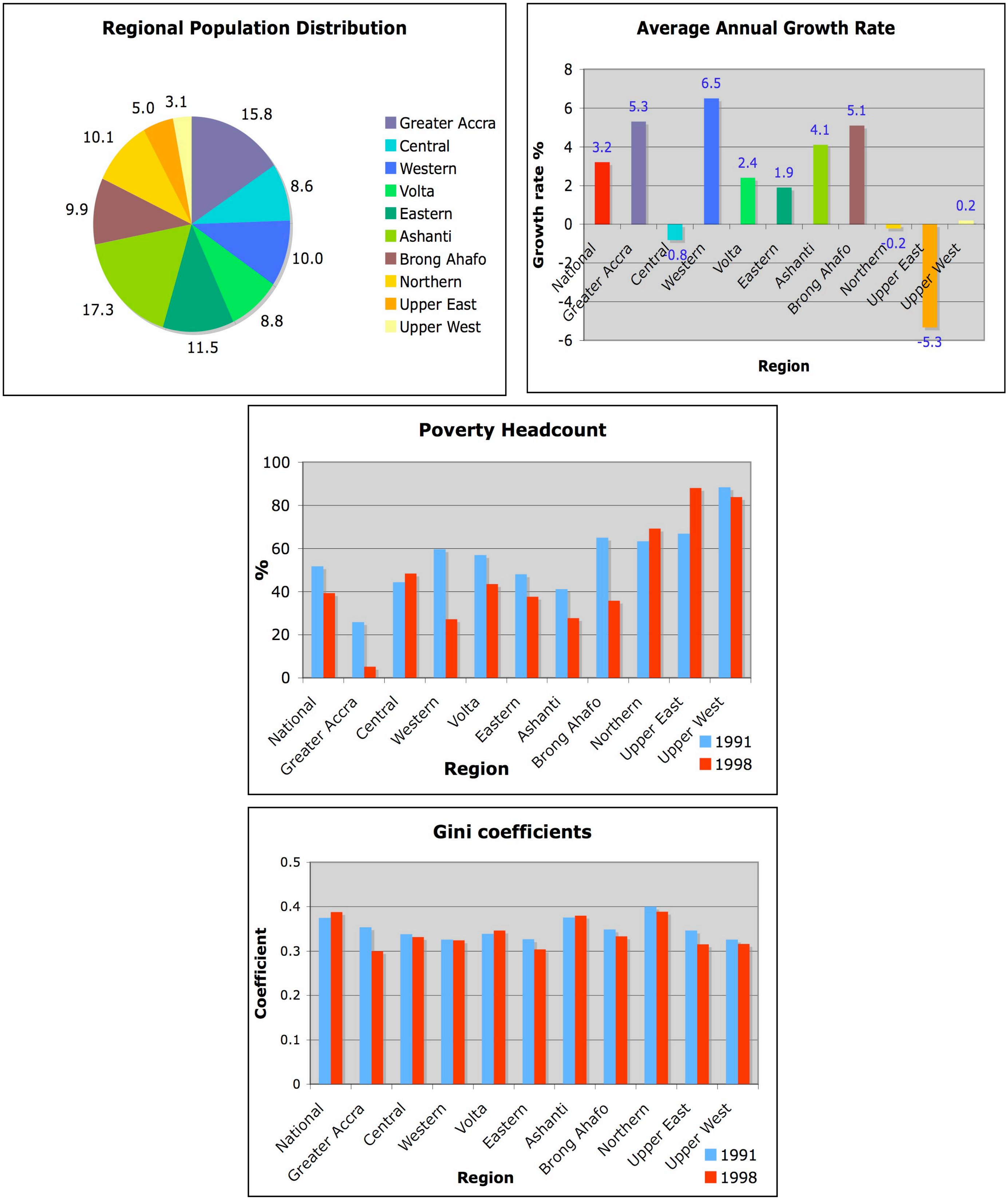

Source: Klump 2005.

**Figure 5: India State Growth, Inequality and Poverty, 1987-2000**



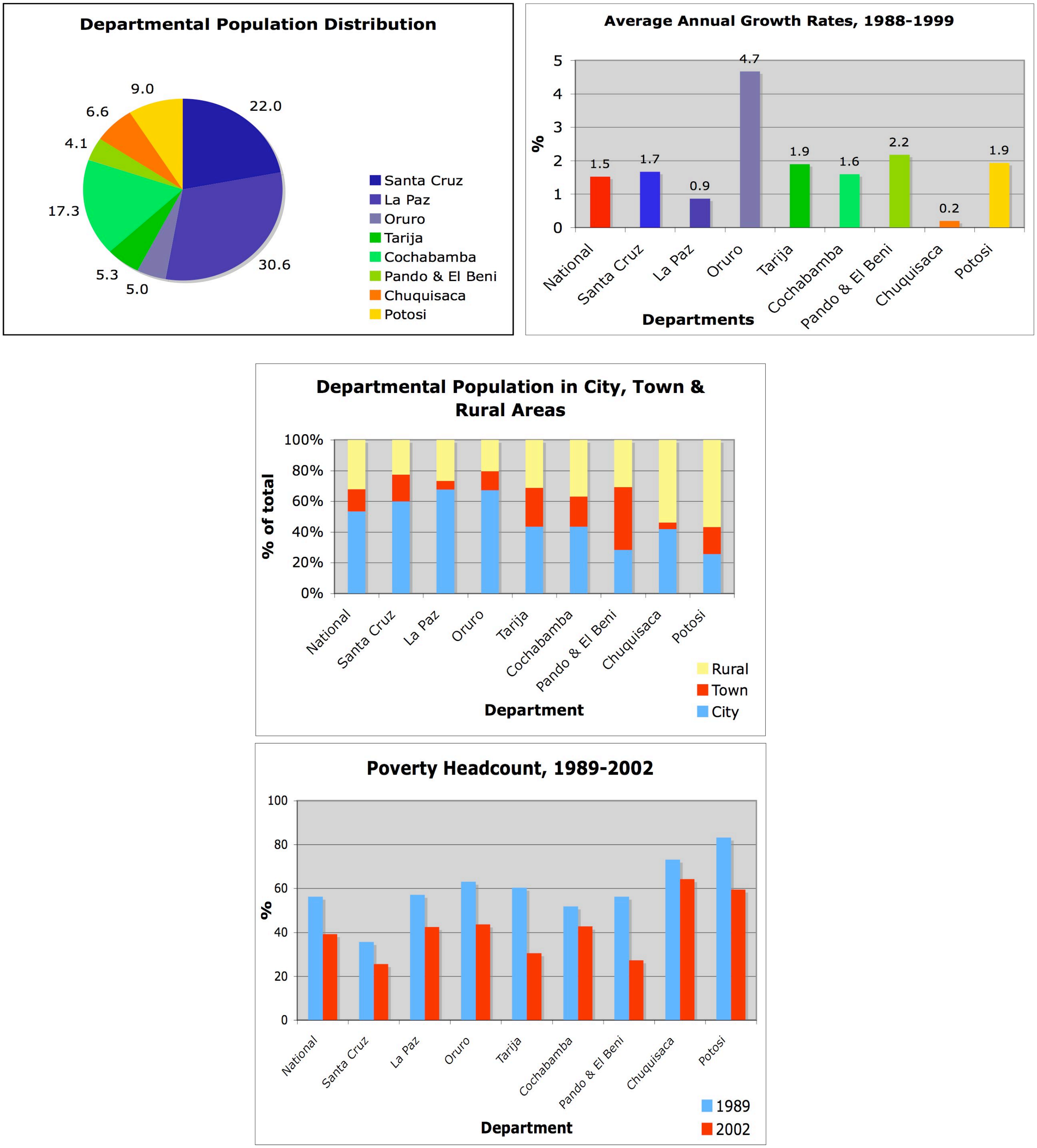

Source: Goswami and Narang 2005.

**Figure 6: Ghana Regional Growth, Inequality and Poverty, 1991-98**



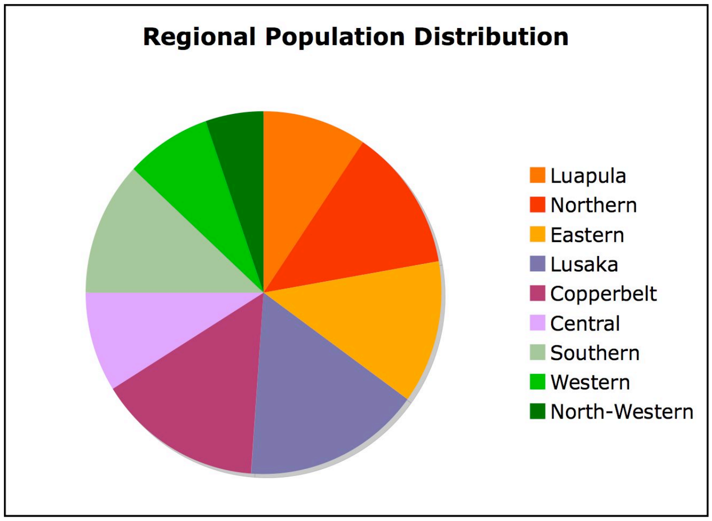

Source: McKay *et al*. 2005

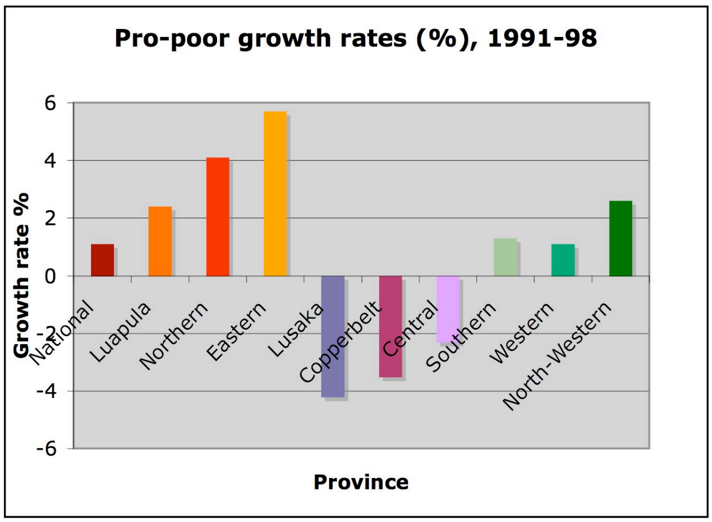
**Figure 7: Regional Poverty in Bolivia, 1989-2002**

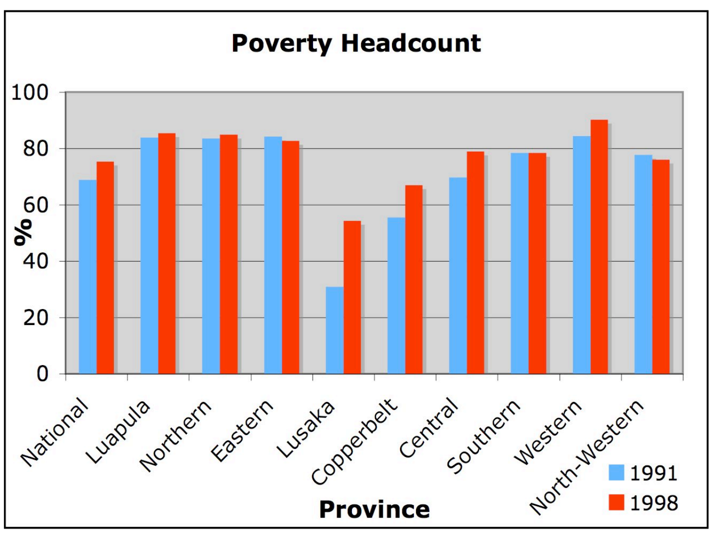



Source: Klasen *et al*. 2004 and Klasen 2005.

**Figure 8: Zambia Regional Growth and Poverty, 1991-98**

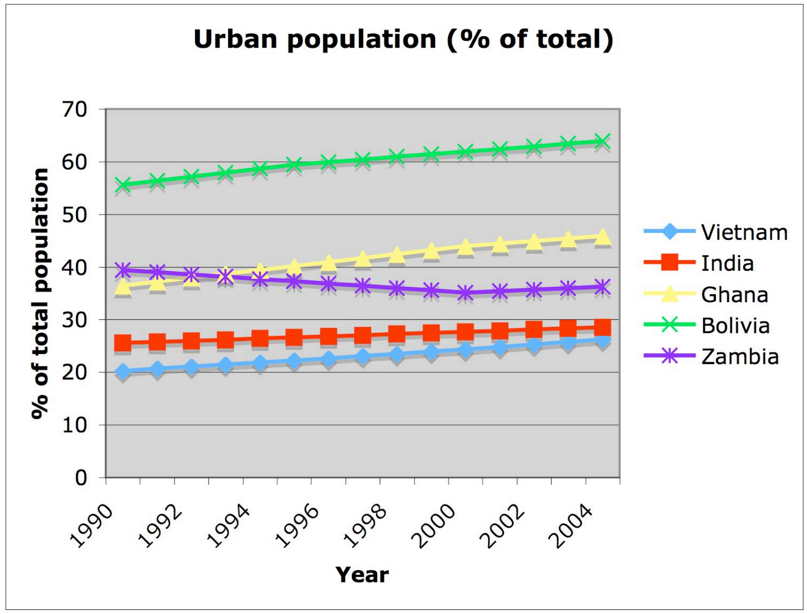



Source: Thurlow and Wobst 2004

**Figure 9: Urban Population % of Total**




Source: World Development Indicators, 2005.

## Figure 10: Urban & Rural Pro-poor Growth, Inequality and Poverty Differentials, 1993-2002

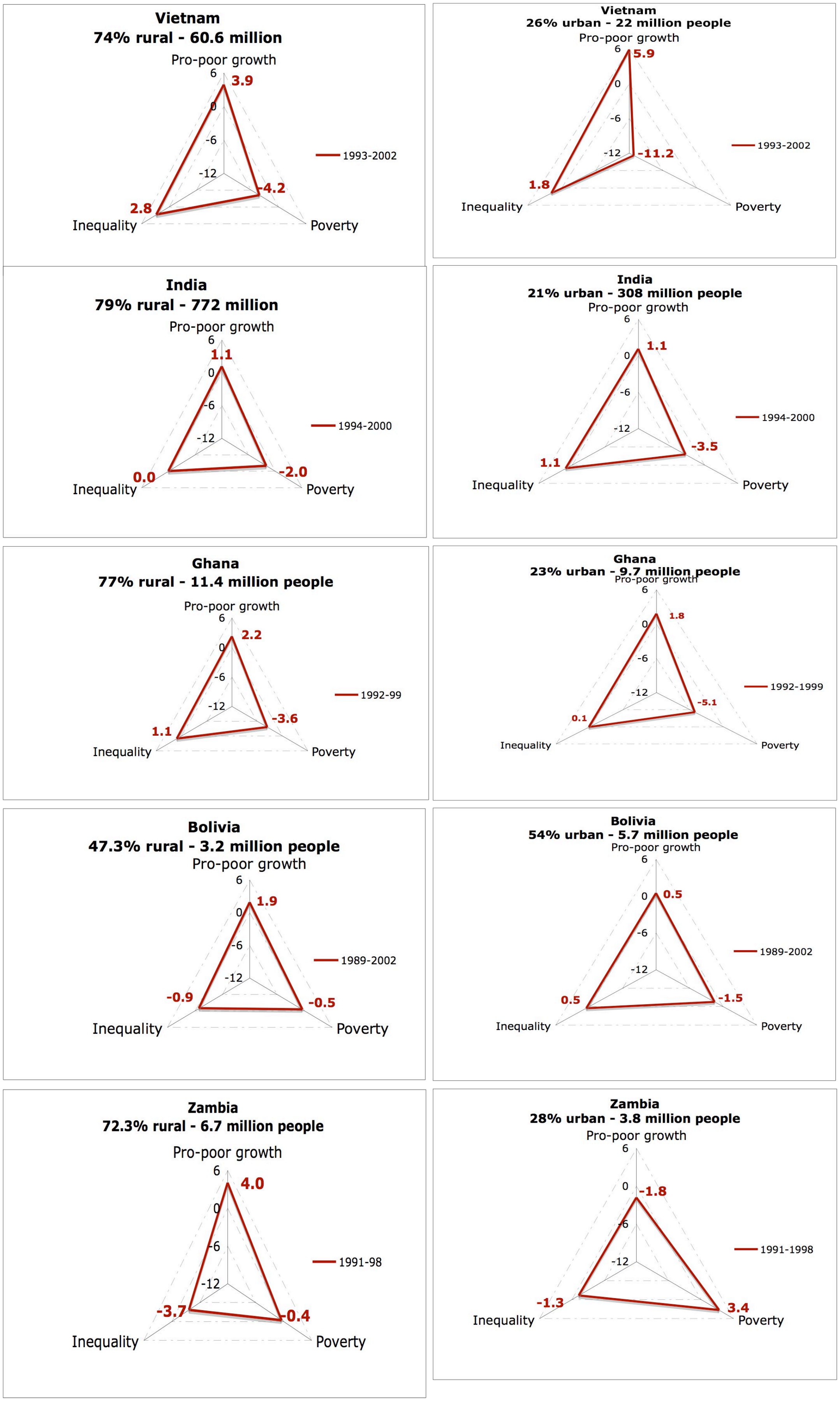
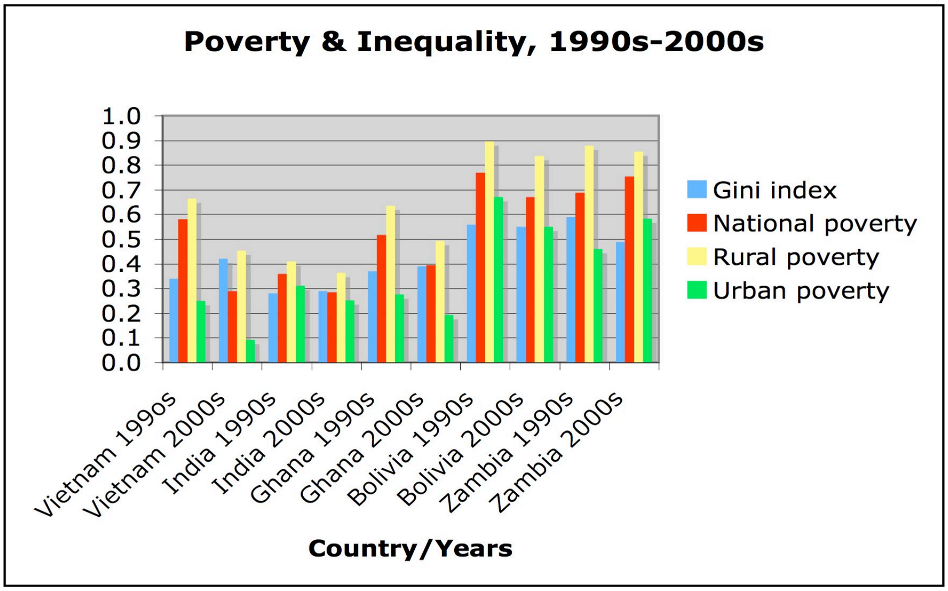
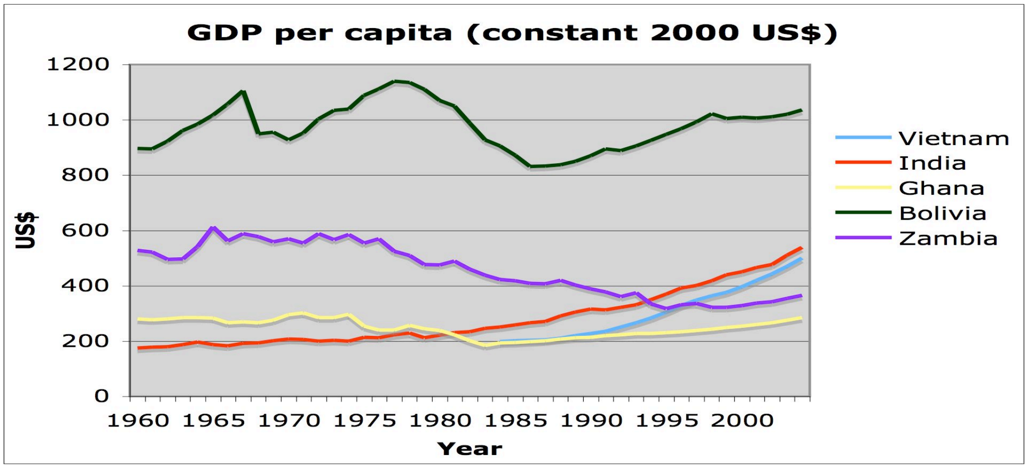


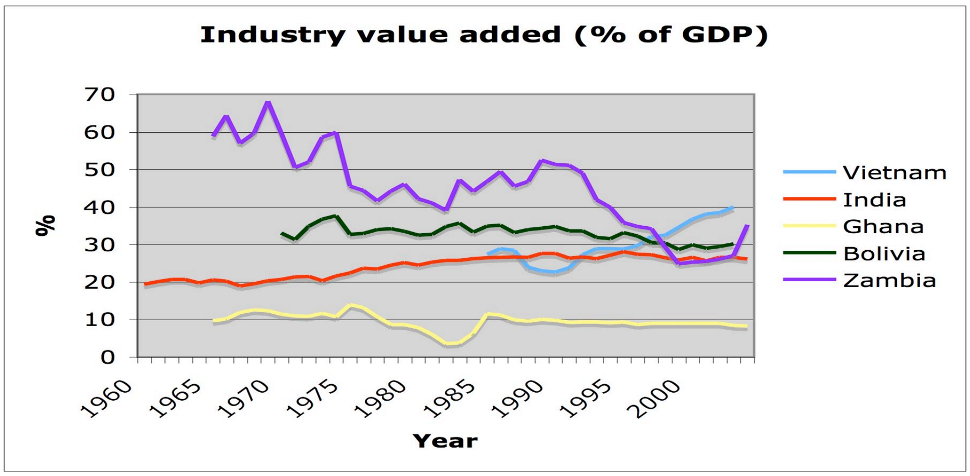
**Figure 11: Spatial Welfare Differentials**

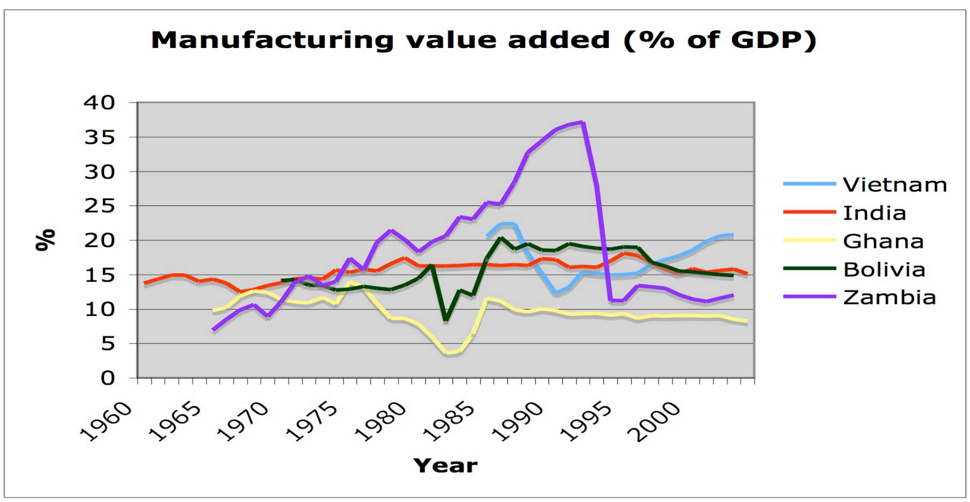



Source: World Bank 2005

**Figure 12: Long-term GDP Performance and National Sectoral Transformation**

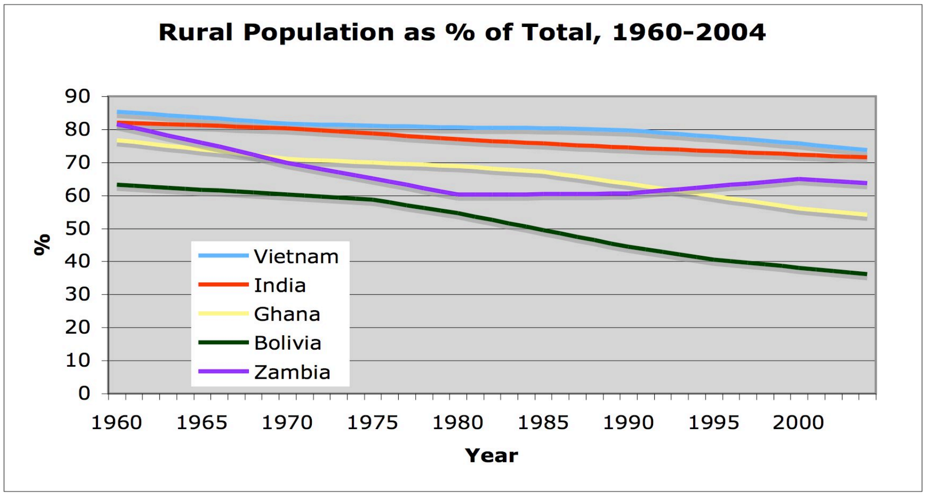


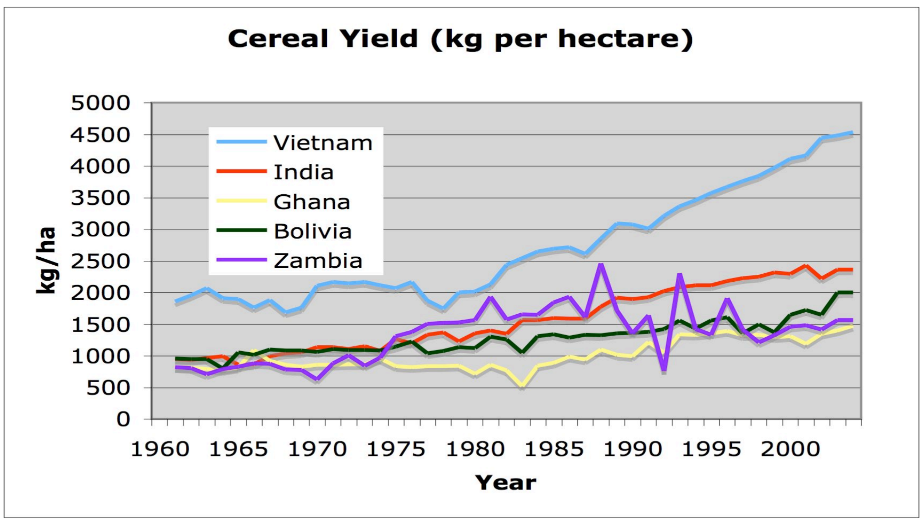



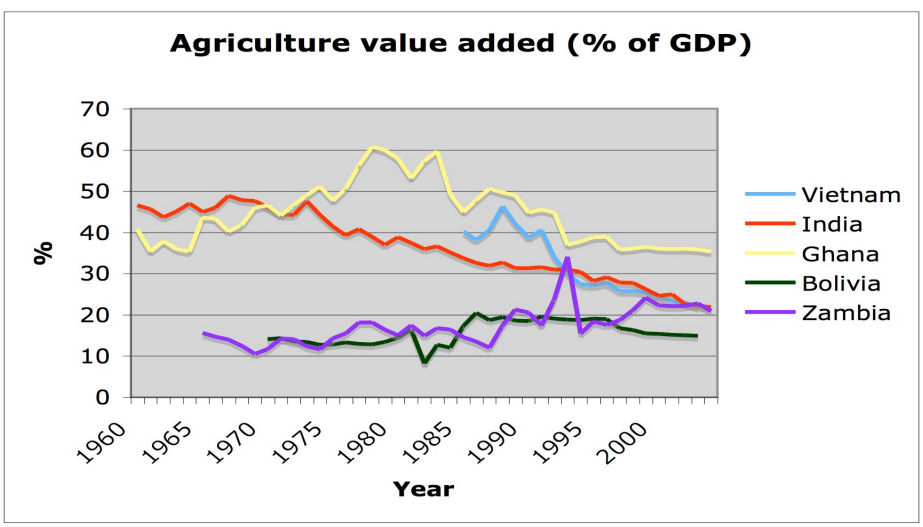




**Source: World Development Indicators, 2005.**

**Figure 13: Long-term Agricultural Sector Transformation, 1960-2004**




Source: World Development Indicators 2005