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Part A
Conference and Key Findings
Conference at a Glance

Set in a global context of growing concern about increasing inequality, this International Conference addressed the importance and evolution of territorial inequality in the world. Held in Puebla, Mexico, January 25–27, 2016, the Conference brought together invited participants representing a diversity of perspectives and of experiences to examine what is known about territorial inequality, to identify options for what policy makers, civil society and private firms can do, and inform future areas of work. The Conference was hosted by Rimisp – Latin American Center for Rural Development, Chile, and sponsored by the International Development Research Centre (IDRC), Canada.

A total of 59 organizations were represented in Puebla: it was a meeting point for 86 persons – 31 women and 55 men – from 27 countries including Africa (7%), Asia (26%), Europe (37%), Latin America (23%) and North America (7%). Of the total number of participants, policy makers accounted for 29%, while the private sector, development organizations and researchers represented 6%, 16% and 49% respectively.

As can be seen from these figures, the Conference was designed to be a conversation among diverse perspectives, contexts, and interests. As such, the Conference took a broad view of the territorial inequality and development issues. The format combined 14 formal presentation sessions, 32 issue-based discussion groups, and six plenary panels and summary sessions. Throughout the program, the approach adopted was problem and opportunity-oriented with ideas for action and future work emerging from the interaction across regions and countries, disciplines and perspectives, theories and practical experiences.

These proceedings are organized as follows: Section “Key Findings” highlights a selection of key issues arising from the Conference; next two sections include the welcome and the keynote addresses, respectively and in full; and Section “Paper Contributions and Findings from Discussion Groups by Theme” presents all the abstracts of the papers given together with electronic links to the presentations and to the draft working papers where these latter are available, as well as the reports of the discussion groups. The material in last section is organized by the following themes of the Conference.

- Institutions, governance and political economy of territorial development, with seven presentations and five discussion groups
- Decentralization and devolution, with four presentations and three discussion groups
- Territorial social inclusion policies, with two presentations and three discussion groups
- Developing places – experiences from practice, with eleven presentations and six discussion groups.

Finally, Annexes detail the participants and the program in Annex 1 and 2 respectively. A video was made during the course of the Conference, which captures the overall experience. This is available here. In addition, short individual personal reflections from participants filmed during the Conference can be accessed through the links given in Annex 3. The Conference web page http://territorialconference2016.rimisp.org houses these materials and more.

Key Findings

This introduction does not attempt to summarize all the issues discussed nor all the opinions shared for each of the themes of the Conference; the thematic sections in “Paper Contributions and Findings from Discussion Groups by Theme” of this volume do that. Instead, this Section highlights seven issues that the editors consider to be of primary importance for the future work by those interested in meeting the challenges of territorial inequality and development.

Territorial inequality is real, large, it does not go away on its own, and has serious consequences for development

Should we worry about territorial inequality? Yes, we should. There are important theories suggesting that spatial inequalities are an inescapable consequence of the process of development. According to these views, market mechanisms are expected to correct these imbalances in the long run so that eventually regions within countries should converge in a spatial equilibrium in which the large majority of people share roughly similar levels of wellbeing and have more or less equal development opportunities. The historical experience of the now-developed OECD countries, as well as the more recent narrowing of per capita GDP differences across countries, are given as examples of this long trend pattern.

1 Not all spatial differences are spatial inequalities. Spatial differences may be due to geographical factors such as natural resource endowment, while spatial inequalities are socially constructed, that is, are based on structures or institutions shaped by the action of social actors in the past and/or the present.
The Conference participants, however, presented evidence showing that territorial inequality appears to have grown in the past two or three decades in countries as diverse as Peru and China. In Europe, within-country regional economic and social differences continue to be important and worldwide, the gaps between rural and urban areas are of policy and societal concern. In countries with large levels of economic inequality, spatial inequalities account for a large fraction of the overall problem relative to differences between individuals within territories. Other evidence showed that at least in some countries, rather than spatial convergence around a single equilibrium, what appears to be happening is that different territories cluster around different equilibria, roughly equivalent to "winning" and "losing" regions. Thus, territorial inequality may be taking the form of spatial polarization, with some territories stuck in what can be conceptualized as persistent localized traps of poverty, lack of opportunities, and underdevelopment, further complicating the prospects for future progress. Finally, in those instances where the evidence does show that there is a process of spatial convergence, it is clear that it is a long term process of slow progress, measured in decades rather than years, and thus probably incompatible with the expectations and the tolerance of both citizens – particularly those living in lagging regions – and of political decision-makers.

Conference participants showed that territorial inequality hurts individuals and households as lagging regions are characterized by systematically low levels of wellbeing across numerous dimensions of development including health, education, child malnutrition, voice and participation, women’s participation in labor markets, quality of employment, and income, all of it leading to a greater incidence of poverty and to wider gaps between the average poverty of the individuals and households and the national averages or the national poverty lines. The development opportunities of individuals in lagging territories are also less than those of people living in better off places; this is so when they try to make a living in their place of origin, but also if some of them migrate they tend to be worse off than migrants coming from more advanced territories. As one participant put it referring to something she had read, “they can leave the place, but the place does not live them”. Territorial inequality is also correlated with the deprivation of ethnic minorities, and both forms of inequality probably reinforce each other. Territorial inequalities hurt private sector firms, since, as one participant put it, “firms thrive in healthy and vibrant regions”. Also, socio-environmental conflicts between external investors and local communities very often have a regional dimension. Where there is spatial polarization or where territorial inequalities are large, social and political conflict can arise and sometimes lead to violence, particularly if the political and civic institutions are weak or if spatial inequalities are correlated to ethnic and/or religious groups. Such situations are now being seen with some increasing frequency. Further, there is some evidence, still tentative and for only a few countries, that if confirmed would show that large territorial inequality slows down the economic growth of the country as a whole, particularly when the countries in question have reached a certain level of per capita GDP, thus perhaps reinforcing what is known as the ‘middle income trap’. Participants noted that the call to reduce regional and territorial inequality is recognized explicitly in a number of national policies across a wide range of developed and developing countries – from EU member states to a number of countries in Latin America, Asia and Africa and indeed written into the constitutions of some countries, for example Kenya.

**It is possible to address territorial inequalities and to promote territorial development**

Like all forms of inequalities, these are also deeply rooted in history and in social structures and institutions, and hence are not easy to deal with. However, the Conference participants presented numerous examples of significant public policies that have an explicit aim of promoting territorial development particularly in lagging regions, as a means to close or reduce territorial inequalities in wellbeing and in development opportunities. The Conference learned about different types of place-based development initiatives, from the community, to the territory, to the regional level, many of them under the responsibility of government agencies, but others carried out by the private sector or by civil society development organizations. Examples come from regions and countries in different stages of development.

In South Korea, the government has recently introduced a significant shift in its regional policies to better adapt them to the needs of lagging territories. The key features of the new policy include a bottom up approach, an emphasis on endogenous growth with regional identity and specialization, support from government in the form of deregulation and subsidies, strengthening of collaborative governance between regional innovation actors, all with the objectives of creating attractive living spaces and high-quality jobs. In Canada, the Community Futures program for economic development, is part of the federal government’s Canadian Job Strategy, and since 1985 has served close to 15 million people; it has helped create half a million jobs, leveraging two Canadian dollars of private investment for every dollar invested by the program. In the European Union, the LEADER program has contributed to the creation of thousands of new rural businesses and jobs.

Developing countries have also experience with equivalent place-based programs. For example, in Colombia a system of contracts between different central government ministries, and regional and local governments, known as the "Contratos Plan" went through a pilot phase and is now being expanded. It has helped mobilize hundreds of millions of dollars in coordinated public investment in support of carefully delineated regional strategies. In China the government has implemented active regional development policies such as those for the development of the Western
region and the revitalization of old industrial bases in Northeastern China, to meet the challenge of large and rising spatial inequalities, as well as territorial development policies of rural urbanization and integrated rural-urban development; as a result, since 2004 there has been a significant reduction of regional income disparities thanks in part to the faster economic growth of these lagging regions. Kenya adopted a new constitution in 2010 that introduced a devolved system of government consisting of one national government and 47 county governments; the constitution provides for the allocation of financial resources to county governments and authorizes these governments to raise their own revenue through specified taxes, and it further provides for an equalization fund and conditional grants intended to enable hitherto disadvantaged regions to close their gaps with the more developed regions.

What are the essential features of place-based development policies?

As can be seen from the illustrative examples above, there are many forms and types of place-based policies. They all have in common the objective of stimulating and supporting the development of a certain place, be it a community, a group of neighboring communities, a district, a territory comprised of several districts or municipalities, or a larger sub-national region. Most frequently, but not always, these are places that are lagging with respect to the national averages in one or more important dimension of development. Place-based policies and programs are thus different from those aimed at developing certain categories of individuals (e.g., rural women, or under-employed youth) or households, or firms, or groups of firms such as particular agricultural value chains.

However, place-based policies and programs rely on the tools of people-based or firm-based initiatives. After all, territories are made up of individuals, households, local communities, and organizations of different kinds including private businesses. What place-based policies and programs do is to bundle those instruments to improve the assets and capacities of individual or collective actors in the territory, invest in “hard” and “soft” assets and capacities of the place (such as roads or civic participation in the planning of local government budgets), and to improve the interaction and coordination among these different investments and lines of development work, in support of shared, place-based objectives, such as, for example, strengthening an innovative and inclusive tourism-based economy.

A critical distinction needs to be made between, on the one hand, community and territorial development initiatives aimed at places that are small enough to still allow some form of deliberation and cooperation between representatives of the different actors, and, on the other, regional development policies and programs for large or very large sub-national regions with hundreds of thousands or even millions of inhabitants.
For the former type of place-based development initiatives, critical features discussed in the Conference include the following:

a) differentiated or tailor-made, because the form and content of the program in each place, varies according to its unique geography, its history, its institutions, its economic and social structures, and its actors;

b) bottom-up, in that local actors play a decisive role in designing and implementing the program; this is seen as the only possible way to allow the distinctive features of each place to be truly internalized by the program, as it would be impossible for a central agency to design tailor-made initiatives for the hundreds of different communities and territories in a given country;

c) multi-actor, because if the objective is the development of a territory, then the social actors representing the diverse sectors of society and of government, need to be involved, deliberate, agree on a common or negotiated strategic vision and action plan, and cooperate to implement it and to solve the difficulties and conflicts that will arise along the way; of particular importance -and something that is missed in many programs- is the need to involve the private sector and not just governments or development agents in civil societies;

d) multi-sectorial, in two ways: first, because the development of a territory requires the involvement of government agencies from different sectors (e.g., infrastructure, agriculture, education), and, second, because even in largely rural territories, their economy is diversified across different sectors of the economy and developing and strengthening linkages among them is important to maximize the local effects of economic activity. Place-based policies and sectorial programs are not mutually exclusive; place-based policies do not compete with sectorial policies. Each plays different but complementary roles. The benefits of place-based policies include the integration and adaptation of the various sectorial policies to the needs and challenges of regions;

f) multi-level governance, since the policy goals and the necessary public and private investments often require decision-making that is top-down, while the specific designs and the implementation for place based development requires the decisive involvement of public and private actors in the territory itself; multi-level governance (e.g. national, regional, local and municipal) allows for the coordination of top-down and bottom-up decision making;

g) functional territories that are defined as the places in which people actually conduct most of their social life (e.g., where their home is, where they live, where they buy and sell, where they participate in social networks, and so on). For most people these places involve more than a single locality, go across the urban-rural continuum, and may but often may not correspond to an official administrative area such as a district.

h) strategic and transformative because place-based policies are not easy to design or implement, and involve significant coordination costs, so the goals and objectives should be important enough to justify the added complexity of the approach.

Different countries and organizations add or emphasize other features, such as “focused on innovation” or “implemented in a decentralized manner” by sub-national governments or by private-public regional or local corporations.

The role of cities and of rural — urban linkages in territorial development

In sharp contrast with previous regional and international meetings that dealt with similar issues, in Puebla the role of urbanization, of cities, and of rural-urban linkages, engaged the participants throughout the Conference.

It was agreed that rural – urban gaps are a primary component of spatial inequality, and that economic agglomeration is a powerful driver of territorial disparities. It was argued that low-income people are disproportionately concentrated in the least developed parts of the country while elites disproportionately reside in the core, resulting in the former having less political power to obtain public services. The remoteness of less developed regions also enhances the relative power of their local elites, and the high costs of migration from these places allow local elites the opportunity to extract more rents because poor residents are “trapped”. As observed in countries as different as the USA and South Africa, the growth of large cities can have a backwash effect on rural areas, stunting their development.

At the same time, development theories and practice have remained captured by an outdated dichotomous vision of space as either rural or urban, with a sharp divide in between, and with relations being largely “predatory” in favor of the city and against the interests of the countryside. There was a very strong consensus that such views are increasingly invalid in many if not most countries, developed and developing, in good part thanks to the growth of small and medium urban centers and agglomerations. The evidence points to strong linkages between this type of urban localities and the surrounding rural areas, to such an extent that they often become mutually dependent and in practice operate as functional rural – urban territories. There was a call for a more equitable relationship to be fostered between rural and urban spaces.

The participants identified some stylized trends that characterize this development: (a) urban poverty rates are higher in small and medium size towns relative to large cities; (b) a clear pattern of lower per-capita availability of public service and infrastructure availability in small
Coordination

It could be argued that territorial development is first and foremost an effort of coordination: between government agencies, between levels of government (e.g. national, regional, local), between local governments within a functional territory or region, between public, private and civil society actors, between urban and rural, and between the conflicting objectives of all of the above who have different views, expectations and priorities of what the same society with the same resources ought to do and for the benefit of whom.

Whilst coordination is so central to the territorial development idea, it is also complex and involves high transaction costs. Yet, the Conference participants argued that the cost of neglecting the need to solve these very real coordination issues is larger in terms of reduced wellbeing, loss of development opportunities, and duplication and waste of public resources. Rather than stating that the territorial approach is about coordination, perhaps it should be said that sustainable and inclusive development essentially depends on solving multiple coordination failures.

Specific coordination issues that captured the attention of the Conference included the argument that territorial development required putting in place bundles of complementary assets and capacities. Achieving such result, in turn, demanded the right sequencing of institutions, policies and investments. This can be best achieved, it was argued, when there is a clear vision and policy objective that drives what needs to be coordinated and for what purpose; yet, developing such vision and policy objective itself requires coordination across different and sometimes competing or conflicting agencies, sectors, and actors.

Conflict is often an inevitable part of the process of territorial development, and broad and effective participation is the means to resolve conflict in a democratic and constructive way. Because conflict and its management is part of the equation, the practice of coordination will never be a purely technical and apolitical exercise; on the contrary, politics and political leadership are often a cause of coordination failures, but almost always appear to be part of the solution.

Building complementary bundles of assets and capacities through well-sequenced institutions, policies and investments, is made easier when there is a decentralized governance system. It is extremely difficult if not impossible to see how a central government could identify and deliver the bundles that fit the needs and conditions of each of dozens, hundreds or thousands of different territories. Successful experiences, such as those of China, rely on central governments defining the aggregate goals and objectives of policies, leaving the means free in each territory to define local goals, allocate resources to specific activities and investments, and monitor results.

Coordination is often blocked or made more difficult by the lack of incentives and capacities. Multi-stakeholder processes often consume a lot of energy and time without having any material effect on actual decisions and investments. On the incentive side, the Conference considered that it was critically important that coordination schemes had clear and direct links to actual decision-making about budget allocations and use. Examples include: participatory budgeting at the level of provincial or local governments as is currently practiced by many sub-national governments throughout the world; co-funding schemes such as the Peruvian fund for investment in infrastructure which operates as an incentive to get national agencies or local governments to do certain things including with their own resources; or transfers of block grants to local public-private corporations that can only be used to implement a program or action plan that has the support and endorsement of multiple actors that have coordinated themselves for that purpose, as in the case of the LEADER program and its Local Action Groups in the EU. Strong citizen engagement, good evaluation agencies and systems as in the case of CONEVAL in Mexico, and better communication to enhance accountability, can also be valuable in creating a political incentive for decision-makers to deliver on their agreements. In South Africa, a “cluster” approach initiated by the Presidency makes certain ministries work closer together to deliver joint outcomes (e.g., for economic development).

On the side of capacities, a second important condition was the availability of institutions or mechanisms so that agreements underpinning coordinated efforts are formalized and can be monitored, accounted for, and enforced legally if necessary; informal agreements that depend exclusively on the good will of all the participants are not likely to lead to lasting and effective coordination of actions and investments. Examples of formalized
agreements are the contractual arrangements used throughout the OECD and those in early use in some Latin American countries as in the case of Colombia’s “Contratos Plan”, or the “concertation agreements” being developed by the Mexican agency PROSPERA to link social and productive investments in very poor territories.

A third factor is capacity building at the local level, particularly among local governments, which often have the greater need and the least capacity to coordinate with others.

Finally, it was argued that coordination is sometimes seen as a substitute for a lack of legal and sometimes constitutional clarity on the responsibilities, authorities and means of different agencies and levels of government. Against such large governance failures, there is little that coordination can do.

Governance

Closely related to the question of coordination is that of governance; in fact, solving coordination failures is a governance process. It was broadly agreed that getting the governance right was of the essence in an approach that always requires the active involvement of multiple and diverse public, private and civil society actors, working at different levels and starting from different needs and priorities, and often with very different levels of power.

One important governance issue is that of building what were called territorial coalitions, that is, coalitions of public, private and civil society actors whose agenda is not simply an addition of specific thematic, interest-group or sectorial issues, but is an agenda of shared territorial objectives under which the different sectors of society can better realize their own particular goals. Reconciling the demands coming from a diversity of groups is not a technical process but a governance issue, although it can be supported by technical work (e.g., analysis of options and scenarios, information systems, cost-benefit analysis). Territorial coalitions appear to be more frequently created for defensive objectives, for example, against an externally-defined investment by a private corporation or by a government agency. The costs of building such defensive coalitions appear to be lower than those required to develop a promotional coalition, perhaps because the former do not call for a rearrangement of governance or power structures within the territory, while the latter require the definition of a new status quo.

Another important governance issue discussed in the Conference was that of the participation of marginalized, disenfranchised and/or people living in conditions of extreme poverty. Paradoxically, many territorial development policies are designed with the explicit goal of improving the wellbeing and enhancing the opportunities of these social sectors, yet they tend to have very low if any meaningful participation in defining the program or in leading its implementation. Their participation is constrained by lack of rights, assets and skills, by exclusion from markets, by low levels of organization and marginalization from the political processes, and by the prevalence of short term, urgent needs.

To enhance the participation of these social sectors, a territorial development program can ensure that they are aware of and are supported in the exercise of their social rights, carry out effective social audits with the participation of civil society, address issues of corruption and clientelism in the allocation and use of public resources, and, above all, invest seriously in the organizational strengthening of these social actors that should be seen as a development objective per se and not as an instrument of some other program objective, such as accessing markets.

A third critical governance issue is that of strengthening the capacity of local governments, which, particularly in lagging territories with high levels of poverty, are dismal low. Local governments need to be strong not only in their technical, administrative and managerial capacities. They need to be stronger also in their willingness and ability to be transparent and to engage with citizens and to be held accountable to them. Yet, it is difficult to see how this governance challenge can be solved one local government at a time; hence, Conference participants raised the need to give a stronger emphasis to different forms of associations between local governments in a given territory. Examples were given from different regions and countries of such associations being formed for purposes of managing critical natural resources such as water, providing better services such as waste management, or promoting economic development through coordinated or joint investments in critical assets. The formation of such inter-governmental associations at the local level requires a formal regulatory framework so that they have legal standing, can enter into formal agreements with others, and access funds as an association and not only through the individual member governments. However, the experience of countries such as Chile shows that an enabling legal framework is not sufficient; it appears that incentives are also needed in the form of distinct funds that can be accessed through the associations and that do not compete with those to which individual local governments can apply for.

The formation of solid territorial coalitions, the empowerment of disenfranchised social groups in the territory, and the strengthening of local governments, were recognized in the Conference as effective means to face a fourth very important governance challenge, which is that of elite capture and rent seeking. The literature and practical experience provide abundant examples of such behaviors associated with development initiatives similar to territorial development programs. Building stronger and more vibrant societies and improving governance systems at the territorial level, are important parts of the solution. But power imbalances being what they are, Conference participants also called attention to the need to build in checks and balances, which is one important reason for the concept of multi-level governance.
Information, evaluation and learning

To be able to support the design and implementation of territorial development initiatives, disaggregated data needs to be generated and made available and accessible to national and sub-national actors; simply put, information systems that can only provide national averages or, at best, estimates that are significant at the scale of very large regions, are of little use. There is a huge lack of capacity including resource allocation in this area and the Conference considered that it ought to receive greater attention from national and international decision-makers. Just as no one would expect a large private corporation to plan an investment without proper information, territorial actors cannot be asked to provide good program designs if they are near blinded by the absence of relevant, timely, and good quality data.

A serious weakness of past and ongoing territorial development programs is that there is an almost complete lack of rigorous results and impact evaluations. It is not easy to evaluate interventions that almost by definition are "messy", in the sense that they are not and should not be standardized across all territories, change and adapt, and involve multiple components and actions which are combined in widely different ways even within the same territory. The "tailor-made" and evolving nature of territorial development is difficult to grasp with the currently available standard results and evaluation methods. This is an area in which researchers ought to work to develop the best possible options to be able to have evaluation results that are better than a collection of local anecdotes. The need is similar, or perhaps even greater, for ex ante evaluations and cost-benefit analyses. Yet, the problem is not purely technical. The culture of evaluation has been embraced by, for example, social policy-makers, but not by agencies typically engaged in territorial development. It is important to change this attitude in order to be accountable, and to be able to distinguish what works and what does not, and why; embracing a culture of evaluation is a necessary condition for being credible in an environment where judgments are based on results, outcomes and impacts.

Finally, there was strong agreement that territorial development policies and programs have to be flexible and adaptive to ongoing results and changing circumstances and contexts. This requires that territorial development programs put in place an iterative approach with significant learning and knowledge management systems. More importantly, Conference participants called for decision makers to design policies that allow for experimentation of design, testing and piloting process and product i.e. learning by doing, as we move forward with an approach that is not amenable to blueprint and static thinking, designs or implementation.
Part B
Conference Outputs
Welcome Address

Ignacia Fernández
Executive Director of Rimisp - Latin American Center for Rural Development

Good morning ladies and gentlemen, friends and colleagues. I am Ignacia Fernández, Executive Director of Rimisp - Latin American Center for Rural Development, and I am very glad to be here to welcome you to the “Territorial Inequality and Development” International Conference.

We are very pleased to have you here in the Puebla Conference, which invites us to talk and share work and experiences committed to Latin American development. Increasing inequality is a growing global concern. This International Conference on Territorial Inequality and Development, hosted by Rimisp, responds to this rising policy interest, especially in the territorial dimensions of inequality.

The Conference brings together a diversity of people and global experiences, to address the challenge of promoting national development with greater territorial cohesion. This Conference is to learn and find solutions by talking and discussing in depth, among the nearly 100 participants from over 30 countries across the world, from governments, development agencies, private sector firms and associations, universities and think tanks, and international development agencies.

Why are we here?

In Rimisp we think that the place you were born as well as where you live, matters, especially in developing countries. This sentence reflects the huge territorial gaps existing in developing countries, where rural zones are especially being left behind.

With this premise in mind, Rimisp —together with our partners, donors and collaborators— has been working for many years, to achieve greater justice and equity in Latin America. Although our work is mainly dedicated to Latin America, we have always sought to build bridges with the ideas and experiences of the rest of the world.

Rimisp at 30 years

In this context, I want to share with you that this year, Rimisp celebrates 30 years. It has been three decades of committed and dedicated work on the transformation of the rural world. We started working on the development of small farmers, and then expanded our focus to the development of rural areas. Today our work is in the territory, understood as a comprehensive system of relationships between different actors. A link to a video prepared to celebrate Rimisp at 30 years can be found here.

What we stand for today?

A guiding idea of Rimisp is that the territorial approach is more effective for reducing gaps.

The territorial approach help us to understand the territory as a system, taking into account the relationships between structures, actors and institutions that take place in territories. When we say “to close gaps” we mean that every citizen, regardless of where they live or where they are born, must have the same opportunities to develop themselves as they wish and not be limited to the conditions and restrictions that the territory imposes.

And how do we achieve this?

We named the first strategic focus of our work “Building a network of partners”. This is because we do not work alone. We work with all of you. This is extremely important for Rimisp and is that is why we have gathered here today.

It is a network of influential partners that includes thought leaders and decision makers, as well as leading academics from universities worldwide. It is also a network of people capable of build alliances at the local level, in which many of you work every day, contributing to making positive changes in the territories. Many of our partners are attending this Conference. Some of them will be presenting during these days. Just to mention some of them, Arilson Favareto will share with us his paper about “Spatial and territorial inequality in Brazil” and Isidro Soloaga, who will talk about “The impact of small and intermediate urban centers on rural wellbeing in Mexico”.

Our second strategic focus is related to “Generating Knowledge”, the main important activity of this Conference, where we will share learnings, experiences, and research results for a better understanding of territorial dynamics. Applied research is particularly important for us, because it has an impact on decision-making processes.

It is in this context that we will have Julio Berdegué giving us a perspective about “Fifteen years of territorial development in Latin America”, and also Javier Escobal will present the “Polarization and segregation on income distribution in Peru: Exploring uneven geographical trajectories”.

We will also review some research experiences from Asia, Africa, Europe and North America, which will allow us to discover different realities and to know how they address issues that are similar to ours, but with approaches that can give us new and innovative perspectives.

Our third strategic focus is called “Dialoguing and Advising”, in which we work very closely with our partners, donors and collaborators. We understand that
building bridges with decision makers is critical for the success of our work and to transform our knowledge into action, generating institutional changes that result in better public policies.

Many of you work with us on policy dialogue forums between stakeholders to contribute to change processes, for example work with governments of Mexico and Colombia in the design of major public policies and programs. And some of you assist central and local governments in the development of better public policies within and between the territories. That is why —in this international Conference— we have a plenary which is composed of Rosario Robles Berlanga, Secretary of Agrarian, Territorial and Urban Development in Mexico, Ernesto López Córdova, Chief of the Unit of Economic Productivity of Mexico’s Ministry of Finance, Tatiana Orozco, Director of Social Prosperity of Colombia, and Norma Vidal, Vice-Minister of Social Development and Inclusion of Peru, who among other authorities, have joined this dialogue and work between public and private actors, and are willing to design and implement better policies for reducing gaps in Latin America.

Our fourth strategic focus is “Developing Capacities”, for strengthening and empowering public and private stakeholders at national and local levels. We are committed to provide stakeholders with the technical tools they need to better understand territorial dynamics.

And now —rather than give concrete names— I want to highlight the different methodologies in which many of you have participated with us, many times and in various forms such as lectures, diplomas, seminars, among others.

This International Conference on Territorial Inequality and Development represents the beginning of a series of activities where we will celebrate 30 years of Rimisp. All these activities will emphasize our four strategic areas of focus, articulating better our partner networks, promoting knowledge generation and dialogue, providing technical support to governments, and strengthening our contribution to capacity building processes.

The Conference

In this International Conference on Territorial Inequality and Development, we will review the trends, patterns and drivers of territorial inequality. We will also examine the territorial consequences of these drivers on poverty, growth, and the environment. Actions and interventions that reduce inequality created by these drivers, including how and where territorial policies and interventions from different regions in the world have been effective to date, will be shared and discussed.

The program of this International Conference is organized into three different types of sessions: First, a few plenary sessions like this one. Second parallel thematic sessions, in which short presentations will be given, will introduce the topics of the Conference. Third, an experiment: we have organized several parallel Discussion Groups, in which up to ten participants will work together to explore in depth one specific issue or question. The over 30 themes of these Discussion Groups were selected from a long list of suggestions received from many of you; thank you for that. Thanks also to those of you who have accepted to be moderators of the Discussion Groups, and facilitators of the parallel sessions.

Acknowledgments

Our appreciation and thanks to the members of the Conference Organizing Committee who played a very important role in shaping this Conference:

Daphne Meredith, Deputy Minister, Western Economic Diversification, Canada.

Andrés Rodriguez-Pose, Professor at the London School of Economics, United Kingdom.

Jikun Huang, Director of the Center for Chinese Agricultural Policy, of the Chinese Academy of Sciences.

Carolina Trivelli, Principal Researcher of the Institute of Peruvian Studies, and formerly the founding Minister of the Ministry of Development and Social Inclusion, in Peru.

Peter Lanjouw, Professor at the Free University of Amsterdam, The Netherlands.

Julio Berdegué, Principal Researcher at Rimisp, who is not only in charge of this event, but also to whom we owe an important part of the successes and achievements of these 30 years of institutional life.

And, particularly, to Felicity Proctor, who has recently joined Rimisp as an Associate Researcher and who is the person who is mostly responsible for this Conference and for you being here in Puebla.

I also want to especially thank the International Development Research Center (IDRC) of Canada. They have been next to Rimisp, literally, since our birth 30 years ago. They have been crucial in our development as an organization, and now their generous support has made this Conference possible. And finally, special thanks to all who have helped to build Rimisp in these 30 years and are now sharing their valuable experiences in this “Territorial Inequality and Development” International Conference.
Greetings and good morning. For scheduling reasons, the Secretary of Agrarian, Territorial and Urban Development, Rosario Robles Berlanga, cannot be here with you today. So allow me to convey her greetings and her hope that our work these days will be fruitful.

In the Secretariat of Agrarian, Territorial and Urban Development (SEDATU), we are very interested in sharing views, ideas and experiences during this international Conference on inequality and territorial development. As many of you may know, Secretary Robles served as Secretary of Social Development during the first three years of this six-year term. That led to her interest in contributing to reflection about the links between inequality, social rights, poverty and territorial development.

Before continuing, I would like to thank the members of the Conference Organizing Committee including Julio Berdegüé, who is also moderator of this panel, and the plenary panel members - Leona Archary, Alain de Janvry and Stephen McGurk.

I would like to congratulate you for celebrating the 30th anniversary of RIMISP with an event of this nature, and I also thank you for choosing Mexico as the place for this celebration. Welcome and be careful with the poblano food, which is delicious and irresistible.

Messages

Fortunately for me, the purpose of this panel is to share views about what we need to reflect on regarding inequality and territorial development. It is an advantage not to have to give just one answer.

I have organized my presentation in two parts. In the first, I would like to share with you some reflections about the need to draw connections between inequality and territory and our ideas and expectations about the State and democratic regimes. In the second part, I would like to discuss some of the challenges we face. Although they are drawn from the Mexican context, I believe they are valid for the common reflection to which this Conference calls us.

I believe that behind the vast concept of territorial development lies the concept of planning, understood as the national State’s will and need to orchestrate regional activities and contributions in a way that maximizes yield and productivity, promotes growth, and increases employment.

I have impression, however, that this concept relativizes the State’s primary obligation, which is simply to guarantee rights and freedoms. In other words, the territory, its natural endowments, and its ability to contribute to national wealth must not be the focus of planning; rather, the State’s imperative is to use these assets for the equal guarantee of fundamental rights, regardless of where individuals and specific communities are located.

The urban landscape of our cities, at least in Latin America, is not only one of luxury residential complexes, sports clubs, etc.; it is also one of inequality and poverty. Our metropolitan areas contain the drivers that move economies, but also contain the worst poverty. We have growing exclusion and new marginalization, worrisome emergencies of insecurity and barriers between areas within the same city. Urban spaces today face enormous challenges. It is necessary to seek new forms of social cohesion, inclusive development, and protection and development of the environment.

From that standpoint, our task is to reflect on how to guarantee people’s welfare, dignity, abilities, autonomy and freedom in an equitable way throughout territories that are unequal and culturally diverse, and which have dissimilar economic conditions.

To do this, we must take into account the capacities of the State and the way in which its operation is organized. One of the greatest virtues that I see in this Conference is that it allows us to reflect on the purposes of the State in democratic regimes. On urbanistic issues, as in many others, the market and its mechanisms alone are incapable of generating the welfare necessary to overcome inequality.

In my view, when we speak of private property, rural property, property registries and cadasters, urban infrastructure, services, distance or proximity of residential areas and workplaces, informality and underemployment, problems of conurbation, expropriation, major infrastructure works, the environment, availability of water, and all the problems and dimensions that we find in a specific territory, we cannot ignore the principles and values that drive democracies: equality, gender equity, inclusion, non-discrimination, tolerance, diversity, and participation.

I think we all agree that this reflection is necessary as we face the commitments that our countries have assumed as part of Agenda 2030 for sustainable development. And I really hope that I am not the only person in this room who gets nervous thinking about how we will meet 17 ambitious goals and no fewer than 169 targets with specific indicators.

In an international context such as ours, with low levels of growth and low prices for commodities including oil, I believe it is indispensable to regenerate the State’s ability to foster well-being and guarantee rights and liberties.

I will move on now to the second part of my presentation. The main idea, of course, is the State’s ability to create and implement public policies for land-use planning and sustainable regional and urban
development that are aimed at guaranteeing fundamental rights and liberties within a framework of democratic values and principles.

First idea: I believe we need to reflect on the paths of change that are appropriate for building consensus among very different viewpoints. In other words, we need a profound and gradual improvement in governance of the territory—what some have also called, although it is not strictly synonymous, “metropolitan governance.”

In our cities, this has a strategic dimension, and we need to envision models of governance for these metropolitan areas, especially instruments for planning and management.

We have learned that inequality and poverty do not depend only on macroeconomic factors. Local governments can facilitate the progress of democracy and social reform through ongoing efforts that interconnect the actions of government, civil society and the private sector.

Our political organization, constitutionally mandated responsibilities for territorial management that correspond to each level of government, and the situation in metropolitan areas and their surroundings, makes the planning of both local and national development extremely difficult.

It is important to explain the structure of our government organization in Mexico. We have three levels of government: federal, state and municipal, and we are integrated in a Federation—these do not translate into efficient models of territorial governance. Faced with infrastructure projects and metropolitan areas that overlap the boundaries of political jurisdictions, it is worth asking what we must do to ensure that we have development plans and risk maps that can be managed appropriately, so that any misunderstanding among the various political authorities does not have a negative impact on the population. We must not lose sight of the fact that poor coordination among authorities translates into low levels of guaranteeing rights and freedoms.

The great tension that must be resolved is that, on the one hand, there is a long-standing federal government tradition, with entities that jealously guard their jurisdictions and are eager for new power, which have different visions of urban development and territorial management, which have different impacts on the guarantee of social rights: in employment, housing, security, environment, the right to water, non-discrimination, and gender equality. On the other hand, there is the imperative of a national State that has the irrevocable obligation to guarantee people’s well-being equally and progressively, regardless of the geographic area where they live.

Second idea: In regional and urban development, in management of the territory, in the construction of housing and services, I believe we must make an effort to develop a national vision that establishes for authorities at the various levels of government, at least:

- Objectives, indicators and criteria for common action and decision making
- Powers and responsibilities—I am referring to accountability systems—that are clear and well-defined, and with institutions capable of enforcing them
- Common information systems that make it possible to evaluate decision making and outcomes.

We have to ask ourselves if we are making the best use of digital technology to substantially improve the efficiency of urban services. The extraordinary potential of education, science and digital technology is a powerful tool for stimulating local talent and for creating systems of innovation in urban spaces. In Mexico, for example, we have spent decades ignoring the demographers who warn us of the opportunity that is slipping away from us in the demographic dividend. An enormous tragedy: we have statistics that do not lead to public policy decisions.

In addition, in Mexico, the municipality—which is the level of government that has the fewest institutional capacities, and which operates with terms of just three years—is constitutionally mandated to regulate the territory. In other words, the level of government that has the least preparation, the shortest life and the fewest institutional instruments has the power to make decisions about land use, something that has very long-term repercussions on people’s lives.

Third idea: Mexico is an unusual country, which—for historical, political and social reasons—has implemented different forms of land tenure. Consider these figures: social property in Mexico accounts for 52.8% of the country’s land, but only 21% of its units of property; meanwhile, private property represents 43.5% of the territory, but 79% of the units of property. The rest of the territory, 3.7%, is Federal land.

In this context, we should ask ourselves as to what is the future of social property in a world that is increasingly urban and metropolitan? What alternatives exist for creating better conditions for property to become a productive and inalienable asset?

Fourth idea: I believe we need to develop guidelines for decent housing. We must prevent and eliminate gender violence, and we must locate residential areas near workplaces and foster efficient markets for housing rental, as opposed to home ownership. It is necessary to improve urban planning instruments so they serve as guideposts for housing construction.

In Mexico, 1 million homes consisting of just one room were built in the past 12 years. We must reverse this process in order to limit its negative impact on the everyday life of thousands of women and families. One-seventh of all available housing is uninhabited, which clearly demonstrates that urban solutions must be more qualitative than quantitative.

If we want to promote labor activity, we need flexible housing policies that bring people closer to their workplaces.

Once again, an interdependent approach to human rights reminds us that we cannot view these issues
separately from one another, because undermining a single right affects people’s dignity and well-being.

Fifth idea: I have the impression that there is broad consensus about what it is that we all seek and want for our cities. The Sustainable Development Goals for 2030 demonstrate this. Nevertheless, the specificity of the territory, cultural conditions, policies and institutions make generalized solutions difficult.

I therefore believe that we must emphasize reflection on the indicators that are available to the State for developing public policy on the issue that is our concern. What is it that we need to measure to make decisions that enable us to create the cities, territories and regions that we desire?

I think it is clear to all of us that we do not have enough public policy instruments, we have serious regulatory gaps, we have not taken full advantage of technological modernity, and we do not have all of the relevant indicators needed for making decisions.

Sixth idea: I have the impression that there is a need for more detailed analysis of models aimed at promoting neighborhood and community participation in decisions about urban development.

It seems to me that we should discuss what people have done for themselves in the area of housing and urban development. Besides the low-income neighborhoods known as chabelas, chabolismos, favelas and barriadas, with which we are familiar in Latin America, we have to think that behind them lays a real effort at social construction. Many groups have built structures that are useful for their lifestyles, and this capacity for self-urbanization exists not only in housing, but also in transportation and commerce.

One of the most problematic aspects of inclusion is this social dimension, which is closely tied to the issue of inequality - the topic of this seminar.

Returning to my initial theme, I must say that participation is an essential instrument for democracies, for resolving conflicts, for strengthening forms of accountability, and for rational public spending.

Conclusion

Finally, I believe that one of the challenges for this Conference is to contribute ideas that will once again put a human face on our cities and territories.

In an unfavorable international economic context, which often exacerbates political tensions and reduces the State’s ability to orchestrate development and guarantee people’s well-being, we need to create the institutional resources to meet the Sustainable Development Goals.

I believe that in an epoch like the one in which we live, theory offers general guidelines. Viability is determined in the political, economic and social spheres.

I reiterate my belief that public policies for management of territorial development must be aimed at guaranteeing rights and freedoms and must be permeated by the values of democracies.

Once again, I would like to thank the organizers for the invitation and for this opportunity to be with you. Thank you very much.
INTRODUCTION

The Conference took a broad view of the issues of territorial inequality and development. It sought to bring together and facilitate dialogue between perspectives on the eight themes.

Within each theme a series of specific questions had been identified by the invited participants in advance of the Conference. These were further developed into a particular aspect or issue for debate within one of 32 discussion groups. Through a combination of parallel sessions with short paper presentations and selected discussion groups mapped to the above themes and with participation from across the globe and across institutional settings, headway was made in taking forward the agenda of territorial inequality and inclusion for policy, action and future research.

In the following section, we present the paper title, authors and abstract by theme including those papers presented in the plenary sessions which have now been mapped to the appropriate theme. Alongside the title and author are the links to the PowerPoint presentations given and papers where available. All papers should be considered as draft working documents. At short notice, a few contributing participants were unable to join the Conference and their contributions have therefore been included. These contributors are identified with an asterisk (*).

Following the listing of papers, we then present the key issues as debated within the discussion groups aligned to the given theme together with the reports prepared by the discussion group moderators. Each discussion group sought to address the following: What does the theory say? What is the evidence? What is being done and what more can be done? During the discussions the participants were invited to draw upon the materials presented as well as their own experiences. The moderators were at liberty to focus discussion according to the interests of the groups’ membership. The group sizes ranged from 5 to 12 participants and in some cases groups within a given thematic area opted to join together to address collectively the key issues tabled.
TRENDS AND REGIONAL PATTERNS OF TERRITORIAL INEQUALITY

Presentations

Between 2000 and 2010 Brazil experienced a rare combination of economic growth and reduction of poverty and inequality. The export of commodities, the innovative social policies and the expansion of the domestic consumer market are aspects that have led to a rise in household income, especially among the poor families, allowed an expansion of jobs, mainly low-skilled, and, therefore, favored the rising of relatively vibrant local economies in peripheral regions, based mainly on expansion of consumer demand. Could we say, then, that the country is in the right direction? Not exactly if the focus is put on the territorial dimension of development. The central idea to be explored in this paper is that there is a strong territorial heterogeneity in recent Brazilian development, which is expressed in: a) a persistence of inequality in many areas, notably in the Amazon or in a significant number of municipalities in the Semiarid Northeast (two of the regions that symbolize the “regional issue” in Brazil and in which is concentrated rural poverty); b) a combination of maintaining asymmetries in a wide range of well-being indicators with significant improvement in others; c) a specialization of regional production profile with structural impact on the forms of use of natural resources or to the formation of the social and economic fabric of these regions; and finally d) a dependence on government transfers from an expanding number of Brazilian territories that have achieved good performance. As a corollary the article discusses the limits and virtues of the public policy agenda of the last decade, especially in their meaning for territorial cohesion and development.

Spatial and territorial inequality in Brazil (2000/2010)
Arilson Favareto, Universidade Federal do ABC, Brazil

Polarization and segregation of income distribution in Peru: Exploring uneven geographical trajectories
Javier Escobal and Carmen Ponce, Grupo de Análisis para el Desarrollo, Perú

Using small area estimates of per capita expenditure growth, poverty and inequality for 1981, 1993 and 2007 in Peru, the study finds that while per capita expenditure inequality among individuals (measured by the Gini or Theil coefficients) shows a slight downward trend, inequalities between groups (associated with segregation and polarization processes, that the literature links to greater social conflict) have exacerbated. In particular, there is a tendency of long-term segregation and spatial polarization in favor of large cities as opposed to small urban centers and towns. This trend towards a growing spatial polarization goes hand-in-hand with increased polarization between Indigenous and non-Indigenous groups. However, we do not observe a similar pattern between groups of people with different educational levels.

Spatiality of territorial inequality of China
Yehua Dennis Wei
Department of Geography and Institute of Public and International Affairs, University of Utah, USA

Empirical findings on territorial inequality are often inconclusive and have found many cases a lack of convergence. In essence, convergence theories are often devoid of space and time. Research on China has unfolded a complex landscape of territorial inequality, the existence of distinct models of regional development, and the significant role of state institutions. We argue that territorial inequality is sensitive to geographic scales and spatial organization, and that conventional approaches mask spatial agglomeration and the significance of regions in shaping trend of territorial inequality. Overall, territorial inequalities in China change with geographical scales of observation, and we find the significant role of space, place and agglomeration. This paper further discusses the impact of government policies on territorial inequality.
The trend of regional income disparity in China

Shantong Li and Zhaoyuan Xu, Development Research Center of the State Council, People’s Republic of China

Fei Wang, School of Public Policy and Management, Tsinghua University, People’s Republic of China

This paper is devoted to comprehensively analyze regional income disparities in China from 1978 to 2014. Since China began its reform and opening up, inter-provincial disparities have experienced a process of narrowing first and then expanding. But the expansive trend of inter-provincial income disparities has slowed down and began to decrease somewhat around 2000 and since 2004 the income disparity between the regions has kept a narrowing trend. The changes in regional disparities are caused by many factors which are also analyzed in this paper.

Differentiation of rural poverty and its reduction strategies in China

Yansui Liu, Institute of Geographic Sciences and Natural Resources Research, Chinese Academy of Sciences

Yang Zhou, College of Resources Science and Technology, Beijing Normal University, People’s Republic of China

Since the 1980s, China has successively implemented a series of regional strategies in order to ease the imbalance of regional development. However, obvious regional differences of China’s economic-social development have not yet fundamentally changed, which poses serious challenges for China to achieve the goal of a comprehensive well-off society by 2020. Rural poverty is also a rural disease in China; the implementation of a clear poverty alleviation strategy provides guidance for addressing the transition in China’s poverty areas and sustainable rural development. This study aims to explore the spatio-temporal changes in rural population, gross domestic product, investment in fixed assets, and public infrastructure during the period 1990-2013 at county level in China, and then constructs an index of rural development to reveal its spatio-temporal differentiation. Meanwhile we also focused heavily on regional characteristics of rural poverty in contiguous areas with special difficulties and its spatial heterogeneity patterns. Results show that the uneven development in rural China exists for a long time, showing a gradient declining spatial pattern from east to west. China’s poverty people was mainly distributed in the mountainous and hilly areas along the “Hu Huangyong line”, and the proportion of poverty people in the northwestern and southeastern regions of the line was 16.4% and 83.6%, respectively. Furthermore investigations indicated that lack of funds and suffering from illness are the main cause of poverty. Our findings demonstrated that China’s poverty problems are still serious and have become increasingly more difficult to reduce, and the return-to-poverty problem is also rather prominent. There would appear the “islanding effect” in China’s poverty regions. Due to environmental constraints and economic restructuring, the past investment and export-led poverty reduction strategies will face an unprecedented challenge, thus China’s poverty alleviation has entered into a sprint period of ‘cracking a hard nut’. Therefore China should implement an oriented-target accurate poverty reduction strategy with a regional difference. A scientific, legal, sustainable and long-term, effective mechanism for poverty reduction will be imperative for China to eliminate the extreme poverty and achieve common prosperity.
This paper uses small area estimation techniques to update Vietnam’s province and district-level poverty map to 2009. It finds that poverty rates continue to be highest in the northern and central mountainous regions, where ethnic minorities make up a large fraction of the population. Poverty has fallen in most provinces and districts over this decade, but the pace of poverty reduction has been least pronounced in those localities with high initial poverty or inequality levels. As a result, poverty rates have become more spatially concentrated over time, which is consistent with widely observed growth processes linked to agglomeration. The authors hypothesize that this makes geographic targeting of the poor more relevant as a means to re-balance growing welfare disparities between geographic areas. Simulations indicate that in both 1999 and 2009, geographic targeting for poverty alleviation improves upon a uniform lump-sum transfer and this becomes more evident the more spatially disaggregated the target populations. The analysis further indicates that the gains from geographic targeting have become more pronounced over time in Vietnam. Although poverty reduction in Vietnam has been impressive, further progress may thus warrant increased attention to geographic targeting.

**Vietnam’s evolving poverty map:**

**Patterns and implications for policy**

Peter Lanjouw, Department of Economics at Free University, Amsterdam, The Netherlands

Marleen Marra, World Bank, USA

Cuong Nguyen, Institute of Public Policy and Management, National Economics University, Vietnam

**Paper**

**Presentation**

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**Africa’s growth resurgence and spatial inequality**—Highlights from the African Economic Outlook 2015

Steve Kayizzi-Mugerwa, Visiting Fellow, Institute for African Development, Cornell University, USA

Abebe Shimeles, Director of Research, African Development Bank, Cote d’Ivoire

**Presentation**

After decades of sluggish growth and increasing poverty, Africa’s fortunes rebounded in the 2000s, with growth rising to above 5% on average for the next decade and a half. This was thanks to improving macroeconomic policies at home, lower structural impediments allowing for greater linkages to the global economy, the changing structure of the latter with the rise of China, and the natural resource boom enjoyed by many African countries. For much of the past decade some of the fastest growing economies in the world have been in Africa. Growth has continued to be strong even in the face of external shocks and lower growth in the global economy—revealing a high level of resilience of the African economies, but also evidence of the increasing importance of domestic demand factors. However, growth has been accompanied by increasing inequality between households and regions—urban and rural. Demographic and structural challenges abound, and there is real fear that Africa might not be able to benefit from the demographic dividend. For many African countries, removing the stresses caused by socio-economic inequality is now a key policy goal if development is to be sustainable. The special theme of the African Economic Outlook for 2015 thus sought to highlight the challenges related to spatial inequality and to discuss the policy options available to policymakers and to institutions and implementing agencies in seeking to ensure that growth benefits all the population.

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**New strategies of territorial approach in Africa**

John Igué*, Laboratoire d’Analyse Régionale et d’Expertise Sociale (LARES), Benin

**Paper**

The territorial dimensions of development have long been neglected in Africa. From the period of colonization to the independences, taking into account the spatial dimensions of development has played but a minor part in the development of public policies. It took the fall of communism in 1989, the end of apartheid in 1994 and the emergence of democracy as a result in poor countries for new requirements to emerge based on the restructuring of traditional political spaces. There is currently in Africa a resurgence of a new geography illustrated by the shifting, varied and complex nature of development areas. Territories are being transformed yielding many dimensions of which two are particularly visible: Firstly a geo-economic dimension through three main movements:

- Improving the interconnection between coastal and Sahelian areas with the persistence of both the constraints of isolation related to recurring socio-political crises and the need for more enhanced complementarity through the various experiences of regional groupings;
• A rapid urbanization that radically transforms the urban-rural relationships and poses serious problems of urban management and people integration into a new culture that emerges from these cities;
• A large migration which leads to more imbalances, increases the pressures, reinforces depopulation of arid areas and overcrowding of coastal regions.

Secondly, a political dimension which is reflected in the appearance of new forms of relationships between people and spaces as well as the demographic challenges it has with enormous access problems to basic resources (land, pasture, water, etc.). These problems henceforth generate several forms of territorial disparities resulting in crises and conflicts affecting several States of the continent.

Meanwhile, the institutional reforms devised to cope with these different transformations do not yet produce the expected results. These reforms seem to be poorly adapted to the present moment of change and cause adverse reactions despite the needs for radical change expressed by the populations. Among these basic needs, we could mention four:

• The opening to the international market through positive globalization;
• A need to have legitimate State and Institutions. The post-colonial State is currently facing many problems and needs to be reformed. In this context, we come across three types of trends: decentralization of central government, restructuring of the exercise of power areas and promoting territorial organizations;
• A need for stronger local solidarity of the populations, long time victims of the colonial partition. This need is expressed today through the development of several «country borders» on the edge of two or more States. It is also expressed in decentralization with hope for the people to renew the social contract that binds them to their leaders;
• A need for the construction of regional political and economic entities more sustainable than the United Nations inherited from colonization. Such a need is expressed through the concerns of regional integration. This is the result of a combination of the Pan-Africanist movement as an alternative to excessive balkanization of the continent and to changes currently affecting the world like the market integration induced by globalization.

These various trends both territorial and social constitute the new territorial strategy in Africa.

The need for a paradigm shift towards territorial development in sub-Saharan Africa

Bruno Losch, CIRAD, Joint Research Unit. Actors, Resources and Territories in Development (UMR ART-DEV), France

Due to the specific characteristics of its integration into the world economy over the last centuries, sub-Saharan Africa is facing huge spatial imbalances and territorial inequalities. Inherited from the artificial borders shaped by a late European colonization, the political fragmentation of the sub-continent was especially exacerbated by continuing the “rent system” based on extraction of natural resources. Rent patterns benefited transit capital cities at the expense of intermediary cities and other settlements and resulted in very asymmetric urban structures.

Half a century after independence, long-standing poverty and rising inequalities, difficulty of convergence with developed economies within the context of globalization, and the challenges related to strong demographic growth, slow structural transformation and pressure on natural resources require strategic choices to be made.

While a greater inclusion in the world economy and seizing the opportunities of global value chains are among the policy options, many African countries must deal with the “recapture” of their territories. Focusing on local resources and their adequate management, promoting territorial
The apartheid state had a direct impact on territorial development and inequality in South Africa. The demise of apartheid coincided with economic globalisation and the establishment of a government whose intention it was to promote development and address inequality. This paper assesses this government’s successes and failures in this regard over the past two decades in the Free State Province of South Africa. The paper will start off by contextualising post-apartheid regional policies within the international context and amid global economic change. Next, the paper will assess some of the key trends in development and inequality in the Free State Province (one of South Africa’s nine provinces) over the past two decades. Consideration will be given to patterns of GDP growth and decline, sectorial growth and decline, job creation and decline, grant distribution, migration trends and a range of development indicators (for example HDI, the Gini-coefficient and people living in poverty) all over the province (subregional differences/similarities will be mapped). As well as drawing on the available economic and demographic statistics, the paper will also draw on a business survey of 700 enterprises in the province. The assessment of changing patterns of development and inequality in the Free State suggests that there are at least three contributing factors. The first of these – and a key factor – is the racial history that deliberately barred black South Africans from accessing economic opportunities. Second are international economic trends with increasingly open markets and a dependence on the knowledge economy, which have increased the vulnerability of peripherally located provinces. Thirdly, there is the fact that government policy responses have not always addressed pressing concerns and have thereby probably contributed to subregional inequality. Government policies aimed at addressing some of the inequalities have mostly had unintended consequences that have not helped to address inequality but have rather served to reinforce historical patterns. Overall, the trends suggest that while fewer people are currently living in poverty and while there is increased development, there is however a growth in inequality and the phenomenon that people experience an inability to participate in the mainstream economy. Essentially, we ask how peripheral areas in the developing world can address their vulnerability in the global village.

Patterns of territorial development and inequality from South Africa’s periphery: evidence from the Free State Province

Lochner Marais* and Jan Cloete, Centre for Development Support, University of the Free State, Republic of South Africa

The complex role played by demographic change on regional fortunes is a topic which until very recently has been almost entirely ignored by regional analysts. Demographers have known for decades the likely shape of ageing trends at the national level. However, what has become apparent over recent years is that the interactions between processes of ageing and migration are more complex and rather more rapid than had previously been understood. In part, this is due to the changes wrought by modern globalization in terms of reducing international barriers to mobility. At the same time, almost all regional science and urban economic models assume a situation of population growth or growth in nominal real estate prices, whereas the modern reality for many places is that of population decline and falling real
estate prices. Nowhere are these trends more apparent than in the case of the European Union where one third of Europe’s large metropolitan areas are now shrinking.

These adverse demographic shifts are a result of two interrelated forces, namely population ageing and interregional mobility. Both of these forces have either exacerbated or reshaped the demographic profile of different regions in very different ways and the differing long-term fiscal and governance effects on certain cities and regions are profound. All regional populations are ageing, but it is the relative rate at which this takes place in comparison to both the productivity growth and the overall scale of the local economy which is critical in terms of public finances. Some amenity-rich regions experience population ageing and growth allied with increased local incomes as wealthy and asset-rich household move into the region. The long run prognosis for these regions is positive, because although the need for age-related services will increase the local economy is robust enough to sustain the demand and supply of such services. Other regions face the in-migration of young and highly quality human capital, and these relatively youthful regions also exhibit a buoyant local economy. Again, the long run fiscal prognosis of these regions is positive, as the balance between the demand and supply of age-related services is favorable. In contrast, numerous regions are now facing a toxic combination of a rapidly ageing population and a workforce which is declining in size and strength as outflows of young and highly educated human capital adversely shift both the demographic and economic profile of the locality. Numerous regions in Europe, Japan and Korea now face these challenges. At the same time, there are also widespread movements towards greater city and regional devolution in many countries. However, the political narratives dominating these city governance devolution shifts tends to be dominated by optimistic and positive themes relating to agglomeration, knowledge spillovers, creativity, cities as entertainment, etc. While these may be relevant for the first two types of regional demographic-economic combination outlined above, they are largely irrelevant to the realities of the latter type of region which face rapid population ageing and a declining economy.

The aim of this paper is to examine what we know about the patterns, scale and impacts of these demographic changes on OECD cities, and to the review the recent thinking on these issues by national and international organizations focused on urban policy initiatives in the light of the available evidence. The paper will begin by providing an overview of the global picture of urban and regional demographic changes and will then move on to focus more specifically on European cities, regions and countries. The current state of our knowledge regarding the empirical realities of spatial demographic change, and in particular population ageing and decline, will then be used in order to outline a research agenda, including the analytical and empirical challenges associated with understanding these complex and under-researched issues. Urban economic models are currently not equipped to analyze long term economic development and fiscal positions in a context of falling nominal and real land prices. Moreover, so-called ‘pragmatic downsizing’ is extremely difficult because bankruptcies, liquidations, and land vacancies happen randomly across space, thereby undermining the efficiency of infrastructure, and mitigating against policies designed to contain and gradually manage urban decline. This research agenda will focus specifically on the challenges for urban policy, including the use of modern financial instruments, energy-saving schemes, the redesign of urban services and facilities in the context of population ageing and long-term economic decline.
Findings from Discussion Groups

The evidence on the trends in territorial inequalities is mixed in both developing and developed countries. It seems that territorial inequalities have generally been increasing in many developing countries, but in some countries such as China they have been increasing in some periods, and decreasing in other periods, including in the most recent decade, due to government policies including investment in poor regions as well as migration from the less developed regions to the more developed regions. In Mexico they have probably been increasing. In the EU the evidence is disputed, but it seems probable that they have increased since the crisis of 2007 and after, and especially after the euro-zone crisis of 2011. Nevertheless, there seems to have been a strong convergence in access to services in Peru, Chile and Mexico. In Brazil, there appears to have been convergence over the last decade due to equalizing and redistributive Government policies, including the minimum wage, pensions, education and social policies. However the situation may be changing due to the collapse of commodity prices, rising wages, and de-industrialisation.

GDP per capita is an inadequate measure of territorial disparities, and we need better indicators on gaps, including per capita disposable income of rural and urban residents, private consumption, labor wage and employment, housing, education (access, results i.e. quality, etc.), health, and other public good provisions.

Investing in the less developed region is essential for reducing territorial disparities.

Policies to integrate labor market can reduce regional disparity (e.g., the case of China and Vietnam).

While policies are necessary to reduce territorial disparities, an important question is how these policies can better take into account specific territorial needs and characteristics.

Moreover, the experience in reducing territorial disparities differs among countries.

Regional and territorial inequalities are on the rise in developed and developing countries

Regional and territorial inequality cannot be avoided in early stages of national development

Lagging regions and territories have the greatest need for territorial development policies, and yet often have the weakest response capacity to the extent that some claim that place-based development in those cases is a waste of money

Moderator: Jikun Huang

Coordinating sectorial and place-based policies is a challenge all over the world

Moderator: Enrique Garcilazo

What does the theory say?

It is difficult to find a theoretical framework behind place-based policies and sectorial polices. In terms of the place-based polices, theories of the New Economic Geography provide a core-periphery equilibrium where the core corresponds to cities, with increasing returns to scale and the periphery to rural areas specialized in agricultural activities. After Krugman’s seminal paper in 1991, there have been a broad number of papers building upon this framework. Place-based policies can also find some theoretical support in the literature on urban economics and spatial planning which focus on cities, in contrast to the theory of agriculture economies which focuses on rural areas. In terms of sectorial policies, this is more difficult since it depends on how to define “sectors” if we can consider sectors by economic activities such as services, or manufacturing, the industrial policy framework concerns breaking monopolies and entrenched benefits to promote competition and a level playing field. In contrast if we consider sectors such as the provision of public goods (education or health), the framework on public choice, mechanism design and even the first and second fundamental welfare theories of economies which predict a competitive equilibrium is pareto optimality and vice versa.

What is the difference?

As previously mentioned the difference between the two will depend on how to define sectorial policies. Sectors can be defined by economic activities, such as tourism, services, energy, agroindustry, but then can also be defined in terms of public goods provision in the areas of health, education and infrastructure among others. These latter, typically correspond to line
ministries in governments, which is also commonly associated with sectorial policies. Furthermore, sometimes sectors are also defined by economic activity and by thematic areas. For example the Netherlands government created a top-sector policy in 2012 identifying nine top sectors which include sectors by economic activity such as renewable energy but also thematic sectors such as logistics and innovation. As a result of this diversity of options, the group discussion was not very clear on how to define sectors. The panel however, differentiated between two types of sectorial policies: those that are implemented across places and those with conditions to different places (e.g. traditions).

In contrast, there was some clarity in defining place-based policies, which target a given geographical area such as a city, a metropolitan area or a region. Place-based policies by definition then target immobile factors that are context specific. Nevertheless, the group also agreed that key elements of place-based policies are coordination of various sectorial policies, bottom-up articulation involving local actors and multilevel governance to coordinate top-down with bottom-up policies. The panel also highlighted how sectorial policies can become place-based as described in the case in the Republic of Korea with a first stage focusing on infrastructure investments and in a second stage these investments were adapted to the circumstances of different places and also coordination of actions with bottom-up policies – such as combining primary with secondary ones. Place-based policies are a broad concept and can concern economic, social, environmental and democratic goals.

What are the benefits of sectorial and place based policies?
The benefits of sectorial policies would include focusing actions and priorities in specific parts of the economy (e.g. sectors). For example if a region wants to compete in international markets and needs to focus on its respective area of absolute or comparative advantages it might want to prioritize on a number of key sectors. Similarly, at the national level the provision of some public goods that are relevant to more than one region (e.g. infrastructure investment in national roads or railroads) must be provided at this higher level (nationally) to internalize possible externalities or problems of coordination that could emerge if provided regionally. When this is the case, it makes sense to focus the provision of this public good, one sector at a time. The same is valid for the provision of other public goods such as primary education to ensure minimum standards across the entire territory or for health.

In contrast the benefits of place-based policies include the integration and adaptation of the various sectorial policies to the needs and challenges of regions. The benefits will crucially depend on various dimensions identified during the panel discussion. These encompass the effectiveness of coordination, who should do the coordination (multilevel governance), how should the coordination be done (entire policy cycle), coordination for what, how to mitigate the private sector and how to mitigate the costs of too much coordination. Furthermore other key elements of place-based policy include the ability to build a collective agreement across the various actors and individuals in a given place, adapting regulations to different places and coordinating investment decisions between local with national actors such as the pilot project of the Contratos Plan in Colombia where the local actors can make explicit objectives and coordinate these with national ones, or infrastructure investments in the Republic of Korea building railway and rail-stations that combined hard with soft investments.

The panel also discussed the associated costs. For example for sectorial policies they can emerge in examples where large scale infrastructure policies have killed some regions. Place-based policies can also lock some regions in development traps – such as the south of Italy – if the policy is captured by entrenched rent seekers and interest groups or generates incentives of dependency, or overregulation which can create a whole industry of intermediaries.
Agglomeration of economic activities
Agglomeration of economic activities is manifested by the centralized development in metropolitan areas and high-tech regions, which can be observed all over the world. Two major forces can be identified. One is globalization, including global production network and global commodity/value chains, which has centralized command and control functions, leading to the emergence of global cities and global city networks. Examples include New York, London and Tokyo, and emerging global cities of Shanghai, Beijing, Calcutta and Mexico City. The second force is technological change, especially innovation, which has furthered the agglomeration of high-tech industries in high-tech regions, including Silicon Valley and Boston in the United States, the global production networks of high-tech firms such as HP, Apple, and Google extending from Silicon Valley to Bangalore in India, Hsinchu in Taipei and Zhongguancun in Beijing.

Agglomeration of poverty
While poverty rates have been reduced in many developing countries, agglomeration of poverty can still be widely observed. These places include remote, mountain areas, which are isolated from urban areas and market places and often lack cultivable land and natural resources for development. Persistent poverty also widely exists in cities, including slums in Mexico City and poor inner cities in the United States.

The linkages
Agglomeration of economic activities may improve urban rural linkages and create new opportunities. Boom cities create jobs for rural migrant workers who can also send money back to rural areas, helping their development. Transnational Corporations (TNCs) may also provide opportunities for local suppliers, such as Nestlé’s coffee producing farmers. Some places have at least partially inserted into global production networks such as Suzhou in China which has used foreign investment to transform the local economies previously based on township and village enterprises (TVEs).

However, there are also negative sides. Rapid urbanization has caused the urbanization of poverty, and the creation of slums in cities. People moving to cities often leave less educated, old people behind, creating new poverty in the countryside. TNCs often have their own strategic coupling networks, such as the Apple-Foxconn (an original equipment manufacturer based on Taiwan) network, which forms its own industrial cluster/district and excludes local suppliers.

Theory
There have been long lasting debates about theories of regional and rural development, including the role of institutions, geography, and culture. Harris-Todaro model of migration presented a classical explanation of rural urban migration in Africa. Structural theories including political economy and dependence schools provide macro understanding of structural forces and the organization of TNCs. The notion of the development state provides avenues for state interventions. Recent neoliberalism also provides its agenda for development.

Policy and new thinking
Policies to reduce poverty and territorial inequality include improving urban rural linkages, infrastructure development, and more effective use of TNCs. Industry policies are needed. It is important to identify specific industries, including low tech industries and indigenous industries, with policies of tax reduction, and providing loans. Some think less developed areas should provide labor intensive industry and create value chains, such the textile or shoe industries, but to be competitive, these industries have to be profitable. Evaluation to choose the best option is required, and also researchers need information about what happened in other cases.
There is also a gender dimension. Women are more disadvantaged in Africa where men are more educated. Men tend to move to cities, and then bring their wives, or leave women in the field. So there is a need to empower women in development.

New thinking includes globalization+, such as trade among developing countries and the new role of TNCs in supply chain development, and Internet+, including online stores to sell farm products to cities. Also there is a need to support entrepreneurship and incubator development and to provide training of people through university programs.
**TERRITORIAL ECONOMIC DEVELOPMENT, INNOVATION AND PRIVATE INVESTMENT**

**Presentations**

A growing body of empirical evidence has suggested that access to global knowledge networks plays a crucial role for innovation dynamics in Latin America. However, the existing literature has often taken a sectorial perspective and has focused on one single country with limited attention to territorial regional-level differences. This paper aims to fill this gap by looking at the territorial dynamics of innovation of three Latin American countries: Chile, Colombia and Mexico. The paper explores the link between ‘global’ foreign investments networks and territorial drivers of innovation (R&D, localised spillovers, social filter conditions). The empirical analysis is based on an ‘augmented’ knowledge production function approach taking both patents and regional growth as dependent variables. The results suggest that the innovation impact of foreign investments is highly dependent upon the typology of investments in terms of business function and value chain stage and their matching with local conditions.

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**Democratizing productivity: Mexico’s strategy to boost growth inclusively**

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Over the past three decades, Mexico’s economic growth has been slow, the result of declining productivity. Slow growth, in turn, has dented efforts to reduce poverty in the country. Faced with the dual challenge of boosting economic activity and improving living standards, the Mexican government has put ‘democratizing productivity’ at the center of public policy-making. The aim is to streamline public programs across government agencies so that they address the root causes behind the productivity slowdown: a misallocation of resources, barriers to firm and worker productivity, a suboptimal business environment, and constraints to a ‘structural change’ in favor of high-productivity activities. Ongoing work includes tackling regional inequalities; strengthening local capacities to design effective productive development programs; and improving coordination between economic and social development policies. Importantly, Mexico has also set to build the institutional foundations needed to make inclusive growth a binding and long-lasting commitment, which include the creation of the National Productivity Committee and the enactment of a new Productivity and Competitiveness Law.

Economists typically celebrate productivity growth as the way to improve living standards for the general population. In addition, economists also advocate that particular cities and regions should strive to be as productive as possible in order to attract businesses and increase employment. However, while productivity growth can reduce cost or improve quality, if demand is not sufficiently responsive or elastic, then labor demand may decrease, reducing employment in the location. Productivity growth may be skill biased, creating larger wage gaps that increase the area’s inequality or poverty. Thus, there may be a fallacy of composition in that productivity growth is good for society as a whole, but the most productive locations may face some unintended consequences associated with productivity growth that may reduce quality of life or weaken local labor markets.

**Are the most productive regions necessarily the most successful?**

Mark D. Partridge, Michael Betz and Alexandra Doudareva, The Ohio State University, USA

Presentation

**Foreign investments and the territorial dynamics of innovation in Chile, Colombia and Mexico**

Riccardo Crescenzi and Alexander Jaax, London School of Economics, UK

Presentation
While the conventional wisdom in development economics tends to hold the view that agricultural growth facilitates diversification of rural economies (from mainly agricultural to rural nonfarm development), empirical evidence showing such a causal relationship appears to be relatively scarce. Furthermore, theoretical work in the past two decades demonstrates that agricultural growth and non-agricultural growth can be either positively or negatively related, depending on the extent of mobility of the goods and services and of the factors producing them. This paper revisits the question empirically in the context of rural Philippines. It examines the sources of rural non-farm sector growth, which has become the main driver of rural poverty reduction. Based on a dynamic panel analysis using system GMM (generalized method of moments) and applied to provincial panel data covering the period 1985-2006, we find that agricultural growth is (contemporaneously) significantly and positively associated with service sector growth, with elasticity ranging between 0.20 and 0.30, but not with manufacturing growth. This appears to suggest that either rural labor force is sufficiently mobile or capital is relatively immobile across provinces in the Philippines. We also find different roles played by national road networks, on the one hand, and local roads, on the other; local road appears to facilitate rural nonfarm sector development while national road to facilitate agricultural growth.

Can improved connectivity act as a catalyst for economic growth and structural transformation in poorer regions? This paper addresses this question by examining the impacts of a (very) large investment in the construction of a bridge in Bangladesh. The 4.8 kilometer long Jamuna bridge spanning over one of the largest rivers in the world connected about 30 million people residing in the chronically poverty and hunger ridden areas in the northwest to the growth centers in the East including the capital city, Dhaka and port city, Chittagong. By conservative estimates, the bridge reduced the freight costs by 50% and travel time from areas in north-west to Dhaka city by 3-4 hours. To estimate the causal effects of the bridge, we use a difference in difference approach where the control areas come from a region which was supposed to be connected to the growth centers in the East by the proposed but not yet constructed Padma bridge (6 km long). A battery of falsification tests indicates no difference in key economic outcomes between the treatment and control areas during pre-bridge period (before 1999). The empirical results indicate profound favorable effects of the reduction in transport time and costs on economic outcomes: the estimates imply numerically significant positive impacts on (i) economic density (measured by nightlight), population density and urbanization rate; (ii) employment in services activities but not manufacturing; and (iii) adoption of agricultural technology (fertilizer and irrigation), cropping intensity and rice yield.

The presentation will examine the opportunities afforded to local populations from mining investments, with a particular focus on Indigenous communities. The paper will highlight the development of impact benefit agreements (IBAs) between mining companies and Indigenous communities as a mechanism for formalizing and strengthening company/community relationships and for optimizing local benefits and opportunities. The increasingly central role of IBAs as means of securing local support for new investments and project expansions will be discussed, as well as the socio-economic benefits that can now be observed after twenty years of experience with these types of agreements. Finally, the trend toward government resource revenue sharing across Canada as a complementary measure to IBAs to generate local benefits and support will also be considered.
A thriving company needs a thriving society within which to operate. Rural Development is one of the areas of focus for Nestlé due to our raw material sourcing. The reason is simple: Nestlé has a large presence in rural areas. Four hundred of our factories, employing 205,000 people are located in rural areas and make significant contributions to rural communities. We source indirectly from 4.1 million farmers, including directly on the “Nestlé Farmer Connect” program from almost 700,000 farmers across over 50 countries. Most of these are family farmers. It is important therefore for Nestlé that rural areas are attractive places to live, work and invest in: the overall wellbeing of farmers and their families, rural communities, small entrepreneurs and suppliers are intrinsic to the long-term success of our business.

Over the last few years we have developed The Rural Development Framework (RDF) to guide our work with farmers through our Farmer Connect program and to inform our work on responsible sourcing through our trade partners. The aim of the RDF is to align business and social needs in order to ensure long term supply of high quality raw materials and simultaneously deliver upon our ambition to create shared value. The starting point has to be to ensure that the farmers are “Farmers by Choice”. The RDF provides a methodology that allows us to assess and prioritize any gaps in business practices and social needs that are present in our supply chains. Following on from that, we can define field activities to address those gaps and needs.

Promoting better market access for smallholder agricultural producers and the provision of access to better quality and lower price food for the majority of the world’s population requires the strengthening of rural-urban linkages and putting ‘place-based development’ at the centre of policy and investment in food systems.

Deep and, in some regions, rapid changes are taking place in food systems from production to consumption, with strong implications for rural-urban linkages, local economic development and smallholder livelihoods. The effects of change include the exclusion of large numbers of smallholders from the more dynamic markets; the concentration of a greater share of value added in the downstream segments of the food system; the weakening of traditional wholesale and retail; a strengthening of the relative weight of non-primary activities in the rural-urban economy creating new employment; and the increased presence of highly processed food, including in the diet of both the urban and the rural poor.

Traditional markets at the level of towns and small and medium cities continue however to be the entry point to the food system for the majority of the world’s 500 million smallholders, because the proportion of smallholders that gain entry to the more dynamic segments of the food market through direct transactions from the farm to the processor, modern specialized wholesaler or modern retailer, is small.

Policy and innovation at the rural-urban interface can help improve the conditions and outcomes of the participation of smallholder farmers and of household and small- and medium-entrepreneurs, in these changing food systems. It can also help to ensure a diversity of food systems offering retail choice to urban and rural consumers in the interests of both the consumer and local producers.
Does Zambian city size matter to consumption of processed food and shopping at supermarkets?

Michael Dolislager, Nicole Mason, Thomas Reardon and David Tschirley, Michigan State University, USA

The authors use 2008 survey data for 2000 households spread over a mega city, a medium city, and two towns in Zambia. Contrary to conventional wisdom in two ways, we find that supermarket shopping, while still a modest share of total food expenditure but a substantial share of households, has actually penetrated somewhat further in the towns compared with the mega and medium city; the share of expenditure at supermarkets is nearly only at stores of large chains in the towns, while in the bigger cities it is still mainly at the chains but also at independent supermarket stores. This shows how retail transformation has spread well beyond the big cities. Moreover, we find that the majority of food expenditure in value terms in both big and medium and towns is on processed food (high and low processed), another surprise shown by the findings. We find that shopping at supermarkets is positively correlated with purchase of both low and high processed foods.

Findings from Discussion Groups

The discussion focused on how direct policy incentives and the appreciation of assets interact with attracting foreign investment (FI) and how this can contribute to better explain different subnational dynamics as potential drivers of innovation and wealth creation. However, there is a substantive knowledge gap on location patterns, sectorial dynamics, effectiveness of policies and programs, and implications of agglomerations within countries for sustainable development plans beyond enhancing competitiveness. Deeper consideration of what is the overall impact of FI in regions and what kind of policies could be more beneficial through comparing countries is required. Such studies would be a timely contribution to informing decentralization policies and public investments aimed at improving services, infrastructure and to enhance local identities.

Transformative industries providing opportunities for FI are showing clear signs of increased openness to engage in collaborative efforts with public policies and third actors – universities, technological centres and some civil society organizations. FI is also opening new channels of collaboration enhancing social capital, productivity and competitiveness in regions within countries. These changing behaviors are markedly emerging in FI linked to the financial, agribusiness, extractive and ICTs industries. Understanding and influencing these investments requires better-informed public institutions.

Research must contribute to develop conceptual and empirical tools to evaluate ex-antes plans and decision promoting corporate investments in regions. Ex-post cost benefit analysis of policy tools focused on sectors – e.g. special economic zones – or those favoring multi-sectorial agglomerations are needed to inform policy decisions. These analyses would transform conditions under which efforts stimulating institutional coordination and learning are implemented.

Research must contribute to enhancing states’ capacities and access to data to map the presence and interaction of suppliers who determine the dynamism by sectors. These capacities and data have proved to be essential in improving effectiveness, coordination and accountability of public decisions, and in investing differently in services that attract and retain skilled workers in regions. These capacities are also needed to detect opportunities and adapt to the impact of technological innovation, to inform country positions on trade agreements, and to negotiate the presence and location of foreign investments.

Foreign investment is a main driver of regional and territorial social and economic development

Moderator: Federico Burone
The group discussion focused mainly on two topics:

- Investment in local infrastructure with purely localized impact
- Investments with much wider impact, often well beyond the reach of the local population.

We choose to discuss in terms of hypothetical cases such as a local road or a school, and greater investments such as “fracking” gas and oil, a mine, a dam and hydropower plant, an international airport, or an Economic Special Zone.

The group in general considered that there are valuable theoretical and technical techniques that could help us to better address and understand the processes of discussing the level of participation (and thus bearing the costs and benefits) of the local population with regard to investment projects. Nevertheless, each project is unique and the most important or the key factors are openness, transparency and inclusion as much as possible. The optimal situation is when a local community takes the project on as its own or at least feels a partner to it in some way or another.

Some of the main theoretical tools that could help in this matter are the following: cost-benefit analysis with a welfare economics perspective; the concept of externalities (both positive and negative; the theory of “collective action” (M. Olson) and several negotiation techniques including conflict resolution.

Our lively discussions reached some sort of consensus on the fact that there will always be conflict and distributive disputes when an investment is taking place on a localized region. So, it is always better to assume this at the beginning and be prepared for it, since it is seldom an easy exercise. But in a democracy this sort of conflict is normal and even welcomed since at the end the project will have a much wider and enduring support. Transparency is another key component of every discussion about investment impacts. To bypass the local population is recipe for future conflicts and all sorts of problems. The sharing of benefits is almost always advisable.

In the case of investments just for local purposes and impact matters are often contentious since they involve conflicting views and interests. There is always an opportunity costs to consider. Nevertheless, after several rounds of discussions a consensus may emerge, since almost everyone perceives the local investment as a positive thing. In this case, a facilitator and a moderator are key factors.

Some projects, like mining, or water diversion or those that produce large negative externalities must consider financial and technical compensatory measures. Bearing in mind “unintended consequences” are also crucial and call for transparency, supervision and evaluation of all the processes involved in an investment project dealing with infrastructure with impacts on the local population.

Sometimes local communities are against projects that ultimately might benefit them or doesn’t have any substantial cost for them, such as wind energy parks. This illustrated the deep seated mistrust that often these communities have vis à vis “outsiders”. That is why involving the local communities in the whole process from planning to construction and operation is important.

A key issue is to give local communities a say i.e. a voice in the process, although the technical details must be dealt with the appropriate specialized personnel. Sometimes it is possible to sign a “contract” with the local communities and/ or their authorities.

Partnerships are advisable whenever it is possible as well as binding contracts. In the end, authorities matter and they must be ready to take decisions of its own.
Natural resource-based regional and territorial development can reduce territorial inequalities

Moderator: Daphne Meredith

This discussion followed from earlier presentations which outlined some of the opportunities for territorial citizens arising from natural resource development as:

- Employment
- Business development opportunities
- Training (basic job skills, trade skills as well as entrepreneurial skills)
- Community assets -- both hard infrastructure (e.g. roads) as well as social infrastructure (e.g. community facilities for example Nestlé’s children’s facility was cited)
- Funds from royalties that can be invested in the affected communities.

Some of the challenges associated with natural resource-based development were noted as follows:

- Environmental impacts, such as the impact of the development on water resources or on soil quality
- Local business interests may be compromised with the introduction of a new player
- Some community norms and interests may also be disrupted and potentially adversely affected by the development.

Need for consultation – extensive consultation

The need to consult (now embedded in ILO policy) was emphasized in order, first, to understand the affected community’s perspective on the potential opportunities/challenges posed by the natural resource-based development and, second, to determine how the interests/concerns can be advanced/reconciled. The consultations need to involve the following players:

- Domestic companies, who may have competitive concerns or may have rigidities against or resist entering into the kind of business arrangements being considered by the natural resource developer
- Governments at all levels – local, provincial and federal – who would have a perspective on community interests as well as their own benefits and obligations (e.g. financial benefit, co-investment responsibilities) related to development. Questions regarding “who invests in what” and how their assets should be bundled and integrated need to be discussed. Governments also need to be engaged on how the natural resource developments are to be regulated – how any adverse social, environmental or economic impacts would be mitigated and how those impacts would be balanced against the benefits to be achieved. It was noted that with adequate support from governments, companies may be more willing operate in challenging, highly disadvantaged regions (e.g. Nestlé’s operations in the Mexican Chiapas province).

These consultations may need to be extensive:

- Understanding community interests and concerns may require first building community capacity to understand the implications of the project, its opportunities and risks, and itself reach a reasonable consensus on its interests and concerns.
- Consultations should be undertaken in a way that allows the interests of the various parties – e.g. extra-territorial (including foreign) business, territorial business, local, provincial, national governments as well as the various community players – to be reconciled and respected as the natural resource development activity is carried out. Political will is needed for the successful development of natural resources that can be strengthened through a properly conducted consultation process.
- An example was given of no fewer than 120 workshops being undertaken in Chile by a company wanting to develop natural resources in a territory.
Following consultation...instruments for entering into agreements
There was some discussion, as well of instruments that can be used, for formalizing agreements reached through consultation and negotiation. Impact benefit agreements (IBAs) were mentioned as potentially effective contracts to tie the obligations of the company directly to the community. IBAs have been used recently by mining companies entering into agreement with Indigenous communities. They are legally binding, and do not require governments to be signatories, which may be advantageous in some circumstances. More complex situations may require multi-party agreements or a variety of bilateral agreements. Well-constructed agreements will allocate obligations in a specific, role-appropriate and integrated way.

Distinctions between types of natural resource-based development
The following two distinctions were made:

1. Degree of dependency on local community involvement
   One important distinguishing feature between types of natural resource development can be made as follows:

   - Development that requires the longer term participation and partnership of territorial citizens (for example, the food processing industry, which relies upon the production of local farmers in its value chain. As an example, Nestlé doesn’t own the cows it relies on for its production, the local farmers do. The relationship between Nestlé and local farmers is co-dependent, and the company needs to work with the local dairy farmers to develop and sustain a quality input into its production process.
   - Development that does not require the participation and partnership of territorial citizens (for example, extractive industries such as mining, that can move capital and labor into a territory, extract the resource with a minimum of local citizen involvement and eventually exit once the resource has been extracted). A mine, for example, depends on the social license it receives in moving into a territory, without having to engage or rely on the local community to conduct its operations. In addition, mining has the related characteristic of being relatively capital intensive in its production process, thereby providing for potentially more restricted engagement possibilities for local benefits.

   The former industry category has a greater onus/incentive to negotiate with the territorial communities on which they depend for their product – there is a more naturally balanced relationship between the two parties. The latter group theoretically has less incentive to engage local community partnership – they will do so only as a means to access the resource they want to extract, rather than as an essential step towards improving the quality, quantity or continuity of the resource they are, in essence, developing within the territory.

2. Level of consumer interest
   A second important distinction between types of natural resource development is as follows:

   - Activity that is substantially distant from consumer interest and scrutiny, as in the case of mining.
   - Activity in which consumers are interested and to which they can apply preferences through their market behavior. Millennial consumers, unlike their predecessors, are interested in, for example “what” Nestlé produces (e.g. organic), “how” it produces (e.g. fair trade) and “where” it produces (traceability).
Paradoxically, while generous in spirit, consumer interest in the welfare of those producing may have an adverse impact on the small farmers in developing countries. This is because the production discipline and certification needed to brand (e.g., organic, fair trade) products for the Millennials requires capital resources beyond the means of local farmers – the branding may be achieved at their expense and not to their benefit.

Four main issues emerged from the discussion: the role of institutions and socio-economic structures; the development and the dynamics of food processing; the determinants of processed food and supermarket development; and the role of stakeholders.

On the role of institutions and structures
Institutions are everywhere in the development debate and there is a broad literature on institutions and their critical role in development. Just to mention: from the “old” institutionalists authors (Veblen and Commons) to more contemporary academics (Gruchy, 1987; Hodgson, 1988), the neo-institutionalists (North, 1990; Williamson, 1985) and holistic approaches à-la-Schumpeter and the political economy.

More precisely on development trajectories, the notion of path dependency helps to understand the importance of structures and the way they format agents’ behavior (see Gerschenkron, 1962; Moore, 1966; North, 1990; Acemoglu et al., 2001). Structures (economy, society, institutions) are the core (the “weft”) of the socio-economic fabric. They determine the room for maneuver (the range of options) of stakeholders. And, like the chain crossing the weft of a fabric, socio-economic agents’ practices - interest groups, classes, coalitions -- contribute to the progressive shaping and evolution of the development trajectory.

Turning points or critical junctures (Collier and Collier, 1991; Pierson, 2000; Pierson and Skocpol, 2002; Mahoney, 2001) related to specific crises (conflicts) or new alliances can curve the trajectory and open new opportunity spaces.

On development and dynamics of food processing
The existing dynamics of economic diversification are a determinant for the localization of food processing: farm outputs can support the development of agribusinesses, but very quickly more is needed: services, utilities, skills.

Recent evidence on two Latin American countries (Cazzuffi, Pereira and Soloaga, 2012) indicates that (i) geographically, food manufacture locates in relatively poor areas, but not in the poorest; (ii) food manufacture tends to locate in municipalities with more availability of labor and raw materials and with better infrastructure; (iii) controlling for other factors, food manufacture growth contributes to local poverty reduction both in terms of magnitude and speed. In the case of sub-Saharan African countries, increased high-value exports and the modernization of export supply chains can bring about important positive welfare effects, which occur through product- or labor-market and direct and indirect effects (Maertens et al. 2012).

Against the background of the anonymization of food production due to supermarket penetration in “rurban” areas, there is the possibility of a kick-back effect where local products are well differentiated and can develop. Research is needed to assess the expected time for this to happen in developing countries and, furthermore, whether locally displaced small firms may ever regenerate. The implication of changing food systems on public health was noted as another area which warrants deeper understanding.

The economic and institutional environment makes the difference in the development of food processing. Without an adequate environment, local investment in food processing will remain at a small scale. To support its development, it is necessary to have a clear understanding of the existing players (from the small local to the large corporates) and of the food market environment.
processing systems and the distribution chains (with a breakdown of the different steps) and their requirements.

**On determinants of processed food and supermarket development**

Generally speaking: (i) processed food is mainly available through “modern” retail systems (supermarket chains); (ii) processed/prepared food saves time; (iii) processed food gives access to highly nutritive products (level of calories) for a small price (calories per $). Therefore, income is not necessarily a determinant of processed food development and low income households can benefit from (and contribute to) the development of supermarkets.

Evidence from Zambia shows that supermarket development is quicker, and the share of supermarkets is higher, in small towns. However, it is necessary to have a baseline to understand how retail systems developed and particularly to know what the impact of supermarkets on local retailing was. An argument for supermarket expansion in small towns is the easy access to the facilities, while traffic congestion in large cities is an obstacle.

The impact of supermarket chains on territorial development is badly documented. Key issues such as the consequences on local food supply chains and the existing trade system (income/jobs gains and losses) are weakly researched.

**On the role of stakeholders**

There are endogenous processes of change related to the progressive diversification of economic structures, the improvement of institutions, and the role of local players. However, outsiders and governments can play a role in speeding up the process. Outsiders can be investors looking for business opportunities. Governments (at different scales) can foster local dynamics depending on their own objectives.

Governments need a vision and a strategy based on an improved knowledge base in order to identify priorities and adequate sequencing, and anticipate consequences of public choices. Integrated approaches must link agriculture and agrifood policies (food and nutrition) to employment and incomes, health and welfare, and biodiversity.

Governments can provide incentives and infrastructures (e.g. starters like agri-parks) but must also engage in dialogue with the private sector in order to build local/territorial development strategies.

There is evidence that, in many developing countries, there is total absence of urban planning and that urban growth is mainly being driven by private developers. As such, this process results in urban sprawl with many consequences e.g. the establishment of new supermarkets and shops and the displacement of agricultural producers further away from city-markets. We need to understand further the political economy of these processes.

**References**


Indonesia has witnessed rapid urbanization with the percentage of population living in urban areas having now passed 50%. The majority will be living in a range of urban settlements, such as small cities, medium cities, larger cities, and mega-urban regions. In the Indonesian context, one way to define small and medium cities is to include those with a population size of 100,000 to one million (UNFPA, 2015).

The World Bank (2012) argued that medium-sized cities in Indonesia (those with population in the range of half to one million) have performed better in terms of agglomeration economies than cities in any other size group, whilst smaller cities (those between 100,000 and 500,000 people) and small urban centres have performed the least well. Some of the small cities have suffered a decrease in population and decline in per capita GDP. Poverty rates are lower in urban than in rural areas. The percentage of poor people was 8.6% in urban areas, compared to 14.7% in rural areas (Bappenas, 2013). Rural-urban differences in poverty are more pronounced in some provinces than in others.

The paper will explain the role of small and medium cities in Indonesia in regional development in the context of decentralization. Specifically, the paper will analyze these following: the urbanization trend in small and medium cities; poverty trend analysis and its causes; the improvement of service provision and basic infrastructure; and the local governance system at small and medium cities.

References
How the urban population is distributed across larger cities and smaller towns may be just as important for inclusive growth as the rate of urbanization. This depends on the differences by city size of: (i) the intra-urban agglomeration effects and congestion costs; (ii) the size and intensity of the urban center’s economic linkages with the rural hinterland; and (iii) the rural-urban migration flows. Using information on about 3000 individuals tracked between the early 1990s and 2010 from the Kagera Health and Development Survey (KHDS), this paper examines the third phenomenon. While migrants receive much larger premiums by moving to more distant cities, most people prefer to move into the nearby nonfarm economy or to closer secondary towns. Second, moves to secondary towns make up a much larger share of total growth and poverty reduction than moves to cities. Finally, analysis of destination choice using dyadic regressions shows that migrants prefer areas that are richer, closer and less unequal, and that richer areas (cities) attract especially richer households. Rural, and in particular poor, rural people find it easier to access jobs generated in secondary towns.

**Challenging inequality at the edge of change:**
Spatial inequality, equitable development, and urban-rural linkages

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In many regions, inequality continues to be strongly defined by the rural-urban divide. Across the world, rural areas tend to suffer from higher rates of poverty and other negative economic and social indicators, compared to urban places. What types of strategies can help bridge this divide? Traditional solutions have often tackled rural and urban poverty separately, without adequately acknowledging the growing interdependencies along the urban-rural continuum, which is constantly being redefined by the flows of labor, capital, ideas, people, and natural resources between places. As the Ford Foundation develops its new Equitable Development program, it is assessing whether these economic, social, and cultural linkages can be influenced and leveraged to yield more equitable and just outcomes. As part of this effort, the Foundation is exploring potential activities in places that represent the edges of change between urban and rural places—peri-urban areas, rural-urban zones, and small towns that are urbanizing. Opportunities may be difficult to identify, given the geographic and administrative barriers between government agencies focused on different types of areas, jurisdictions, and mandates. Furthermore, such efforts would require upending conventional thinking about urban and rural development in multiple sectors (including governance, city/regional planning, and philanthropy). But the waning value of traditional policies and practices rooted in the “urban-rural binary” points to the need for a more sophisticated economic and socio-spatial approach to creating durable systems of opportunity along the rural-urban continuum, especially for people who have long been marginalized because of their race, ethnicity, gender or class.

**Findings from Discussion Groups**

**The theory and the evidence**
There is no real basis to determine the ideal hierarchy of the urban system in any country. Some countries have an urban system that is dominated by one city, and this is generally considered a bad thing. Development should be spread out equally and it needs a well-balanced urban size hierarchy. Secondary cities play important roles in sustaining more reciprocal urban-rural relationships. The size of secondary cities varies from one and another country. United Nations (2012) defines secondary cities as urban agglomerations with a population size of 500,000 or less. In the context of rural-urban transformation, the secondary cities classify an urban area with the population ranging from 50,000 to 100,000. In this small town, it
is possible to develop local industrial processes and the possibility of non-farming employment.

In the current situation, territorial development is not only including economic development and poverty alleviation; it should also incorporate social inclusiveness and any kind of satisfactory lifestyle with hope. Therefore, there is a need to redefine the territorial development goals. Secondary cities are powerful because they have stronger identity and culture, closer links to agriculture, diverse sources of income, more educated people and social stability.

What is being done?
There have been a lot of efforts to break hierarchy of urban systems. An example is the concept of Agropolitan development (e.g. Indonesia), which is aimed to promote agricultural and rural development in order to enhance peasant prosperity. Through the Agropolitan development, it is projected that rural employment problems will be overcome. Malaysia and Taiwan have good experiences of simultaneous and proper sequencing of development: policies covered all necessary conditions starting from people’s education, the development of intensive industries in urban areas and improved agricultural productivity.

What else could be done?
Some ideas were discussed among others are:

• Improve local industrial processes and the possibility of non-farming employment
• Organize, plan and activate policy to support rural development
• Reshape territorial development for more social inclusiveness i.e. it is not only about mining and agriculture, but shape the territoriality for inclusiveness through job opportunities for young people

Reference

*Growth of small and medium cities and better rural-urban linkages are effective means to greater economic growth and faster urban and rural poverty reduction*

Moderator: Peter Lanjouw

This discussion group opened with a statement by the moderator, who described research he has undertaken in which he documents: i) a common pattern across many countries of urban poverty rates being higher in small and medium size towns relative to large cities; ii) a clear pattern of lower per-capita availability of public service and infrastructure availability in small towns relative to large cities; iii) higher levels of non-farm diversification in rural areas in the surroundings of the less poor small towns; and iv) lower rates of rural poverty in the vicinity of less poor small towns. He pointed out that “stylized facts” provided a number of ingredients to an argument in which policy makers focused on urban poverty reduction should pay particularly close attention to galvanizing small towns via improved infrastructure and service provision, and in doing could also expect to reap a rural poverty dividend via the stimulation of rural non-farm diversification and its association with lower rural poverty rates.

These notions were received with interest and set off an engaged discussion amongst participants in this discussion group. A point that received early mention concerned empirical findings, in the USA, of certain large cities creating a “backwash” where development in core urban areas act to deflect development in periphery areas. Thus, policy oriented towards stimulating and galvanizing growth in certain key “growth pole” cities could have the effect of stunting growth possibilities in the smaller cities and towns in their vicinity. Elements of such a process have been observed in South Africa where a number of small towns have been shrinking in size and economic dynamism over time.
A key issue that received attention in the discussion concerned the manner in which cities and towns were defined. It was noted that many towns “grow” into cities not because of some inherent growth dynamic or in-migration but because natural population growth of the towns leads to them becoming reclassified as cities. Indeed, it was observed that in India recent evidence suggests that a large part of the urbanization phenomenon is attributable to such a process. It was further observed that in Africa, a significant amount of urban population growth was due to high population growth rates within cities, rather than because of migration from rural to urban areas. In Indonesia, it was explained, town administrators have a clearly defined route through which they can petition local political authorities for the right to be designated a city (and thereby become entitled to various government subsidies aimed to support city growth). The Harris-Todaro story of migration to cities from rural areas was thus argued to have only partial relevance to the dynamics of city growth in many parts of the developing world.

The nature of connectivity between small towns and larger “growth pole” cities received attention in the discussion. It was suggested that this was a key area for attention from policy makers. With better connectivity, firms based in large urban centers might be more prepared to shift their operations to smaller towns in the periphery with a view to accessing labor at a lower cost than in the large cities. This process has been seen in India, where construction of roads between large conurbations has resulted in the establishment of manufacturing plants in rural areas along these roadways.

The role of commuting within the process of rural diversification received attention. It was observed that in many parts of the developing world, particularly those rural areas which are densely populated, one can readily discern the widespread practice of commuting from rural areas to nearby towns and cities on a daily basis. Such a process tightens the link between rural livelihoods and urban economic activities. There have been papers, for example, noting that the presence of urban-derived income components within a rural household’s portfolio of activities produces a household income stream that is less volatile, and can thereby induce farming households to opt for higher-risk/higher-return cultivation options. Similarly commuting can provide a useful conduit for rural income surpluses to stimulate expansion of activities and incomes in nearby towns and cities.

Participants in the discussion noted that many of the International Urban Conferences and Fora which are regularly held and which receive widespread attention in the media fail to acknowledge the intimate relationship between urban development and the welfare of rural households. First, it is often the case at such fora that the specific role and importance of small towns is overlooked, and second, it is not fully appreciated that policies aimed at addressing urban growth or urban poverty can have very pronounced impacts in rural areas. It might even be reasonable to assert that an important part of any strategy to reduce rural poverty should include a clear urban component: stimulating urban growth (particularly growth in small towns) could have profound impacts on rural poverty. A starting point in making headway along these lines is for urban development specialists to acknowledge that happenings in their “sector” can have profound implications in other sectors.

A major brake on growth and development in small towns is the deplorable lack of administrative capacity at the small town level. Alongside the urgent need to provide public services in small towns, is thus also a need to strengthen the capacity of small town administrators – in particular in the area of coordination and prioritization of investments, and particularly in such a way that the implications of their decisions for surrounding rural areas, are properly taken into account.
Rural-urban economic differentials inevitably lead to steep inequalities and social tension

Moderator: Alain de Janvry

The theory and the evidence
Rural-urban disparity has been an increasingly important social phenomenon in developing countries. The largest segment of the population is disadvantaged periodically in terms of education, occupation and incomes. These rural-urban economic differentials inevitably lead to steep inequalities and social tension. The discussion was focused on the factors that influencing rural-urban differences among others are: education, agriculture productivity and migration.

Level of education is a driver of differences in income levels. There is strong relationship between education and difference in wages (income) across urban and rural communities. When convergence in education occurs, it eventually leads to convergence in wages and income.

Rural-urban disparity can be reflected in terms of income and access to public goods. In the case of Taiwan, there is no difference between rural and urban. Why is there differential? It is because of the levels of agricultural productivity. The development priority in developing country is urban biased. At the same time, massive infrastructure development creates a lot of migration mostly from rural to urban.

Migration inevitably leads to steep inequalities, but it depends on the people’s abilities. It is also known that migration is a symbol of regional inequality where the workers and their families move each year across regions seeking to reduce the gap between their position and that of others. Policy intervention is needed that can be used to try to reduce the need for migration in the sense of reducing inequality.

What is being done?
There are some good examples to increase self-confidence through the provision of basic-early interventions related to health and education for poor people. There is also another component related to social exclusion that has to do with aspirations and hope.

There is work in developing cognitive policy to address internal and external constraints as a way to help people to acquire cognitive and non-cognitive abilities and resilience.

There is evidence of more effective early childhood education in post-conflict areas in Nigeria. This approach combines the policies on cash transfer and cognitive behavior.

What else could be done?
The following suggestions were made:

- Decentralize technical and vocational education and training in order to provide more opportunities for young people. The young do not have to go to university, but they should be able to get vocational education near the small town or within the rural area.
- Develop secondary and primary schools and attract local investment in education such as community colleges that can enable access by poor people.
- Provide other types of employment opportunities in small and medium cities by utilizing the role of social institutions and networks such as schools, churches, radio stations, etc. to support the young people to find job opportunities.
- Develop creative industries (music, art, video, TV, media, internet, etc.) that can create job opportunities for young people and at the same time valuing the dignity and identity of local people. This could be done as part of territorial development.
- Provide social protection to get and to keep young generations on agriculture land.
- Develop broadband as basic infrastructure.
- Make use the remittance to provide benefits to the origin. In case of China, they are using remittance money to invest on housing in small towns including education facilities.
Findings on the economic literature show migration is an effective strategy to increase welfare and reduce economic risk. However, conflict might limit the welfare-enhancing effects of migration. In war periods, people migrate for preventing victimization, to mitigate the declining economic conditions caused by conflict, or after aggressions by armed groups. In fact, households are willing to trade reductions in income for improved security conditions after migration. The purpose of this paper is to estimate the impact of migration in Colombia for economic and forced migrants. Colombia has one of the largest migration rates in the world and the second highest number of internally displaced persons worldwide. We use longitudinal data for 4,500 households to track rural migrants before and after migration. The results show exposure to direct violence causes migration to urban areas and migration to rural areas of households with more valuable lands, while the control of non-state armed actors prompts households to migrate to rural areas. Based on estimations that control for initial household fixed effects, we find migration to urban areas increases consumption per capita by COP$558,503 (approx. USD180) and migration to rural areas does not have a statistically significant impact on consumption. The paper will also estimate the heterogeneous impact of migration on consumption for exposure to direct violence and control of non-state armed actors before migrating.

This paper investigates the effect of the level of development at the place of origin on the welfare outcomes at destination of Mexican internal immigrants. The paper starts from the hypothesis that territorial inequalities lead to inequality of opportunities for individuals, especially in human capital formation, which has long-term impacts even when the individual emigrates and may lead to lower returns to emigration for people from less developed regions. The welfare outcomes at destination of immigrants coming from less developed regions are compared to those of immigrants coming from more developed regions. I use a Heckman selection model to control for selection into migration, and then estimate a difference-in-difference extended Mincer equation of per capita earnings of immigrants, testing for initial earnings gaps and differences in the speed of catch-up for individuals coming from poorer versus richer regions.

Although over 280,000 permanent and another 375,000 temporary foreign workers enter Canada each year, there is an increasing imbalance in where migrants go. Until very recently, 75% of all migrants located to the three big cities: Toronto, Montreal and Vancouver, with the vast majority living in Toronto. In the past five years, that pattern has changed and Western Canada’s share of immigrants has increased by 62%. What further differentiates these migration patterns is that immigrants are increasingly less likely to move to large centres, instead moving to small rural areas in search of work. This new migration has profoundly influenced the labour markets and economies of western regions of the country. Today, smaller centres face new challenges in assisting migrants and their families to successfully settle and integrate into the local society. This presentation examines key evidence from three studies on immigration in Canada’s west and northern regions undertaken in 2015. It discusses the sociodemographic shifts in the region, the challenges experienced by smaller centres in welcoming and settling newcomers, economic contexts, and the reaction of the host society in welcoming unprecedented numbers of newcomers to the region. It concludes with
Over 30 years since the reform policy, Vietnam has been successfully transformed from a central planning to a market-oriented economy, from a closed to an open society, and from a low income to a middle income country. The poverty rate reduced dramatically and the general inequality index has been stable. However, there is a persistent separation between urban and rural areas, especially between the two growth poles – Hanoi and Ho Chi Minh City and the rest of the country. Income of urban residents has been almost double that of rural residents and most of the poor live in rural areas. Migration in theory could help balance the regional inequality. However, rural-urban migration in Vietnam has been restricted by the household registration system, the poor urban-rural linkage and the separation between industry and agriculture sector development. This paper describes the situation of urban-rural dualism in Vietnam, restricted migration and the contribution factors. Data from various surveys will be used to analyze the impacts of connectivity and other conditions to short-term and long-term migration and the correlation of migration and inequality at home. The results provide evidence for policy makers to focus on improving connectivity and removing migration restrictions to tackle regional separation and inequality.

Findings from Discussion Groups

Migration reduces territorial inequalities without worsening the condition of territories of origin

Moderators: Antonio Yunez Naude, Luc Christiaensen and Vicente Ruiz

In conventional neoclassical economics free labor movements would lead to convergence between labor sending and receiving territories, regions or even countries. The result is in line with the statement for the discussion group. However, evidence does not support it since, for example rural-urban wage differentials persist in most countries notwithstanding high rural to urban migration rates during processes of development. In addition, wage gaps are present between countries even where labor movement between them is free. The persistence of wage differentials may be explained by the presence of transaction costs (see results of discussion group reported below).

Migration is a complex and dynamic phenomenon that changes through time e.g. underdevelopment promotes migration and migration affects development in both places of origin and destination. So it is hard to distinguish causes from effects and thus explaining in part why there is no agreement on the net impact of migration.

Migration has positive and negative effects on both sending and receiving areas. In the former, for example, migration causes labor loss but income gain through remittances, whereas it augments labor supply in receiving areas, which may substitute or complement labor there. In relation to international labor movement, migration could smooth age-specific labor shortfalls in countries of destination and lower the dependency ratio by providing semi-skilled labor to for example care for the aging population and immigrants may or may not be a burden to public finances in receiving countries (Yunez-Naude, 2011).

With respect to human capital, members of the rural labor force with higher capacities-education in migrant places of origin are the most likely to migrate to non-rural areas or to developed countries (Taylor and Martin, 2001). This selectivity feature of migration may increase inequalities between areas origin and destination. For Mexico, there is empirical evidence backing these propositions. In addition, these studies show that rural migrants to the
rest of the country are more educated than international migrants from rural areas (Meza and Pederzini, 2009; Mora Rivera and Taylor, 2005). The result may be explained by less human capital requirements in labor markets in places of destination in developed countries as is the demand for agricultural non-qualified workers in the U.S.A. However, this feature of international migration from rural areas may be changing (Taylor et al., 2012).

There is also evidence that rural migration reduces rural poverty but increases rural inequality in the short and medium run (Mora Rivera, 2007).

In general terms, migration from rural areas has two effects: a negative one caused by local labor loss and a positive one through remittances from migrants to their family in their place of origin. There is evidence that the positive effect out-weights the negative impact (Boucher et al., 2005). However, since rural outmigration is mostly of young workers, in the long run migration has provoked an aging problem in the areas of origin.

The question of migration and territorial development remains open as most of empirical studies do not include explicitly a territorial perspective (Note: this includes the papers presented in the Conference Panel “Migration and Territorial Development”).

Three of the four papers presented in this Panel deal with economic migration, and the fourth paper is on forced rural migration in Colombia, caused by violence and war. In the context of contemporary worldwide increase of forced migration (e.g. in the Middle-East and in some areas of Africa and South-East Asia), the paper for Colombia is a contribution for understanding the economic effects of forced migration elsewhere.

References


Economic theory suggests that the spread of new communication and information technologies (ICT) will reduce information asymmetries, which in turn will influence migration patterns. Modern theory on internal migration tends to frame migrants as either suppliers of their factor services or consumers of public amenities (Sjaastad, 1962; Harris and Todaro, 1970; Todaro, 1976). Within this framework, a potential migrant aims to maximize her utility across all possible destinations, including the place of origin. The maximization process is usually assumed to take into account the expected income differential between the place of origin and each of all possible destinations, as well as amenities in either the destination or origin, and the costs associated to migration. Migration costs are not only limited to transportation costs; they also include costs associated to selecting and moving to a new place, as well as those associated to integrating into a new society. In the case of international migration, economic models consider international differences on average returns to labor and human capital, while accounting for labor and skills transferability (Borjas, 1987; Borjas, 1991).

Under these theoretical frameworks and improvements in ICT can reduce migration costs and provide additional information allowing for more efficient selection and sorting processes. Some possible channels through which ICT can influence migration include: better communication between potential migrants and networks of immigrants; more reliable information on employment opportunities across destinations, but also on housing markets and overall consumption possibilities; identification of institutional barriers to skills transferability; and the capacity of being more frequently in touch with friends and family.

There seems to be an increasing interest in the role of ICT and migration but evidence is still very limited. Evidence shows that ICT not only can contribute to remaining in touch with the place of origin, but it can also help migrants to cope with negative shocks by acquiring assistance from family and friends; ICT can also reduce migration costs by facilitating the integration of migrants while allowing them to keep their identities; finally, better communication technologies can reduce costs associated with remittances (Hamel, 2009; Platt et al., 2014).

References
Causes and consequences of medium and long term territorial inequalities in a European context, with a focus on rural regions

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The uneven development of rural and urban regions in the European Union has long been recognized, and remains a key EU policy focus since at least 1988.

In this paper I argue that most ‘regional’ or ‘rural’ policy is ‘tinkering at the edges’, with a scale of resources that is largely insignificant in terms of the major impacts of ‘large’ national policies and institutions. Examples include those that determine the distribution of land ownership and resource rights; those that centralize, or decentralize, power and fiscal resources; those that govern trade rules and movements of capital and labour; those that govern education, health and other social welfare policies; those that govern infrastructure and transportation; and those that govern research and innovation.

One safeguard to the capture of such institutions by a few powerful interests is the development and maintenance of a social democracy and this is the route taken so far by the Nordic countries. For many countries, however, the development of a social democracy seems a ‘long shot’ in current global conditions, and so the question arises; what are the alternative means of safeguarding both people and regions against the collusion of powerful state and corporate interests that determine the generation of persistent and even worsening inequalities today? And further, how can these alternative means be brought into existence?

Governing chaos: Rural reforms, political transformations, economic adaptations and criminal cartels in the Mexican countryside (1991-2015)

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The reformers of the 1990s sought to drastically transform the Mexican economy, including its rural sector. Along with broad economic reforms, the Salinas government also altered rural property with a constitutional reform in 1991-92. In retrospect, it is clear that the policies of the Salinas administration failed to promote sustained agricultural -as well as industrial- development, but we lack answers to several other questions. What went wrong with the implementation of the agrarian reforms of the 1990s?

In fact, a historical perspective makes it clear that the constitutional reforms of the early 1990s were just one among many other systemic shocks. More precisely, rural communities in Mexico have faced at least three major shocks: a major financial crisis in 1994-1995, a profound electoral reform in 1997 that transformed the hegemonic party system that had ruled Mexico for 70 years, and the expansion of informal powers among them very prominently organized crime cartels and mining companies which have added enormous tensions to governing the countryside.

The paper presents the initial analysis of the reform process together with the first exploration into a framework that allows us to i) revise the continuing impacts of the rural reforms in the nineties, ii) examine the role economic crises and political reforms had in the shaping of rural institutions in the XXI century, and iii) examine the process by which criminal cartels and certain economic powers –mining companies basically- captured and/or confronted local institutions in the Mexican countryside.
Challenges for the implementation of territorial policies in small countries: The experience of El Salvador

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Between 2009 and 2014, the Salvadoran Government implemented a rural territorial development strategy that included: an increase in public investment; the promotion of organized participation of communities and citizens; the strengthening of agricultural and rural non-farm economic development policies; the introduction of new social policies (including a system of social protection and an ambitious health policy); and a strategic commitment to the development of the Coastal Region that despite being the richest and most competitive in the country, it also concentrates a very large number of poor people and has a range of social and environmental challenges.

The design and implementation of these new policies met huge challenges. These were due, among other things, to the lack of government experience in using a territorial approach (including lack of skilled personnel and lack of adequate institutions); budgetary constraints; very weak institutions to support the coordination within the central government and between it and municipal governments; and the lack of a legal and institutional framework for territorial development.

The application of territorial development policies had significant positive impacts in terms of organized citizen participation, the reduction of poverty and inequality, and the strengthening of economic actors historically marginalized (such as, for example, family farmers). However, the continuity of this strategy is in doubt due to budget constraints, the lack of a shared vision of development, and the continued absence of an effective legal framework to organize and regulate the development of territories.

The traditional settlement areas of Indigenous communities are typically located in rural areas across OECD member and non-member countries. While many settlement areas have special administrative and legal status, a key challenge remains on ensuring that Indigenous communities are actively engaged in the development process. This paper explores a conceptual framework based on bottom-up development processes to ensure Indigenous communities living in traditional settlements have the autonomy to define their own objectives and priorities. This necessitates the availability of data and information to inform development strategies, and the capability to effectively utilize it. Finally the framework also highlights the importance of multi-level governance arrangements that can create collaborative relationships between Indigenous communities with different levels of government to align objectives.

Rural development and Indigenous communities in traditional settlement areas

José Enrique Garcilazo, Rural and Regional Programme, Public Governance and Territorial Development Directorate, OECD, France

Starting in the 1930s, Mexico engaged in one of the world’s most sweeping land reform, ultimately distributing to 3.5 million ejidatario households more than half the country’s agricultural land. Land was distributed under highly incomplete property rights, and the outcome was less than favorable, with regions associated with ejidos lagging behind in growth and leading in poverty. The second land reform initiated in 1993 assigned land certificates to ejidatarios, giving them the freedom to cultivate the land as desired, to rent it out, and to sell it to other community members. We show that this move toward complete property rights led to large-scale migration as land reform beneficiaries acquired property rights delinked from land use. As the farm population declined, land consolidated into larger farms and land use increasingly resembled cultivation patterns in the private sector. Mexico is however a highly heterogeneous country, with rich and poor regions. We analyze in this paper the territorially differentiated implications of the reform in property rights. The farm exodus was larger where off-farm wage opportunities were better, land quality lower, and land holdings smaller. We show that the same policy reform had widely different implications according to territorial context for migration, land consolidation, land use, deforestation, and local economic activity.

Property rights reform and territorial development in Mexico

Alain de Janvry and Elisabeth Sadoulet, University of California at Berkeley, USA

Presentation
As climate change progresses and water supplies become increasingly unpredictable; world population grows; human diets change; and the bio-economy expands into new business spheres, competition for water intensifies both within the agricultural sector and among sectors.

In response to – and sometimes in anticipation of – such competition, countries around the world have embarked upon water governance reform in order to ensure the attainment of social, economic and environmental goals. To varying degrees these goals include achieving water security for all and in some cases also preventing the accumulation and unequal distribution of water rights; ensuring food security and in some cases also food sovereignty; stimulating economic growth, contributing to energy security, and guaranteeing environmental integrity and ground water quality. Key reform features include the establishment of a unified legal and administrative framework for water allocation through a statutory water rights registry, administered by a water administration agency, and that water allocation is to take place based on a set of pre-defined social, environmental and economic criteria.

Drawing upon research conducted in Ecuador and Nicaragua, this paper examines the extent to which these sets of societal goals are pursued in the implementation of water governance reform. The paper suggests that rather than assuming their envisaged water allocation role, the newly created national water agencies are increasingly called upon by economic actors whose access to finance and to commodity markets is conditioned on their ability to demonstrate that their use of water for irrigation is legally sanctioned.

The paper demonstrates that while the provision of this legal service may be societally beneficial – at least in the short run – it risks cementing and perhaps even amplifying territorial inequalities in terms of legally sanctioned access to water, which over time, with increasing competition for water, may turn into inequalities in terms of water security and de-facto access to water for agricultural production among different segments of agricultural producers. The paper concludes by highlighting lessons learned from these implementation processes which could support rather than paralyse sub-national as well as national efforts to govern rather than simply legalise water allocation.

Footnote: Collaborators include: Daniel Chillon Olmos, IXMATI, Nicaragua, and Kathrin Hopfgartner, Melissa Moreano and Alejandra Santillana, IEE, Ecuador – contributions to be determined.

Territories of water (in)security: The political economy of water governance reform and its implications for territorial inequality

Helle Munk Ravnborg, Danish Institute for International Studies, Denmark, and collaborators

Political economy of territorial inequalities in Latin America: Brazil, Colombia, Peru and Mexico

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The paper presents the results of a comparative study of the political economy of territorial inequalities in Latin America. The paper proposes a common conceptual and analytic framework to analyze the political-institutional determinants of persistent territorial inequalities and presents evidence from four case studies representative of different territorial, policy and institutional settings in the region: Brazil, Colombia, Peru and Mexico. The study assumes that the historical persistence of wide territorial inequalities in these countries, despite the deep economic and social transformations associated with their development paths, must reflect long-term political-institutional equilibria. These are analyzed at two levels: i) the territorial distribution of policies and public resources for territorial convergence, and ii) the formal and informal political equilibria underlying these distributions. The first level refers to the policies and fiscal resources required to achieve broad-based, territorially-inclusive and converging development paths: investments in personal and territorial assets and in territorial integration required to ensure equitable access to economic opportunities independently of geography, and therefore to achieve the full productive potential of the nation’s territorial and population resources. The distribution of these public resources is evaluated in reference to the objective of territorial convergence, as a form of territorial fiscal incidence analysis. The second level of analysis considers
the policies and their limitations in addressing territorial inequalities, as the “revealed” redistributive preferences of government constrained by political-institutional equilibria.

Findings from Discussion Groups

What does the theory say?
There was a broad recognition that there is an ample literature that tackles the spatial blindness of sectorial policies. Recent expressions of this literature can be connected to discussions around the existence of geographic poverty traps (Jalan and Ravallion, 2002) and inequality traps (Bourguignon et al., 2007). This literature highlights the fact that territories can lag behind in a persistent way and such conditions could be perpetuated by lack of assets and can be perpetuated (reproduced) by the institutions in place.

The very influential 2009 World Development Report triggered an academic and policy debate around place-based versus people-centered policies. World Bank (2009) seek a shift from place-based incentives to space-neutral incentives (mostly associated with people-centered policies) that will help harness the benefits of agglomeration, mobility, and specialization. The WDR 2009 vision generated a reaction from different groups. For example, OECD (2009) contends that growth potentials do exist in all regions and vindicate the need to use place-based incentives to help lagging regions realize their potentials.

Jose Enrique Garcilazo contends that the debate between place-based vs. people-centered policies can be considered a false debate (Garcilazo et al., 2002). In particular, they contend that place-based and spatially-blind policies are complementary in nature. People-based policies are related to universality in the access of certain key services (or rights). Where and how you provide these services may be associated with scale, cost, technology choice, and the way you provide these services may need, in several cases, a place-based solution, where you take advantage, for example, of efficiencies and, specially, economies of scale.

Although the complementarities are evident, these do not occur spontaneously: they need to be planned ex-ante.

There was a broad agreement with the view that placed-based and people-centered (spatially-blinded) interventions can be indeed complementary. However, it was also recognized that a key element is the political project in which these policies are embedded. When there is a shared vision, and a political project of state, it becomes more manageable to discuss how public policy deals with territorial inequality and the best way of combining place-based and people-centered policies.

For example when some areas are labelled as “areas without potential”, it is important to discuss in more detail where these decisions are made, who decides this, and more importantly under what political project these decisions are generated. If we recognize that local people know best what is important for their territories, they need to be empowered to shape their own destiny. However, the discussion group recognized that this needs to be done in a way that articulates in a consistent manner with higher-level (i.e. national) goals. This calls for effective coordination in the context of a shared vision.

We discussed the different roles that different layers of government should have. One possibility is that the central government has certain roles: for example fostering equality of opportunities, while local governments may be in charge of detailed sectorial policies. There is a risk however, in the extreme, that if there is no coordination, you are not able to achieve Pareto optimality. There is a need of combination of top-down and bottom-up approaches.
Can you gain efficiencies by targeting policies to places? If the answer is yes then a place-based approach is reasonable. Different types of policies are amenable at different scales. At the local level, there may be a need to increase our focus in local labor markets.

What is the evidence?
Although there is a broad recognition that context matters and that it makes no sense to seek one size fits all solutions, it is important to draw upon general lessons from the international experience, recognizing context heterogeneity.

The group discussed the OECD experience. The discussion also touched on the need to manage richer typologies of “rurality”. The dichotomy rural-urban is increasingly less useful to the discussion on territorial development. Mobility, double residence and migration add additional levels of complexity to the topic. We must recognize that low-density areas are integrated with cities. One way of capturing these relations could be to change the urban-rural paradigm and move to ‘functional spaces’.

There is recognition that different countries have different layers of government. Some have just two layers (national and local) but others have many more layers. When one wants to provide a service there is a need to discuss the optimal layer or level at which the service is delivered. Can different areas be linked based on density, to improve the effectiveness in the provision of a service? The evidence suggests that this may work for cities, where you may want to merge areas to obtain efficiency gains without losing stakeholder control; but it seems that it does not work for rural areas (despite the need of a minimum critical mass) as local stakeholders lose their ability to activate bottom-up channels when excessive aggregation occurs.

Again, the OECD experience was brought up in our discussion with work on definitions and the three types of rural (OECD, 2011).

Although there is recognition around the need to increase local autonomy, there is a concern regarding how we can ensure accountability at the local level and avoid rent-seeking behavior or decisions been captured by local elites.

In general, the evidence points for more nuance approaches.

Other issues
In relation to actual experiences, the case of Norway was mentioned. The level of autonomy at the local level and the ability to feed into the national planning process were highlighted as important success factors in Norway’s experience. There is a need to study further how horizontal and vertical coordination and consultation works in this case, and why it works in some countries and not in others.

The literature recognizes the heterogeneous impact of homogeneous policies and, at the same time, there is an important demand for heterogeneous policies in particular place-based sectorial policies. Understanding the heterogeneous impact of heterogeneous policies is indeed a challenge for evaluation.

What is being done and can be done?
An important concern that was raised in the discussion is how to achieve cooperation within the democratic processes. There is a need to balance the right of autonomy with the need for cooperation towards national common goals.

One way of solving the puzzle is for the central government to leave the means free in each territory and monitoring goals. Further, the OECD experience suggests incentive structures can be put in place to move towards certain common goals. Incentives structures include also incentives for cooperation. There is evidence in many countries on how such incentive structures may foster neighboring municipalities to collaborate between them, or between different layers of government (local, regional, national).
There is a need to prove if regional policies work, and to improve evaluation including tackling the difficulties in attribution. Finally, there was a broad agreement that there is a need for realism when priorities are laid down.

Other issues
Mention was made about the particularities of post-conflict and fragile territories which may need much more help.

Reference

Social conflict over access to and the use of natural resources is a major threat to regional and territorial development

Moderator: Stephen McGurk

Participants began the discussion around the greater returns that can be accrued from multi-stakeholder processes and not only legal practice. This led to a discussion of coordination difficulties more generally – multi-stakeholder approaches were necessary but not sufficient.

There are many examples of multi-stakeholder processes, with associated heavy coordination costs, which do not lead to very much in the way of results. As such processes are convened across levels and regions of governance, budgetary implications and control, particularly over national budgets; these are critical and too often wanting. Also far too many multi-stakeholder processes are not responsive to demand but are driven by national program initiators without meaningful participation or control.

Participants were optimistic that more formal contracts between participants - contracts that hold various participants to account - should help to address some of these coordination difficulties. Work in both Mexico and Colombia was cited as good examples of practice.

Participants also felt that socio-economic analyses of the context of social conflicts should be more central to program design including reducing some of the coordination difficulties - particularly pointing to mission forms of program organization and implementation that permit programs both to address problems grounded in context but also across bureaucratic silos engaging the constituencies critical to making programs work.

Still, participants recognized that such strong coalitions will face significant political opposition, whether opposition opposed to social mobilization or opposition from spoilers. Economic arguments always trump social concerns. Advocacy coalitions that can help counter such opposition themselves face coordination difficulties, including an inability to marshal evidence in support of advocacy and inter-coalition divisions around decision making that can leave out the most vulnerable.

Participants suggested key agendas for the future, specifically the need to:

- Build better engagement with municipal governments
- Provide actual examples of practical benefit sharing programs to resource affected communities
- Design and implement programs that work towards more equitable access to resources
- Ensure more control by territories of their own governance and budgets.

References
The excessive concentration of economic and political power, and not only market forces (e.g. agglomeration economies), explain regional and territorial inequalities

Moderator: Mark Partridge

The question of whether rent capture by elites is driving increases in income inequality and further widening regional income differentials was addressed. Our group was small with only three people joining the moderator but we had a spirited discussion of these phenomena.

Income inequality is increasingly viewed by the World Bank and academic scholars as retarding future growth through various factors such as elite (or poor) rent-seeking and capital/liquidity constraints that limit educational attainment and entrepreneurship among low-income households. There is much less contention on how regions are differentially affected.

The discussion first focused on the general causes of elite capture related to rising inequality. The group identified two key causes. First is the traditional elite capture of the upper middleclass and wealthy. Some of this relates to the generous compensation of public workers that does not come with sufficient accountability. The second is the relatively recent pattern of the very top one percent capturing significantly larger shares of income and wealth. Such a pattern is observed in countries as diverse as the USA and Thailand. The problem here is that the top 1% can play a rigged game of using political influence to gain more wealth and their increase in wealth further increases their political influence for more rent seeking. However, it is not directly clear how such activities deepen regional disparities except for the fact that the top 1% often resides in the largest city or capital city, which diverts more resources to those cities. The top 1% “problem” leads to measurement issues, as the standard Gini coefficient does not capture these changes very well, meaning that other inequality measures should be used.

These political economy forces that increase income inequality reinforce market forces that also have been acting to increase income inequality. In particular, skill-biased technological change (SBTC) has favored the high-skilled over the less-skilled. In sum, as inequality rises, the political power continues to shift from low-income to high-income groups.

While it is not directly apparent that these factors greatly affect regional inequalities, there are indirect ways that it does. Foremost, low-income people are disproportionately concentrated in the least developed parts of the country while elites disproportionately reside in the core. One result is that the least developed parts of the country have less political power to obtain public services and their remoteness also increases the expense of such services through travel costs. The remoteness of less developed regions also enhances the relative power of their local elites. In the core, the power of local elites is limited by the greater ability of people to migrate to other cities due to shorter distances to move. In remote regions, the high expense and distance of migration allows local elites the opportunity to extract more rents because their residents are “trapped”.

The group discussed some potential solutions such as efforts to enhance pre-school education and improve teacher quality, especially for lower income children. Yet, the group noted that for the evaluation of such efforts it is necessary to establish best practices. Another possible solution is to provide smart phones to low-income citizens as a basic necessity and to improve mobile phone networks in remote areas. With smart phones, low income citizens and residents of remote regions would be empowered by greater access to information about governments, as well as provide basic necessities for acquisition of education and forming new small businesses.
A complement to smart phones providing more information is the need to increase the accountability of social programs through evaluation, transparency, and open data. Then residents can better identify poor governance and rent seeking. A final solution that was discussed is the process of decentralization of government functions to reduce the power of the national elite. However, this further increases the need to have local accountability in order to ensure that such an effort is not merely trading the power of national elites for the power of local elites. Yet, while such efforts would make improvements that should reduce regional inequities, the discussion group was in agreement that political reforms would likely be necessary to make major steps in reducing the power of elites to capture rents and affect regional inequities.

Institutional changes to improve land and water markets can reduce inequalities between and within territories

Moderator: Yansui Liu

The following three aspects of the topic were discussed by the group.

**The theory of optimal allocation of land and water resources**
Institutional innovation is the fundamental way to eliminate the unbalanced development and the problems especially of land, water resources, forest, energy, and property rights system. Policy innovation is necessary and important. There are many theories in these fields, such as resource scarcity theory, resource allocation, and market mechanism. The moderator introduced one of the land-use system reforms in China. The Ministry of Land and Resources in China issued the document of “Proposals for regulating the pilot of increasing vs. decreasing balance of urban-rural built land” in 2005 to relieve the shortage of urban land supply and better use vacant built land in villages. Then, in 2008, the document of “The management method for the pilot of increasing vs. decreasing balance of urban-rural built land” further requested the regulation of issues related to increasing vs. decreasing balance of urban-rural built land. All these policies contribute to the interaction and coordination of built land in urban and rural areas. In practice, some plots of rural construction land which were reclaimed into arable land and farmers got economic compensation and more personal land property from local government.

Property rights reforms can unleash labor and accelerate the structural transformation with the welfare benefits of the structural transformation shared with the rural population.

**The characteristics of rural poverty and its institutional influence**
The group then discussed poverty in China. China’s overpopulation is one of the main causes behind the threat of poverty on an individual level as well as a social level. This is simple math: If there are more mouths to feed and less income, definitely many will remain poor.

Another theory which is used as an explanation for poverty is lack of education: the level of education in many of the underdeveloped countries is very low. Lack of education reduces employment opportunities, leading to unemployment and continued rural poverty.

Moving away from a rural homeland to the city in search of employment leads to poverty too. It may take these people a lot of time to find jobs. Meanwhile they live in bad conditions with high costs of living.

The moderator added that there may be other causes of poverty like the change in business or land use policies. For example, several years ago, China’s manufacturing and real estate industry flourished under relaxed land supply policy, which employed a lot of migrant workers. But since 2015, with the slowdown of the national economy, there has been increased unemployment and more migrant workers have returned to the countryside creating new rural poverties.

**Innovation for rural poverty reduction – the case of China**
The scale of poverty in China is large and there are still more than 70 million people living below its poverty line. China has vowed to lift its entire poor
out of poverty by 2020. It is a pressing task and has become increasingly more difficult to address.

To ensure that the poor are lifted out of poverty and remain above the poverty line permanently, it is urgent to establish a scientific system from the perspectives of strategy, policy and regulatory and institutional aspects. In the next few years, China will lift 50 million people out of poverty through support for industry, education, employment and medical care. The minimum livelihood guarantee program, popularly known as the minimum-living guarantee, will cover the remaining 20 million poor people who are unfit to work, and who will receive financial aid to ensure they live above the poverty line.

Finally, experts suggest that the Government should be a particularly concerned about deepening the reform of the rural system including improving land and water markets; granting farmers more property rights; and establish an anti-poverty legal system or ‘poor laws’ to eliminate the extreme poverty and achieve common prosperity. The ultimate approach of the targeted poverty alleviation policy innovation is to let people stand up for themselves in poor areas through innovation of anti-poverty mechanisms.

Building social capital and territorial development coalitions are essential conditions of territorial development. However, the greater the levels of economic and political inequality, the more difficult this is to achieve.

Moderator: Carolina Trivelli

The discussion group included people with experience in Peru and Mexico in running social programs. This imposed a bias in the discussion towards the role of social programs and public sector interventions in territories with high poverty incidence and where social programs have been working.

The group agreed that territories require social coalitions and social networks to support development processes. Social coalitions could be promoting inclusive growth if they are based in sound local organizations and have a common project (political, economic or cultural) to pursue. To have such coalitions, existing social networks and social common backgrounds are key.

However, to make these coalitions territorial, they require having territorial goals. Territorial objectives that help the creation of local coalitions are more commonly defined in terms of defensive attitudes. Thus, there are several experiences of territorial coalitions formed to defend the territory or to fight the presence of certain industries (extractive sector) or the presence of specific groups or initiatives. The group expressed its concern about the issue of having mostly defensive coalitions instead of promotional coalitions. The costs (time, organizational skills, and human resources) seem to be a lot higher in the latter case.

In unequal territories, coalitions tend to be weaker, fragmented or only viable to face up to external driven change. In the group’s opinion when territories are unequal, interest groups or coalitions that are effective are based on and run by elites. In such cases there is a need to help the development of other strong groups within the territories to be able to face up to elite coalitions. In this sense, the group discussed if public interventions should aim to help the creation and development of such institutions.

The role of social programs in building social capital and territorial coalitions

In the opinion of the group, the presence of social programs helps the development of social capital and empowerment of vulnerable groups (Indigenous communities, and women were mentioned). The Mexican team shared with the group several examples of how social programs have supported the creation of new organizations to help their members. In some specific cases, like the communal banking organizations (mostly formed by women), these have empowered women to speak out, to participate in other public spaces, and to promote women’s rights or to use their presence in these public spaces to ask for additional public services or more resources for their activities. However, the group concluded that it was highly unlikely that these groups could be the initial impulse for the creation of larger
and more diverse coalitions or platforms, and that they were very unlikely to move on to broader territorial agendas.

There were several examples of networks of women, of handcrafters, or of micro local organizations, but it was not possible to find cases of this type of organization that has developed to build larger social networks or coalitions, or to fight for territorial agendas.

Social programs working with women have helped the development of women’s empowerment. But that is not enough. These women are still excluded from decision making spaces and cannot translate their demands into the agenda of larger social groups. Women’s groups formed based on their participation in social programs do not seem to help them reach local authorities.

Another example comes from financial inclusion through the promotion of savings groups. These groups favor empowerment and access to additional resources and debating spaces. They open doors. Though, most of the time this is limited to empowerment and again does not allow groups to reach authorities.

The conclusion was that social programs help the creation of social groups and networks but are very much oriented to specific purposes to benefit or protect the group. However, these social networks or groups whilst strongly helping their members and related groups are rarely able to be the basis for a territorial coalition.

The Mexican team mentioned the case of the *Ejidos* (editor note: *Ejidos* is an area of communal land used for agriculture on which community members individually farm designated parcels and collectively maintain communal holdings) as an example of how public policies have helped to build social capital, new coalitions and social institutions to protect rights.

**The creation of interest-driven groups, the role of the leader**

The group discussed that most of groups that are created through the impulse of public social programs tend to be, at least in their early stages, interest bearing groups. They get stronger in order to obtain something and weaker when the short term benefit of the group is unclear.

One concern is who is leading this type of group. Leadership is essential not only for the effectiveness of the group but also to define its future development. There is a risk of having a leader that achieves short-term results but that does not help the creation of a solid and representative group. In such cases the group probably will disappear right after the proposed goal is achieved.

Another concern about leadership is if the leader is really a true member of the group he/she is leading. There are intermediate leaders that tend to adopt leadership positions with little legitimacy. “*There are persons that are good in achieving things, in convincing others, that take the leading position, but they usually are not part of the group, they are brokers*” said one of the Mexican representatives. “*Some community members think they have the right to lead*” no matter what the topic, purpose or objective of the group. This issue makes it difficult for other leaders to emerge.

**The role of local government in providing a path to consolidate the role of local groups**

Local groups find their limits when reaching local authorities. Even if they are able to make their voice heard, there are no formal spaces to allow them to intervene in local decisions. If local governance structure do not open real participation spaces (with real decisions to be made), it is highly unlikely that sustainable interest driven groups can build up.

Together with the need to create capacities to advocate, it is required at the same time to create spaces in which this social capital and new capabilities can be used.

There is little evidence on how small groups, with some social capital and empowerment, are able to move from their specific interest to a broader agenda.
What helps the creation of a territorial coalition?

- Knowing people’s rights (and having social policies that promote rights instead of beneficiaries)
- Collective action organization are a good basis for territorial coalitions (Ejidos were created for that purpose, it worked for a while, but they also showed up the presence of caciques (local traditional leaders); Ejidos have several committees, however, they are not very open to participate in some programs because are afraid of losing their land)
- Political parties represent the local people very little. Political participation does not seem very attractive for this purpose
- Local councils work only to inform the people, not to learn of their interests, there is no shared spaced to effectively make joint decisions i.e. social groups within local authorities (example from Mexico, where these councils were created by the rural development law)
- Defensive goals (defend land, for example) works better and are more sustainable and effective
- Advocacy coalitions tend to be weak
- Collective action requires that all individuals participate (see the benefits of participating), it works better for short term benefits because costs are real and assumed individually.

What makes coalitions sustainable? Some features include:

- Common background
- Real benefits, short term results
- Acceptable costs
- Strong and capable leadership
- Constant flow of new leaders that are permanently being trained
- Leaders that achieve results
- Ability to listen - leaders need to be able to listen their constituencies
- Accountability of the leader
- Working with other coalitions within the territory and from outside the territory.
In the last 30 years Mexico transited from a rural to an urban country. Urban population doubled, while the space occupied by cities grew more than eight times. The transition also changed the configuration of rural areas; rural Mexico is a country primarily of smallholders and indigenous communities, who own 52% of the territory. The socioeconomic and environmental effects of these changes are multiple with many challenges facing both urban and rural societies, such as how to manage the spatial and population growth of cities, and how to bring public services to tens of thousands of very small and dispersed rural communities.

The objectives of the recently created Ministry of Agrarian, Territorial and Urban Development (SEDATU) are broad, and seek to address these challenges through a wide range of intervention and support including:

- Insuring harmonious linkages between sustainable urban and rural development
- Giving legal certitude to land property, with an emphasis on the social sector
- Harmonizing the growth of cities
- Building cities and not just housing
- Defining national policies that can guide actions by states and municipalities
- Improve planning through better coordination between the federal, state and local governments.

Within SEDATU, the Vice-ministry of Territorial Planning is responsible for land use planning, including:

- Laws and regulations that affect land use plans
- Risk management and prevention
- Fostering economic development through the provision of legal property rights with modern and functional registries
- Planning tools and regulations for metropolitan development
- Managing the territory through national lands and expropriations.

Present day Kenya became a British colony at the conclusion of the Berlin Conference of 1884/1885. Initially a company, the Imperial British East African Company, administered the colony on behalf of the British government. The colonial state was to all intents and purposes not a developmental state. It adopted policies geared towards extracting as much resources from the people as it could without investing the same in the social and economic development of the indigenous people. The state spent its energies developing regions occupied by British colonial settlers. The result was that some regions of the country developed while others stagnated or experienced underdevelopment. While poor people are found in both the developed and the disadvantaged regions, the severity of poverty was harsher among the people in the disadvantaged regions.

This is what the postcolonial government inherited at independence in 1963. Policies and initiatives introduced by the postcolonial state did not reverse the regional inequalities. The relatively more developed regions continued to receive more development resources than the poorer regions. These disparities were extended to the political sphere as well. This led to both political and economic discontent among the disadvantaged regions and communities. There was a feeling that centralization of power and resources was largely to blame for the regional development inequalities.
To address these inequalities, Kenya adopted a constitution in 2010 that introduced a devolved system of government consisting of one national government and 47 county governments. The constitution provides for the allocation of financial resources to county governments and authorizes these governments to raise their own revenue through specified taxes. The constitution further provides for an equalization fund intended to enable hitherto disadvantaged regions “catch up” with the more developed regions. This paper will identify the nature and consequences of these inequalities and attempt to answer the question: based on Kenya’s experience thus far, is devolution the panacea to regional development inequalities in Kenya? What challenges have emerged and therefore what other interventions are required to address the challenges? The paper, in short, assesses the impact, if any, of devolution of power, resources and functions on regional development inequalities in Kenya.

Chile is at a turning point in defining the role played by sub-national governments. The commitment expressed by the current administration suggests that in coming years the decentralization process in Chile could deepen significantly. In this context, this article makes use of the international experience to analyze the main challenges of this process and suggests policies and principles to inform the design of reforms with the aim of achieving a fiscally responsible and effective decentralization. The report makes recommendations for general principles, and it suggests more detailed analysis and exercises that should be conducted in the future and would serve as the basis for the regulation and implementation of any reforms. The analysis focuses on three major dimensions: i) the scope and pace of decentralization of spending; ii) the financing of decentralized spending through own sources of revenue and transfers to regional and municipal levels; and iii) how to ensure accountability and fiscal solvency of sub-national governments.

Fiscal decentralization and multidimensional poverty reduction at municipal level in Colombia: A spatial approach

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Colombia’s decentralization was conceived to improve population’s access to social services, reduce poverty and equalize welfare across the country. However, after more than 20 years of its implementation a big gap across municipalities still remains. This paper analyses the impact of the Colombia’s fiscal decentralization over multidimensional poverty reduction. To do that, while accounting for the spatial correlation of deprivation across Colombian municipalities, we implement an instrumental variable spatial autoregressive model with spatial autoregressive disturbances. Statistically significant results, across all proven specifications, confirm causal diminishing effect of the share of municipalities’ own resources over multidimensional deprivation. Counterfactual scenarios of spatially differentiated decentralization policies highlight their greater effectiveness over geographically mute designs.
Governments are generally organized in well-defined sectors and they have difficulties in dealing effectively with issues that cut across their organizational boundaries. Nevertheless, rural and territorial development are essentially inter-disciplinary issues or, from the perspective of the policymaker, inter-sectorial. What researchers call inter-disciplinarity, for policymakers it becomes the problem of inter-sectoriality.

If you want to influence rural or territorial development policies, as well as poverty reduction strategies, it is often not clear who is explicitly responsible. The problem belongs to many public agencies. That is why inter-sectorial policy issues are often given to inter-agency commissions to deal with. It was in this context that the debate of this discussion group took place.

There was full consensus between participants that coordination is needed and, in spite of the high cost of coordination, the costs of not having coordination are considered greater. Coordination is needed to avoid duplication, avoid spillovers, and it is almost always the best way to deal with complex social issues. It was noted however that there is a need for more evidence on the costs of coordination versus non coordination.

Participants agreed that rural development agendas are different from the traditional agriculture sectorial agendas which have clear boundaries around agricultural ministers.

Examples of coordination efforts were shared by participants:

- Coordination for social inclusion. The experience of Peru was shared, specifically the efforts made to coordinate the Juntos program (National Program for Direct Support to the Poorest) with its conditional cash transfer (CCT) with sectorial investments in infrastructure needed to provide access to basic services for the rural poor. Also the experience of Brazil Sin Miseria (Brazil without Poverty Plan) was shared illustrating the articulation needed between the CCT, and the education and health sectors.
- Mechanisms of articulation and consultation between national and county governance may need to include some formal or legal contract to effect agreements. One particular case of this mechanism is the contract mechanism promoted by OECD between national and regional authorities, to develop common objectives. Other example given was that of national security in Kenya where national government must take the lead but clear linkages are required at subnational county level. In this case there is an intergovernmental agreement between the two levels of government and structured coordination mechanisms in place.

But neither these nor other examples of coordination of public policies are exempt of difficulties. The participants discussed different groups of “solutions” for coordination problems.

A first group is related to technical issues, such as:

- Incentives. The experience from Peruvian Fund for investment in infrastructure was shared. The fund operates as a carrot: If local governments do certain things, the national government will co-finance. The importance of incentives for performance for local government was noted. The stick is the Commission that identifies rules which limit coordination and or cost increases through multiple and duplicating transactions, and seeks to enforce local government accountability
- Effective and better communication to enhance accountability; community participation in the process
• Tools such as unique social information systems, ensuring beneficiaries only need one entry for all social services
• Shared common goals that can be operationalized into specific tasks that need to be undertaken by specific sectors i.e. define the specific goal first and avoid coordination for the ‘sake of coordination’
• Strengthen and support integrated information systems (the case of Mexico was noted - with every sector generating its own information resulting in duplication)
• Monitoring and evaluation systems. Link monitoring mechanisms with means to take corrective action.

But all of these technical efforts are not enough if you do not take into account matters related to politics and personal leadership. There was a high degree of agreement that politics is a substantive part of coordination. Success relies heavily on strong leadership. With such leadership then laws and rules can be embedded. With political opportunity there is often pressure to progress sometimes with limited time to plan, so opportunities to test, pilot and then replicate can be considered.

The differing demands and requirements of coordination efforts at local level due to territorial differences, was noted. Yet, local institutions often have different capacities to conduct policy processes and to coordinate between themselves and national agencies. At this level the issue of leadership is key, where a dedicated local leader can make a difference.

In conclusion a territorial approach can be more effective than sectorial approaches to deal with complex issues that de facto need a lot of coordination effort.

Fiscal decentralization without better national-regional-local coordination is not conducive to territorial development

Moderator: Emilio Pineda

The conclusions reached by the group can be grouped into four topics summarized below.

Limits of coordination
The first conclusion reached by the group was that while coordination among the different levels of government is a necessity, it cannot solve structural problems of decentralized arrangements. Coordination is unlikely to solve political conflicts among the different levels of government that result from lack of legal clarity on the expenditure and revenue responsibilities of each level of government (i.e. South Africa). Coordination is also ineffective when intergovernmental transfers are largely the outcome of political bargaining during the budgetary process (i.e. Indonesia). Furthermore, the effectiveness of coordination is severely undermined when there is an excessive fragmentation of local governments (i.e. municipalities in Colombia and Thailand).

Modalities of coordination
There are at least three axes of coordination: i) vertical, ii) horizontal and iii) issues oriented. Vertical coordination occurs between the central, regional and local levels of government. This type of coordination is crucial to clarify overlapping responsibilities among the different levels of government, agree on national standards that will impact all levels of government, or reform the transfers system to make it less discretion and less subject to political bargaining. Horizontal coordination refers to the coordination within the same level of government. This coordination is probably most needed at the local level of government, where there is more fragmentation that impedes addressing policy problems adequately. A good example of this is coordination in metropolitan areas formed by several municipalities. Finally, issues of coordination refer also to the coordination centered on a specific policy topic or sector (i.e. education standards, health, etc.). Issues that have clear and measurable outcomes, such as education scores, or health indicators, are more feasible to be coordinated effectively. Coordination on broader issues such as economic development is significantly more complex.
Institutional arrangements

The effectiveness of coordination is also contingent on the type of institutional arrangements or arenas where coordination happens. There are two institutional features that seem to have a large impact on the effectiveness of coordination: i) if the coordination is formal and binding, and, ii) if financial resources are attached to the coordination outcomes. Coordination is likely to be more effective if it is formal and legally binding, meaning that all levels of government entering the coordination process are obliged to implement its outcomes. Examples of formal and binding coordination process are the Intergovernmental Grants Commission in Australia\(^1\) and the *Contratos-Plan* in Colombia. These arrangements are legally binding for all involved parties.

The second feature is financial resources attached to the coordination arrangements. When coordination is attached or entitled to allocate financial resources its effectiveness is likely to be incremented. Examples of this are the coordination mechanisms among Central and North American cities (i.e. El Salvador and *Fondo Metropolitano* in Mexico) that have the capacity to allocate resources to those agreements reached. The ability to follow up financially those agreements enhances coordination effectiveness.

Capacity building

One structural constraint that limits severely the ability of sub-national governments to coordinate is an endemic lack of capacity. Sub-national governments across the different regions, often lack the minimal capabilities to design, implement and follow up policy decisions. Therefore, capacity building efforts where the national governments help local and regional governments to achieve minimum standards was viewed by the group as a necessary condition for effective coordination. The case of capacity building on Public Financial Management and Reporting was underlined as crucial for an effective coordination on the fiscal issues. Capacity building efforts can also happen from a horizontal perspective, where more advanced sub-national governments can share best practices and experiences with their peers.

In summary, the group agreed that while with limits on what can be achieved; coordination is a crucial component for an effective governance of decentralized settings. The most salient factors that influence on the effectiveness of coordination include: the type of coordination, the institutional setting, and the capacity of the sub-national governments.

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\(^1\) Commonwealth Grants Commission

Colleagues participating in this panel were from Belgium, France, Philippines, USA and Mexico. In their opening comments, participants shared their personal experiences and lessons learned while designing and/or implementing programs and projects related to local governments. Many warned against simplifying the challenges local governments face while raising expectations on what local democracy can accomplish.

Three types of challenges clearly appear if local governments were to play an important role in place-based policies: i) those related with the very nature of the local structures of powers and their interplay with ‘powers that be’ and national governments, ii) the challenges related with the insufficient technical qualifications to exercise efficient governance, and iii) how to express and represent constituencies which have either been passive in terms of participation or which have been active in protest campaigns but have not taken the electoral arena as their main form of political expression. Two concepts arose as important references for the discussion of challenges that local governments confront.

One is the well-known concept for European policy makers of subsidiarity. Its most basic idea originated in the First Vatican Council is

Local governments are considered essential players in place-based policies, and yet in most developing countries the majority of them are weak

Moderator: Gustavo Gordillo
defined by The Oxford English Dictionary as the idea that a central authority should have a subsidiary (that is, a supporting, rather than a subordinate) function, performing only those tasks which cannot be performed effectively at a more immediate or local level.

Of course generally speaking everyone believes proximity plays an important role in terms of better reflecting the immediate demands of citizens, but it cannot be taken as a fix-all formula. One participant remembered the strong plea for local democracy that Tocqueville made as a result of analyzing the early 19th century United States of America: “Decentralization has, not only an administrative value, but also a civic dimension, since it increases the opportunities for citizens to take interest in public affairs; it makes them get accustomed to using freedom”.

Other members of the discussion group recalled however many recent experiences in Latin America where decentralization was taken as an ideological and policy instrument to weaken interventions by transferring responsibilities to local jurisdictions without the budget and the technical training needed to perform adequately. In some extreme cases another participant recalled, it created political vacuum and fragmentation.

The second concept also very well known in the contemporary political rhetoric refers to accountability. In its most simple definition accountability refers to the process of holding actors responsible for actions. As one participant suggested straightforward definitions sometimes create illusion. In the case of accountability as much as it has been included as a crucial ingredient on any democratic and efficient policy, the factors explaining the process by which accountability is constructed and recreated has not received equal attention specially as regarding empirically grounded frameworks to guide policies.

Another participant referred to the concept of enforcement which can be a crucial component of accountability in the sense that laws can be approved by the legislatives but enforcing laws particularly related to local governments requires a strong judiciary which exercises what Vincent Ostrom called equity jurisprudence.

In discussion about participation, crucial to guarantee accountability and people’s participation in the design and implementation of policies at the local level, various participants reminded that quality in participation is essential, because many times participation ends up being window-dressing rather having any meaningful impact. Because of that some participants noted the importance of having CSOs and different citizens’ collectives being given legal status on defining contents, implementation and forms of financing specific policies and programs that affect their livelihoods. The Ostrom concepts of co-production and co-provision came to mind.

Finally, a very strong argument was made to understand decentralization as a learning process and not as a one shot. Iteration creates the indispensable knowledge and social capitals necessary to understand services and public goods that are being transferred not as homogenous but as complex bodies and articulated in a manner which needs to be decomposed in its elements. Some of these elements might better be produced and provided with a certain level of centralization and others better served at local levels. The participants concluded that because of all that had been discussed in the discussion group, it is important to have in mind not only policy regimes but more importantly specific political regimes. Issues like constitutional rules, party systems, balance of powers are crucial to create, or not, an enabling environment that promotes, or blocks, local democracies.
Peru is carrying out a policy of development and social inclusion called the “Include to Grow” strategy (ENDIS). The Ministry of Development and Social Inclusion (MIDIS) is responsible for this policy, whose objective is to reduce the social gaps that are the causes and consequences of poverty. ENDIS is a powerful tool that signals that to overcome poverty and exclusion, people must be able to exercise their rights, use their skills and take advantage of opportunities. The policy targets those populations with higher levels of poverty and vulnerability; they are supported through different programs and interventions.

Rural territories have the highest levels of poverty and exclusion and therefore a territorial approach is used to articulate different government sectors as well as levels of government. In that way, development is place-based, and it contributes to strengthening institutions as well as the capacities of different social actors.

ENDIS focuses on the household as the basic unit of design, analysis and attention, as we have evidence that shows that policies have the highest impact if they incorporate the particular characteristics of households in their design and implementation. This criterion leads to a life cycle approach with five strategic axes: i) child nutrition; ii) early child development; iii) integral development during childhood and adolescence; iv) economic inclusion; and v) protection of the elderly. At the same time, there are crosscutting guidelines: targeting, articulation and linkages, and monitoring and evaluation.

Five MIDIS programs are implemented under this framework: i) National Program Cuna Mas (Better Cradle); ii) JUNTOS (Together) Program of Direct Support to the Poorest, a conditional cash transfer program; iii) Qali Warma (Healthy Child, in the Quechua people). A National School Meals Program, implemented in all early and primary education public schools, and in secondary schools in Indigenous areas in the Amazonian region; iv) the National Cooperation Fund for Social Development’s program Haku Wiñay/Noa Jayatai (We Will Grow) that works to create economic opportunities for rural households in areas with high levels of poverty and extreme poverty; and v) the National Program of Solidarity Support Pension 65 which provides social protection to the elderly that lack the basic conditions for their subsistence.

Under the Economic Inclusion strategic axis, MIDIS links the work of Haku Wiñay/Noa Jayatai (rural economic opportunities) and of JUNTOS (conditional cash transfers) focused in rural areas that have poverty levels greater than 40%. The poorest households improve their technical skills, their productive asset endowment, and their financial education, leading to income-generating rural enterprises. At the same time, JUNTOS transfers cash to the same families under conditions of health and educational co-responsibilities, thus creating a basic level of living conditions that allows them to participate in the economic inclusion activities to reduce their condition of vulnerability.
Social protection programs are generally seen as a form of social assistance that aims to protect the poor through the provision of temporary support. While relatively successful, the spread of conditional cash transfer programs (CCT) across Latin America (and other parts of the world) have demonstrated a number of areas for improvement. While CCTs do provide temporary relief, provide an investment in human capital and support the increase and improvement of a recipient’s household asset base (often referred to as the twin track effect), they can do more if linked with the right complementary interventions.

Social protection and CCT programs move significant amounts of resources (namely money, goods and services) to the hands of the poor. Although coverage of vulnerable population remains a challenge, often social protection programs mobilize around 3% of a country’s GDP. A substantial portion of these resources ends up in rural areas that contain a large portion of a country’s poor, and have a significant impact in the economic and social life of those areas. Ensuring the success of these programs would result in an increase of impact on these regions and would help sustain positive outcomes. However, there are challenges of adoption and use that come from several reasons that will be largely discussed.

One option to improve the effectiveness is to link social assistance programs, like CCTs, with promotional (productive) programs. This offers a promising way to help sustain an improvement of the recipients’ livelihoods while increasing autonomy and empowerment. However, this is not without its own challenges. Linking programs implies several difficulties, and requires a clear strategy behind the connection of two (or more) initiatives and the identification of common objectives.

Based on the experience of Peru, we will discuss challenges and opportunities of linking CCTs with productive initiatives and the role played by common objectives, which in Peru took the form of the introduction of a financial inclusion component. This served as a useful tool to improve safety (reduce risks and vulnerability) and to increase opportunities to move out of poverty in a sustained manner. By linking financial inclusion to social programs—especially those using cash transfers, Peru supported movement out of poverty and strengthened resilience. There are promising experiences along this path; however, limitations on the financial supply in the territories remain an ever-present challenge.

Findings from Discussion Groups

The effects of linking social protection (e.g., cash transfers) and economic development policies, can only be realized in the context of territorial development and not at the individual household level

Moderator: Francesca Lamanna

The group did not reach a quorum. Given that the panellists of the previous session “Territorial Social Inclusion Policies”, focused on Peru and that the same participants remained for discussion, it was decided to focus on deepening the shared knowledge of the Peruvian experience specifically on how coordination works at all levels. The experiences of Peru and one of other countries in the region particularly Chile, seem to indicate that for coordination to work well there as to be a shared interest, a common goal, and a well-defined monitoring and evaluation strategy and tools to follow progress and to inform changes in interventions.

One interesting example discussed was the experience of results-based budgeting. In a country that has the capacity to do it, this seems to be a way to ensure an integration of interventions for a common goal. For example, in the case of Peru and child development in education, health and nutrition, there has been much success over the past decade in reducing chronic malnutrition among children under five, and in improving maternal care and reading and comprehension in rural areas. This was the result of an integrated strategy at the local level which included teachers, parents and communities all working on a common goal with common monitoring tools.
The participants discussed the need to document better experiences of success not only but also so that other countries could learn from them. It was noted however that it is crucial to ensure that each intervention and strategy is designed specifically for the local context. Whilst this seems like an obvious statement, it is not always the case. The participation at all levels in the design of the strategy/intervention and in accountability mechanisms is crucial. No strategy or program can be developed from the top down.

Rural territories with very low population densities, large distances to cities, and very high levels of poverty, cannot benefit from territorial development programs

Moderator: HS Dillon

The immediate response of the discussants was that this was not necessarily the case; ensuing benefits hinged upon the type of development program envisaged. The mere existence of any poor, remote, and sparsely populated territories bears testimony to the viability of the survival strategies employed by the communities inhabiting such territories. They may be living at the edge of subsistence, yet co-existing in harmony with nature. Why should these territories not be left to their own devices and development programs directed instead at other communities wherein larger economic returns are promised?

Firstly, these remote territories might play a strategic role in the defense/security spheres, particularly if situated at the borders. Although not vested with the capacity to put up a physical resistance, they would at least be well placed to provide early warning of any hostile incursions. Secondly, isolated/not easily accessible communities might be engaged in producing environmentally sustainable, but socially undesired commodities. The Karen and Hmong people producing opium in South East Asia come into mind, as do the Mexican and Colombian producers of heroin. Finally, their practices, though sustainable in themselves, could be inflicting environmental damage upon other communities. Upstream deforestation in river-basins might lead to deluge and/or drought in downstream territories.

How should development programs be devised to mitigate inequality of remote territories? Although program components would necessarily have to be case-specific, some sequencing could be suggested.

As many of these territories are government owned and the communities displaced from more fertile land, providing greater security of tenure should comprise high priority. Not only would this help ensure that they invest into their land so as to be able to engage in more sustainable practices, but the trust engendered could serve as a cornerstone for providing incentives to shift from poppy cultivation to other, more socially desirable products.

Trying to resettle hunter-gatherers has not yielded satisfactory results in the past, as attested to by President Nyerere’s ‘Ujamaa’ in Tanzania, despite the introduction of widespread ‘intermediate’ technology by for example Scandinavian donors.

Instead, it is suggested that ICT leapfrogging be explored, in order to enhance quality delivery of health and education services, tailored to the needs of isolated communities. As has been the case reported recently in many rural communities, the younger population might be more receptive and better able to benefit from the Fourth Revolution, both in terms of production (creative industries) and commerce.

Properly designed and sequenced training/extension should provide them with the necessary tools to deal with outsiders, such as the rapacious logging enterprises encroaching upon communities living as hunter-gatherers in the tropical forests.

The concept of accumulating ‘savings’, normally not part of the lexicon in such hunter-gatherer communities, needs to be introduced by degrees. The discussants’ suggestions are predicated on the premise that the designers of territorial development programs would engage in ‘equal discourse’ to identify properly the elements in the calculus of decision-making in these remote communities. Such identification would go a long way in helping inculcate a sense of local ownership of any development programs.
In conclusion, we reject the notion that any community, however sparse, poor, and remote it may be, cannot benefit from well-designed, orderly sequenced and properly implemented territorial development programs.

The poorest of the poor often have difficulties in participating in and benefiting from territorial development programs, whose design principles could well exclude these people

Moderator: Ivana Fertziger

Introduction

The discussion group was comprised of actors working in Mexico, including civil society, government, researchers, and consultants.

When territorial development programs are being designed, rarely are the most marginalized, poor populations invited to participate actively in the process. When they are invited, it is often so late in the design process that their level of influence is severely limited. Our discussion group explored several reasons behind this systematic exclusion:

- Organizations working at the territorial level do not necessarily voice the needs of the poorest populations
- Many local organizations fall into patterns of clientelism or patronage
- There are limited natural connections between policy makers and grassroots organizations, therefore in some cases they are excluded simply because policy makers do not know they exist
- Policy makers tend to focus on a set of indicators that do not “fit” poor populations
- Poor or nonexistent coordination between the various public programs available (for example in Mexico between CFE, SCT, SEDESOL, SAGARPA) and a general lack of clarity regarding the “package of services or conditions required to enhance territorial development”.

Theory says that the organization of poor populations is a necessary, though insufficient condition. As their organizational processes improve, they are also able to improve dialogues with diverse actors. Unfortunately, the poorest populations tend not to organize themselves (an issue that may warrant further exploration).

Exclusion from public programs

On the supply side, policy makers tend to make decisions from a perspective of resource-scarcity – leading them to prioritize the projects that offer the highest possible returns and success rates. Time and again, this leads them to select “safer” target populations who are slightly above the poverty line.

From a demand perspective, the poorest populations lack access to technical assistance that could help them decipher the enormous complexity of accessing public programs, realizing market studies and analyzing the profitability of productive livelihoods projects. The poorest people also hold tremendous mistrust towards the public sector, stemming from a long history of clientelism/patronage and corruption.

Implementation challenges

At the implementation stage, a new set of challenges arise for including the poorest populations. In many cases, design flaws make it very difficult to reach poorest populations, as the programs were not developed with a deep understanding of their needs and dynamics. In other cases, programs are co-opted by politicians pursuing their own interests.

To understand the challenges in reaching the poorest populations through territorial development programs, it is important to understand that such populations are often characterized by the following:

- Low entrepreneurial skills
- Limited productive assets
- Mismanagement of productive assets
- Exclusion from markets, limited bargaining power and market concentration
• Limited competitiveness of productive activities
• Living in conditions of citizen insecurity and high levels of impunity
• Vulnerability to environmental and economic shocks
• Lack of access to financial services
• Families prioritize their urgent needs and rarely have the possibility to invest in building their asset base.

Meanwhile, public policies are often designed with a sector-approach, such that there are incentives to invest in the sectors that concentrate on the majority of people. Programs generally have poor performance indicators, and can be plagued by misaligned incentives. When programs are developed by the central government and implemented through municipal governments, lack of capacity or awareness at the municipal level can add another layer of challenges. And in general, while there may be a substantial supply of social policies in the territories, they are rarely directed to the poorest populations.

A glimpse into past and present programs
The micro-regions strategy implemented during the administration of former Mexican President Fox included an interesting set of indicators, including ground connectivity, access to health services and access to electricity. One of the challenges for this strategy was that there were too many micro-regions to manage. However, the main issues which led the program to fail included a lack of institutional coordination, the budget earmarking to specific micro-regions, and lack of citizen participation.

The current Productive Territories Program (Territorios Productivos) looks to develop capacities at the local level, improve productivity and income, coordinate between 17 different public programs, and implement social audits in the field to ensure transparency and accountability. Some interesting lessons are emerging from this program, though it is still in the early stages.

What can be done to reverse the trend of excluding the poorest populations from territorial development programs?
The following are concrete steps that could help reverse the above mentioned challenges and issues:

• Ensure that extremely poor populations are aware of – and exercise – their social rights
• Carry out effective social audits, actively engaging civil society
• Promote institutional coordination. One good example is Prospera, which coordinates between Secretaries of Health, Education, and Social Development, each with a designated budget, as mandated during the administration of former President Zedillo
• Generate monitoring systems that go beyond checking boxes, but rather require supervision and follow-up in the field over an extended period of time
• Address the issue of corruption within public programs and between public actors and private beneficiaries
• Improve civil society’s capacity to: i) comprehend territorial needs; ii) dialogue with the government; and iii) coordinate amongst themselves
• Design public programs that incorporate the voice and wishes of local communities
• Provide communities with the financial and technical resources they need to define their own territorial development plans – ensuring participation from diverse actors within communities, particularly women and youth.
Fostering inclusive rural transformation in China and other developing countries in Asia

Jikun Huang, Center for Chinese Agricultural Policy, Chinese Academy of Sciences, People’s Republic of China

Asia has witnessed remarkable economic growth, structural and rural transformations as well as poverty reduction during the recent decades. However, rural development still faces great challenges in the region. It is estimated that about 550 million people in Asia were extremely poor in 2012, and poverty in the region is largely a rural phenomenon. This presentation aims to provide an overview of the inclusiveness of structural and rural transformations in Asia with particular focus on China on the following major questions: i) what have been the key aspects of economic structural transformation (ST) and rural transformation (RT) in the region?; ii) what are consequences of ST and RT on inclusive rural development, particular rural poverty reduction?; and iii) what are major policies that may facilitate an inclusive rural transformation and reduce territorial inequality? The results show that both ST and RT are key to inclusive rural transformation and regional development. There is no country that has reduced rural poverty significantly in the absence of both ST and RT; the countries that have gone through significant ST and RT have also reduced rural poverty significantly; and the countries that have not gone through both significant ST and RT have often not reduced rural poverty significantly. China’s study further highlights regional or territorial transformation experiences and major factors affecting the speed of ST, RT and their inclusiveness. The presentation concludes with policy implications on institutions, policies, and investments as well as their sequencing for inclusive rural transformation.

Fifteen years of territorial development in Latin America

Julio Berdegué, Rimisp – Latin American Center for Rural Development, Chile

At the turn of the century, interest in territorial approaches to rural development was fueled by a growing realization of the significant structural transformations in rural societies and economies, a widespread frustration with the results and outcomes of sector-based policies, and the influence of the decentralization and democratization political processes.

After 15 years, the territorial approach has become the dominant intellectual and policy discourse in rural development. Hundreds of policies and programs reach thousands of households, and mobilize billions of US dollars in public budgets.

One important impact of the application of the approach has probably been that it has democratized public policies by creating new institutional spaces and mechanisms for grassroots participation, dialogue, multi-stakeholder collaboration, transparency and social control. This is an important achievement given the traditional lack of transparency and the regressive nature of Latin America’s public budgets for rural development.

There is partial evidence that many of these policies and programs have had significant impacts on the capacities, development opportunities and wellbeing of many of the beneficiary households. However, the effectiveness of many other territorial development initiatives has been hampered by some systematic design and implementation shortcomings: limited capacity of governments for vertical and horizontal policy and investment coordination and harmonization; limited investment in developing the capacities of social actors to plan and govern the development of their territories; limited degree of social participation and empowerment, particularly when it comes to decision-making about investments and budget allocations; very limited investment in strengthening rural-urban linkages and continued emphasis on the countryside; few investments that can have strategic impacts on the constraints and conditions for economic growth, and; a complete lack of results and impact evaluation.

A new generation of territorial development policies and programs is needed, that experiment with solutions to the challenges and shortcomings
of the first wave. There are signs of progress that give us reason to be optimistic, such as, for example, the new set of rural development policies being put in motion in Colombia, or the efforts of different governments (Peru, Mexico, Brazil, Colombia) to use the territorial approach as the basic template for linking social and economic development programs in order to maximize the poverty and productivity impact of both.

Between 2010 and 2014, 3.2 million Colombians overcame income poverty and 1.6 million came out of extreme poverty; this is equivalent to a reduction of poverty from 37.2% to 28.5% and of extreme poverty from 12.3% to 8.1%. This progress is a result of the creation of the government sector of Social Inclusion and Reconciliation, headed by the Department for Social Prosperity (DPS), and the creation (or redesign) of several social programs.

This dynamic is due to the changes in the real income of the poorest households, which grew by 20.1%. The growth of labor income and of government subsidies, contributed to the variation of total income by 14.7% and 4.2%, respectively. It should be noted that thanks to government programs, rural poverty declined by 3.27 percentage points and extreme rural poverty by 3.9 percentage points, in the same four years.

During this period, Colombia has also made significant progress in the reduction of multidimensional poverty from 30.4% to 21.9%, meaning that 3.4 million people overcame this condition. This achievement is explained, among other factors, by important progress in increasing health insurance and educational levels, and by a significant drop in housing overcrowding, among other factors.

The role played by DPS programs in these achievements is important. Programs such as More Families in Action and Youth in Action strengthen human capital and reduce income poverty through conditional cash transfers, while the strategies of productive and financial inclusion promote the employment of the most vulnerable population. Housing and public services programs have markedly improved the living conditions of households. The initiatives of the Agency to Overcome Extreme Poverty (ANSPE), a DPS agency, have influenced the reduction of hardship associated with multidimensional poverty under an approach of social promotion.

However, very large territorial gaps persist in Colombia. This is shown by the fact that today a person born and living in the countryside has 1.7 times higher chance of being income poor and 2.9 times higher chance of being multi-dimensionally poor, compared to an urban Colombian. In a context of a downturn of the national economy, reducing these spatial development inequalities represents a major challenge for social inclusion policies.

The document will aim to elucidate the factors that have contributed to the reduction of poverty in Colombia. The emphasis is to explain how the interventions of the Social Inclusion Sector have affected income and multidimensional poverty. Based on successful experiences, we will make public policy recommendations on targeting of programs and on the use of social information systems, to reduce territorial gaps in poverty and inequality.

Footnote: The Social Inclusion Sector is made up of: the Victims Unit, charged with the reparation of the victims of the armed conflict; the National Agency for Overcoming Extreme Poverty (ANSPE) that helps families in conditions of extreme poverty to have access to public services; the Colombian Institute for Family Welfare, responsible for the care and protection of children and adolescents; the Unit of Territorial Consolidation, that coordinates state action in the territories most affected by the armed conflict, and; the Historic Memory Center responsible for the construction of truth, through the memories of the different actors involved in the conflict.
Rural development – A new vision in a post conflict country: The case of Colombia

Ángela María Penagos, Rimisp - Latin American Center for Rural Development, Colombia

Presentation

Rural territories and the societies therein have grown in importance in public policy design in the last years in Colombia. Despite the efforts and improvements in poverty reduction and wellbeing in urban and rural zones, huge economic and social gaps persist between rural and urban inhabitants, as well as between rural inhabitants from different parts of the country. This raises questions of which mechanisms are needed to assure that the benefits of growth reach all Colombians.

The analysis of Colombian rurality and its characteristics require more detail and depth, given that Colombians are getting close to the end of the guerrilla conflict. New instruments are needed to meet the government’s peace agreement commitments and to allow short term gains in closing the gaps so that rural inhabitants live in better conditions and have better development opportunities. These instruments also must allow that rural people are empowered to exercise their rights as citizens and economic agents.

The paper will discuss in detail the bottlenecks of Colombian rurality and the proposed policies and programs to meet the challenges of rural development in Colombia. It will highlight new policy instruments that are more comprehensive and flexible. Also, it will discuss the new framework of policy and institutional arrangements, with more participation of the rural communities in the design and implementation of rural development processes and instruments.

The challenges and the questions that are still unanswered are also presented, with a special emphasis on Colombians that live in the more remote rural zones, where the gaps are deeper and harder to close.

Regional policy in the Republic of Korea: Principles and experiences

Taebung Kim and Junghwan Lim, Regional Policy Division, Ministry of Land, Infrastructure and Transport, Republic of Korea

Paper
Presentation

Since the 1960s, the Republic of Korea has achieved a rapid economic growth by supplying industrial complexes and intensive development of a certain number of regions. However, in the process, some regions have come to experience relative economic stagnation and the gap between the regions have gradually widened. Therefore, the Korean government has pursued various policy measures to promote regional equality and to enhance industrial competitiveness. Especially, from the 2000s, there have been the national projects such as development of “Innovation Cities” outside the Metropolitan areas and also the policies to promote the “Greater Economic Regions”. However, these policies have been criticized for failing to meet the demand for capacity-building of the under-developed regions. Thus, the Korean government has shifted its regional policy paradigm so that the people in the region can actually lead the regional development. The key features of the new paradigm are as follows: the bottom-up approach; the endogenous growth with the focus on regional identity and specialization; the package support of the government including deregulation and subsidies, and; the strengthening of the collaborative governance between regional innovation actors. These regional policies intend to create attractive living places and high-quality jobs. In this article, various cases of regional development policies in Korea will be discussed, such as “Happy Living Zones”, “Demand-driven, Customized Assistance”, “City Revitalization” and “Leading Investment Zones”. In addition, we would like to propose the path forward for the regional policies, such as the smart specialization strategy and inclusive regional policy.
The territorial inequality and concentration of wealth are factors that hinder sustainable development in El Salvador

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El Salvador is one of the smallest countries in Central America with just 21,040 km² and with a population of 6.3 million inhabitants. The high density of population has led over time to a strong pressure on natural resources. There are high levels of pollution and environmental degradation, together with high concentration of poor and vulnerable people in urban and rural areas.

The country has rapidly advanced in the urbanization process, with 63% of the population in urban areas (data from the Department of Statistics and Censuses – DIGESTYC). There is a marked trend towards concentration of the population and of economic activity in the central region, and in particular in the metropolitan area of San Salvador, with 14 municipalities in the departments of San Salvador and La Libertad, where economic activities are concentrated. Access to labor markets and services is limited for those who do not live in these areas. In El Salvador, the place where you live has a very strong influence on your economic opportunities, access to services and wellbeing.

Several efforts have been undertaken in the country to reduce these imbalances and advance regional development. However, progress is limited and many of these initiatives have stagnated or have simply disappeared. Yet, there are some experiences, policies and programs, that have continued and have received institutional support, resulting in more economic growth and in the accumulation of experience regarding environmental management planning, social development, infrastructure, and, more recently, territorial economic development.

The achievements and the challenges of organized territories are due mostly to their own effort, as they have faced an unfavorable national context with limited growth and weak support from central government. Adverse conditions faced by organized territories include, first, the high level of centralization of programs, public policy and the regulatory framework; traditionally, this has impeded the territorialisation of public policy and the decentralization of the state to promote development in a spatially-balanced manner. Secondly, there are legal and regulatory failures, including weak enforcement of existing laws and regulations that could help to strengthen territorial development, such as the Law on Territorial Planning and Development which was adopted in 2011. Thirdly, there is a lack of mechanisms for capacity building for better knowledge management by public, private and social actors that could improve the comprehensive development of territories.

This has driven many municipal governments to take on a far greater role and responsibility in planning and managing development, and in attracting investments and projects to improve the living conditions of the population in their territories.

Moreover, the high level of concentration of income is a factor that is holding back the balanced development of regions in the country. According to Oxfam, in 2013 El Salvador continued to be one of the most unequal countries in Latin America, since the richest quintile concentrated 48.4% of the wealth, while the poorest quintile only received 4.9% of the income generated. One hundred sixty millionaires in El Salvador concentrate income equivalent to 87% of GDP, while the majority of the population have earnings below the minimum wage.

As a result of territorial inequality and high levels of concentration of wealth, economic growth and investment in the country are below the average for the rest of the economies of Central America and Dominican Republic.

The current Five-Year Plan (2015-2019) has set an ambitious target, as it seeks to “Turn El Salvador into an inclusive, equitable, prosperous and united country with opportunities for good living for all its people, while acknowledging the differences and specific needs of different population groups.”
The purpose of this paper is to assess the role of the European Union in promoting territorial development in rural areas. It will start by assessing the diversity of Europe’s area and the challenges facing them. The accession of new Member States from Central and Eastern Europe saw a significant increase in disparities both between rural areas in Europe as a whole, and between urban and rural areas within the new Member States. These disparities were reflected in areas such as employment, education, poverty, basic infrastructure as well as between highly competitive commercial and semi-subsistence farming. Across Europe different forces are at play in urban-rural dynamics reflecting structural, demographic and climate changes, shifts in energy markets and attitudes to rural amenities. The paper will then set out the main instruments within the European Union Budget to address territorial development in rural areas focusing on the resources made available through the European Structural and Investment Funds (ESIF), as well as their linkages to the European Agricultural Guarantee Fund (EAGF).

It will present the object, scope and coverage of the different instruments, as well as their complementarities and differences. Finally, the paper will draw some lessons as regards the implementation of the funds focusing in particular on effectiveness, policy conditionality, and coordination. It will identify some of the new challenges facing the EU’s territorial development policies and highlight issues related to the potential trade-offs between differing spatial and sectorial objectives.

Rural economic development in Canada with an emphasis on the Western Canada landscape

Daphne Meredith, Deputy Minister, Western Economic Diversification Canada and Brenda LePage, Assistant Deputy Minister (Saskatchewan), Western Economic Diversification Canada

This paper will provide an overview of the rural economic development ecosystem within Canada including the relative roles of government, outlining its strengths, gaps, and how it is adapted to different regions. Further, a high level synopsis of Canada’s Regional Development Agencies will be provided with a focus on Western Economic Diversification Canada’s priorities, how the department addresses rural development and a discussion of best practices.

Lessons from Alberta Women Entrepreneurs ‘Growth Excelerator Program’

Karen Hughes, University of Alberta, Canada and Tracey Scarlett, Alberta Women Entrepreneurs, Canada

Our presentation and paper focuses on the Alberta Women Entrepreneurs (AWE) ‘Growth Excelerator Program’ which was launched in 2011. This program supports women entrepreneurs who are seeking to expand an established business through a growth-oriented ecosystem that blends formal and informal learning, peer mentoring, leadership development, strategic planning, and expert coaching and support. Drawing on quantitative and qualitative data from an ongoing research study, we discuss the following questions: i) what is the nature of the program, and how has it helped to shape growth trajectories and goals for participating firms?; ii) what aspects of the program have female entrepreneurs, and facilitators, identified as especially helpful for growth?, and; iii) what insights does the program offer on the gendered dynamics within entrepreneurial ecosystems and the types of support needed to enhance women’s engagement in high-impact, growth-oriented enterprise.
An entrepreneurial approach to job creation in rural Canada

Lori Ries, President, Community Futures Network of Canada; Chair, Saskatchewan Community Futures Association, Canada

Community Futures (CF) is a unique community-driven, economic development initiative designed to assist communities in Canada’s rural areas to develop and implement strategies for dealing with a changing economic environment. This program was established in 1985 as part of the federal government’s Canadian Jobs Strategy to mitigate the labour market adjustment needs in the country’s non-metropolitan areas.

CF organizations provide communities with a variety of business development services, such as business loans, technical support, and training. They serve a population of close to 15 million residents, accounting for 45% of the Canadian population. The agencies are established in rural and semi-urban communities that face common challenges, including increased ageing of the population, migration of workers and businesses to urban centres, economic dependency on a limited number of industries, scarcity of resources and, in some cases, geographical isolation. They are also involved in a wide range of community initiatives, including strategic planning processes, research and feasibility studies, and a diverse range of community economic development (CED) initiatives. CF receives federal funding which is delivered through the Government of Canada’s regional development agencies.

Today, 30 years later, this broad network of 269 CF community economic and business development organizations across the county has helped more than 120,000 entrepreneurs, created and maintained more than 495,800 jobs, invested more than CAD4.2 billion directly into Canada’s rural economy, leveraged more than CAD8 billion in additional investment while being driven by more than 3415 volunteers and 1400 staff.

Indigenous peoples as a demographic are amongst the poorest and most marginalized on the planet. Many have been displaced and exist in territories where extreme conditions make sustainable economic development challenging, with infrastructure, water and energy costly and unstable. Often times, traditional ways of life are no longer able to get them out of the poverty which they face. Government programs to a large degree have proven ineffective and can serve to perpetuate the inequality and marginalization that persists. As a result, many communities have looked elsewhere for solutions. While the old paradigm in resource development at best did little to close the gap in territorial inequality of these marginalized communities, new tools are emerging that are developed through community participation, rooted in collaboration and empowerment. Resource development today, more than ever before, presents opportunities to both enrich lives and that of the global collective.

Resource development exists in some of the most remote parts of the globe, often alongside Indigenous peoples. It brings with it billions of dollars in investment, jobs, business opportunities, programs and attention to often times forgotten regions of the world. It also brings with it a slew of social and environmental risks, often leaving communities worse off than where they were, thus perpetuating the inequality. While successful examples of resource development bridging the inequality gap have historically been few and far between, we are seeing more and more success stories. Resource development, if done right, can transform societies even the poorest economies.

This paper will suggest that through Indigenous participation in resource development, a new model based on true collaboration is born which can be a powerful solution to territorial inequality. This paper will look at new opportunities and models in resource development that can serve to empower communities and reduce inequality through best practice examples and case studies from the Canadian context and the potentials that exist.
elsewhere, particularly in Latin America. It will highlight factors that have been seen to exacerbate the problematique such as land rights, resettlement and the environment. Lastly, it will look at regions which have proactively developed and implemented regional development strategies around mining such as Northwest Territories (NWT) and Nunavut, in areas of historically marginalized Indigenous groups, using mining to transform territorial inequality into a competitive edge.

Findings from Discussion Groups

Territorial development programs can promote economic development that expands the opportunities of marginalized groups such as women and Indigenous peoples

Moderator: Sonia Molodecky

Initial questions/statements raised by the group to address the context for discussion included:

- We need to first define ‘vulnerable groups’ and what makes them ‘vulnerable’
- Indigenous peoples are not a homogeneous group. There are a multitude of varied experiences, cultures, beliefs, etc., such that we cannot suggest that one type of programming will work for all
- Who is making the policy? Indigenous peoples are not typically involved in this discussion
- Does gender or indigeneity actually matter in development?
- If so, is gender bias supply or demand driven?
- We suggest that they do exist and matter - show up in social capital – isolation and aspirational capital (networks)
- Important to consider that when discussing economic development, the Indigenous business perspective is quite different from the traditional business model
- Still exists explicit public policy holding people back (i.e. still not equal pay for women in U.S.)
- Cultural narratives that allow for stratification
- Criminal justice and social justice issues (i.e. ability to get a loan) remain oppressive
- Historical mistrust/failures in groups exist today and must be addressed.

Theory

Social exclusion based on gender or indigeneity created by colonialism, policy and isolation, leading to marginalization from services and rights/equality. These groups continue to be marginalized from society due to development of practices, policies and programs which exclude these groups or do not consider their needs and unique experiences.

What is being done and can be done?

Our group discussed special targeted programs that have shown some merit as well as identified precautions and challenges that may need to be considered when developing and implementing programming specifically targeted at these vulnerable groups. In particular, groups need a lot of time to make these changes, and in particular there are a number of historical impacts that must be healed before real progress can be made. Change will not happen overnight and nothing is in a straight line - so it is about managing expectations. There is also a significant lack of capacity and skill sets (many women Indigenous people for example are most predominantly those that do not speak the official language in the country, such as Spanish in Latin America). There is a need to have a good understanding of who is in the community. The question was raised, how quickly can you bring convergence? Some programs and approaches that were discussed are the following:
• Peer to peer methods work
• Leader companies as catalysts
• Partnerships (public/private)
• Networks and how we may look strategically at possibilities and share knowledge and experience through networks. The Indigenous Trust is running successful North-South Knowledge Exchanges between Peruvian Indigenous leaders and Canada
• Link with Universities and create strategic alliances
• Ford Foundation – local affirmative action in communities program
• Indigenous community rights over natural resources
• “Ford Forward” – changing conversations
• Look at value chains and integrating vulnerable groups in training and skills acquisition. Look also at supplier certification bodies
• Need learning networks – look at Indigenous municipalities for a start
• Capacity building – governance, organization, training
• Collaboration and coordination between communities in a territory and local government
• Supplier diversity – marginalized groups are playing catch up. Government procurement and set asides for Aboriginal people. Tender contracts by resource developers with percentage for local community inclusion with major contractors
• South Africa - Presidency holds ministries accountable for targeting the disadvantaged
• Sami parliament in Northern Scandinavia – issue of how to define them
• Cape Town project – restoring rights including creation of an elected reference group
• Governance in South Africa – house of traditional leaders within main governance of country
• Deal with indigenous knowledge and convert into economic opportunity (i.e. rooibos in South Africa, and chia and quinoa in South America).
• See where to add value and view these groups as valuable contributors to the discussion
• Assisting them to be prepared for the change as it is often overwhelming
• Teaching on how do you invest money and early businesses to create more returns and also to benefit larger community for long-term
• Separate role of traditional leader from political and economic responsibility. Good governance
• Empower community as a whole to elect people and make decisions that affect them
• Solutions demand a more holistic approach
• Promote interaction between communities as they are often small and remote, and can achieve more working together than apart.

The active involvement of the private sector is key to the success of any territorial development program. Existing public policies have often failed to adequately mobilize the private sector as part of inclusive development strategies. However, the participation of the private sector is not per se sufficient to deliver well-functioning programs. A number of conditions need to be in place in order to leverage the private sector and promote not only productivity and economic growth but also long-term sustainable socio-economic development.

**Territorial development programs only work well if the private sector is actively involved**

Moderator: Riccardo Crescenzi
are also potential partners to be involved in the program, if the nature of their activities involves an enduring commitment to the development of the host economy.

The identification of the relevant actors is also dependent on the spatial scale targeted by the program. Economically and socially ‘functional’ regions are ideal targets for territorial development programs given that administrative borders may not respond to the real needs of the territory and can thus force the exclusion of relevant parts of the private sector.

The involvement of the private sector should start at the very early stages of the design of the program. The design of the program needs to be a fully participative action involving all relevant actors and stakeholders.

Continuous participation should be constantly and actively promoted. There is a high risk of rent-seeking behaviors by self-selected groups of private sector actors. In particular, in less developed and remote areas, interest groups and local elites can ‘distort’ territorial development programs in order to ‘extract’ private gains. Legitimacy, transparency and accountability are key principles for a successful involvement of the private sector.

**How can territorial development programs fulfil these requirements?**

*(What is being done and what could be done)*

All territorial development programs should take a processual approach. The process should start with a careful diagnosis of the development needs of the territory implemented with the participation of all relevant territorial actors. The diagnosis should be followed by the selection of the appropriate tools to achieve the intended results. The implementation of the program should be constantly monitored by all actors and closely linked to a rigorous *ex-ante*, *in-itinere* and *ex-post* evaluation. Legitimacy and consistency in the participation of the public sector play also an important role together with the coordination between top-down and bottom-up initiatives.

Some relevant examples of this methodology already exist. The LEADER approach in the European Union takes a bottom-up participatory approach to the design of rural development programs. In Canada, the mining sector is promoting ‘impact benefit agreements’ in order to define a shared strategy on environmental protection, employment and training between mining activities and Indigenous communities. The agri-business experience in Chile can also teach relevant lessons on the difficulties for the mobilization of the private sector in the areas where infrastructure are less developed.

In countries coming out of long periods of violent conflict, some territories find themselves receiving top priority but, at the same time, with a far weaker response capacity because they were the theatres where the conflict played out.

Moderator: Álvaro Paz

Because territories coming out of conflict are usually ‘de-institutionalized’ any kind of intervention must build an *ad-hoc* institutional network to operate under a ‘mission’ fashion. This approach presents sustainability challenges but it cannot be denied that it works. Over the long run, more structured institutional development efforts will always be needed to transform these territories.

However, formal ‘de-institutionalization’ does not necessarily mean that the social fabric, local institutions and informal norms, prescriptions and practices are absent. On the contrary, in many conflict zones communities manage to develop and successfully exploit these informal institutions. Successful interventions should always be cognizant of the presence of these kinds of institutions in conflict zones.

A key element to consider is timing and history. There are specific windows of opportunity in every conflict. These of course depend on the history of the conflict, its evolution and the moves and counter moves of key players. It is vital to ‘read’ the context and identify, in advance, these windows of opportunity.

Conflict itself brings opportunity for change and transformation. Implementation of the territorial development approach has become viable precisely because a conflict (for example in Colombia) created the need for a novel approach to foster development.
The kind of conflict needs to be taken into account. Low-level conflict allows for social life to continue whereas violent conflict (active wars) seldom allows for any kind of 'normal' activity.

There is no recipe for developing post-conflict territories. Such kinds of development processes need to be taken adaptively and one step at a time.

People stay in a territory despite conflict because of the 'power of place'. This means that there are always social networks upon which transformation can be built.

It cannot be assumed that people that left the territory will be willing or able to come back. A territory that underwent conflict cannot return to what it was before the conflict - it has been forever changed (this is not necessarily bad).

What does the theory say?
There is very little formal theory or research available on economic development in places with large Indigenous populations. We continue to apply traditional economic development approaches to Indigenous communities. The group felt strongly that economic and social development programs for Indigenous people need to be developed with a cultural lens.

It is important to establish a clear understanding or definition of whom the Indigenous peoples of a territory are. Key attributes include a strong connection to the land, distinct language and culture.

What is the evidence?
There is sufficient evidence that programs that are not designed to take into account the Indigenous community’s world view tend to fail.

The discussion focused on some of the challenges and potential solutions associated with achieving successful territorial social and economic development in Indigenous communities.

Territorial development agencies/programs, government, business and other stakeholders need to understand that different processes or approaches are required.

Many Indigenous peoples are very distrustful and suspicious of newcomers bringing ideas into their community. The proponents need to ensure they take the time to get to know the people and their needs and wants. This is best achieved through a slower and lengthier process of building relationships and trust. Often programs and business ventures have deadlines and time constraints and therefore they do not make this upfront investment at the peril of having their program or project derailed.

Indigenous peoples often have their own governance systems, laws, culture and traditions, and in many communities the impacts of colonization are still being felt. Development programs and investment or business initiatives need to recognize this and adapt to the differences rather than try to force Indigenous peoples to adopt a foreign approach.

Typical approaches to consultation such as written presentations may not be the appropriate approach given language and literacy barriers.

What is being done?
Some sectors (mining) are seeing success by working with Indigenous communities to build capacity. For instance, a community may start by providing goods and services that focus on smaller scale and low skilled positions such as catering or cleaning. In order to ensure growth this needs to be accompanied with an intensive training program to build future capacity for engagement in more complex initiatives.

When companies attempt to “do the right thing” by employing local people they may be hiring non Indigenous personnel who perpetuate an existing culture of racism and discrimination.
What more can be done?
Consultation, negotiations and engagement with Indigenous populations should occur in the context that they are equal stakeholders with much to offer. It may take time to build the relationships and capacity but in the end the investment in time will help ensure positive results as opposed to failure. Indigenous persons should be included and have a voice in work being done by development agencies and other stakeholders. We need to talk to them, not about them at conferences such as this.

Due to historical trust issues dialogue and engagement is often more successful when it is between Indigenous peoples. Efforts to incorporate the participation of other Indigenous persons as Ambassadors, mentors and success stories will assist the local Indigenous people to see what is possible.

Cultural competency training and education about Indigenous peoples and their cultures should be provided to project staff as well as local hires wherever possible.

There needs to be a deeper investment upfront in learning about and from the community. Economic development initiatives that build on the strengths and cultural practices of Indigenous peoples should be pursued. Rather than forced relocation from a forest reserve the Indigenous people could be paid to maintain and protect the resource.

Sustainable industries that compliment what communities are already doing are worth pursuing such as building value added processing for commodities such as fish and rice, etc.

There needs to be a new paradigm in our territorial development relationship with Indigenous peoples. It requires a holistic approach built on respect, trust and empowerment. Indigenous peoples have much to offer the global community and should be seen as an asset as opposed to a burden or problem.

Underlying theory
When Government-led local development policies have failed or even conflicted with the needs and objectives of local communities, the top-down policies have gradually been shifting into bottom-up Community-Led Local Development (CLLD) policies. In rural areas there has also been a need to modernize old agriculture centered policies to better suit the needs of the whole rural economy. The CLLD started to gain ground around 1970s and 1980s e.g. the Finnish Village Movement (www.kylatoiminta.fi) started in the end of 1970s as a response to rural outmigration and loss of jobs and services in the countryside – today it is organized as a national level NGO representing 4,200 local communities in the country. In Canada, the Community Futures Program started in 1985 supporting rural business and job creation through 269 partnerships around the country (www.communityfutures.ca).

The European Union launched its LEADER method for rural development in early 1990s, based on eight specific features: i) area-based approach, ii) bottom-up approach; iii) public-private partnership; iv) multi-sector integration; v) innovation; vi) networking; vii) inter-territorial and transnational cooperation, and; viii) decentralized funding and decision-making. The EU’s aim was also to respond to the criticism towards its hundreds of scattered rural development projects that suffered from poor coordination and evaluation: by the creation of Local Action Groups and their Local Development Strategies the projects were pooled under territorial level umbrellas, which made coordination, monitoring and evaluation easier. The World Bank implements Community Driven Development (CDD) approach and the OECD talks about general place-based policies. The Korean participants spoke about their bottom-up free-zone policies and the South African participants about their community development schemes involving the traditional community leaders.

Community-led local development initiatives can effectively drive inclusive economic growth and the territorial level
Moderator: Petri Rinne
What is the evidence?

The CLLD impact studies and evaluations are often characterized by qualitative indicators such as community empowerment, capacity building, increased public participation and cooperation. Nonetheless, we also need quantitative data - for example the European Court of Auditors criticizes the LEADER/CLLD approach for the poor documentation of the added value. At the Member State level we know that LEADER has contributed to the creation of thousands of new rural businesses and jobs for example, but programs remain challenged by how to define impact indicators and make their measurement adaptable and comparable over the 28 countries that have very different rural issues.

The evaluation of the Canadian Community Futures Program has shown remarkable results: since 1985 it has assisted in creation of 120,000 new rural businesses and 495,800 new rural jobs. CAD4.2 billion of public investment has leveraged an additional CAD8 billion of investment – and if we also count the regional economic ripple effects every one CAD invested has resulted in CAD16 turnover and benefit for the local economy. The businesses involved with the program also have higher than average survival and growth rates. No wonder Canada is one of the rare countries where the rural population has remained stable, also with significant migration to western and northern sparsely populated areas. Moving to rural areas is also fashionable among the young people and promoted through the quality of the lifestyle, focusing on what is there rather than what is not there. Jobs are not an issue as the unemployment rate of the country is only 3% (compared to 50% unemployment rate of the young people in Spain).

The South Korean free-zone development model has shown promising results in differentiating between new industries e.g. the production of electronic cars, and traditional rural industrial development. In South Africa, the community development schemes have also trained a new generation of community leaders.

What is being done and what could be done?

The CLLD approach is currently breaking out from its traditional rural development context. In addition to 2,300 rural development Local Action Groups (LAGs) the EU now has 280 Fisheries Local Action Groups (FLAGs) implementing bottom-up fisheries and maritime development policy in the EU’s coastal and inland water system areas. Through the multi-fund CLLD initiative, the European Commission also aims to spread the approach to urban and social development policies in the 2014-20 programming period – indeed it would suit the rural-urban continuum and interaction thinking perfectly. LEADER has also been spreading to a few countries outside the EU (such as Georgia, Mozambique and Russia) and it has a great potential to serve as a development policy instrument in the future.

The discussion group participants commonly agreed that there should be more exchange of knowledge, experience and good practices between the different CLLD approaches. The Spanish LEADER network REDR (www.redr.es) for example has been implementing an expert exchange program between Spain and Latin American countries, which has provided great learning and cooperation opportunities for both sides.

In future the conflicts between different CLLD governance levels should be better avoided through an improved dialogue and administrative simplification – bureaucracy is a growing risk especially in the EU. Administrative costs were among the main reasons why many countries did not want to implement the European Commission’s multi-fund CLLD proposal as such. Monitoring and evaluation mechanisms should be further improved in order to measure and document the CLLD added value. This will help ensure the CLLD’s continuity and adaptability in the ever-changing socio-economic and political environment as well as respond to the ever-changing individual and territorial development needs.
What does policy say?
Strategic infrastructure is generally seen as a good thing, providing better access to regions, reducing inequality and driving development (economic and social growth).

Strategic infrastructure investment is funded either entirely by the state (public sector) or by a combination of public and private sector funding, the more developed a country the greater the public sector’s contribution.

The state can sell bonds to raise the required capital. Korea’s early development was characterized by the selling of bonds and later moved to equity markets.

Developing regions tend to rely on the state to finance infrastructure projects. Because of constraints on public sector spending, most governments would like to see more engagement from private sources, especially institutional investors. These funding vehicles would include:

- The privatization of operational infrastructure by institutional investors, and making use of the proceeds to finance new projects
- Entering into public private partnerships (PPPs)
- The private sector can also fund infrastructure programs.

What does theory say?
The provision of infrastructure can also have unintended consequences. An example discussed related to a bridge in South Africa that has given improved access to 21 villages. Prior to the bridge’s construction, the 21 villages could take up to three hours to gain access to the nearest town for services, whereas after the construction of the new bridge the 21 villages could access town within an hour. The unintended consequence of the bridge crossing was that the largely isolated communities where faced with other issues, such as:

- The resulting increase in theft (cattle and equipment like tractors), increased access to towns in turn meant that it became easier to buy food than produce it
- The businesses that had developed along the three hour route lost trade
- New trade opportunities developed along the newly opened bridge route.

The strategic investment in infrastructure also results in the migration with people moving to areas where there are often better, even if this is perceived betterment, economic and social service opportunities. Migration into areas results in land prices increasing as the demand for land increases. The unintended consequence is that the rate of migration into these areas often decreases which in turn limits overcrowding, however in areas where land has no value migration continues unabated until the strategically placed infrastructure also finds itself under pressure, i.e. in South African communal areas are a case in point, and from the conference proceedings this would probably be the case in Colombia too.

As with most strategic investments if you want an industry to grow you need to stimulate investment in infrastructure, this investment may result in increased jobs, during both the construction and operational phases of the project. What has become increasingly important in developing regions is to ensure improved local ownership of projects, not only through job creation but also through participation in the actual construction activities.

As discussed, South Africa has spent a lot of time and effort is trying to get local communities organized to drive the development of infrastructure and own it. This is as opposed to getting big construction companies from the city to build infrastructure, where the outflow of profits are seen to be flowing to big investors. It is therefore important to explore methods of localized procurement of goods and service that allow for wealth creation.
and asset accumulation at a local level. In developing regions, the income generated must remain in the community. Hard work is an ethos that needs to be inculcated in social programs of developing regions, particularly where war, famine, racial segregation and Indigenous communities have been undermined for decades.

What is the evidence?
The group also discussed the question, how do we ensure strategic investments benefit disadvantaged and marginalized groups, ensuring broad-based prosperity while remaining sustainable?

The infrastructure debate is often very frustrating, as it neglects the benefits of social infrastructure (infrastructure with limited return on investment), like childcare, health and educational facilities that are essential for supporting working women, the same women that form part of the “cheap” exploited labour force.

As infrastructure opens up regions for development little account is taken of the further development needs of the marginalized. Holistic development is required when providing strategic infrastructure in developing countries and focus needs to be given to education, creative industry incubators, creating spaces to develop skills, social capital, innovation, mindset training and entrepreneurship.

Opportunities must be given to the poor to enable them to embrace technology. The rate at which technology is evolving creates opportunities for poor countries to become leaders, but in order for these opportunities to be realized education and knowledge are a necessary foundation upon which to build these opportunities.

In rural locations, low skilled municipal officials and limited financial resources, make the operations of local facilities unsustainable. The ability of communities to sustainably manage newly acquired social and economic infrastructure in developing regions must be investigated. These facilities must be designed to minimize maintenance and operational costs, by using off-grid water, energy and waste solutions.

What is being done and what can be done?
Examples of how different countries are addressing sustainability are discussed in the section below.

Volunteerism: In Canada the engagement of volunteerism remains critical in the development of Canada, as funding is limited and the tax base is relatively small. Canada drives territorial development through volunteerism and by involving communities in development. In developing regions, like South Africa, this is a little different, government led social support systems are often required to alleviate the effects of poverty, and the majority of people do not have the ability to take part in volunteerism, as their free time is limited as they are continually working for survival. Volunteerism is possible when basic needs like food, clothing and shelter are met.

Developmental state vs. welfare state: In developing regions sweat-equity can be used to create better habitats, but governments need to create safety nets that encourage participation. In developing regions, there is a need to inculcate the importance of a developmental state as opposed to a welfare state.

Community owned/operated facilities: The concept of community owned and operated assets becoming more popular throughout the developed world, like Canada, the USA and the UK. In essence, community owned and operated means that public owned infrastructure is being taken over by community groups to ensure that the facility remains open, is well maintained and operated.

Bottom-up development approaches: A bottom-up/community based approach to planning the provision of infrastructure results in the achievement of shared goals through consultation, which in turn maximizes benefits for developing regions. It was indicated that in the Republic of
Korea, the rapid economic growth over three decades, starting in the 1960s, was based on the implementation of strategic economic plans that drove infrastructure. The first ten years saw the extensive development of the roads network, to enable faster logistics and movement of people, but not all areas benefitted, and this resulted in political tension, after which bottom-up approaches were adopted to deal with inequality created by the strategic projects. It takes a lot of person-to-person interaction to determine shared goals. It is about choosing the right investments through consultation, with the maximum benefit for the poor. It is also important to note that the problems rural people have and the manner in which they want to solve these problems is sometimes unreasonable and needs “developmental” guidance. A number of examples were discussed including:

- Vietnam: roads where constructed while most people relied on bicycle and motorcycle transport, the unintended consequence was that the weaving industries were destroyed
- South Africa: Toll roads were constructed to provide better access to cities (Johannesburg and Pretoria) over the 2010 World Cup, but the benefit was not discussed and consulted with the users and will cost users a lot of additional money over the next 30 years. Most people feel the money could have better spent on other strategic investments
- In a small community in Northwest Canada, most people didn’t know how to solve problems or were very unrealistic about solving their problems.

**Problems with access:** Access to the big towns has often weakened the ability of people to rely on each other, and opened-up small communities to credit facilities that these communities did not need in the past, effectively making them less productive (because they could buy food rather than growing it) and thus more vulnerable. The bottom-line is that new infrastructure can increase incomes and improve quality of life but can place pressure on other community resources like housing, transport, schooling, etc.

The future and broadband: After WW2, there was a lot of income security and the economy was based on a Fordist model of production, but today, in a time of flexible specialization, people arrange themselves into areas and can manage two or three jobs in order to make a decent living wage. Broadband infrastructure and access are becoming increasingly important as the world is based more and more on the knowledge economy. Broadband gives equal access (no place constraints) across most spaces, even in very inaccessible areas, but you need to empower people to use the resource effectively and this requires education and training. The group discussed the small town of Churchill in Northern Canada, to some extent. Churchill has to reinvent itself; it is a dying seaport, with a dilapidated railway line. On the positive side, it has a large military base with an airfield, a well-educated population and tourism opportunities related to polar bears. The questions that arose were, whether or not this town could benefit from a flying-school, call-center etc., as it sought to reinvent itself?
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Annexes
## 1. List of Conference Participants

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Organization</th>
<th>Country</th>
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<tbody>
<tr>
<td>Leona Archary</td>
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## 2. Conference Program

International Conference on Territorial Inequality and Development  

### January 25 - Day 1

<table>
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<tr>
<th>Time</th>
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| 09.00 - 09.20 | Plenary: Welcome, objectives and process  
Ignacia Fernández, Rimisp |
| 09.20 - 11.20 | Plenary: Scene setting - Trends and regional patterns of territorial inequality  
Vietnam’s evolving poverty map: Patterns and implications for policy  
Peter Lanjouw  
Africa’s growth resurgence and spatial inequality--Highlights from the African Economic Outlook 2015  
Steve Kayizzi-Mugerwa  
Fostering inclusive rural transformation in China and other developing countries in Asia  
Jikun Huang  
Polarization and segregation of income distribution in Peru: Exploring uneven geographical trajectories  
Javier Escobal  
Moderator: Alain de Janvry |
| 11.20 - 11.40 | Coffee |
| 11.40 - 12.15 | Keynote address  
Rosario Robles Berlanga, Secretary of Agrarian, Territorial and Urban Development, Mexico  
Stephen McGurk, Acting Vice-President, Program and Partnership Branch, IDRC, Canada  
Leona Archary, Deputy Director-General, Rural Enterprise Infrastructure Development, Department Rural Development and Land Reform, Republic of South Africa  
Alain de Janvry, Professor, University of California, Berkeley  
Moderator: Julio Berdegué |
| 12.15 - 13.40 | Panel: Opening roundtable – Conference expectations and why the topic matters  
Rosario Robles Berlanga, Secretary of Agrarian, Territorial and Urban Development, Mexico  
Stephen McGurk, Acting Vice-President, Program and Partnership Branch, IDRC, Canada  
Leona Archary, Deputy Director-General, Rural Enterprise Infrastructure Development, Department Rural Development and Land Reform, Republic of South Africa  
Alain de Janvry, Professor, University of California, Berkeley  
Moderator: Julio Berdegué |
| 13.40 -15.00 | Lunch |
| 15.00 -16.00 | Parallel Sessions |
| Trends and regional patterns of territorial inequality (1 of 2)  
Spatial and territorial inequality in Brazil (2000/2010)  
Arlson Favareto  
Spatiality of territorial inequality of China  
Yehua Dennis Wei | Decentralization and devolution  
The governance challenge in rural and urban territories: The experience of Mexico  
Enrique González Tiburcio | Developing places – experiences from practice (1 of 2)  
Rural economic development in Canada with an emphasis on the Western Canada landscape  
Daphne Meredith and Brenda LePage |
New strategies of territorial approach in Africa
John Igué*

Facilitator: Shantong Li

Devolution and territorial development inequalities: The Kenyan experience
Peter Wanyande

Strategy for a fiscally responsible and effective decentralization in Chile
Emilio Pineda

Fiscal decentralization and multidimensional poverty reduction at municipal level in Colombia: A spatial approach
Juan Mauricio Ramirez

Facilitator: Julio Berdegué

European Union policies for territorial development in rural areas: Lessons and challenges
Núria Tello Clusella

Rural development – A new vision in a post conflict country: The case of Colombia
Angela Penagos

Lessons from Alberta Women Entrepreneurs ‘Growth Excelerator Program’
Karen Hughes

Facilitator: Maria José Uribe

16.00 -16.15 Coffee

16.15 - 17.45 Discussion Groups

Regional and territorial inequalities are on the rise in developed and developing countries. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Jikun Huang

Regional and territorial inequality cannot be avoided in early stages of national development. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: John M. Bryden

Lagging regions and territories have the greatest need for territorial development policies, and yet often have the weakest response capacity to the extent that some claim that place-based development in those cases is a waste of money. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Arilson Favareto

Different government agencies and levels of government can be effectively coordinated in the territory. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Ignacia Fernández

Fiscal decentralization without better national-regional-local coordination is not conducive to territorial development. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Emilio Pineda

Local governments are considered essential players in place-based policies, and yet in most developing countries the majority of them are weak. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Gustavo Gordillo

Territorial development programs can promote economic development that expands the opportunities of marginalized groups such as women and indigenous peoples. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Sonia Molodecky

Territorial development programs only work well if the private sector is actively involved. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Riccardo Crescenzi

In countries coming out of long periods of violent conflict, some territories find themselves receiving top priority but, at the same time, with a far weaker response capacity because they were the theatres where the conflict played out. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Álvaro Paz
January 26 - Day 2

08.15 - 09.00  Plenary: Panel Observations from Day 1
Facilitator: Gustavo Gordillo

Panel members: Riccardo Crescenzi, Cassio Luiselli, Emilio Pineda, Do Anh Tuan Nguyen, Peter Wanyande

09.00 - 10.30  Plenary: Developing places – experiences from practice

How a food company can interact with and impact on rural development through sourcing of agricultural materials: The case of Nestlé
Hans Joehr, Corporate Head of Agriculture, Nestec Ltd

The contribution of mining to local and regional economies in Canada and the role of Impact Benefit Agreements
Pierre Gratton, President and Chief Executive Officer, Canadian Mining Association

Fifteen years of territorial development in Latin America
Julio Berdegué, Coordinator, Territorial Cohesion Working Group, Rimisp

Interventions for the eradication of poverty: The case of Colombia 2010-2014
Tatyana Orozco, Director of Social Prosperity, Colombia

Moderator: John Bryden

10.30 -11.00  Coffee

11.00 - 12.00  Parallel Sessions

Urbanization patterns and rural-urban linkages

The role of small and medium-size cities in regional development and poverty reduction in Indonesia
Wahya Mulyana

The impact of small and intermediate urban centers on rural wellbeing in Mexico
Isidro Soloaga

Secondary towns, growth and poverty reduction – a migrant’s perspective from Tanzania
Luc Christiaensen

Challenging inequality at the edge of change: Spatial inequality, equitable development, and urban-rural linkages
Don Chen

Facilitator: Marie-Alexandra Kurth

Institutions, governance and political economy of territorial development (1 of 2)

Causes and consequences of medium and long term territorial inequalities in a European context, with a focus on rural regions
John Bryden

Governing chaos: Rural reforms, political transformations, economic adaptations and criminal cartels in the Mexican countryside (1991-2015)
Gustavo Gordillo

Challenges for the implementation of territorial policies in small countries: The experience of El Salvador
Alexander Segovia

Rural development and indigenous communities in traditional settlement areas
José Enrique Garcilazo

Facilitator: John Scott

Territorial economic development, innovation and private investment (1 of 2)

Foreign Investments and the territorial dynamics of innovation in Chile, Colombia and Mexico
Riccardo Crescenzi

Are the most productive regions necessarily the most successful?
Mark Partridge

Democratizing productivity: Mexico’s strategy to boost growth inclusively
Ernesto López Córdova

Facilitator: Peter Wanyande
12.00 - 13.30  Discussion Groups
The hierarchy and the geography of the urban system shape the development of territories. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Wahyu Mulyana

Growth of small and medium cities and better rural-urban linkages are effective means to greater economic growth and faster urban and rural poverty reduction. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Peter Lanjouw

Rural-urban economic differentials inevitably lead to steep inequalities and social tension. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Alain de Janvry

“Space-blind” sectorial policies are a major source of territorial inequalities. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Javier Escobal

Social conflict over access to and the use of natural resources is a major threat to regional and territorial development. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Stephen McGurk

Foreign investment is a main driver of regional and territorial social and economic development. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Federico Burone

Local populations should have a greater say in regulating large public and private investments that can have major impacts on local well-being and livelihood strategies. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Cassio Luiselli

Natural resource-based regional and territorial development can reduce territorial inequalities. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Daphne Meredith

13.30 - 15.00  Lunch

15.00 - 16.00  Parallel Sessions

Migration and territorial development

Is migration welfare-enhancing? The impacts of economic and forced migration
Laura Montenegro Helfer

Level of development at place of origin and welfare outcomes at destination: Internal immigrants in Mexico
Chiara Cazzuffi

Welcome to Canada’s West: New demographic and economic realities of increased migration to rural western and northern regions
Lori Wilkinson

Rural-Urban linkages, migration and inequality in Vietnam’s economic transformation
Anh Tuan Nguyen Do

Facilitator: Antonio Yunez Naude

Territorial social inclusion policies

Peru’s social inclusion and development strategy and its focus on the territory
Norma Vidal

Financial inclusion, social programs and territorial gaps
Carolina Trivelli

Facilitator: Maria Concepcion Steta

Trends and regional patterns of territorial inequality (2 of 2)

The trend of regional income disparity in China
Shantong Li

Patterns of territorial development and inequality from South Africa’s periphery: evidence from the Free State Province
Lochner Marais*

The need for a paradigm shift towards territorial development in sub-Saharan Africa
Bruno Losch

Demographic change, city governance devolution and the impacts of population decline
Philip McCann*

Facilitator: Felicity Proctor
Migration reduces territorial inequalities without worsening the condition of territories of origin. What does the theory say? What is the evidence? What is being done and can be done?
Moderators: Antonio Yunez Naude, Luc Christiaensen, Vicente Ruiz

Lower transport costs and the spread of new communication and information technologies are changing the patterns of trans-border migration (where to, for how long, and doing what), but have no distributional impacts on the territories of origin of the migrant. What does the theory say? What is the evidence? What is being done and can be done?
Moderators: Antonio Yunez Naude, Luc Christiaensen, Vicente Ruiz

The effects of linking social protection (e.g., cash transfers) and economic development policies, can only be realized in the context of territorial development and not at the individual household level. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Maria Concepcion Steta

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Moderator: Maria Concepcion Steta

Rural territories with very low population densities, large distances to cities, and very high levels of poverty, cannot benefit from territorial development programs. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: HS Dillon

The poorest of the poor often have difficulties in participating in and benefiting from territorial development programs, whose design principles could well exclude these people. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Ivana Fertziger

Agglomeration of economic activity is accompanied by agglomeration of poverty. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Yehua Dennis Wei

Coordinating sectorial and place-based policies is a challenge all over the world. What does the theory say about this challenge? What is the evidence? What is being done and can be done?
Moderator: José Enrique Garcilazo
10.00 - 10.45  Plenary: Panel Observations from Day 2  
Facilitator: Chiara Cazzuffi

Panel members: HS Dillon, Arilson Favareto, Taebyung Kim, Mark Partridge, Helle Ravnborg

10.45 - 11.15  Rimisp: Celebration of 30 years and a look into the future  
Ignacia Fernández, Executive Director, Rimisp  
Álvaro Paz, Senior Program Officer, International Development Research Centre, Canada  
Alain de Janvry, Professor, Agricultural and Resource Economics, University of California, Berkeley  
Tomás Rosada, Regional Economist Latin America and the Caribbean, International Fund for Agricultural Development  
Carolina Trivelli, Researcher, Institute of Peruvian Studies

11.15 - 11.30  Coffee

10.30 - 11.30  Parallel Sessions

Territorial economic development, innovation and private investment (2 of 2)
Nobu Fuwa

Sectorial growth linkages and the role of infrastructure: revisiting the sources of nonfarm development in the rural Philippines
Nobu Fuwa

Transport costs, agricultural specialization and rural-urban transformation: evidence from a large transport investment (Jamuna Bridge) in Bangladesh
Forhad Shilpi*

Food systems at the rural-urban interface
Felicity Proctor

Does Zambian city size matter to consumption of processed food and shopping at supermarkets?
Tom Reardon

Institutions, governance and political economy of territorial development (2 of 2)

Property rights reform and territorial development in Mexico
Alain de Janvry

Territories of water (in)security: The political economy of water governance reform and its implications for territorial inequality
Helle Ravnborg

Political economy of territorial inequalities in Latin America: Brazil, Colombia, Peru and Mexico
John Scott

Differentiation of rural poverty and its reduction strategies in China
Yansui Liu

Developing places – experiences from practice (2 of 2)

Regional policy in the Republic of Korea: Principles and experiences
Taebung Kim and Junghwan Lim

An entrepreneurial approach to job creation in rural Canada
Lori Ries

Indigenous participation in resource extraction: A paradigm shift
Sonia Molodecky

The territorial inequality and concentration of wealth are factors that hinder sustainable development in El Salvador
Enrique Merlos*

Facilitator: Nipon Poapongsakorn

11.30 - 13.00  Discussion Groups

The transformation of agri-food systems relies on strong urban-rural linkages and, in turn, contributes to strengthening them. What does the theory say? What is the evidence? What is being done and can be done?
Moderators: Bruno Losch and Isidro Soloaga

The excessive concentration of economic and political power, and not only market forces (e.g. agglomeration economies), explain regional and territorial inequalities. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Mark Partridge

Territorial development programs need to be substantially different when implemented in places with large Indigenous populations. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Brenda LePage
The social and economic structures and institutions of each territory, condition their development trajectory and the effectiveness of national development policies. What does the theory say? What is the evidence? What is being done and can be done?
Moderators: Bruno Losch and Isidro Soloaga

Institutional changes to improve land and water markets can reduce inequalities between and within territories. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Yansui Liu

Building social capital and territorial development coalitions are essential conditions of territorial development. However, the greater the levels of economic and political inequality, the more difficult this is to achieve. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Carolina Trivelli

Community-led local development initiatives can effectively drive inclusive economic growth and the territorial level. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Petri Rinne

Strategic investments in infrastructure and services are a condition for successful economic development of territories, but they not always result in broad-based prosperity. What does the theory say? What is the evidence? What is being done and can be done?
Moderator: Clinton Heimann

13.00 -14.30 Lunch

14.30 - 15.15 Plenary: Panel Observations from Day 3
Facilitator: Arilson Favareto
Panel members: Bruno Losch, Wahyu Mulyana, Yehua Dennis Wei, Lori Wilkinson

15.15 - 16.45 Panel: Closing roundtable
Don Chen, Director, Equitable Development, Ford Foundation
Shantong Li, Professor, Development Research Center of the State Council, People’s Republic of China
Peter Lanjouw, Professor, Free University, Amsterdam, The Netherlands
John Scott, Professor, Center for Research and Teaching of Economics, Mexico
Daphne Meredith, Deputy Minister, Western Economic Diversification Canada
Carolina Trivelli, Instituto de Estudios Peruanos, Peru
Moderator: Felicity Proctor, Rimisp

16.45 - 17.00 Closing remarks and next steps
Julio Berdegué, Rimisp

* - Participants unable to attend at short notice
3. Video statements made by Conference Participants

Leona Archary      Julio Berdegué      John M. Bryden      Federico Burone

Don Chen          Riccardo Crescenzi    HS Dillon           Arilson Favareto

Ignacia Fernández      Ivana Fertziger      Gerardo Franco      Nobuhiko Fuwa

José Enrique Garcilazo      Enrique González Tiburcio      Pierre Gratton      Clinton Heimann