

## How inclusive can economic growth be?

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### Discussion Note

Each year, the World Bank publishes a World Development Report (WDR) with policy recommendations based on sound economic research. The 2009 edition is titled 'Reshaping Economic Geography' and has been written before the financial crisis occurred. The main point of this report is whereas economic growth will always be unbalanced, inclusive development is still possible. The WDR puts space and place – mere undercurrents in policy so far – in the middle of development policy making. This amounts to proposing a paradigm shift in development discourse and practice.

Places that do well in this world in economic terms (and, according to the report therefore also in development terms) are places that have promoted transformations along three dimensions:

- higher densities (growth of cities)
- shorter distances (migration to density through infrastructural measures/connectivity)
- fewer divisions (national, regional and international economic integration)

The Report proposes that it is along these dimensions that developing nations will proceed: hence policies to increase inclusion must be directed at these dimensions. It notices that three attributes of development have not always received much attention but that they should: they are geographic unevenness (governments cannot foster economic production and spread it out smoothly at the same time); circular causation (economic development brings with it the condition of greater prosperity in a vicious circle) and neighborhood effects (places near prosperous areas invariably benefit).

The policy propositions in the report are based on the classification of regions according to their difficulty of economic integration: national, regional, and international. For each scale and each degree of integration, a similar logic can be applied, so the Report suggests.

Thus:

*Urbanization:* in very rural places governments should be neutral and establish the institutional foundation (*spatially blind institutions and basic services*) for possible urbanization in some places; in rapidly urbanizing places governments must also put in place *connective infrastructure* so as to share more widely the benefits of increasing urbanization. And in places with advanced urbanization *targeted interventions* are also needed to deal with e.g. slums.

*Territorial development:* here governments can identify lagging areas and places where most of the poor live, tailor policies to integrate areas within nations, and reduce poverty everywhere. In scarcely populated lagging areas, again *spatially blind measures* should be taken: services, encouraging mobility, provide for institutions that make land markets work better, provide security, schools, health care, sanitation. In densely populated lagging areas, *connective infrastructure* is also important. And in similar but culturally highly diverse areas institutions and infrastructure should be complemented by *interventions and incentives* to producers to locate in these areas, carefully.

*Regional integration* is about how to make globalisation work for all countries. Here the same triple logic can be applied to classify world regions by the difficulty of economic integrations, the common problem being the thickness of economic borders. In countries close to world

markets, governments must build institutions that can help them become extensions of these markets; in areas more distant but with large local markets, regional infrastructure can help access to these markets; and in countries in divided regions distant from world markets and without the economic density of a booming local economy (the bottom billion), all three instruments should be applied (institutions that thin borders, infrastructure that connects countries and incentives like preferential access to world markets).

### **Issues and questions**

Perhaps the most interesting point for debate relates to the framework of the World Development Report itself: the divisions between places in terms of density, distance and division that economic geography can always make in relation to the 'universal' kinds of policies that can and should be applied to each combination of place (local, national, international) and quality (density, distance, division).

Although the framework interestingly politicizes geography and space, thus affording a differentiation of spatial measures, it appears to be somewhat culturally and politically blind.

#### ***Fragility***

This apparent blindness is most obvious in relation to the issue of fragility. Taking into account that there is a high overlap between fragility and extreme poverty, and that fragile areas (countries, regions) often chronically lack stable and trustworthy governments and other state-like institutions, the question is whether the policy-suggestions made in the report and aimed exclusively at state-policy makers and governments, are unable to address these vulnerable areas precisely because these are characterized as lacking stable/trustworthy governments. In other words: how can policy measures to be carried out by government ever reach the large majority of the world's bottom billion that happen to live in fragile states?

#### ***Non-state actors***

As said, the report is focusing solely on governments and states as policy makers only. Neither civil society nor other actors are mentioned. Yet we increasingly see the importance, in particular in conflict ridden states and post-conflict states, of civil society and other non-state actors. Why is the report so exclusively aimed at policy making at the level of governments, and what if it would have been?

#### ***Universal versus situational***

In a more general sense, this point can be made too. The mix of policy measures proposed by the World Development Report (institutions, infrastructure, incentives) is, as the report says, 'quite universally' applicable. Experience has taught, however, that development only works in sustainable ways when it is geared to specific contexts and locally owned. In this sense the Report could easily be read as yet another donor-led view on – and modeling of development (cooperation). Where is room for context-sensitive and locally fit translations? How should policy-makers who read this report, be guided to make these translations?

<http://www.maastrichtdebates.net/programme/2008-2009/world-development-report-2009/>