



Territorial Development

Perspectives from the World Bank

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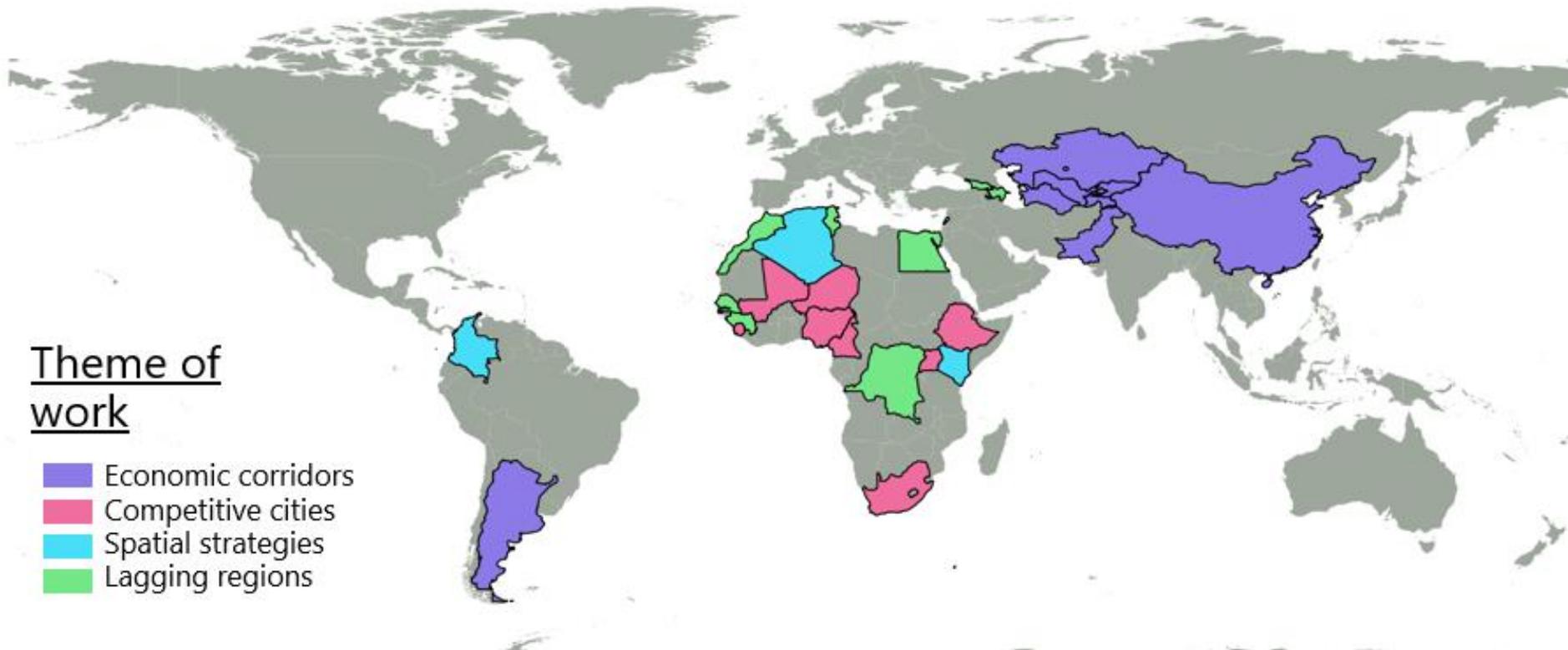


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Where we are working on Territorial Development



Theme of work

- Economic corridors
- Competitive cities
- Spatial strategies
- Lagging regions



3 Kinds of Territorial Development Operations

Spatial development
strategies



Economic corridors



Local economic
development
projects



What actions can lever territorial development for national economic transformation?

1. Create generic capital: Concentration

2. Connect markets: Connectivity

**3. Decent living standards everywhere:
Convergence**



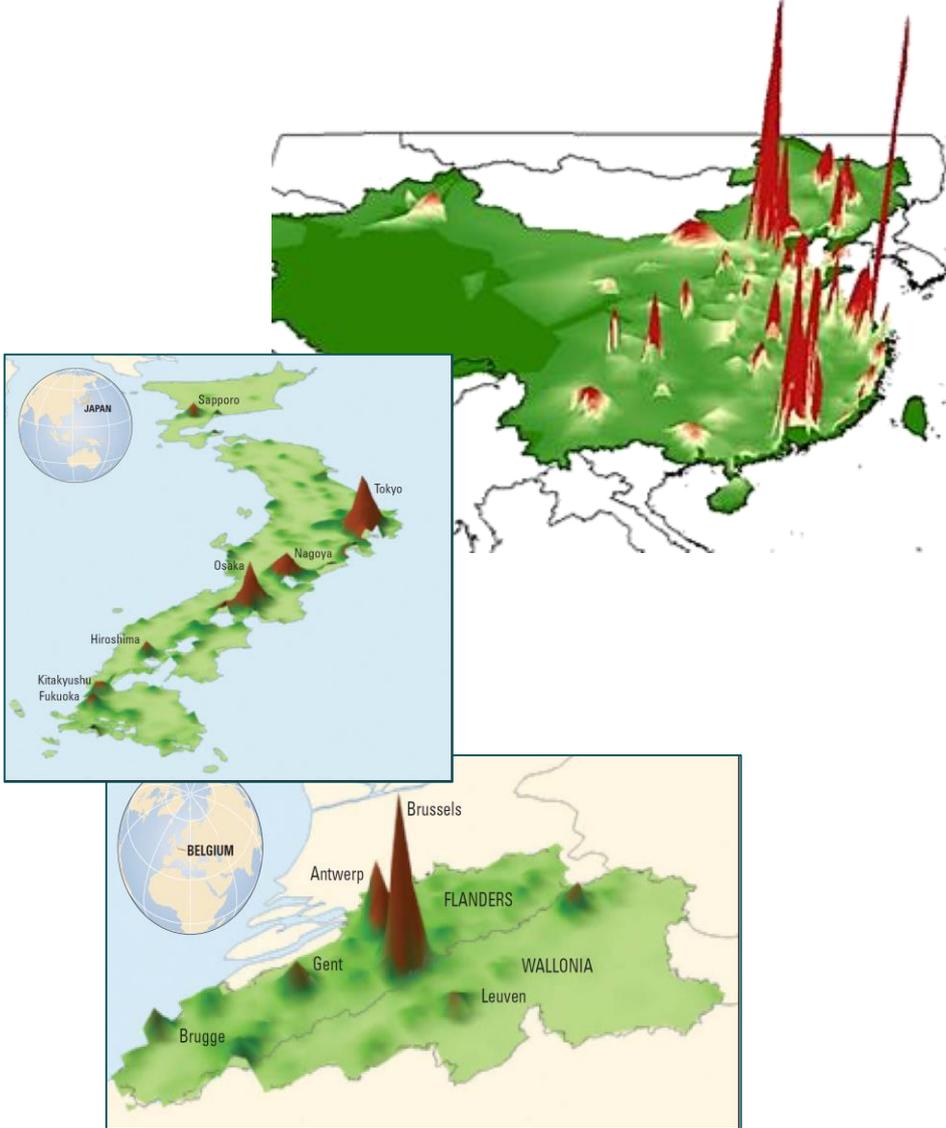
Agglomeration economies promote economic concentration, and growth

Intense economic concentration has typically supported *development and diversification*

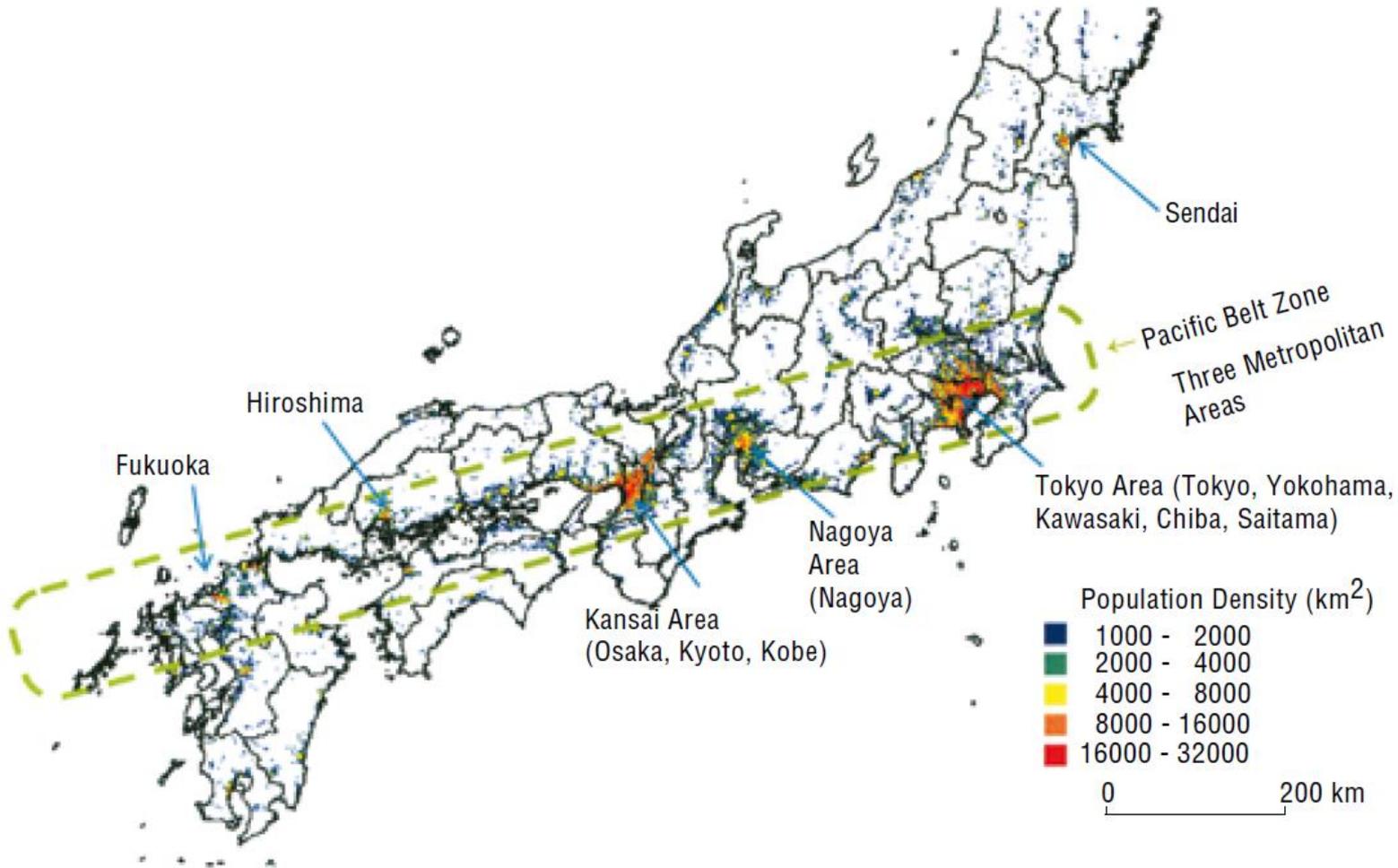
This reflects agglomeration economies - firms and people benefit from proximity

And entails path-dependency in territorial development

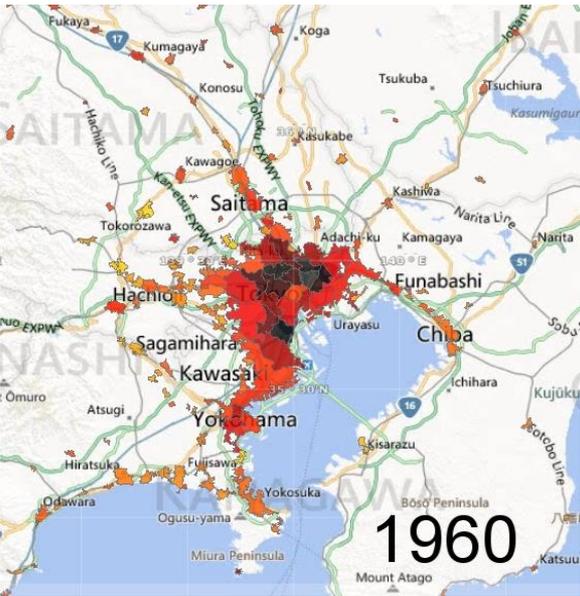
Manage economic concentration rather than fighting it...



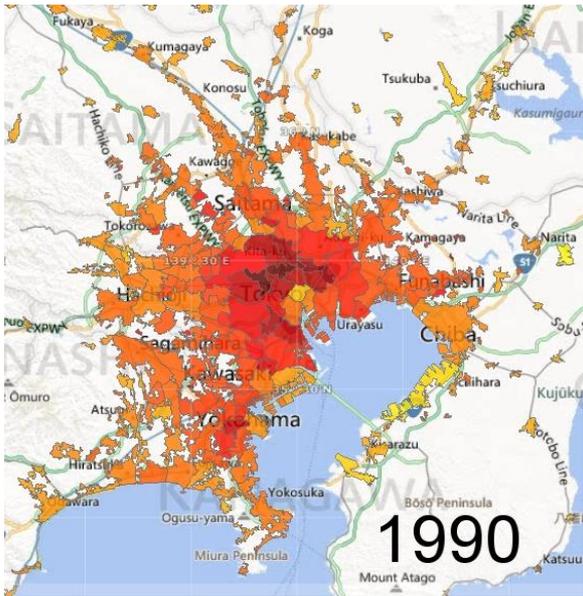
Pacific Belt Zone: Concentrated Urban Growth



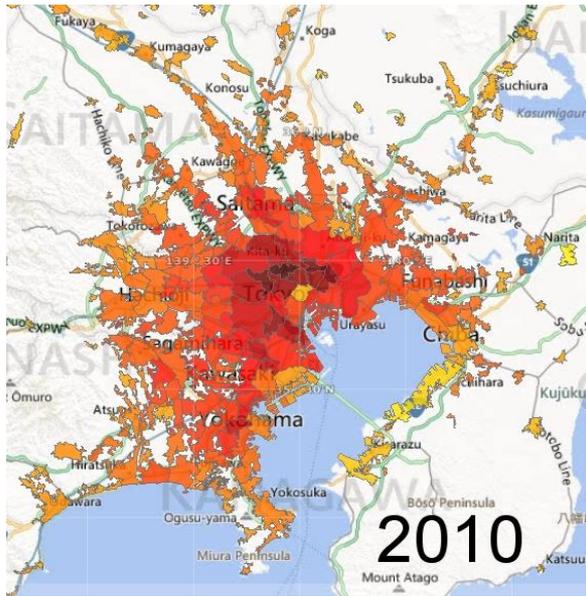
Thriving Metropolis: Urban Expansion of Tokyo



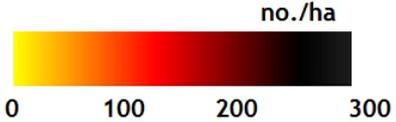
Highly concentrated
Taito Ward exceeding 320/ha
Rural areas at the periphery
Less extensive Tokyo Harbor



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



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



Source: <https://perihelie.wordpress.com/2014/04/18/mapping-japanese-city-spaces-greater-tokyo/>

'Spatial Concentration' Versus 'Spatial Balance'

Since the 1960s, however, Japan's policy narrative has fluctuated between "harnessing agglomerations", and "balancing spatial development"

This reflects international experiences. Despite the benefits of concentration, there are often strong pressures to spread production across space.

- Competition: Sub-regions face incentives to *compete* rather than *coordinate*
- 'Squeaky wheel': Peripheral places with declining economic roles often retain their historic political voice
- Externalities: Pollution, congestion, and crime in big cities
- *People everywhere deserve good living standards* (discussed later)



Connect markets for scale and specialization

Through connectivity, cities overcome limited local markets

- Both lagging and large cities can tap more robust markets for consumers and inputs

Trade between cities drives **specialization and scale**, for more productive firms – the competitive edge

Connectivity isn't all about roads

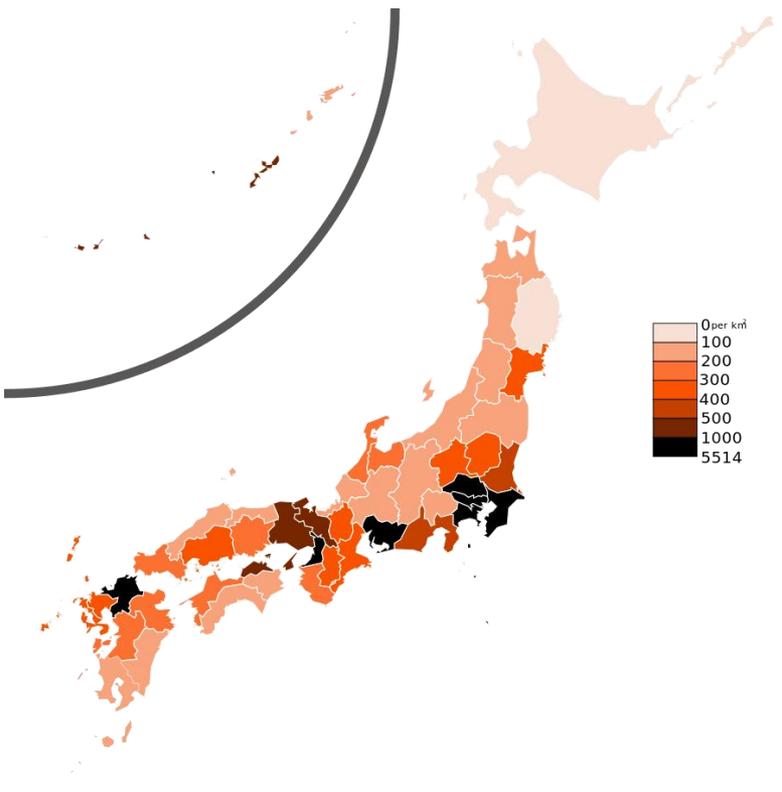
- Connectivity of labor is critical: Labor market reforms, supporting migration
- Connectivity of information and services: Telecoms, the internet
- Connectivity of goods: Also rail, sea, logistics, regulations

Connecting the country **domestically, and to the world**



Frontloading on infrastructure investment for connectivity is important...

Population density



High-speed Railway Network (March 2016)



...but here's the caveat.

Connectivity can deepen concentration, rather than balance regions, through specialization.

Complementary investments are often needed to develop comparative advantage of lagging locations.

Don't build a road to nowhere. Connective investments are expensive, and should also reflect market signals.

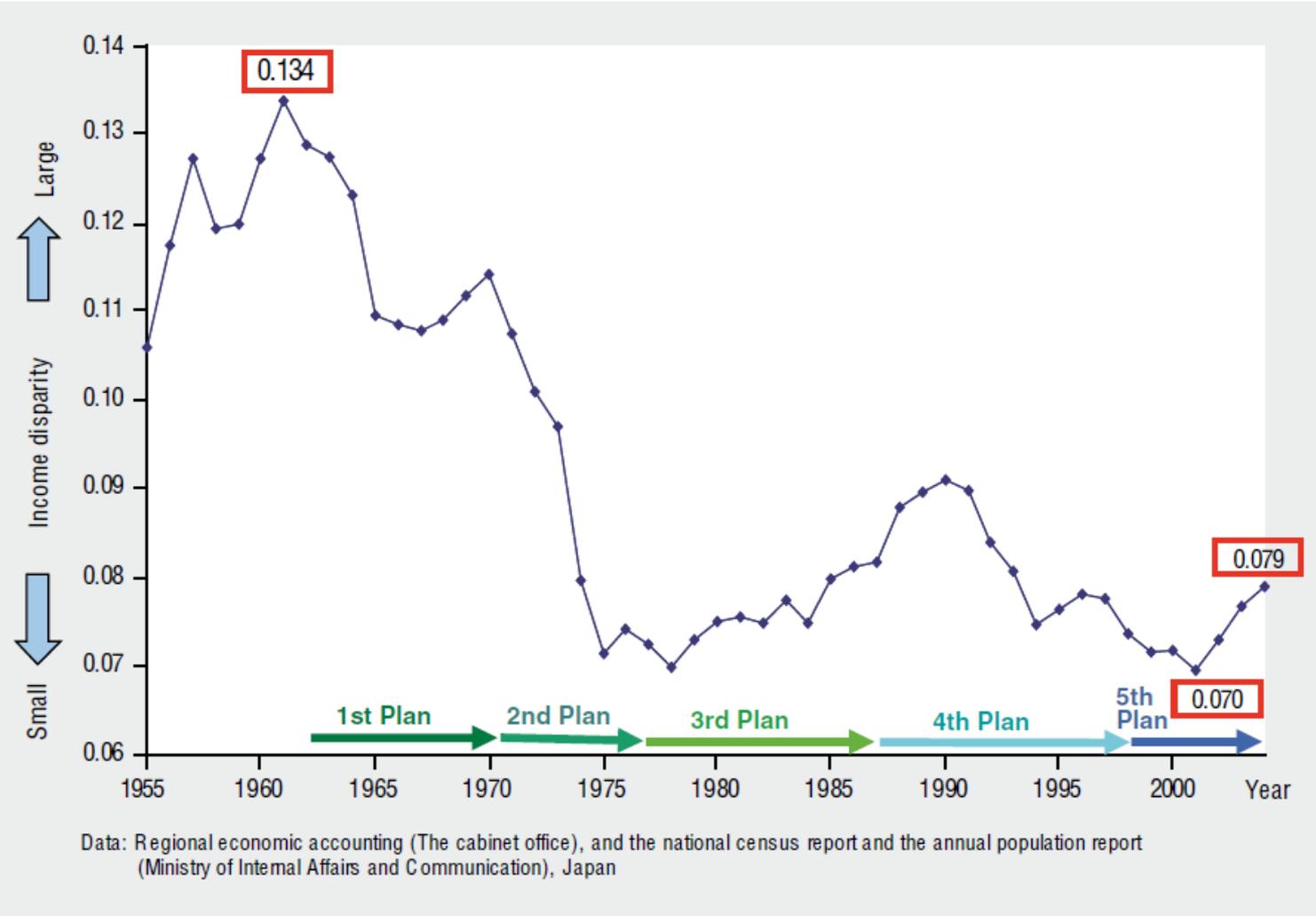
Locations less competitive for firms still need decent living standards

All people require adequate education, health, security... even lagging regions with weak economies

People-focused investments also create mobile capital that can move to take advantage of economic opportunities elsewhere

Cities lower the cost of delivering decent living standards and human capital through density

Closing Income Disparities in Japan: The Result



Geography of Living Standards

Convergence of which living standards depends on income level, for instance:

- Low: Access to sanitation, basic health and education
- Middle: Quality of service provision; public spaces
- Upper: Higher level services and amenities
- High: Very high-amenity vibrant neighborhoods; high human capital



Messages for Territorial Planners

1. Create generic capital for an uncertain future economy

- Cities with strong institutions and broad-purpose infrastructure
- Building on existing agglomerations and comparative advantage
- Supported by dense, highly-educated, work forces

2. Connect markets nationally and internationally

- Investments in connectivity deserve a central place in industrial and social policy
- Address 'soft' connectivity constraints with the same energy as physical transport

3. Decent living standards everywhere

- Take advantage of high urbanization and local connectivity, to deliver strong public services for all, and address human capital deficiencies
- Firms will concentrate





Thank you very much.



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