Determinants of dynamism and social inclusion in rural – urban functional territories: A comparison of Mexico, Colombia and Chile

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Investing in rural people
TRANSFORMING TERRITORIES PROGRAM

- Premises:
  - Urbanization: growing importance of small and medium cities with functional linkages to rural areas
HALF OF URBAN POPULATION LIVES IN SMALL AND MEDIUM CITIES
TRANSFORMING TERRITORIES PROGRAM

- Premises:
  - Urbanization: growing importance of small and medium cities with functional linkages to rural areas
  - Rural-urban linkages contribute to growth and poverty reduction (Berdegué et al., 2015; Christiaensen & Todo, 2016)
  - Development policies have not fully internalized this
TRANSFORMING TERRITORIES PROGRAM

**Objective and strategy**

Contribute to the design of new public policies that consider

The linkages between small and medium cities and their rural hinterland, and their role in inclusive growth

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**Diagram**

- Urbanization
- Labor markets
- Agrifood system

Policy engagement and influencing
Applied research
RESEARCH QUESTIONS

- What are the characteristics of rural-urban territories in Colombia, Mexico and Chile?

- How do those characteristics interact with urbanization processes, structural change in labor markets and transformations in agrifood systems?

- How can these interactions be governed for inclusive growth?
THIS PAPER

- **Motivation:** why do some rural-urban territories achieve socially inclusive growth, and others do not?

- **Conceptual framework:** proximate and fundamental causes of growth and inclusion

- **Approach:**
  - Identification of rural-urban territories
  - Characterization of growth and inclusion dynamics
  - Characteristics of rural-urban territories with different growth and inclusion outcomes

- **Contribution to the literature:**
  - Evidence for developed countries (e.g. Partridge et al., varios years)
  - Some evidence for Africa (Christiaensen & Todo 2016)
  - Nothing for LAC
Importance of distinguishing between proximate and fundamental causes of growth and inclusion (Acemoglu, Johnson & Robinson, 2005)

- Proximate causes:
  - Human capital (e.g. years of schooling, standardized tests)
  - Geography (e.g. distance to cities, access to roads)
  - Production structure (e.g. diversification)
  - Public goods and services (e.g. water, electricity, health, CCT)

- Fundamental causes: Institutions – economic and political (e.g. presence of the state, clientelism, political competition)
METHODOLOGY: Identification of rural-urban functional territories

- Functional territories: Spaces that contain high-frequency social and economic interactions between people, firms and organizations (Berdegué et al., 2011)
- Identified combining data on night lights and commuting

<table>
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<tr>
<th>Categories</th>
<th>CHILE</th>
<th>MEXICO</th>
<th>COLOMBIA</th>
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<td>&gt; 1 million</td>
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<tr>
<td>Urban</td>
<td>300 thou - 5 million</td>
<td>380 thou - 1 million</td>
<td>400 - 600 thou.</td>
</tr>
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<td>18 - 50 thousand</td>
<td>15 - 60 thousand</td>
<td>15 - 60 thousand</td>
</tr>
<tr>
<td>Rural</td>
<td>&lt; 18 thousand</td>
<td>&lt; 15 thousand</td>
<td>&lt; 15 thousand</td>
</tr>
</tbody>
</table>
Territorios Rural-Urbanos

- Otros Territorios
- (100-300mil] hab.
- (50-100mil] hab.
- (18-50mil] hab.

World Terrain Base
METHODOLOGY: Measuring dynamism and social inclusion

- **Dynamism**: variables that measure the local levels of income, economic activity and urbanization
  - Variables: income per capita (*small area estimates*), night lights, municipal incomes, two points in time.

- **Inclusion**: poverty and inequality measures
  - Variables: FGT0, FGT1, FGT2, Theil (*small area estimates*), two points in time.

- **Indices of dynamism and inclusion**:
  \[ \sum_k (v_k - \bar{v}_k) / (\sigma_k) \]
  - \( k = \text{dynamism; inclusion} \)

- We analyze the change over time in the indices.
Importance of rural-urban territories

**Colombia**

- **Rural**: 21%
- **R-U**: 33%
- **Urban**: 6%
- **Metro**: 41%

**Chile**

- **Rural**: 8%
- **R-U**: 39%
- **Urban**: 13%
- **Metro**: 39%

**Mexico**

- **Rural**: 14%
- **R-U**: 29%
- **Urban**: 19%
- **Metro**: 23%
Rural-urban gradient in income and poverty, less clear in inequality
Richer territories tend to be more inclusive
Positive correlation between dynamism and inclusion in Chile and Mexico, negative in Colombia.
The relative majority of rural-urban territories in Chile and Mexico gain in both dynamism and inclusion; in Colombia they gain in inclusion but not in dynamism.
Richer and more inclusive territories are better endowed in terms of geography, human capital, diversified production structure, public goods and services, and institutional set-up.

Places which achieve inclusive growth over time tend to have better availability of public goods and services.

Diversification of production structure away from agriculture is correlated with dynamism but not with gains in inclusion.

“Better” institutional characteristics are correlated more strongly with improvements in inclusion than with dynamism.
CONCLUSIONS

- Rural-urban territories concentrate a significant share of population and of the poor
- Intermediate position between rural and urban, both in endowments and in outcomes
- Looking at changes in outcomes over time, the majority of rural-urban territories in Chile, Colombia and Mexico gain in inclusion; in Chile and Mexico they also gain in dynamism
- Rural-urban territories exhibit the widest variation in growth and inclusion outcomes
- What explains this variation?
  - Public goods and services: growth and inclusion
  - Diversification of production structure: growth, but no improvements in inclusion
  - Institutional set-up: improvements in inclusion
Muchas gracias!