



world development report **2009**

*Reshaping Economic  
Geography*



world development report **2009**

*Reshaping Economic  
Geography*



THE WORLD BANK  
Washington, DC

© 2009 The International Bank for Reconstruction and Development / The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)  
E-mail: [feedback@worldbank.org](mailto:feedback@worldbank.org)

All rights reserved

1 2 3 4 5 12 11 10 09

This volume is a product of the staff of the International Bank for Reconstruction and Development / The World Bank. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgement on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

#### **Rights and Permissions**

The material in this publication is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. The International Bank for Reconstruction and Development / The World Bank encourages dissemination of its work and will normally grant permission to reproduce portions of the work promptly.

For permission to photocopy or reprint any part of this work, please send a request with complete information to the Copyright Clearance Center Inc., 222 Rosewood Drive, Danvers, MA 01923, USA; telephone: 978-750-8400; fax: 978-750-4470; Internet: [www.copyright.com](http://www.copyright.com).

All other queries on rights and licenses, including subsidiary rights, should be addressed to the Office of the Publisher, The World Bank, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2422; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

#### **Softcover**

ISSN: 0163-5085  
ISBN: 978-0-8213-7607-2  
eISBN: 978-0-8213-7608-9  
DOI: 10.1596/978-0-8213-7607-2

#### **Hardcover**

ISSN: 0163-5085  
ISBN: 978-0-8213-7640-9  
eISBN: 978-0-8213-7608-9  
DOI: 10.1596/978-0-8213-7640-9

Cover design and interior navigational graphics by Zefyr Design, [info@zefyr.co.uk](mailto:info@zefyr.co.uk).

Typesetting, graphs, and page layout by Precision Graphics.

Printed in the United States by Quebecor World.

# Contents

Foreword *xiii*

Acknowledgments *xv*

Abbreviations and Data Notes *xvi*

*Geography in motion: The Report at a Glance—Density, Distance, and Division* *xix*

## Overview 1

Place and prosperity 1

The world is not flat 8

Markets shape the economic landscape 12

Putting development in place 20

## Navigating This Report 33

Scope 34

Terms 34

Structure 39

*Geography in motion: Overcoming Distance in North America* 44

## Part One Seeing Development in 3-D 47

### 1 Density 48

Defining density 49

Economic concentration—the richer, the denser 56

Convergence—rural-urban and within cities 62

What's different for today's developers? 70

### 2 Distance 73

Defining distance 74

Economic concentration in leading areas 81

Divergence, then convergence—between leading and lagging areas 84

What's different for today's developers? 93

<b>3</b>	<b>Division</b>	<b>96</b>	
	Defining division	97	
	Economic concentration	105	
	Divergence, then convergence	109	
	Geography, globalization, and development	115	
	What's different for today's developers?	120	
	<i>Geography in motion: Overcoming Division in Western Europe</i>		<b>122</b>
	<b>Part Two</b>	<b>Shaping Economic Geography</b>	<b>125</b>
<b>4</b>	<b>Scale Economies and Agglomeration</b>	<b>126</b>	
	A guide to scale economies	129	
	A different realm	132	
	A portfolio of places	135	
	Apprehension of market forces	140	
<b>5</b>	<b>Factor Mobility and Migration</b>	<b>146</b>	
	From mercantilism to globalization to autarky, and back again	147	
	Labor mobility: learning from a generation of analysis	158	
	Practical policies for managing migration	168	
<b>6</b>	<b>Transport Costs and Specialization</b>	<b>170</b>	
	What has happened: two centuries of experience	173	
	Transport costs and scale economies: two decades of analysis	181	
	What to do: transport policies in the developing world	184	
	Transport: an increasingly important sector	192	
	<i>Geography in motion: Distance and Division in East Asia</i>		<b>194</b>
	<b>Part Three</b>	<b>Reframing the Policy Debates</b>	<b>197</b>
<b>7</b>	<b>Concentration without Congestion: Policies for an inclusive urbanization</b>	<b>198</b>	
	Principles for managing a portfolio of places	200	
	A framework for integration	202	
	The framework in action	216	
	A strategy for inclusive urbanization	229	
<b>8</b>	<b>Unity, Not Uniformity: Effective approaches to territorial development</b>	<b>230</b>	
	People seek opportunities	231	
	Countries seek unity	234	

A policy framework for integrating lagging and leading areas	238
The framework in action	245
Avoiding Balkanization: the political benefits of economic integration	258
<b>9 Winners without Borders:</b>	
<b>Integrating poor countries with world markets</b>	<b>260</b>
Regional integration to scale up supply, global integration to scale up demand	262
Building integrated neighborhoods: a framework	265
The framework in action	273
<i>Geography in motion: Density, Distance, and Division in Sub-Saharan Africa</i>	<i>284</i>
<b>Bibliographical Note</b>	<b>287</b>
<b>Endnotes</b>	<b>291</b>
<b>References</b>	<b>305</b>
<b>Selected Indicators</b>	<b>331</b>
Table A1 Geography and access	332
Table A2 Urbanization	335
Table A3 Territorial development	338
Table A4 International integration	340
Table A5 Other indicators	343
Sources and definitions	346
<b>Selected World Development Indicators</b>	<b>349</b>
Data sources and methodology	349
Classification of economies and summary measures	350
Terminology and country coverage	350
Classification of economies by region and income, FY2009	351
Table 1 Key indicators of development	352
Table 2 Millennium Development Goals: eradicating poverty and improving lives	354
Table 3 Economic activity	356
Table 4 Trade, aid, and finance	358
Table 5 Key indicators for other economies	360
Technical notes	361
<b>Index</b>	<b>369</b>

## Boxes

- 1 Three geographic scales: local, national, and international 3
- 2 The three dimensions of development: density, distance, and division 6
- 3 Intraindustry trade and intermediate inputs 20
- 4 New insights from a generation of analysis 21
- 5 Concentration without congestion in western China: Chongqing and Chengdu 26
- 0.1 What this Report is not about 34
- 0.2 This Report's regions are more detailed than the World Bank's 36
- 0.3 This Report's message is not anti-equity 39
- 0.4 Fresh insights from economic geography: concentration, convergence, and integration 41
- 1.1 Two laws and a rule: the empirical regularities of a country's city-size distribution 52
- 1.2 The Republic of Korea's portfolio of places 53
- 1.3 Computing the agglomeration index 55
- 1.4 Africa's urbanization reflects industrialization 59
- 1.5 Urbanization and narrowing rural-urban disparities in the Islamic Republic of Iran 63
- 1.6 Slums, then and now 68
- 1.7 Many of today's world-class cities were littered with slums 69
- 2.1 Defining an area: impossible or NUTS? 78
- 2.2 How developed and developing countries define lagging areas: a quick survey 79
- 2.3 Dangerous disparities: when divisions aggravate distance 80
- 2.4 Correcting geographic disparities in postwar Japan 87
- 2.5 Spatial inefficiency and the downfall of the Soviet Union 90
- 3.1 A country's neighborhood matters: regional integration and growth spillovers 102
- 3.2 Bolivia and Chile's border—from wide to narrow? 102
- 3.3 The benefits of size 103
- 3.4 Artificial states? 105
- 3.5 Market access and per capita incomes 108
- 3.6 Neighborhoods matter: Southern Cone versus Southern Europe 115
- 3.7 The influence of first-nature geography: is it possible to eradicate malaria? 117
- 3.8 Integration takes a long time, and its benefits do not come overnight 119
- 4.1 Scale economies in an almost unreal world: the story of Dongguan, China 127
- 4.2 Sharing, matching, and learning 129
- 4.3 Agglomeration economies in Indonesia 132
- 4.4 When sowing and reaping happen in different places: rising interdependence of cities 139
- 4.5 Cities continue to thrive as telecommunication costs fall 140
- 4.6 Hong Kong, China: market forces led the way, government followed 142
- 4.7 Reinvention and renewal: how New York became a great city 143
- 5.1 Regional labor mobility has been falling in Sub-Saharan Africa 152
- 5.2 Cross-border migration in the Greater Mekong Subregion 153
- 5.3 From facilitating to restricting to (again) facilitating labor mobility in China 154
- 5.4 Labor and social policies restrain migration in Eastern Europe—not good for growth 160
- 5.5 From Lewis to Lucas: the economic perspective on migration has changed 161
- 5.6 Implicit barriers to mobility: place-based entitlement and divisions in India 163
- 5.7 Why did the U.S. South take so long to catch up? Division. 165
- 5.8 Migrating to economic density: rational decisions or bright lights? 167
- 5.9 Too early to tell? The impact of African emigrants on Africa 168
- 6.1 Biggest in the world: size and social obligations of Indian Railways 175
- 6.2 The jet engine 177
- 6.3 The big box 178
- 6.4 Italy's *intervento straordinario*: an unexpected response to falling transport costs 184
- 6.5 Mobility with density in Hong Kong, China 185
- 6.6 Neighborhoods matter, but so do trade and transport policies 188
- 6.7 Unclogging Latin America's arteries: transport costs now matter more than tariffs 192
- 7.1 Are the policy messages of this Report antirural? No. 200
- 7.2 Land reform to jump-start urbanization: aiding *villeins* in Denmark 203
- 7.3 Bombay fights the markets, and more than half of Mumbai's residents live in slums 205
- 7.4 Widening the reach of New York City 208
- 7.5 Promoting concentration in Japan between 1860 and 1980: spatially connective policies for Tokyo-Yokohama and Osaka-Kobe 209
- 7.6 Climate change calls for a different urban form, not slower urbanization 211

- 7.7 Speeded up, but still in sequence: spatial integration in twentieth-century Hong Kong, China 213
- 7.8 Singapore: from slums to world city 215
- 7.9 Titling land for a sustainable rural-urban transformation 219
- 7.10 Land markets in transition 219
- 7.11 Strengthening land market institutions for rural-urban integration 220
- 7.12 Retrofitting transport infrastructure in Bangkok 223
- 7.13 New cities: escapes from urban jungles, or cathedrals in the desert? 224
- 7.14 Rural-urban integration in Beijing, Guangzhou, and Shanghai 227
- 7.15 Slum upgrading and prevention: what works? 229
- 8.1 Are the policy messages of this Report “anti-decentralization”? No. 231
- 8.2 The German integration: convergence and concentration with mobile labor 235
- 8.3 Constitutions call for unity, not uniformity 236
- 8.4 An instrument per objective: Ireland used EU funds for international convergence 237
- 8.5 Taxation against spatial inequality? The U.S. federal income tax system 239
- 8.6 Low market access in Mexico’s lagging south 244
- 8.7 Universal primary education in Uganda increased access to schools in the northern areas 248
- 8.8 Improving the spatial progressivity of Nigeria’s intergovernmental transfers 249
- 8.9 Exporting by mail in Peru—connecting small producers to markets 251
- 8.10 Special economic zones bring growth if they exploit advantages in natural and economic geographies 254
- 9.1 Are the policy messages of this Report anti-global integration? No. 261
- 9.2 Diversifying production through regional cooperation 263
- 9.3 Economic partnership agreements between the EU and African, Caribbean, and Pacific countries can be made better 265
- 9.4 Integration in Central Asia 278
- 9.5 Integrating the small and distant Pacific Islands with world markets 278
- 9.6 A contract with Africa? The give and take of the world’s biggest development challenge 282

## Figures

- G0.1 The Report can be read by part or by policy xxi
  - 1 At all three geographic scales, the patterns of concentration of economic activity are similar 9
  - 2 At all three geographic scales, the patterns of convergence in living standards are similar 11
  - 3 Later developers face a different world 13
  - 4 Intraindustry trade is high in North America, Western Europe, Oceania, and East Asia 19
  - 5 In charted waters: the pace of urbanization today has precedents 24
  - 6 Quicker geographic convergence in basic living standards in Malaysia 27
  - 7 Northeast, Southeast, and South Asia have been catching up to developed nations 30
- 0.1 A navigational aid for the reader 43
  - 1.1 From dichotomy to continuum: a portfolio of places 51
  - 1.2 Almost a law: relative size distributions of settlements remain stable over time 51
  - 1.3 The agglomeration index helps to compare urbanization across regions 57
  - 1.4 The richer a country, the more concentrated its economic mass 58
  - 1.5 Developing countries have a pace of urbanization similar to that of early developers 58
  - 1.6 Density intensifies rapidly in the early phase of urbanization before leveling off 59
  - 1.7 Shares of population living in urban agglomerations rise with the level of development 60
  - 1.8 Geographic concentration of population, gross product, and household consumption rises sharply with development, then levels off 61
  - 1.9 Rural-urban disparities in GDP per capita tend to be smaller in richer OECD countries 63
  - 1.10 Rural-urban gaps in per capita consumption become smaller with urbanization 65
  - 1.11 Even at the subnational level, rural-urban disparities fall as density increases 66
  - 1.12 Slums grow with the pace of urbanization, and fall with its level 66
  - 1.13 Urbanization’s speed has precedents 70
  - 1.14 The population increment in urban areas of today’s developing countries is much larger 71
  - 2.1 Manufacturing activity flourishes in areas with shorter economic distance to density 77
  - 2.2 Rising density of economic mass accompanies development over decades, even centuries 83

- 2.3 Measures based on national accounts, household surveys, and geoscaled economic data confirm the historical pattern of a rising concentration of economic mass with the level of development 84
- 2.4 Spatial inequality rose and remained high before slowly declining as economies approached \$10,000 in GDP per capita 86
- 2.5 Subnational disparities in income and wages persisted for more than 70 years in Canada and France 86
- 2.6 Spatial disparities have narrowed slowly in Europe since World War II 87
- 2.7 Contemporary comparisons of countries indicate that disparity in welfare among subnational areas fall with economic development 88
- 2.8 Economic growth in East Asia and Eastern Europe is faster than the world's growth 89
- 2.9 Disparities in per capita gross product have been rising between leading and lagging areas in Southeast Asia 89
- 2.10 Steady rise in inequality of per capita provincial gross product in China since 1990 89
- 2.11 Income disparities between areas widened as Eastern European nations moved from plan to market 91
- 2.12 In Malaysia, geographic convergence in basic welfare accompanied economic growth 92
- 2.13 Today's developing countries face a more integrated world 93
- 3.1 The number of borders between nations tripled in the past 50 years 97
- 3.2 Rich countries tend to have lower border restrictions 99
- 3.3 Tariffs are highest in Africa, South Asia, and Western Asia 99
- 3.4 Capital restrictions are highest in Africa, South Asia, and Central Asia 100
- 3.5 Residents of richer countries face fewer visa requirements 101
- 3.6 Globally, language diversity is highest near the equator 104
- 3.7 Concentration increases at the global level, then a leveling off 106
- 3.8 Only Asia's share in world GDP has risen noticeably since 1980 107
- 3.9 The effect of distance between Brazil and its trading partners has remained considerable 109
- 3.10 Education outcomes have improved 110
- 3.11 East and South Asia have been the only regions catching up 110
- 3.12 Life expectancy decreased significantly in many African countries 111
- 3.13 Education has become more equal since the 1980s 111
- 3.14 Slight global divergence in per capita incomes, 1950–2006 112
- 3.15 Divergence, then convergence in East Asia, 1950–2006 112
- 3.16 The East Asian growth experience had two distinct phases 113
- 3.17 Western Asia and Eastern Europe have had little integration—and little convergence 114
- 3.18 Mexico and other LAC countries have not been catching up with the United States 114
- G2.1 The stairway to success 123
- G2.2 Border effects between the European Union and the United States remain more than twice that within the European Union 123
- 4.1 The urban premium for household consumption can be considerable 141
- 5.1 International capital flows have surged since the 1970s 148
- 5.2 A large share of capital now flows as direct investment 148
- 5.3 Migrants from East Asia, Latin America, and the Middle East and North Africa go mainly to OECD countries, but most in South Asia and Sub-Saharan Africa stay close to home 151
- 5.4 In Latin America and the Caribbean internal migrants are more educated than those who stay behind 156
- 5.5 Internal migrants are more schooled than workers in the places to which they move 157
- 5.6 Migration from developing countries is becoming more skilled 158
- 5.7 Internal labor mobility and economic growth often go together 162
- 5.8 Internal migrants are more likely to work than natives 164
- 6.1 Intraindustry trade is becoming more important for all types of goods, but not in all world regions 171
- 6.2 Air freight costs are down less than ocean freight costs 179
- 6.3 The costs of communicating have fallen to a fraction of what they were a decade ago 180
- 6.4 Distance has become more of a deterrent, divisions less 182
- 6.5 Global intraindustry trade is no longer confined to rich countries 183
- 6.6 Transport accounts for about one-seventh of CO<sub>2</sub> emissions 191
- 7.1 The growth of cities has been grossly overestimated 199
- 7.2 The dimensions increase with the level of urbanization 201
- 8.1 France has benefited from increasing concentration of economic production and declining spatial disparities in disposable income 238
- 8.2 Living standards can vary considerably between leading and lagging areas 247

## Maps

- G0.1 Density—why it pays to be close to Tokyo   xix
- G0.2 Distance—why Americans must be mobile   xx
- G0.3 Division—what prevents progress in Africa does not in Western Europe   xx
- G0.4 How markets view the world   xxi
  - 1 The biggest development challenges—at the local, national, and international geographic scales   4
  - 2 Settlements of varying size facilitate different scale economies   14
  - 3 Migrating to reduce distance to density: Despite the obstacles, Chinese workers have migrated in the millions   16
  - 4 Migrating to reduce distance to density: Brazil’s young workers move in thousands to get closer to economic density   17
  - 5 Migrating to reduce distance to density: Migration in India has been less frenetic   17
  - 6 As urbanization advances, policies must evolve   25
  - 7 Three types of countries, differing challenges for area development   28
  - 8 Market access distinguishes world regions   31
  - 0.1 Three geographic scales—area, country, and region   35
- G1.1 The U.S. geographic center of population gravity moved 1,371 kilometers between 1790 and 2000   44
- G1.2 America’s large cities are in the Northeast and on the two coasts   45
  - 1.1 The landscape of economic mass is bumpy, even in a small country like Belgium   50
  - 1.2 Local divisions—spatial disparities within urban settlements can be large   67
    - 2.1 Access to markets is not a straight line   75
    - 2.2 Distances can be long even in the developed world   76
    - 2.3 Vietnam’s poverty rate is higher in lagging inland areas, but its poverty mass is greater in leading coastal areas   81
    - 2.4 The poverty rate is high in distant eastern Honduras, but the poor are concentrated in the two largest metropolitan areas   82
    - 2.5 Exporting industries concentrate in coastal areas to minimize distance to the global market   94
  - 3.1 Global GDP is concentrated in a few world regions, 2006   97
  - 3.2 Some borders are much wider than others   98
  - 3.3 Forty-three countries do not have direct access to the coast   103
  - 3.4 Language diversity is very high in Africa   104
- G2.1 The division in Western Europe has gradually dissipated   122
  - 6.1 Busy seafaring in the North, little landfall in the South   172
  - 6.2 Crossing borders or climbing walls?   187
- G3.1 Asia divided: conflict in the middle of the nineteenth century   195
- G3.2 Asia integrated: trade at the end of the twentieth century   196
  - 7.1 The Republic of Korea—three areas at different stages of urbanization   217
  - 7.2 China—three areas at different stages of urbanization   218
  - 7.3 Decentralization and localization economies in Daegu   221
  - 7.4 Changsha, Zhuzhou, and Xiangtan—spatially connective infrastructure in a two dimensional area   222
  - 7.5 Bogotá’s *TransMilenio* has helped to integrate the poor   225
  - 7.6 Economic density in Seoul with good connections to other cities   225
  - 8.1 The poverty rate is high in China’s western interior, but most poor people live closer to economic density in the East   232
  - 8.2 The poverty rate is high in Brazil’s Northeast and Amazon areas, but the poor are massed in areas along the coast   233
  - 8.3 Both the poverty rate and poverty mass are high in some of India’s lagging states   234
  - 8.4 In the Russian Federation, population densities are highest in the economically vibrant and warmer west, but a communist legacy has left some people in the cold interior   242
  - 8.5 In the Lao People’s Democratic Republic, the poverty rate is high outside the capital region, but poor people are scattered in remote communities   243
  - 8.6 In the Arab Republic of Egypt, population densities are high in lagging areas, and connective infrastructure is needed to help spatial integration   245
  - 9.1 Mobile phone coverage has spread rapidly in Africa   268
  - 9.2 Density, distance, and division combine to determine access to markets   271
  - 9.3 Potential access to major world markets distinguishes the developing world’s regions   272
  - 9.4 Building regional infrastructure in Southern Africa   277
  - 9.5 Twin cities for local integration   279
  - 9.6 West Africa has potential for cotton-led industrial development   280
- G4.1 Africa’s borders were charted before World War I   285

## Tables

- |      |   |     |
|------|---|-----|
| 1    | Density is most important locally, distance nationally, and division internationally  | 7   |
| 2    | Agglomeration, migration, and specialization are the most important forces—and land, labor, and intermediate inputs the most sensitive factor markets | 22  |
| 3    | “An I for a D?” A rule of thumb for calibrating the policy response   | 23  |
| 1.1  | The size of urban settlements grows with development  | 61  |
| 1.2  | Rural-urban disparities in earnings, wealth, and consumption characterize development over the last two centuries                                     | 64  |
| 1.3  | Rural-urban disparity in basic services narrows with development  | 65  |
| 2.1  | Administrative, statistical, and geographic area measures all point to rising spatial concentrations of economic activity with development            | 85  |
| 2.2  | Spatial inequality varied through different phases of development   | 86  |
| 2.3  | Household survey and subnational gross product data corroborate the pattern of declining spatial disparities in welfare with development              | 88  |
| 3.1  | The concentration of GDP and population growth shifted between 1820 and 1998  | 106 |
| 3.2  | GDP per capita increased tenfold, 1500–1998   | 109 |
| 4.1  | A dozen economies of scale  | 128 |
| 4.2  | Internal scale economies are low in light industries and high in heavy industries   | 130 |
| 4.3  | Scale economies amplify with density and attenuate with distance  | 135 |
| 4.4  | Thirty years of theoretical advance recognize the importance of scale economies   | 136 |
| 4.5  | Agglomeration economies vary by city size and profile, and by the industry life cycle   | 137 |
| 5.1  | In the late-nineteenth century most international migrants came from better-off Europe  | 149 |
| 5.2  | Close to home: the largest international flows of labor are between neighboring countries   | 150 |
| 5.3  | Rates of labor mobility vary widely across countries in the developing world  | 156 |
| 5.4  | Most migrants move for economic reasons, but many are pushed out by poor services   | 166 |
| 5.5  | What does a practical policy toward migration do? Recognize agglomeration benefits.   | 169 |
| 6.1  | Prices, costs, and profit margins are all high on Africa’s transport corridors  | 187 |
| 6.2  | Time costs for crossing borders are highest in Central Asia, Central Africa, East Africa, and Southern Africa   | 189 |
| 7.1  | An instrument per dimension—a simple framework for urbanization policies  | 216 |
| 7.2  | Interventions to integrate the urban poor   | 228 |
| 8.1  | An instrument per dimension—a framework for area, territorial, or regional development policies   | 246 |
| 8.2  | The OECD’s experience with incentives to stimulate lagging areas has been evolving  | 256 |
| 8.3  | A range of instruments has been used by governments to create economic mass in lagging areas, with modest results                                     | 257 |
| 8.4  | Assessing the performance of area development policies  | 259 |
| 9.1  | Few regional agreements provide for full mobility of labor  | 266 |
| 9.2  | Sub-Saharan Africa, South Asia, and the Middle East and North Africa are most affected by unreliable infrastructure, East Asia the least              | 267 |
| 9.3  | Regional “club goods” can easily be provided because costless exclusion is possible   | 269 |
| 9.4  | An instrument per dimension—a simple framework for regional integration   | 273 |
| G4.1 | The most distant and divided regions—trading and transport are expensive  | 286 |

# Foreword

Production concentrates in big cities, leading provinces, and wealthy nations. Half the world's production fits onto 1.5 percent of its land. Cairo produces more than half of Egypt's GDP, using just 0.5 percent of its area. Brazil's three south-central states comprise 15 percent of its land, but more than half its production. And North America, the European Union, and Japan—with fewer than a billion people—account for three-quarters of the world's wealth.

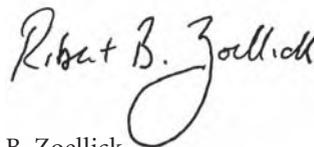
But economic concentration leaves out some populations. In Brazil, China, and India, for example, lagging states have poverty rates more than twice those in dynamic states. More than two-thirds of the developing world's poor live in villages. A billion people, living in the poorest and most isolated nations, mostly in Sub-Saharan Africa and South and Central Asia, survive on less than 2 percent of the world's wealth.

These geographically disadvantaged people cope every day with the reality that development does not bring economic prosperity everywhere at once; markets favor some places over others. But dispersing production more broadly does not necessarily foster prosperity. Economically successful nations both facilitate the concentration of production and institute policies that make people's living standards—in terms of nutrition, education, health, and sanitation—more uniform across space. Getting the benefits of both economic concentration and social convergence requires policy actions aimed at economic integration.

Integration should begin with institutions that ensure access to basic services such as primary education, primary health care, adequate sanitation, and clean drinking water for everyone. As integration becomes more difficult, adaptive policies should include roads, railways, airports, harbors, and communication systems that facilitate the movement of goods, services, people, and ideas locally, nationally, and internationally. For places where integration is hardest, for social or political reasons, the response should be commensurately comprehensive, with institutions that unite, infrastructure that connects, and interventions that target, such as slum upgrading programs or incentives for producers to locate in certain areas.

Using these principles, *World Development Report 2009*, the 31st in the series, reframes the policy debates on urbanization, territorial development, and regional integration. The report analyzes the early experience of developed countries and draws practical implications for urbanization policies in today's developing countries. For the poorest countries in Africa and Asia that are landlocked or otherwise isolated from world markets, the Report discusses promising approaches to regional integration that combine institutional cooperation, shared infrastructure, and special incentives. In growing middle-income economies, general prosperity can camouflage areas of persistent poverty. For such countries, the Report outlines strategies to foster domestic integration and help the poor in the least fortunate places.

I expect that *Reshaping Economic Geography* will stimulate a much-needed discussion on the desirability of “balanced growth,” which has proved elusive. And by informing some important policy debates, it will point the way toward more inclusive and sustainable development.



Robert B. Zoellick  
President



# Acknowledgments

This Report has been prepared by a team led by Indermit S. Gill, comprising Souleymane Coulibaly, Uwe Deichmann, Maria Emilia Freire, Chorching Goh, Andreas Kopp, Somik V. Lall, Claudio E. Montenegro, Truman Packard, and Hirotugu Uchida. Important contributions were made by Homi Kharas, Marisela Montoliu Munoz, Andrew Nelson, Mark Roberts, Sebastian Vollmer, and Fang Xu. The team was assisted by Eduardo S.F. Alves, Brian Blankespoor, Maximilian Hirn, Siobhan Murray, and Catalina Tejada.

Bruce Ross-Larson was the principal editor.

The maps were created by the World Bank's Map Design Unit under the direction of Jeff Lecksell. Book production and printing were coordinated by the World Bank's Office of the Publisher, under the supervision of Stephen McGroarty, Susan Graham, Rick Ludwick, and Andres Ménèses.

*World Development Report 2009* is co-sponsored by the Development Economics Vice Presidency (DEC) and the Sustainable Development Network (SDN). The work was conducted under the joint guidance of François Bourguignon, Alan H. Gelb, and Justin Yifu Lin, DEC Senior Vice Presidents at various stages of the production and dissemination of this Report, and Katherine Sierra, SDN Vice President. Jean-Jacques Dethier, Jeffrey Lewis, Claudia Paz Sepulveda, Laszlo Lovéi, and Antonio Estache also provided valuable comments.

World Bank Presidents Robert B. Zoellick and Paul D. Wolfowitz provided guidance and advice, and Managing Directors Ngozi Okonjo-Iweala and Graeme Wheeler have been invaluable sources of encouragement to the team.

Two panels of advisers provided excellent advice at all stages of the Report. The Academic Panel was chaired by the Chief Economist and DEC Senior Vice President and consisted of François Bourguignon, Paul Collier, Masahisa Fujita, Vernon Henderson, Philippe Martin, Ravi Kanbur, Lord Nicholas Stern, and Anthony Venables. The Policymaker Panel was chaired by the SDN Vice President and consisted of Lobna Abdellatif Ahmed, Newai Gebreab, Jerzy Kwiecinski, Shantong Li, Katharina Mathernova, Charbel Nahas, Enrique Peñalosa, Carolina Renteria, Kamal Siddiqui, Jorge Wilhelm, and Natalia Zubarevich.

Many others outside and inside the World Bank contributed with comments and suggestions. The team benefited greatly from many consultations, meetings, and regional workshops held locally and in Côte d'Ivoire, Finland, France, Germany, India, Japan, Norway, Russia, South Africa, Sweden, Tanzania, Turkey, and the United Kingdom. The team wishes to thank participants in these and other workshops, videoconferences, and on-line discussions, which included academics, policy researchers, government officials, and staff of nongovernmental, civil society, and private sector organizations.

The team would like to acknowledge the generous support of the United Kingdom's Department for International Development, the multi-donor Knowledge for Change Program, the Government of Norway, the Japan Policy and Human Resources Development Trust Fund, the Institute for Environment and Sustainability in the Joint Research Centre of the European Commission, Germany's Federal Ministry for Economic Cooperation and Development, and the William and Flora Hewlett Foundation.

Rebecca Suguí served as senior executive assistant to the team, Ofelia Valladolid as program assistant, and Jason Victor and Maria Hazel Macadangdang as team assistants. Evangelina Santo Domingo served as resource management assistant.

## *Abbreviations and Data Notes*

ACP	Africa, Caribbean, and Pacific
AMU	Arab Maghreb Union
ASEAN	Association Southeast Asian Nations
BELDES	Municipal Infrastructure Support Project (Turkey)
CACM	Central American Common Market
CARICOM	Caribbean Community
CEFTA	Central European Free Trade Agreement
CESIN	Center for International Earth Science Information Network
CKLN	Caribbean Knowledge and Learning Network
DR-CAFTA	Dominican Republic–Central America Free Trade Agreement
EAC	East African Community
EAP	East Asia and the Pacific
ECA	Europe and Central Asia
ECOWAS	Economic Community of West African States
ECSC	European Coal and Steel Community
ECTEL	Eastern Caribbean Telecommunications Authority
EEC	European Economic Community
EMU	European Monetary Union
ENEA	École Nationale d'Économie Appliquée (Dakar)
ENSEA	École Nationale de Statistique et d'Économie Appliquée (Abidjan)
EPA	economic partnership agreements
EU	European Union
FDI	foreign direct investment
FEU	forty-foot equivalent units
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GIS	geographic information system
GNI	gross national income
GRP	gross regional product
GRUMP	Global Rural-Urban Mapping Project
IBRD	International Bank for Reconstruction and Development
ICT	information and communication technology
IDA	International Development Association
IIED	International Institute for Environment and Development (UK)
INEGI	Instituto Nacional de Estadística y Geografía
IOM	International Organization of Immigration
ISSEA	Institut Sous-Régional de Statistique et d'Économie Appliquée (Yaoundé)
IT	information technology
KÖYDES	Village Infrastructure Support Project (Turkey)

MERCOSUR	Southern Common Market (Latin America)
NAFTA	North American Free Trade Agreement
NEPAD	New Partnership for Africa's Development
NSDP	National Slum Development Program (India)
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation for Economic Co-operation and Development
OEEC	Organization for European Cooperation
PAFTA	Pan-Arab Free Trade Area
PPS	purchasing power standard
R&D	research and development
RASCOM	Regional African Satellite Communication Organization
SADC	Southern African Development Community
SAR	South Asia region
SASEC	South Asia Sub-regional Economic Cooperation
SEZ	special economic zone
SIC	Standard Industrial Classification.
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
TEU	twenty-foot equivalent units
TFP	total factor productivity
UPE	universal primary education
VAMBAY	Valmiki Ambedkar Awas Yojana
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

### Data notes

The countries included in regional and income groupings in this Report are listed in the Classification of Economies table at the beginning of the Selected World Development Indicators. Income classifications are based on gross national income (GNP) per capita; thresholds for income classifications in this edition may be found in the Introduction to Selected World Development Indicators. Group averages reported in the figures and tables are unweighted averages of the countries in the group, unless noted to the contrary.

The use of the word *countries* to refer to economies implies no judgment by the World Bank about the legal or other status of a territory. The term *developing countries* includes low- and middle-income economies and thus may include economies in transition from central planning, as a matter of convenience. The terms *industrialized countries* or *developed countries* may be used as a matter of convenience to denote high-income economies.

Dollar figures are current U.S. dollars, unless otherwise specified. *Billion* means 1,000 million; *trillion* means 1,000 billion.