

## **Rural-Urban Linkages and Pro-Poor Agricultural Growth: An Overview**

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## Introduction

Rural–urban linkages include flows of agricultural and other commodities from rural-based producers to urban markets, both for local consumers and for forwarding to regional, national and international markets; and, in the opposite direction, flows of manufactured and imported goods from urban centres to rural settlements. They also include flows of people moving between rural and urban settlements, either commuting on a regular basis, for occasional visits to urban-based services and administrative centres, or migrating temporarily or permanently. Flows of information between rural and urban areas include information on market mechanisms – from price fluctuations to consumer preferences – and information on employment opportunities for potential migrants. Financial flows include, primarily, remittances from migrants to relatives and communities in sending areas, and transfers such as pensions to migrants returning to their rural homes, and also investments and credit from urban-based institutions.

These spatial flows overlap with interlinkages between sectors both at the household level and at the level of local economies. They include backward and forward linkages between agriculture and manufacturing and services, such as production inputs and the processing of agricultural raw materials. Most urban centres, especially small and intermediate ones, rely on broad-based demand for basic goods and services from surrounding populations to develop their secondary and tertiary sectors. Overall, synergy between agricultural production and urban-based enterprises is often key to the development of more vibrant local economies and, on a wider level, to less unequal and more ‘pro-poor’ regional economic growth<sup>1</sup>.

Some factors can be generalized as having a key role in the increase in the scale of rural–urban linkages. Decreasing incomes from farming, especially for small-scale producers who, because of lack of land, water or capital, are unable to intensify production and switch to higher value crops, mean that growing numbers of rural residents engage in non-farm activities that are often located in urban centres. For those who continue farming, direct access to markets is essential in the wake of the demise of parastatal marketing boards – and markets are also usually located in urban centres. Better access to markets can increase farming incomes and encourage shifts to higher value crops or livestock. Population growth and distribution patterns affect the availability of good agricultural land and can contribute to rural residents moving out of farming. With the expansion of urban centres, land uses change from agricultural to residential and industrial, and in the peri-urban interface these processes go hand in hand with transformations in the livelihoods of different groups – with the poorest often losing out.

Perhaps more significant than the absolute availability of natural resources in relation to population numbers and density are the mechanisms which regulate access to, and management of, such resources. These include land tenure systems and the role of local government in negotiating the priorities of different users and in providing a regulatory framework which safeguards the needs of the most vulnerable groups while, at the same time, making provision for the requirements of economic and population growth. Such mechanisms continue to call for attention, to make it possible for more vulnerable groups to successfully plot a course through this increasingly complex “landscape”.

## What is 'rural' and what is 'urban'? Some problematic definitions

The prevailing division between 'urban' and 'rural' policies is based on the assumption that the physical distinction between the two areas is self-explanatory and uncontroversial. However, there are three major problems with this view. The first is that demographic and economic criteria used to define what is 'urban' and what is 'rural' can vary widely between nations, making generalisations problematic (see box 1).

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### *Box 1. Variations in the definition of urban centres*

Asia remains a predominantly 'rural' continent, with two-thirds of its population living in rural areas in 1990. However, if both India and China were to change their definition of urban centres to one based on a relatively low population threshold of 2,000 or 2,500 inhabitants - as used by many Latin American and European nations - a large proportion of their population would change from 'rural' to 'urban'. Given the fact that India and China have a high share of Asia's population, this in turn would significantly change Asia's level of urbanization - and even change the world's level of urbanization by a few percentage points.<sup>2</sup>

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A second problem is that of the definition of urban boundaries. In Southeast Asia's Extended Metropolitan Regions, agriculture, cottage industry, industrial estates, suburban developments and other types of land use coexist side by side in areas with a radius as large as 100 km, where the high mobility of the population includes circular migration and commuting.<sup>3</sup> In sub-Saharan Africa, agriculture still prevails in peri-urban areas, but there, as elsewhere, significant shifts in land ownership and employment patterns are taking place, often at the expense of both rural and urban poor people (see box 2).

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### *Box 2. Land use conversion in the Philippines*

In Manila's extended metropolitan region, large swathes of rice land have been converted into industrial, residential and recreational uses. Alternatively, land may simply lie idle, with cattle grazing on grassed-over rice fields whose owners await either development permits or more propitious market conditions. Although the 1988 Land Reform Law protects from conversion lands eligible for redistribution from landlord to tenant farmer, it has in fact accelerated the process of land conversion. This is because landlords keen to avoid losing their land have converted it to non-agricultural uses, and in many cases tenant farmers have been evicted and the land left idle.<sup>4</sup>

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The third problem in the definition of the boundaries between 'rural' and 'urban' areas is the fact that urban residents and enterprises depend on an area significantly larger than the built-up area for basic resources and ecological functions. In general, the larger and the wealthier the city, the more its industrial base and its wealthy consumers will draw on such resources and ecological functions from beyond its surrounding region.<sup>5</sup> The concept of a city's ecological footprint was developed to quantify the land area on which any city's inhabitants depend for food, water and other renewable resources such as fuelwood, and the absorption of carbon to compensate for the carbon dioxide emitted from fossil fuel use.<sup>6</sup> The concept makes clear the dependence of any city on the resources and ecological functions of an area considerably larger than itself (although urban areas with limited industrial

bases and with most of their population having low incomes will have much smaller and generally more local ecological footprints than large and prosperous cities).

### **Flows of goods, access to urban markets and local economic development**

Exchanges of goods between urban and rural areas are an essential element of rural-urban linkages. The 'virtuous circle' model of rural-urban local economic development emphasises efficient economic linkages and physical infrastructure connecting farmers and other rural producers with both domestic and external markets. This involves three phases:

- rural households earn higher incomes from production of agricultural goods for non-local markets, and increase their demand for consumer goods
- this leads to the creation of non-farm jobs and employment diversification, especially in small towns close to agricultural production areas
- which in turn absorbs surplus rural labour, raises demand for agricultural produce and again boosts agricultural productivity and rural incomes<sup>7</sup>.

However, spatial proximity to markets does not necessarily improve farmers' access to the inputs and services required to increase agricultural productivity. Access to land, capital and labour may be far more important in determining the extent to which farmers are able to benefit from urban markets. In Paraguay, despite their proximity to the capital city, smallholders' production is hardly stimulated by urban markets as their low incomes do not allow investment in cash crops or in production intensification to compensate for the lack of land.<sup>8</sup> Patterns of attendance at periodic markets also show that distance is a much less important issue than rural consumers' income and purchasing power in determining demand for manufactured goods, inputs and services.<sup>9</sup>

Nevertheless, access to urban markets is key to increasing incomes for rural and peri-urban farmers. Three aspects are crucial: physical infrastructure, including road networks and affordable transport; relations between producers, traders and consumers; and information on how markets operate, including price fluctuations and consumer preferences. Poor physical infrastructure can have far-reaching consequences on producers' prices, as inadequate roads usually entail prohibitive transport costs (see box 3). Traders, often perceived as inherently exploitative, can in fact play an important role in providing credit and information to producers. In areas where production volumes are small and scattered between several small farms, local traders operating on a small scale are often the only link with markets. However, lack of storage and processing facilities and high transport costs increase the vulnerability of these trade networks.

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#### *Box 3. The impact of poor physical infrastructure on farming*

In Tanzania, collection, transport and sale of previously controlled cash crops has been liberalised since the mid-1980s. Cashew nuts from the southern region are primarily for export, and a small number of private companies control their purchase, collection and transport to the main shipping port of Mtwara. Road infrastructure in the area, however, is extremely poor, making transport costs prohibitive. Although private companies are only allowed to buy the nuts from farmer cooperatives in designated locations, in practice these are out of reach for small farmers, who can hardly afford transport costs. Smallholders tend to sell directly to agents, an

arrangement which puts buyers in a strong bargaining position and weakens producers' ability to negotiate prices. It also makes it difficult for local government to effectively control the quantities traded and collect taxes from traders, despite this being a major source of revenue.

In southeast Nigeria road and transport infrastructure is generally good, but some remote settlements can be cut off at certain times of the year, when soil erosion combined with heavy rains can wipe away feeder roads. Only large farmers have the means to hire tractors to transport produce to marketing nodes. Small farmers who cannot afford this expense often prefer to seek employment as waged labourers in large commercial farms, often belonging to urban-based landlords, or to abandon their own farms altogether and migrate to urban centres or to other rural settlements.<sup>10</sup>

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Markets are also social institutions in which some actors are able to enforce mechanisms of control which favour access for specific groups and exclude others (see box 4). Grain markets in South Asia tend to be dominated by large local merchants who control access to the means of distribution (transport, sites, capital, credit and information); even in the petty retailing subsector, caste and gender are major entry barriers.<sup>11</sup>

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*Box 4 . Market access and control in Senegal's charcoal trade*

In Senegal, forests are officially owned by the state and managed by the Forest Service, which allocates commercial rights to urban-based merchants through licences, permits and quotas. Village chiefs control direct forest access, ultimately deciding whether to allow merchants' woodcutters into the forests. Despite their control, villagers reap only a small portion of the profits from commercial forestry. More substantial benefits accrue to merchants and wholesalers who, through their social relations, control access to forestry markets, labour opportunities and urban distribution, and access to state agents and officials. Local control and management of natural resources is therefore weakened by the lack of economic benefits which would encourage maintenance.<sup>12</sup>

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Understanding markets is essential for farmers. Direct access to information on consumer preferences has transformed, sometimes dramatically, the practices of farmers attending farmers' markets in Tamil Nadu, and helped them maximize their use of natural resources (see box 5).

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*Box 5. Farmers' Markets in Tamil Nadu*

This was initiated by the state government in 1999, and covered most of the towns and cities of Tamil Nadu, South India, where semi-drought conditions and labour shortages affect small-scale farmers. Dedicated marketplaces were constructed where vegetable farmers would sell their produce directly to urban consumers, with the explicit aim to exclude middlemen and traders. Direct contact with consumers has affected producers' practices in two main ways: through increased diversification of production to include a wider variety of vegetables, and through intensification, to maximise the use of water and land resources throughout the year.<sup>13</sup>

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## Rural-urban linkages and livelihood diversification

Transformations in the ways in which households and individuals make a living are perhaps the most striking aspect of rural–urban linkages and, in many cases, involve multiple occupations ranging from farming to services to processing and manufacturing. In most rural locations, there has been an increase among rural households in the time devoted to, and the income share derived from, non-farm activities, although diversification is not new. Nor is it a purely rural phenomenon, and the reliance of hundreds of millions of urban residents on agriculture, either for household consumption or as an income-generating opportunity, is well documented<sup>14</sup>. However, national employment data tend to underestimate the importance of diversification, as they usually record only people's primary activity. This neglects the fact that individuals are more likely to engage in multiple activities rather than rely on only one, and that there will often be variations over time, either seasonal (and therefore depending on changes in the labour demands of different activities) or related to individuals' life course (such as, especially for women, different demands on their time from childcare, caring for older people, etc). Recent survey data on employment patterns in southern Tanzania show that 67 percent of respondents living in villages and in the intermediate town of Lindi are engaged in more than one income-generating activity, including both farming and non-farm activities<sup>15</sup>.

Information on rural households' income share derived from non-farm activities is usually based on relatively small and location-specific household or enterprise surveys. Rarely are there national data, and even where they are available, usually informal sector activities are omitted, including home-based work and petty trade which can be a significant part of non-farm income-generating activities for low-income groups. Available studies show that the proportion of rural households' incomes derived from non-farm sources, including migrant remittances, is between 30 and 50 percent in sub-Saharan Africa, reaching as much as 80-90 percent in some regions, such as southern Africa. In south Asia, the proportion is around 60 percent<sup>16</sup>. In Latin America, non-farm income constitutes roughly 40 per cent of rural households' incomes<sup>17</sup>.

A review of the main reasons behind the growth in rural non-farm employment in different nations and regions suggests that diversification is a response to a variety of factors. As in migration theory, these factors can be broadly divided into 'push' (or constraints) and 'pull' (or opportunities); however, this is more an analytical distinction, and empirical evidence shows that in most cases diversification is driven by a combination of both.

For example, in some regions of China and in the densely-populated Red River and Mekong deltas in Vietnam, increases in rural non-farm activities are primarily the consequence of large labour surpluses in the agricultural sector<sup>18</sup>. However, it should also be stressed that in both countries such labour surpluses emerged after the demise of the commune farm system in the 1979-84 period in China, and after 1986 in Vietnam. As households took over responsibility for farming, production levels increased and, in high-potential regions, this contributed to a decline in rural poverty and to increased demand for non-agricultural goods; at the same time, however, land scarcity gave rise to unprecedented migration to small and large urban centres<sup>19</sup>.

In Brazil's central plains, since the early 1970s export-oriented agro-industry has taken hold with highly mechanised crops such as cotton, and has swept aside traditional staples' production by sharecroppers, small tenant farmers and rural squatters, forcing them to find employment in non-farm sectors<sup>20</sup>. In much of sub-

Saharan Africa, the growth of non-farm occupation since the implementation of structural adjustment derives as much from the need for cash to cover user fees for basic services, as from the decline in farming incomes and, in some locations, the emergence of new types of employment in services for international tourism<sup>21</sup>. The latter are in most cases not the consequence of endogenous development but of the internationalisation of trade, production and services. Similarly, the development of many small and intermediate urban centres in northern Mexico, and the related growth in non-farm employment among their populations and that of the surrounding rural regions, is not locally induced but is based on foreign investment and production for international markets in *maquiladoras*<sup>22</sup>.

### **Diversification patterns, inter-household and intra-household differences**

Given the broad variations in the reasons behind diversification, and the ways in which local contexts affect both constraints and opportunities, it is useful to look at diversification patterns in relation to their potential contribution to poverty reduction and to greater equity.

A first distinction can be made between poor and vulnerable households and individuals, and better-off households and individuals. This cuts across both rural settlements and urban centres, as diversification and access to both rural and urban resources is important for residents of both areas. On the other hand, there are also significant differences in the ways in which different households straddle the rural-urban divide, and in how this contributes to their security and wealth.

Diversification can be described as an accumulation strategy for households with farming assets and with access to urban networks, and who often re-invest profits from urban-based activities in agricultural production and vice-versa, resulting in capital and asset accumulation. But for other groups, rural non-farm activities can be determined by lack or loss of land, labour or capital in what can be described as a 'survival strategy' that aims to reduce risk, overcome seasonal income fluctuations, and respond to external and internal shocks and stresses<sup>23</sup>. Land ownership can become increasingly unequal, as large farmers and wealthier urban households purchase land rights from small holders who cannot afford to buy inputs and have limited access to credit<sup>24</sup>. As a result, poorest households become less able to spread risk as they lose farming as part of their portfolio of activities. Indeed, reliance on non-farm income sources is much higher than average among rural residents with limited or no access to farming resources, such as, in many nations, women and the landless. But at the same time, households relying on farming only can be considered a high-risk category, especially in rainfed agriculture areas where they are susceptible to climatic vagaries<sup>25</sup>.

As wealthier households' diversification of activities consolidates, multi-activity takes place at the household level, where individuals specialise in specific sectors of activities but resources are used to facilitate investments across sectors. By contrast, poor and vulnerable individuals lack the skills and education to specialise in any activity, and must engage in a multitude of low-paid income-generating occupations to make ends meet.

At the intra-household level, gender and generational relations are likely to have a significant impact on the ways in which different groups engage in diversification. In Tanzania, domestic trade liberalisation has opened up opportunities in local small-scale trade. These have been taken up especially by young women, who are otherwise expected to work as unpaid labour on their family's farm, which they would

not expect to inherit; but young men are also moving out of farming, as petty trade replaces agriculture as their main activity. Their reasons for doing so are not only the decline in farming incomes, but also frustration at the almost absolute control still held by the older men over land and farming decisions (see box 6)

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*Box 6. Age, gender and occupation in northern Tanzania*

In northern Tanzania, levels of multiactivity amongst younger generations are as high as 80 per cent, against 50 per cent for older respondents. Older women still shoulder much of the agricultural work as well as the domestic chores, but farming no longer provides employment opportunities or incentives to young people, who, in addition, no longer accept to provide unpaid family labour. As a result, almost 30 per cent of households rely on waged labour for family farming and other household chores. This proportion reaches 46 per cent in the plains settlement, Lotima, where houseworkers' main task is taking the cattle out to pasture, traditionally the sons' responsibility.

Young women are more likely than young men to engage in petty trading, either as a primary or as a secondary occupation. The main reason for this is that farming is usually in the form of unpaid family labour with little prospects, since daughters rarely inherit land from their parents who also control farming income and decision-making. By contrast, young women keep control of their earnings from trading, on which they also make independent decisions <sup>26</sup>.

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At the same time, widespread access to information, changing financial expectations and a view of farming as 'un-modern' also have a profound impact on employment patterns in many 'rural' areas. Hence, in densely populated southeastern Nigeria, which also has a comprehensive network of small and intermediate urban centres, young men in rural settlements are expected to find work, at least for a period of time, in nearby urban centres – should they decide not to do so, they risk being derided for being lazy <sup>27</sup>.

### **Mobility and migration**

Mobility and migration are closely interrelated with livelihood diversification. Access to affordable transport expands the opportunities to find employment or to engage in income-generating activities through commuting. When mobility is constrained, as in the case of isolated settlements poorly served by road networks and transport facilities, migration is more likely to occur, although this may also be the case for well-served settlements in economically stagnating areas offering limited income opportunities.

Internal migration is often seen as essentially rural-to-urban and contributing to uncontrolled growth and related urban management problems in many large cities in the South. This has resulted in many policies to control or discourage migration. While migration restriction is infrequent, many countries have sought to make cities relatively inhospitable, for example bulldozing informal low-income settlements, or making it difficult for new migrants to secure property rights to land or access to public services. These measures generally have little impact aside from lowering welfare, especially for the poor. In fact, most of the growth in urban population is due to natural population increase. Since rural to urban migration is fastest where economic growth is highest - as migrants tend to move to places where they are likely to find employment opportunities - it is not in reality as problematic as it is made out to be. For example, secondary urban centres, especially in Latin America, have

recently attracted new investment and industries which would have previously been directed to large cities. As a consequence, they have also increased their role as migration destinations.

Despite widely held beliefs that flows are always rural-to-urban, migration from the urban to the rural areas is increasing. This type of movement is often associated with economic decline and increasing poverty. In sub-Saharan Africa, significant numbers of retrenched urban workers are thought to return to rural 'home' areas, where the cost of living is lower.<sup>28</sup> Seasonal waged agricultural work in rural areas can also provide temporary employment for low-income urban groups.<sup>29</sup> Temporary and seasonal movement such as this is not reflected in census figures, and can make 'static' enumerations of rural and urban populations unreliable.

Complexity in migration direction and duration is matched by that in the composition of the flows, which reflect wider socio-economic dynamics. Although regional variations can be important, the number of migrant women has increased in many countries in the South. The age and gender of who moves and who stays can have a significant impact on source areas in terms of labour availability, remittances, household organisation and agricultural production systems. In some cases, decision-making power over the management of natural resources is invested with the actual migrants and not with those who 'stay behind'. This can limit the impact of policy and project interventions.

### **Multi-spatial households**

Household membership is usually defined as 'sharing the same pot', under the same roof. However, the strong commitments and obligations between rural-based and urban-based individuals and units show that in many instances these are 'multi-spatial households', in which reciprocal support is given across space. For example, remittances from urban-based members can be an important income source for the rural-based members, who in turn may look after their migrant relatives' children and property. These linkages can be crucial in the livelihood strategies of the poor, but are not usually taken into consideration in policy-making (see box 7).

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#### *Box 7. Multi-spatial households*

In Old Naledi, a low-income settlement of Gaborone (Botswana), a third of all households own cattle and half retain land in their home village. This proportion does not decline with people's length of stay in the city. Rural assets have both monetary and social value, and serve as a safety net for low-income households with uncertain livelihood prospects in the city. However, although most of these households have no other assets, they are not eligible to relief or aid measures in case of loss as these are designed exclusively for rural dwellers.<sup>30</sup>

In Durban (South Africa), maintaining both an urban and a rural base also provides a safety net for low-income city dwellers in times of economic hardship or political violence. However, housing and rural development programmes do not acknowledge such multi-spatial, extended households: eligibility to subsidies and grants is based on the size of the co-resident household (either in town or in the countryside), and the funds can only be used in one of the two locations. Since urban housing subsidies are more widely available, this may encourage urban-based members of multi-spatial households to cut their rural links.<sup>31</sup>

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## Urban centres and rural development

This is discussed in more detail in the other paper produced for this workshop, '*The Role of Small and Intermediate Urban Centres and Market Towns and the Value of Regional Approaches to Rural Poverty Reduction Policy*'. However, since it is a central issue in rural-urban linkages, this section provides some basic information and examples.

Since the 1970s, comprehensive rural-urban development frameworks have been formulated as an explicit attempt to promote rural development, and with the implicit aim of curbing migration to large cities. Integrated Rural Development has contributed the view of rural development as holistic and multifaceted, and including non-agricultural as well as agricultural activities. However, it has rarely included explicit urban components, and whenever a spatial dimension is included it is usually limited to marketing functions.

Other attempts take urban centres as their starting point. In the 'urban functions in rural development' (UFRD) approach, the strategy for promoting rural development is to develop a network of small, medium-sized and larger centres each providing centrally located functions (such as services, facilities and infrastructure) hierarchically organised.<sup>32</sup> Rural development is expected to be stimulated by filling in the supposedly missing functions (for example banking services) through selective investment in rural towns (see box 8). Translating this model into practice has been problematic for three main reasons:

- 'urban functions' are assumed to benefit the entire surrounding region and all rural households irrespective of social and economic status: issues of access and control are not considered
- the methods for selecting key towns for investment were not clear, and tended to focus only on the attributes of the towns themselves with no consideration of the rural potential
- the model is based on generalisations which do not account for the rich variety in the roles of urban centres, which are determined by both the rural and regional context.

The underlying conceptual problem is the assumption that it is an absence of 'central places' that constrain development, rather than factors such as ecological capacity, land-owning structures, crop types and control on crop prices or access to markets, all of which in turn are shaped by rural-urban interactions within the specific regional context.

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### *Box 8. Application of the UFRD approach in the Philippines*

This USAID-funded programme was carried out in the Bicol Region in the late 1970s. A study conducted ten years later found that the selected towns were not performing the 'missing' functions and were themselves stagnating. Among the main reasons were that:

- the identified functions did not support rural development but rather the urban-based military and civil service personnel
  - transport linkages to larger towns did not encourage the marketing and commercial functions of local towns, which were by-passed
  - since agricultural productivity did not increase, rural household expenditures for non-agricultural goods and services did not rise and did not start the 'virtuous circle' of urban and rural expansion<sup>33</sup>
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An alternative position on the role of small towns in rural development draws on empirical case studies from Africa, Asia and Latin America, it shows that universal generalisations and prescriptions, which form the basis of most spatial planning models, are not valid. Centralised policies, which do not take into account the peculiarities and specifics of small towns and their regions, may not be efficient. Real decentralisation of decision-making with investment and resource-raising at the local level may allow the articulation of local needs and priorities and stimulate both rural and urban development (Box 9). However, wider socio-economic issues such as inequitable land-owning structures and government crop purchasing policies and taxation are also likely to affect small towns and, by extension, migration to larger cities.

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*Box 9. Positive links between rural and urban development*

The Upper Valley of the Rio Negro and Nequen in Argentina shows how rapid growth in agricultural production can be accompanied by rapid growth in employment linked to agriculture and urban growth. The Upper Valley is linked by railway to Buenos Aires, giving local farmers access to both national and international markets. In the 1950s, the area acquired provincial status, which increased the power and resources available to the local government. The land-owning structure is relatively equitable, and most of the land is farmed by farmer-owners with sufficient capital to invest in intensive production, mainly fruit trees. The growing number of prosperous farmers has provided a considerable stimulus to local urban growth, with a chain of small centres developing along the railway. Urban based enterprises were stimulated by demand from agricultural producers both as forward linkages (cold storage plants, industries producing packaging material, plants for the processing into juices, jams, dried or tinned fruit) and as backward linkages (production of inputs such as fertilisers and pesticides, or tools and machinery).<sup>34</sup>

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### **Conclusions: how rural–urban interactions are interlinked with economic, social and cultural transformations**

Whilst, to some extent, flows and linkages exist between all rural and urban areas, their scale and strength are determined by the nature of economic, social and cultural transformations. These can be divided further into three broad categories: the global, the national and the local levels.

**At the global level**, the liberalization of trade and production has changed or reshaped rural–urban linkages in most regions. The increased availability of imported manufactured and processed goods affects consumption patterns in both rural and urban settlements; but since these are often cheaper than locally produced goods, local manufacturers and processors can be negatively affected. This is especially the case for small-scale enterprises using traditional or limited technology and often employing women, for example in traditional cloth weaving in southeast Nigeria and vegetable oil production in Tanzania<sup>35</sup>.

In the agricultural sector, trade in export crops is largely controlled by international traders, who tend to by-pass local urban centres for processing and marketing, and who also retain much of the added value and do not necessarily invest it in the

producing region or even nation. Moreover, stringent quality controls and quantity requirements, linked to demand in high-income nations and the preference of larger retailers there, often exclude small-scale farmers who do not have the financial capital to purchase the necessary inputs<sup>36</sup>. At the same time, the increase in the number of international tourist resorts and the establishment of export processing zones have created new, albeit limited, areas of employment that, in many cases, rely on migrant workers, especially women.

An often overlooked aspect of globalization is its impact on social and cultural values. Increased access to information on different and often distant places has an important role in younger generations' desire to migrate to experience the wider world, and to move out of farming in favour of more "modern" types of employment in services and – albeit less so – manufacturing. Changing employment opportunities can have a profound impact on traditional social structure. In South India, young men from landless low castes who find employment in urban centres openly defy the caste system as they are no longer dependent on their upper caste, land-owning employers for a living<sup>37</sup>. Whilst these transformations clearly encourage individual independence, and should be welcomed for breaking up social relations based on power imbalances, their economic and social consequences are far reaching and still not sufficiently understood.

What is clear is that the assumptions of rural households and communities as relatively stable units of production and consumption are no longer valid in many locations, and that this needs to be taken into account in the formulation and implementation of rural development initiatives.

**At the national level**, macroeconomic policies linked to reform and adjustment have an impact on rural–urban linkages. The sharp reduction in subsidies to agricultural inputs has affected the incomes of small-scale, under-capitalized farmers in most nations, whilst the retrenchment of workers in the formal sector has deepened financial insecurity in the urban centres. At the same time, the increase in the cost of food and the introduction of user fees for education and health services has forced many households to seek cash incomes through employment diversification – including non-farm occupations for rural residents, often located in urban centres – migration and urban agriculture.

The increased emphasis on producers' direct access to markets, following the dismantling of marketing boards which used to be the main outlet for small agricultural producers, has strengthened the links with urban centres, where local markets and links to wider regional and national marketing systems are located. This is not without problems, however, as limited information, inadequate infrastructure and storage and processing facilities can hamper increased returns for producers.

Whilst adjustment policies and economic reform have had a generally negative impact on low-income groups in both rural and urban areas, there are sometimes significant differences in the transformations that have taken place in the past 10–15 years, depending on each nation's position in the global economy, its resource base and technological know-how. Hence, some nations with higher levels of educational and technical skills and with national governments able and willing to invest in infrastructure facilities have been able to attract foreign direct investment – albeit usually in circumscribed areas.

**At the local level**, the nature and scope of rural–urban interactions is influenced by several factors, ranging from geographical and demographic characteristics (including the nature of agricultural land, population density and distribution patterns)

to farming systems (based on land tenure and access to natural resources) to the availability of roads and transport networks linking local settlements to a number of urban centres where markets and services are located. Local governments, whose role in many nations has dramatically increased, at least in theory, with decentralization, can play an important role in supporting positive rural–urban linkages.

Local government and other local actors are best placed to identify local needs and priorities and provide an adequate response to them. Local decision-making can help avoid the neglect of forward and backward linkages between agriculture and services and manufacturing. It can also negotiate and regulate the use of natural resources by rural and urban residents and enterprises, which can otherwise become a major cause for conflict. However, although decentralization has great potential with regards to efficiency and democratic accountability, it is often accompanied by costs and constraints. Local government may be unable to provide the services needed, either because of the reduction in central government public investment or because it fails to generate sufficient revenue at the local level. And whilst local decision-making, supported by adequate resources, can support positive rural–urban linkages, wider issues such as land tenure systems, institutional structures of markets and broader national development strategies are likely to affect local initiative. Better integration of local development strategies in national planning is therefore crucial. Finally, especially in nations where decentralization is relatively recent, substantial efforts are necessary to ensure the legitimacy and the capacity of local institutions to carry out their new functions.

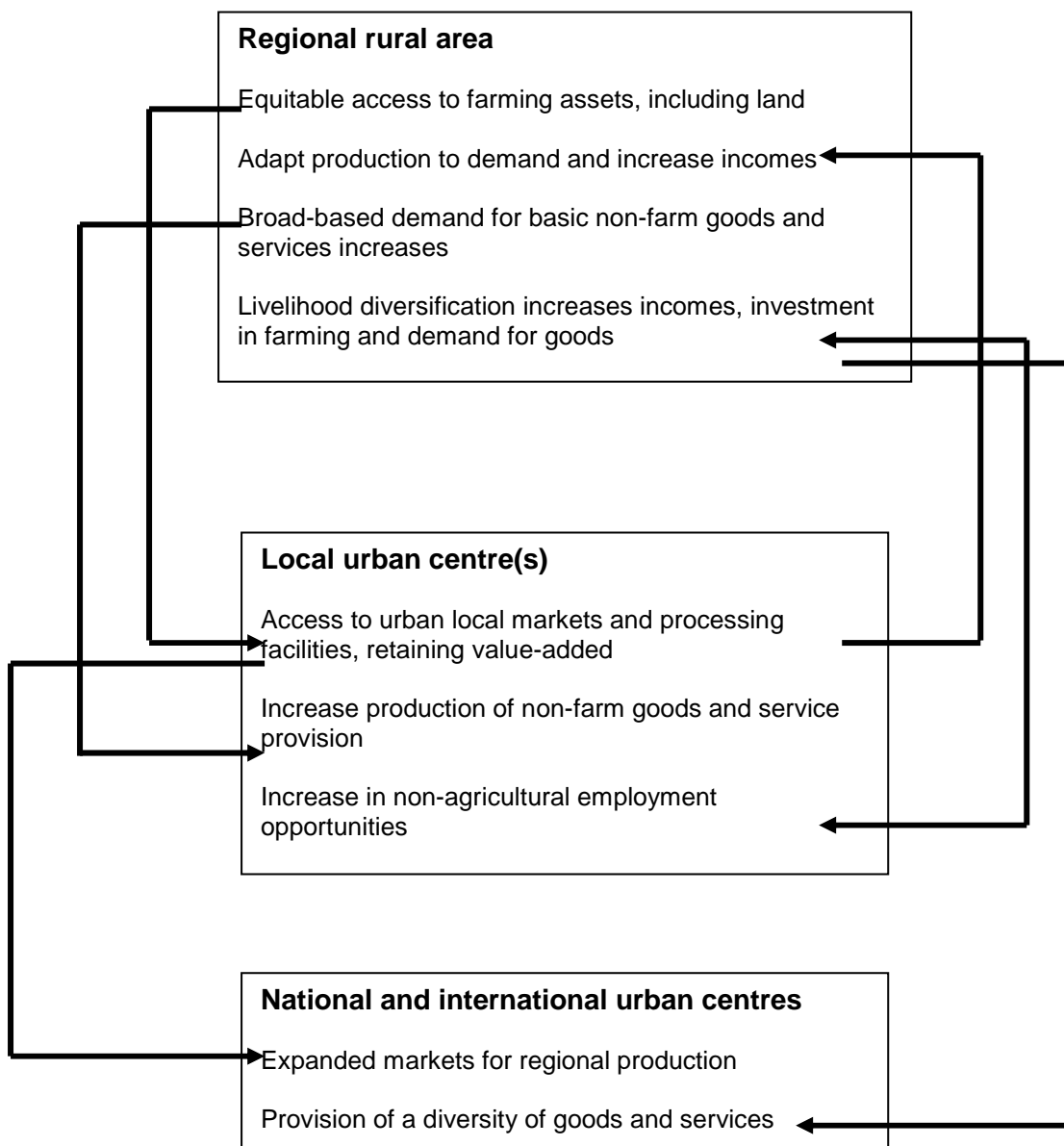
Figures 1.1 and 1.2 below describe the interrelations between regional rural areas, local urban centers and national and international urban centers, highlighting respectively positive and negative interactions with respect to regional development.

**Figure 1.1: Positive rural–urban interactions and regional development**

**International context:** access to international markets for small and medium-sized producers, with stable commodities prices. Foreign investment supports local production, imports do not compete with locally produced goods.

**National context:** equitable distribution of and access to land; regionally balanced growth strategies including satisfactory provision of infrastructure, credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); revenue support to local government; regulated institutional structure of markets.

**Local governance:** accountable, with adequate resources and capacity; identifies local needs and priorities and responds to them; supports forward and backward linkages between agriculture and services and industry located in local urban centres; regulates local natural resource management; integrated with national planning

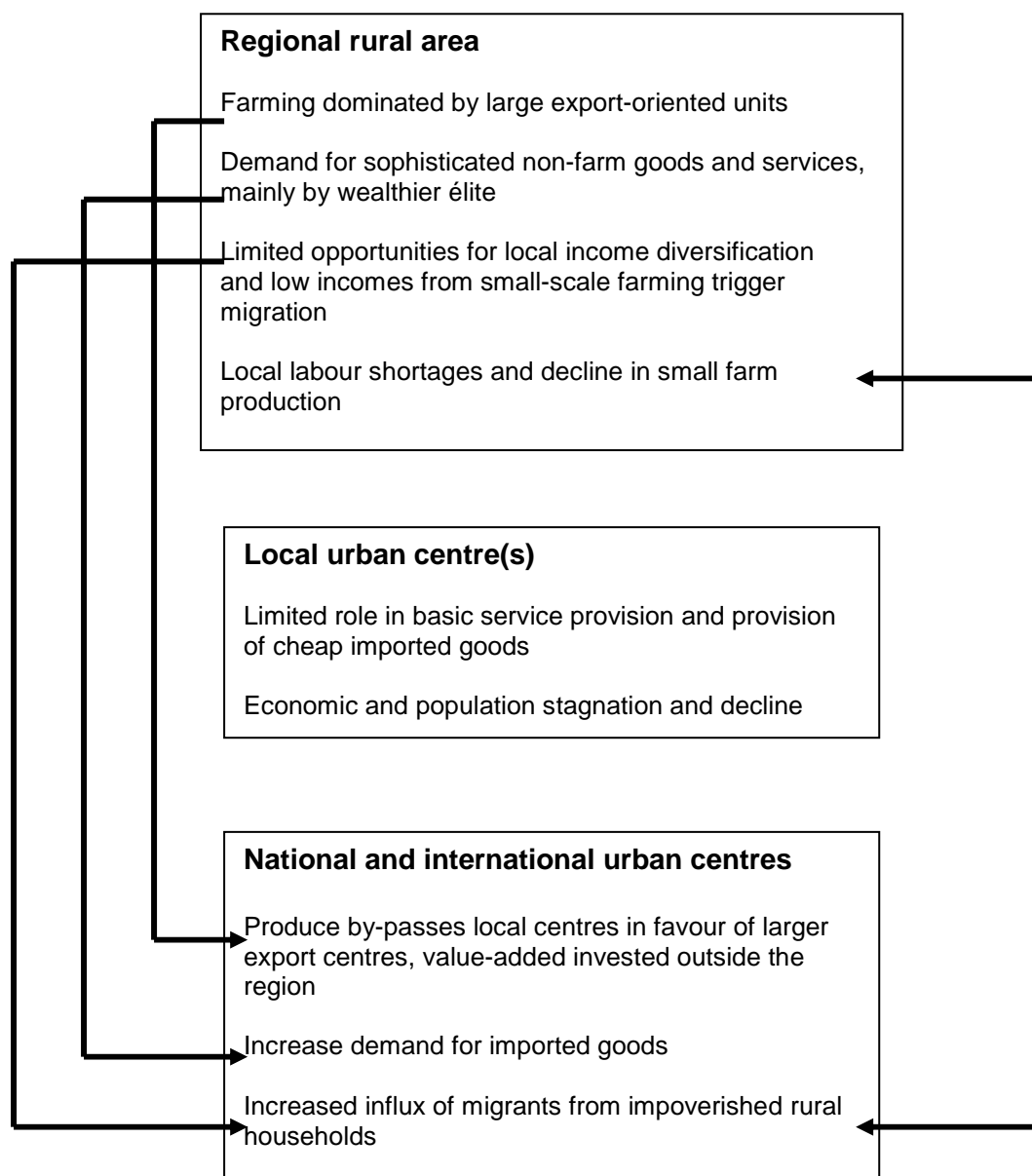


**Figure 1.2: Negative rural–urban interactions and regional development**

**International context:** limited access to international markets for small and medium-sized producers, unstable commodities prices; foreign investment concentrates in large-scale export production, imports compete with locally produced goods.

**National context:** inequitable distribution of and access to land; regionally imbalanced growth strategies including limited provision of infrastructure, credit facilities for small and medium-sized producers, and basic services (education, health, water and sanitation); lack of support to local government; unregulated institutional structure of markets.

**Local governance:** unaccountable, with inadequate resources and capacity; not integrated with national planning



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