

Cities benefit from a prosperous agriculture

Although «urban» and «rural» development are often considered as in opposition to each other and seen as competing with each other for investment and support, many urban centres owe much of their economic base to agriculture. Ironically, one of the best tests of whether rural development is working is whether local urban centres are booming – as increasing agricultural output is served by markets and producer services there, and as real increases in income for a wide range of rural households are reflected in increased demand for goods and services provided by urban-based enterprises.

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It is now widely recognized that the livelihoods of significant proportions of both rural and urban households rely on combinations of rural and urban activities, including non-farm employment for rural residents and peri-urban farming for urban dwellers. However, the administrative distinction between «rural» and «urban» obscures the importance of exchanges between rural and urban households, enterprises and economies. It is essential that policies and programmes reflect the importance of the «urban» part of rural development and the «rural» part of urban development. Since successful development policies need to be grounded in the local context – because needs and possibilities vary greatly between locations – local government and local civil society should have key roles in the identification of local needs, opportunities and constraints, and be able to act on them.

Service centres for rural and urban populations

Most urban centres have important roles in the provision of services for much of the rural population, including government services that are to ensure the rule of law and the fulfilment of civil and political rights. Access to health care and education are an important aspect of rural-urban linkages, with «district» hospitals and secondary schools often located in urban centres from where they also serve the population of surrounding rural areas. Trade and services are an important component of non-farm activities in most smaller urban centres. This may consist of buying farm produce and selling it in local markets, or shipping it to other markets outside the region; it may also consist of selling goods, both agricultural and non-agricultural, to farmers and households whose main source of income is derived from farming. Smaller urban centres also provide recreational services to the population of their surrounding

region, including bars, restaurants, hotels and guesthouses, cinemas, etc.

In most rural areas, urban centres also have important roles in linking local producers to larger regional, national and international markets. Meanwhile, the markets, storage, packaging and processing facilities that tend to be concentrated in urban areas are often important sources of employment locally. But whether there are these positive linkages between rural and urban development is much influenced by four factors:

- the nature of the land-owning structure;
- the competence, capacity and accountability of local governments;
- the quality of the transport and communications links to areas that are potential markets; and
- the prices for local produce.

Land-owning patterns and urban development

The strongest rural-urban stimulus tends to be where crops or other rural products generate a high income per hectare and where the land-owning structure is not too inequitable. In any region where there are many farmers earning good returns from high-value crops for which they receive good prices, local urban centres are likely to be booming. This can be seen in the many urban centres in Africa, Asia and Latin America that boomed in areas producing coffee, tea, cocoa, fruit, silk, high value vegetables and grapes. Many such urban centres had their economic and employment base much strengthened by forward and backward linkages with production, including enterprises that added value to local crops – for instance wine from grapes, silk process-

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ing, juices and jams from fruit. Many were also strengthened by a concentration of government services – as they became district or provincial headquarters. Some developed far beyond their agricultural roles as they attracted new investment and developed strong industrial or service economies. Sao Paulo began as a coffee town. An important stimulus to the development of Bangalore, India's booming IT city, was the many enterprises located there that were linked to the production of silk and of silk goods.

However, prosperous agriculture may provide little stimulus to local urban centres. The extent of the stimulus depends on the extent to which the whole production, distribution and sale chain generates incomes locally. In agricultural regions dominated by large-scale commercial agriculture, most local urban centres do not have major roles as much of the cash crop production bypasses them – most of the linkages are with enterprises in larger cities – while the low wages paid to local workers generates little demand for goods and services. Incomes or profits also flow to absentee land-owners. This lack of local urban stimulus is especially evident for export-oriented cattle-raising and for certain crops which are shipped directly to larger centres and ports, with little or no new economic activities developing in smaller urban centres.

In addition, small urban centres suffer from the same vulnerability to falling farm prices as the farmers that use them. In Ghana's cocoa-producing Central Region, the collapse of international prices for cocoa triggered population loss in small towns and actually contributed to a fall in the proportion of people living in urban centres. Similarly, low prices for coffee on the international market have brought serious economic problems to many coffee towns that had originally developed and often boomed during periods when world prices were higher.

Transport

The availability of transport and of farmers' capacity to afford it is important not only in connecting producer areas to local urban centres but also to other actual and potential markets. The location of small urban centres is therefore critical. In many cases, urban centres located on road axes, along railways and rivers, or in coastal areas have better links to wider market networks. Indeed, national and regional urban systems always reflect the dominant transport system, although often also showing the influence of transport systems that have been superseded (for instance, the many «railway towns» and

«river ports» that have lost importance as road transport now predominates). Border centres often incorporate elements of underground trade networks, especially where pricing policies result in significant price differences for cash crops.

Better transport links do not necessarily bring prosperity. Local enterprises need to be able to compete with external enterprises; even enterprises in thriving smaller urban centres can be undermined by competition from larger urban centres and cities, especially when these are close-by and with good transport links. Since low-income groups usually also have limited time available for purchasing goods and services, small urban centres with a limited range are often by-passed in favour of larger centres offering a wider range.

Improving spatial linkages does not necessarily have a positive impact on marketing of agricultural production. The vertically integrated and centrally controlled marketing operations that prevailed in the agricultural sector from the 1960s, and in many cases up to the implementation of structural adjustment programmes, were usually linked to poor

The impact of transport infrastructure

The influence of transport networks can be seen in two case studies from Tanzania. Himo, in the north of the country, is a vibrant market for local producers. Most farming is small-scale and Himo is a collection and distribution point for local and extra-local markets, including across the border to Kenya. Himo also receives produce from other Tanzanian regions and manufactured goods from Kenya. Services related to the market are the main source of income for many of the town's residents. This concentration of services attracts not only traders but also farmers from surrounding villages (Diyamett et al 2001: *The case of Himo and its region, northern Tanzania, Rural-Urban Working Paper 1*, IIED, London).

By contrast, the town of Lindi, in the south, has a very limited role as a market for local produce. This is due partly to the poor state of the roads within its region, making transport costs prohibitive for small farmers and affecting the connection between Lindi and other urban centres. Moreover, the main locally produced cash crop, cashew nuts, is exported in its raw form by agents who collect it directly from the villages and ship it to international markets, with little if any value-added retained in the region (Lerise et al 2001: *The case of Lindi and its region, southern Tanzania, Rural-Urban Working Paper 2*, IIED, London).

prices for local producers. In many countries, monopolistic practices still prevail in buying rural produce; moreover, increased supply may dampen prices, and rural settlements may compete against each other if they have no clear comparative advantage in producing and marketing their products.

This points to two key issues: rural producers' access to information on markets, including price mechanisms, fluctuations and consumer preferences; and the role of traders. Market information can transform small farmers' practices and help them adapt production to demand. Information can be provided by local traders and by migrant relatives with access to urban markets. The recent, dramatic increase in the use of mobile phones facilitates such exchanges.

But for the majority of small farmers, traders are the main link with urban markets. Although often perceived as exploitative, traders provide a vital link for small and diversified production flows that are not sufficiently profitable to attract large-scale trading organisations. In much of sub-Saharan Africa, especially for horticultural produce, the marketing system is often dominated by small-scale traders, even in the case of wholesale dealers. Moreover, small farmers' limited access to formal credit means that traders often have an important role as providers of credit.

In West Africa, traders are usually women who tend to establish personal relationships with both producers and retailers. In this way, financial exchanges are embedded in wider social relations that provide the basic rules for the trust needed for commercial transactions. The major problem confronting most of these traders is limited financial liquidity, which makes them (and, as a result, their creditors) vulnerable to market losses. This problem is compounded by poor physical infrastructure and lack of storage and processing facilities.

The developmental role of local government

The government of a small urban centre can be an important asset for, or a major constraint to the development of that centre and the rural economy around it. A competent local government that is accountable to the local population can do much to encourage new investment, improve housing (for instance by land management regulations that encourage increased supply and do not inflate costs) and support improved provision for infrastructure and services – even with limited resources.



Photo: GlobalAware

Good roads open market access in urban centres and lessen the isolation of remote rural areas.

Decentralization reforms should strengthen and support this level of government. The greater priority by governments and international donors to meeting the Millennium Development Goals should also act to support such local governments, so that local service provision (for water, sanitation, health care, schools, disease control, the rule of law ...) is much improved. This is essential if the Millennium Development Goals of greatly reducing child and maternal mortality rates, halting and beginning to reverse the spread of HIV/AIDS, malaria and other major diseases and eliminating gender disparity in primary and secondary education are to be met. For much of the world's rural population, such services will be located in small urban centres serving their population as well as that of the surrounding region.

But local governments in smaller urban centres are generally not only weak but often unaccountable and controlled by local landowners or other powerful vested interests. Many decentralization reforms concentrate on national reform and make little attempt to support more accountable, competent governments for small urban centres. Ironically, most governments claim to want to slow the growth of their largest cities but fail to act on one of the most important means to do so – more competent, effective local governments in smaller urban centres.

Is rural diversification and urban migration driven by prosperity or poverty?

In most locations, there has been an increase among rural households in the time devoted to, and the income share derived from, non-farm activities. The

scale of this is often hidden in official employment statistics because these only record people's primary activity. Rural non-farm activities encompass all activities outside the agricultural sector – for instance services and manufacturing, including those related to the transformation and processing of agricultural produce. They also include all forms of work – self-employment, wage employment, full-time, part-time, formal, informal, seasonal and occasional non-farm income-generating activities. These may take place in a variety of locations: in the home, in rural-based workplaces and urban-based ones requiring workers to commute, and in a number of different places, as is the case for itinerant activities such as trading.

The proportion of rural households' incomes derived from non-farm sources, including migrant remittances, is between 30 and 60 percent in most regions – and can reach as high as 80-90 percent in some (see Ellis 1998: *Household strategies and rural livelihood diversification* in: *Journal of Development Studies*, Vol. 35 No 1; Reardon, Berdegue and Escobar 2001: *Rural non-farm employment and incomes in Latin America: overview and policy implications*, in: *World Development* Vol. 29 No 3).

A key question is whether rural diversification is the result of growth in both agricultural and non-agricultural sectors (what might be termed a virtuous cycle of rural-urban development) or the result of

decline and stagnation in farming. Diversification may be one dimension of a wider process of de-peasantization, involving the rapid shrinkage of the proportion of the population engaged in farming and residing in rural settlements. In this context, non-farm activities concentrate in over-competitive and poorly paid services such as petty trade (Bryceson 1999: *African rural labour, income diversification and livelihood approaches: a long-term development perspective*, in: *Review of African Political Economy* Vol. 80).

Many case studies show both processes at work. For example, in some densely populated regions of China and Vietnam, increases in rural non-farm activities are primarily the consequence of large labour surpluses in agriculture. However, in both countries, such labour surpluses emerged after the demise of the commune farm system in the 1979-84 period in China, and post-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 (Kirkby, Bradbury and Shen 2000: *Small Town China – Governance, Economy, Environment and Lifestyle* in Three Zhen, Ashgate, Aldershot, Douglas et al 2002: *The Urban Transition in Vietnam*, UNCHS and University of Hawaii).

In much of sub-Saharan Africa, the growth in non-farm occupations 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 (Bah et al 2003: *Changing rural-urban linkages in Mali, Nigeria and Tanzania*, in: *Environment and Urbanization* Vol. 15, No 1, pages 13-24). The latter are, in most cases, not the consequence of endogenous development but of the internationalisation of trade, production and services.

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