

Sustainable urbanization and inclusive rural transformation



MAIN MESSAGES

The participation of rural stakeholders is central to promoting inclusive, mutually beneficial and sustainable urbanization. Globally, most of the world's poor and food-insecure people are still located in rural areas. Undernourishment continues to be concentrated among populations based in rural areas, although a growing number of poor people living in urban areas are affected. It is thus critical that rural people and their organizations participate in designing and implementing development policies and programmes that have an impact on rural-urban linkages – for example in food security, territorial development, urban food planning, natural resource management or infrastructure. Only through such participation can the concerns and perspectives of rural people be represented in decision-making, thereby enhancing the quality of policies and programmes, as well as fostering inclusive development.

Promoting smallholder agriculture is key to ensuring food security and nutrition in urban and rural areas. Strengthening smallholder production is as important as focusing on improving consumption and nutrition. Both the production and the consumption dimensions of rural-urban linkages need to be addressed to strengthen food systems. Improving linkages between urban populations with smallholder farmers is critical when seeking to enable rural people to take advantage of new market opportunities and employment opportunities in food value chains. Also critical are sustainable arrangements between urban and rural populations for the use and management of ecosystem services and natural resources.

Cities can be sustainable only if they are surrounded by thriving rural areas – in particular, a resilient, productive and remunerative agriculture sector. Therefore, sustainable urbanization cannot be addressed in isolation from rural and agricultural development. This calls for approaches to the governance of urbanization that look at development in both rural and urban areas as a “system”. The ways in which different patterns of agricultural and rural development affect urbanization and urban areas need to be explored and, conversely, of how labour markets and employment opportunities evolve in interconnected ways in rural and urban areas and in conjunction with rural transformation and urbanization. In terms of governance, territorial development approaches often provide a particularly useful framework to address these dynamics holistically.

1. See: World Bank. 2008. *World Development Report 2008: Agriculture for Development*. The World Bank: Washington, D.C.

2. See: De Janvry, A. and Sadoulet, E. 2009. *Agricultural Growth and Poverty Reduction: Additional Evidence*. The World Bank Research Observer. Vol. 25, no. 1 (February 2010), pp. 1-20.

3. For example, see: (i) Mellor, J.W. 1995. *Agriculture on the Road to Industrialization*. The John Hopkins University Press: Baltimore; (ii) Hagglblade, S., 2005. *The Rural Nonfarm Economy: Pathway Out of Poverty or Pathway In?* Paper prepared for the Research Workshop “The Future of Small Farms” Wye, Kent, 26-29 June 2005, IFPRI, ODI, Imperial College; (iii) HLPE. 2013. *Investing in Smallholder Agriculture for Food Security*. A report by the High-Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security. Rome.

4. For example, see: (i) FAO and OECD. 2012. *Sustainable Agricultural Productivity Growth and Bridging the Gap for Small-family Farms: Interagency Report to the Mexican G20 Presidency*. Rome: FAO; (ii) Wiggins, S. 2009. *Can the Smallholder Model Deliver Poverty Reduction and Food Security for a Rapidly Growing Population in Africa?* FAC Working Paper No. 8, Future Agricultures Consortium, IDS, Brighton; (iii) Lipton, M. 2006. *The Family Farm in a Globalizing World: the Role of Crop Science in Alleviating Poverty*. International Food Policy Research Institute: Washington, D.C.; and (iv) Sen, A. 1966. *Peasants and Dualism with or without Surplus Labor*. The Journal of Political Economy (1966) 74 (5), pp. 425-450.

Did you know?

- **There is clear evidence that sustained investment to enhance productivity and income in agriculture and the broader rural economy has a significant impact on both growth and poverty reduction.** For instance, it has been estimated that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture¹ and that, among the poorest 40 per cent of the population, agricultural growth induces income growth that is around three times larger than growth originating in the rest of the economy.²
- **Agricultural growth has an impact not only directly on poverty reduction, but also indirectly on growth elsewhere in the economy.** Higher farm income generates demand for agricultural inputs, capital and services; commercial distribution and processing infrastructure and services; and non-food consumable goods. And increased profits and productivity in agriculture release labour and capital that can be invested in other sectors.³
- In terms of ensuring a sustainable supply of food, studies have demonstrated that, in addition to its capacity to retain local value-added and generate employment, **smallholder agriculture offers advantages in terms of production per unit of land, which tends to be higher on small farms.**⁴ This is largely a result of the relative efficiency and lower transaction costs associated with using family labour rather than hired labour. Family farms, therefore, are likely to have specific advantages where labour is abundant and capital is scarce – as is the case in many of today's poorest countries.

KEY TRANSFORMATIONS UNDER WAY

Higher numbers and proportions of people living in cities

- In Africa, particularly in sub-Saharan Africa, rates of urbanization are generally lower than in other regions of the world. For example, 40 per cent of the population in Africa lives in urban areas, compared with 48 per cent in Asia, which is the next least urbanized region of the world. The process of urbanization is expected to continue in the coming decades, however, with the figure rising to 56 per cent in sub-Saharan Africa by 2050, and with sub-Saharan Africa frequently being described as the latest and most rapidly urbanizing region.
- There is a high degree of heterogeneity across different regions and countries in Africa. In Eastern Africa, urbanization rates are still very low, with just one quarter of the population living in urban centres in 2014. By contrast, in Middle Africa, Northern Africa, Southern Africa and Western Africa,⁵ the proportion of the population living in urban areas is 44 per cent or above. The highest urbanization rates in Africa are found in Southern Africa and Northern Africa.

Poverty and hunger are still largely concentrated in rural areas

- Globally, over 78 per cent of poor people reside in rural areas, while the rural population constitutes 58 per cent of the developing world. Moreover, a large share of poor people (63 per cent) work in agriculture, mostly in smallholder farming.
- In sub-Saharan Africa, two thirds of the population derive their livelihoods primarily from agriculture, and only one third from “informal” urban or non-agricultural activities. Rural areas are expected to host two thirds of the labour force increase in the next two decades.

Growing rural-urban interdependencies

- As boundaries become blurred, interdependencies are becoming even greater. Urban centres depend on rural areas, including agriculture and natural resources, for a range of goods and services, such as food, clean water, environmental services and raw materials.

Larger food markets, more net food buyers and changing diets

- The United States Department of Agriculture estimates that food sales in Africa will rise by almost 60 per cent between 2012 and 2022. At the same time, input markets in sub-Saharan Africa have been predicted to increase, from around US\$8 billion a year in 2010 to US\$35 billion by 2030.
- There is a growing tendency among rural people – including poor people – to rely on purchased and prepared food. In Eastern and Southern Africa, rural households purchase about 44 per cent of the food they consume, with 95 per cent of poor rural people purchasing at least 5 per cent of their food.
- Changing food consumption patterns are shaping the demand for food in both rural and urban areas in sub-Saharan Africa. New findings show that both poor rural people and other households are changing their diets. Changes here are similar to those observed in Asia. For instance, in Eastern and Southern Africa, the share of non-grains in the total food expenditure of an average urban household is estimated at 66 per cent, compared with 61 per cent for the average rural household and 54 per cent for poor rural households.

Youth populations are projected to continue rising – in absolute and proportionate terms – in the least urbanized regions

- In both sub-Saharan Africa and South Asia, the youth population will continue to grow during the Agenda 2030 period. In sub-Saharan Africa, this phenomenon will continue throughout the twenty-first century.
- Given these trends, it is expected that rural areas, and smallholder agriculture especially, will have to play a key role in generating jobs for new entrants to the labour market, particularly, but not only, in these regions.⁶

5. Regions referred to are as reported in UNDESA, *World Urbanization Prospects: 2014 Revision*. New York: United Nations Department of Economic and Social Affairs, Population Division.

6. For example: Losch, B. 2013. *Africa's Multiple Challenges and Options for Structural Change*. Presentation at the Wilson Center, Washington, DC, May 22.

Increasing importance of non-farm income for rural people

- As African economies undergo a range of transformations and increasing proportions of people become net food buyers, non-farm income sources are growing in importance for rural people. Non-agricultural sources of income already accounted for an estimated 37 per cent of rural incomes across Africa during the 1990s and 2000s.
- These numbers are growing even in countries where agriculture remains the dominant economic sector in terms of proportion of GDP generated: in the United Republic of Tanzania, for instance, rural non-farm income shares increased from 11 per cent in 1991 to 46 per cent in 2000.
- This trend can be attributed at least in part to increased mobility, particularly seasonal migration, as the physical distance between rural and urban worlds diminishes.

WHAT THIS MEANS FOR POLICY AND INVESTMENT

Given the context and evidence presented, the following emerge as priorities for action:

Investing in rural-urban connectivity and mutually beneficial linkages

Sustainable models of urbanization need to be underpinned by mutually supportive and beneficial rural-urban linkages to foster an inclusive and sustainable development process. While rural-urban linkages may be strong in many instances, they may not provide economic and social opportunities to reduce poverty and increase income. Connectivity gaps remain significant, in terms of both the infrastructure and the institutions that are required to facilitate mutually beneficial flows of goods, services, capital and labour between rural and urban areas.

At a glance: rural-urban transformations in Viet Nam's Mekong Delta

Rapid urbanization and industrialization are transforming the relationship between urban and rural centres in Viet Nam, with multiple impacts on the food sector. Between 1990 and 2013, for example, the number of cities in Viet Nam grew from 500 to 760.

But urbanization in Viet Nam is more than a shift of the population from the countryside to large cities in search of work. Labourers in rural areas and small towns also commute daily to nearby industrial zones, and rural labourers may migrate from one village to another for seasonal work. A historic process of circular migration characterizes some regions in particular, as many observers have noted in West Africa, for example. Indeed, since 2005, more people have migrated between villages than from rural areas to cities.

In this context, the International Institute for Environment and Development and its regional partners, with the support of IFAD, the UK Department for International Development and other donors, examined the impact of these profound socio-economic transformations in Vinh Thoi (a growing market node), My Thoi 1 (a peri-urban settlement near the growing city of Can Tho) and Hoa (the more typically agricultural of the three settlements). The study found that farming zones and urban centres had developed a mutually beneficial relationship, leading to local economic growth and reduced poverty. For urban residents, the rise in average incomes had led to higher standards of living, better diets and a growing demand for fresh fruit and vegetables. At the same time, a large number of increasingly mobile rural residents had found work in the growing industrial and service sectors. The income from these workers had helped rural households invest in high-value fruit orchards. Indeed, many farmers had virtually abandoned growing rice in favour of fruit.

Nearly 10 years after the initial study in 2006, the authors returned to the settlements and found that all three continue to be success stories of synergistic rural-urban development. The population has grown and people continue to find work off the farm, either locally or a short distance away. Living conditions have also improved and official poverty rates have declined substantially. Equally, new challenges were also found to be emerging. These include weak quality standards, water pollution and waste, climate change, and population and urbanization pressures. In the years ahead, addressing these issues through coherent, coordinated and locally-owned planning processes will be critical to ensure the continued sustainability of benefits achieved to date.

For more information, see: <http://pubs.iied.org/pdfs/17332IIED.pdf>



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Investing in smallholders

Emerging trends point to the likelihood of markets expanding for smallholders in the proximate and hinterland areas around urban centres. Further, growing population density and the spatial expansion of urban areas can potentially facilitate better access to markets and services for smallholders. In order to leverage these opportunities in the context of more dynamic rural-urban interactions, more investment will be needed in smallholders and in the public goods they rely upon to connect to urban markets.

Adopting territorial approaches

Territorial and city-region approaches to developing food systems will be required to link smallholders to urban consumers and service providers in order to tackle hunger in both rural and urban areas. A systems perspective is therefore vital to analysing and understanding the linkages between smallholder production, agricultural value chains and consumer demand, whether in urban or in rural areas. In this context, a territorial perspective and city-region food system (CRFS) approach creates a critical lens for analysis, policy transformation and implementation.

Harnessing small and medium-sized towns

Transformations of small and medium-sized towns have an important influence on the inclusivity of urbanization processes. In Africa, around half the population lives in small urban settlements of fewer than 500,000 people, compared with two thirds in Europe and one third in North America.⁷ These small urban centres have the potential to play a key role in developing inclusive food systems and are a crucial conduit in rural-urban linkages, offering opportunities for rural producers to access markets. Smaller urban settlements are often centres where rural non-farm activities are consolidated and most employment is located. As such, they offer strategic investment opportunities.

Ensuring no-one is left behind

One of the most effective means of ensuring inclusive outcomes from growth and transformation processes is to create decent jobs that are accessible to groups who are traditionally overrepresented among poor populations, for example rural people, women, unemployed youth and migrants. This need is particularly pressing in sub-Saharan Africa, where it is projected that, by the year 2025, 25 million young people will be entering the labour force annually. Support to labour-intensive sectors such as smallholder farming will be indispensable. Equally important will be the provision of incentives for supermarkets and agribusiness operators sourcing from rural areas to prioritize the creation of decent employment across value chains, for example with local producers, input suppliers, processors and transport workers.

FURTHER READING

IFAD Post-2015 Policy Brief, *Leveraging the rural-urban nexus for development*, published in 2013.

See: <https://www.ifad.org/documents/10180/1067913d-6bec-4057-9ca9-23bc2fefe910>

Global/regional grant to IIED on *Rural-urban transformations and food systems: Re-framing food security narratives and identifying policy options that foster sustainable transitions (2014-2017)*.

Two working papers and five short briefings published to date, including:

<http://pubs.iied.org/10751IIED.html>

<http://pubs.iied.org/10753IIED.html>

IFAD/SKD Global Policy Engagement Forum (December 2015) on *Territorial approaches, rural-urban linkages and inclusive rural transformation*. Meeting Report: <https://www.ifad.org/documents/10180/36a5e671-b321-4ba9-9d60-49b3cee1c0d2>

Rural-urban linkages and food systems in Sub-Saharan Africa. The rural dimension. IFAD Research Series July, 2016 (forthcoming).

7. UNDESA. 2014.